

Mercedes-Benz Australia/Pacific Pty Ltd

ABN 23 004 411 410

ANNUAL FINANCIAL REPORT

31 DECEMBER 2015

Mercedes-Benz Australia/Pacific Pty Ltd

YEAR ENDED 31 DECEMBER 2015

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Mercedes-Benz Australia/Pacific Pty Ltd
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report together with the financial report of Mercedes-Benz Australia/Pacific Pty Ltd ("the Company") for the year ended 31 December 2015 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Dr. Bernd Niess	Director since 2004
Mr. Ruediger Schrage (CFO)	Director since 2013
Mr. Horst von Sanden (CEO)	Director since 2013
Dr. Till Henrik Conrad	Director since 2014
Mr. Richard Howard	Director since 2014
Mr. Daniel Whitehead	Appointed 1 September 2015
Ms. Diane Tarr	Appointed 1 September 2015

Officers who were previously partners of the audit firm

There were no officers of the Company during the financial year who were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Company.

Principal activities

The principal activities of the Company during the course of the financial year were the importation, marketing and distribution of passenger and commercial motor vehicles and their component parts.

The Company is also involved in financing activities for its working capital management and on behalf of itself and some other related parties of the local Daimler group.

There were no significant changes in the nature of the Company's activities during the year.

Operating and financial review

The Company made a profit, after income tax, from continuing operations for the year ended 31 December 2015 of \$216.964 million (2014: \$74.125 million).

Dividends

No dividends were paid or declared by the Company to members since the end of the previous financial year (2014: Nil).

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

Environmental regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

Mercedes-Benz Australia/Pacific Pty Ltd
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Events subsequent to reporting date

Subsequent to 31 December 2015, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Likely developments

Operations

The Company will continue to pursue its policy of increasing its key market share as well as maintaining its contribution to the Daimler global organisation.

The Company's financing activities for other related parties of the local Daimler group are expected to continue depending on the requirements of these related parties.

Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify all directors and officers of the Company against all liabilities to another person (other than the Company or a related party) that may arise from their positions as directors or officers of the Company, except where the liability arises out of conduct involving a liability owed to the Company or a Related Body Corporate, a liability for a pecuniary penalty order under section 1317G, a compensation order under section 1317H of the Law, or a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including all costs and expenses as permitted by law.

The Company has not indemnified or made any agreements to indemnify any person for a liability who is or has been an auditor of the Company.

Insurance premiums

For the period 1 April 2015 to 31 March 2016, the Company has paid insurance premiums of \$3,415 in respect of directors' and officers' liability and legal expenses insurance. This insurance will be renewed in March 2016 to provide coverage for the remainder of the year ending 31 December 2016.

The insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the financial year ended 31 December 2015.

Mercedes-Benz Australia/Pacific Pty Ltd
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005) and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



Mr Horst von Sanden
CEO and Director
Melbourne, 4 April 2016



Mr Rue diger Schrage
CFO and Director
Melbourne, 4 April 2016



Independent auditor's report to the members of Mercedes-Benz Australia/Pacific Pty Ltd

Report on the financial report

We have audited the accompanying financial report of Mercedes-Benz Australia/Pacific Pty Ltd (the Company), which comprises the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.



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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Mercedes-Benz Australia/Pacific Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

James Dent
Partner

Melbourne

4 April 2016



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Mercedes-Benz Australia/Pacific Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

James Dent
Partner

Melbourne

4 April 2016

Mercedes-Benz Australia/Pacific Pty Ltd

DIRECTORS' DECLARATION

1. In the opinion of the directors of Mercedes-Benz Australia/Pacific Pty Ltd ("the Company"):
 - (a) the financial statements and notes that are contained on pages 8 to 64, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) 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. The directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



Mr Horst von Sanden
CEO and Director
Melbourne, 4 April 2016



Mr Ruediger Schrage
CFO and Director
Melbourne, 4 April 2016

Mercedes-Benz Australia/Pacific Pty Ltd

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	11	46,127	37,747
Trade and other receivables	12	2,206,184	1,748,115
Inventories	13	822,688	833,594
Derivative financial instruments	18	1,025	10,497
Total current assets		<u>3,076,024</u>	<u>2,629,953</u>
Non-current assets			
Trade and other receivables	12	1,189,971	1,425,975
Deferred tax assets	15	59,747	60,680
Property, plant and equipment	14	124,273	174,154
Derivative financial instruments	18	773	5,046
Total non-current assets		<u>1,374,764</u>	<u>1,665,855</u>
Total assets		<u>4,450,788</u>	<u>4,295,808</u>
Current liabilities			
Trade and other payables	16	603,774	591,502
Loans and borrowings	17	1,568,080	1,396,825
Derivative financial instruments	18	5,923	5,237
Employee benefits	20	16,796	16,944
Provisions	21	146,098	131,057
Deferred income	22	22,676	21,682
Total current liabilities		<u>2,363,347</u>	<u>2,163,247</u>
Non-current liabilities			
Trade and other payables	16	11,942	10,587
Loans and borrowings	17	1,171,980	1,434,762
Derivative financial instruments	18	773	9,643
Employee benefits	20	2,693	3,325
Provisions	21	74,624	69,484
Deferred income	22	22,151	21,763
Total non-current liabilities		<u>1,284,163</u>	<u>1,549,564</u>
Total liabilities		<u>3,647,510</u>	<u>3,712,811</u>
Net assets		<u>803,278</u>	<u>582,997</u>
Equity			
Share capital	23	70,000	70,000
Reserves		(137)	(3,232)
Retained earnings		<u>733,415</u>	<u>516,229</u>
Total equity		<u>803,278</u>	<u>582,997</u>

The notes on pages 12 to 64 are an integral part of these financial statements.

Mercedes-Benz Australia/Pacific Pty Ltd

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Revenue		3,238,626	2,946,647
Cost of sales	7a	(2,824,506)	(2,612,634)
Gross profit		414,120	334,013
Other income	5	129,801	17,929
Employee expenses	6	(104,250)	(101,167)
Depreciation expenses	14	(12,381)	(14,369)
Impairment losses	7b	(9,330)	(9,109)
Other expenses	7c	(111,952)	(123,406)
Results from operating activities		306,008	103,891
Finance income	9	119,539	143,532
Finance costs	9	(116,547)	(139,386)
Net finance costs	9	2,992	4,146
Profit before income tax		309,000	108,037
Income tax expense	10	(92,036)	(33,912)
Profit for the period		216,964	74,125
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges – reclassified to profit or loss		2,595	-
Effective portion of changes in fair value of cash flow hedges	9	714	(3,634)
Tax on items that may be reclassified subsequently to profit or loss	10	(214)	1,090
Total items that may be reclassified subsequently to profit or loss		3,095	(2,544)
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains	20	317	(1,371)
Tax on items that will not be reclassified to profit or loss	10	(95)	411
Total items that will not be reclassified to profit or loss		222	(960)
Other comprehensive income / (loss) for the period, net of tax		3,317	(3,504)
Total comprehensive income for the year		220,281	70,621

The notes on pages 12 to 64 are an integral part of these financial statements.

Mercedes-Benz Australia/Pacific Pty Ltd

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital \$'000	Hedging reserve \$'000	Share reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2014	70,000	(688)	313	442,751	512,376
Profit for the period	-	-	-	74,125	74,125
<i>Other comprehensive income</i>					
Effective portion of changes in fair value of cash flow hedges, net of income tax	-	(2,544)	-	-	(2,544)
Defined benefit plan actuarial gains, net of tax	-	-	-	(960)	(960)
Total other comprehensive income/(loss)	-	(2,544)	-	(960)	(3,504)
Total comprehensive income/(loss) for the period	-	(2,544)	-	73,165	70,621
Dividends to owners of the Company	-	-	-	-	-
Reclassification of expired share options	-	-	(313)	313	-
Balance at 31 December 2014	70,000	(3,232)	-	516,229	582,997

Balance at 1 January 2015	70,000	(3,232)	-	516,229	582,997
Profit for the period	-	-	-	216,964	216,964
<i>Other comprehensive income</i>					
Cash flow hedges – reclassified to profit or loss	-	2,595	-	-	2,595
Effective portion of changes in fair value of cash flow hedges, net of income tax	-	500	-	-	500
Defined benefit plan actuarial gains, net of tax	-	-	-	222	222
Total other comprehensive income/(loss)	-	3,095	-	222	3,317
Total comprehensive income/(loss) for the period	-	3,095	-	217,186	220,281
Dividends to owners of the Company	-	-	-	-	-
Reclassification of expired share options	-	-	-	-	-
Balance at 31 December 2015	70,000	(137)	-	733,415	803,278

The notes on pages 12 to 64 are an integral part of these financial statements.

Mercedes-Benz Australia/Pacific Pty Ltd

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 \$'000	2014 \$'000
Cash flows (used in)/from operating activities			
Cash receipts from customers		3,616,399	3,283,207
Cash paid to suppliers and employees		(3,375,491)	(3,346,963)
Cash generated from operations		240,908	(63,756)
Interest received		132,169	133,006
Interest paid		(118,504)	(127,076)
Income taxes paid		(57,697)	(57,964)
Net cash (used in)/from operating activities	24b	196,876	(115,790)
Cash flows (used in)/from investing activities			
Payment for acquisition of property, plant and equipment		(3,989)	(3,638)
Proceeds from sale of property, plant and equipment		53,327	-
Proceeds from sale of investments		108,581	-
Net cash (used in)/from investing activities		157,919	(3,638)
Cash flows (used in)/from financing activities			
Proceeds from borrowings		5,280,005	3,666,380
Repayment of borrowings		(4,724,249)	(3,621,000)
Proceeds from borrowings from ultimate parent entity		136,767	1,716,229
Repayment of borrowings from ultimate parent entity		(142,022)	(2,187,251)
Proceeds from borrowings from other related entities		2,822,521	3,037,641
Repayment of borrowings from other related entities		(3,459,879)	(2,405,000)
Loans to other related entities		(8,579,928)	(8,514,757)
Loans repaid by other related entities		8,320,370	8,420,000
Dividends paid		-	-
Net cash (used in)/from financing activities		(346,415)	112,242
Net increase/(decrease) in cash and cash equivalents		8,380	(7,186)
Cash and cash equivalents at 1 January		37,747	44,933
Cash and cash equivalents at 31 December	24a	46,127	37,747

The notes on pages 12 to 64 are an integral part of these financial statements.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. REPORTING ENTITY

Mercedes-Benz Australia/Pacific Pty Ltd ("the Company") is a for-profit company domiciled in Australia. The address of the Company's registered office is Lexia Place, Mulgrave, Victoria 3170.

The Company is primarily involved in the importation, marketing and distribution of passenger and commercial motor vehicles and their component parts.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements of the Company comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 4 April 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- liabilities for cash-settled share-based payment arrangements are measured at fair value; and
- the defined benefit asset/liability is measured as the net total of the plan assets, plus unrecognised past service cost, less the present value of the defined benefit obligation.

The methods used to measure fair value are discussed further in Note 4. Actuarial assumptions used to measure the defined benefit obligation are disclosed in Note 20.

The financial statements have been prepared on a going concern basis.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005) and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand, unless otherwise stated.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 15 – tax assets and liabilities
- Notes 17, 18 and 19 – valuation of financial instruments
- Note 20 – measurement of defined benefit obligations
- Note 21 – provisions
- Note 26 – lease classification
- Note 27 – contingencies

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currencies

Transactions

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Australian dollars at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on retranslation are recognised in profit or loss except for qualifying cash flow hedges which are recognised directly in other comprehensive income to the extent the hedge is effective.

(b) Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which, substantially, all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables. Loans and receivables due within 12 months are classified as current. All other loans and receivables are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents comprise cash and call deposits maturing in less than 3 months.

Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Loans, borrowings and other payables due within 12 months are classified as current. All other loans, borrowings and payables are classified as non-current.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

The non-derivative financial liabilities are initially recognised at fair value less directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are stated at amortised cost using the effective interest rate method.

Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with Daimler AG's treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivative financial instruments are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(c) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

Motor vehicles subject to operating leases, the Company as lessor	1-5 years
Office furniture, fittings, plant & equipment	3-23 years
Freehold land and improvements	12-25 years
Buildings	20-40 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(d) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Company's statement of financial position.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Inventories (continued)

acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment.

All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historic trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit condition are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. Where subsequent events (e.g. repayment by a debtor) cause the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit (CGU)").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated, first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

(g) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as employee expenses in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The discount rate is based on the market yields at the reporting date on corporate bonds whereby the currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligation. The calculation is performed annually by a qualified actuary using the projected unit credit method.

All re-measurements of the net defined benefit liability (asset), including actuarial gains and losses are recognized immediately in other comprehensive income.

Under AASB 119 (2011), the Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling (if relevant).

Taxes payable on future investment income of the plan are included in the return on plan assets and are therefore charged to other comprehensive income as part of the excess or shortfall of the overall return on plan assets over the amount included in net interest on the net defined benefit liability (asset).

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee benefits (continued)

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits, other than defined benefit plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted to its present value using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Company's obligations.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The Share Option Plan and the Performance Phantom Share Plan allow the Company to arrange the issue of shares or the equivalent value of shares of the ultimate parent, Daimler AG, to employees of the Company.

In respect of the "Share Option Plan", the grant date fair value of share options granted is recognised as an employee expense with a corresponding increase in equity, in the share reserve over the period that the employees unconditionally become entitled to the awards. Compensation expense for share options granted after 31 December 2002 have been measured at grant date based on the fair value of the equity award using a modified Black-Scholes option-pricing model. Daimler AG options granted prior to January 1, 2003, continue to be accounted for using the intrinsic value based approach under AASB 2 Share Based Payments.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except for those that fail to vest due to market conditions not being met.

In 2006 Daimler AG adopted the "Performance Phantom Share Plan" under which virtual shares (phantom shares) are granted to eligible employees entitling them to receive cash payment after four years of service.

The fair value of the amounts payable to employees in respect of the Performance Phantom Share Plan, which are settled in cash, is recognised as an employee expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee expense in profit or loss. Fair value is measured with reference to the quoted price of one

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee benefits (continued)

ordinary share in Daimler AG and the estimated target achievement grades as of reporting date.

(h) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Vehicle marketing

Provisions for vehicle marketing are only recognised when the Company has approved a marketing plan and the marketing has either commenced or been announced to those parties impacted by the plan. Provisions are estimated based on the number of vehicles that are sold and are expected to meet the set criteria disclosed in the marketing plan.

Legal

Provisions for legal costs are only recognised when the Company has a legal obligation to pay a legal settlement and legal costs to parties subject to litigation. The provision is a best estimate of the present value of the expenditure required to settle these legal commitments at the reporting date.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(i) Deferred income

Deferred income is recognised in the statement of financial position when progress billings are received from customers under open supply contracts in advance of the delivery of the goods or services to the customer. The deferred income is then recognised in profit or loss as the goods or services are delivered and the sale is recognised as revenue (refer to Note 3(j)).

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement and delivery of a vehicle, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

Rental income

Where the Company has agreed to provide residual value guarantees for operating leases entered into between Mercedes-Benz Financial Services Australia Pty Ltd and their external customers, rental income from these leases is recognised as other income on a straight-line basis over the term of the lease. Lease income prepaid by Mercedes-Benz Financial Services Australia Pty Ltd is classified as deferred income.

Where the Company has agreed to provide leased vehicles to employees of Mercedes-Benz Australia/Pacific Pty Ltd and Mercedes-Benz Financial Services Australia Pty Ltd under an employee lease program, rental income from these leases is recognised in profit or loss when received.

Services income

Where the Company has agreed to provide services to certain external and other related parties, income from these agreements is recognised on a straight-line basis over the term of the agreement.

The Company has also agreed to provide services to other external parties. Income from these agreements is recognised as other income when the services are provided.

(k) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense and spread over the lease term.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impractical to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financing income and expenses

Finance income comprises interest income on funds invested, dividend income, changes in fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in profit or loss. All borrowing costs that are not directly attributable to acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Taxation

Tax Consolidation

The Company is a wholly owned Australian subsidiary in a tax-consolidated group, with Daimler Australia/Pacific Pty Ltd as the head entity. On 9 March 2005, the tax-consolidated group notified the Australian Taxation Office of the implementation date for the tax-consolidated group which is 1 January 2003. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date.

Current and deferred 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 of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the members of the tax-consolidated group are assumed by the head entity and are recognised by the Company as amounts payable (receivable) to (from) the head entity in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised as an equity contribution or distribution.

Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Taxation (continued)

Income Tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Company does not distribute non-cash assets as dividends to its shareholders.

Nature of tax funding and sharing arrangements

The Company and the head entity, in conjunction with other members of the tax-consolidated group, have entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to / (from) the head entity equal to the current tax liability / (asset) and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable / (payable) equal in amount to the tax liability / (asset) assumed. The inter-entity payable / (receivable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement, and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity and other members of the tax-consolidated group have also entered into a tax sharing agreement. The tax sharing agreement 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.

The tax funding and sharing agreement provides that, where on the date of consolidation an attribute was transferred to the head entity by a subsidiary, the head entity must make a compensating payment to the subsidiary. As a result, Daimler Australia/Pacific Pty Ltd will make compensating payments to the Company on consolidation in relation to the elimination of intra-group profits.

(n) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Segment reporting (continued)

Determination and presentation of operating segments (continued)

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) New standards and interpretations not yet adopted

Except as described below, the accounting policies applied by the company in this financial statements are the same as those applied by the company in its financial report as at and for the year ended 31 December 2014.

The new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Group that have been adopted for the current year end are:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB1031 Materiality.

The application of the new and revised standards has not had a material impact on the disclosures or on the amounts recognised in the consolidated interim financial statements.

The Company has identified the following accounting standards, effective for annual reporting periods beginning on or after 1 January 2017 and 1 January 2019 that are available for early adoption at 31 December 2015, which may impact the Company in the period of initial application:

- AASB 15 Revenue from Contracts with Customers: AASB 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Constructions Contracts and Interpretation 13 Customer Loyalty Programmes.
- AASB 9 Financial Instruments: this standard could change the classification and measurement of financial assets and liabilities.
- AASB 16 Leases: this standard has the impact of bringing most leases on-balance sheet, recognising new assets and liabilities.

The Company has not yet assessed the potential impact on its financial statements resulting from the application of AASB 15, AASB 9 and AASB 16.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in Note 3 or the notes specific to that asset or liability.

(a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Loans and borrowings

Fair value of loans and borrowings is determined for disclosure purposes (Note 19). The fair value of loans and borrowings that are readily traded are revalued at reporting date to market value using quoted market prices or, if not readily traded, are measured based on present value of future expected principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(c) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a market rate of interest at the reporting date.

The fair value of interest rate and cross currency swaps are based on market values which approximate estimated future cash flows based on the terms of maturity of each contract and using observable market interest and foreign exchange rates at the reporting date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the entity and counterparty when appropriate. Refer to Note 19 for more information.

Fair values are based on Level 2 valuation methodology which requires inputs, other than quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
5. OTHER INCOME			
Rental income			
From other related parties	31c	5,782	7,314
Employee lease program		-	86
External customers		953	1,604
Rendering of services		3,333	3,904
Other			
From other related parties	31c	4,548	4,943
External parties		4,442	78
Gain on sale of investments		108,581	-
Gain on disposal of property, plant and equipment		2,162	-
Total other income		<u>129,801</u>	<u>17,929</u>

During the year a divestment has occurred of Mercedes-Benz Australia/Pacific Pty Ltd interests in retail dealerships it owned in New South Wales, Queensland and Victoria. Gain on sale of investments amount to \$108 million.

6. EMPLOYEE EXPENSES		2015 \$'000	2014 \$'000
Wages and salaries		(75,184)	(71,759)
Other associated personnel expenses		(10,128)	(9,705)
Contributions to defined contribution plans	20	(8,164)	(7,479)
Expenses related to defined benefit plans	20	(150)	(824)
Long service leave expense		(1,915)	(1,878)
Annual leave expense		(6,275)	(6,299)
Termination benefits		(308)	(2,252)
Cash settled share-based payment transactions	20	(2,126)	(971)
Total employee expenses		<u>(104,250)</u>	<u>(101,167)</u>

7. EXPENSES		2015 \$'000	2014 \$'000
(a) Cost of sales:			
Cost of sales		(2,730,969)	(2,525,612)
Warranty, maintenance and repair expenses		(93,537)	(87,022)
Total cost of sales		<u>(2,824,506)</u>	<u>(2,612,634)</u>
(b) Impairment losses incurred on value of inventories	13	(9,330)	(9,109)
(c) Other expenses:			
Operating leases	26	(10,534)	(11,019)
Loss on disposal of property, plant and equipment		-	(650)
Other expenses		(101,418)	(111,737)
Total other expenses		<u>(111,952)</u>	<u>(123,406)</u>

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

8. AUDITORS' REMUNERATION

	Note	2015 \$	2014 \$
<i>Audit Services</i>			
<i>Auditors of the Company - KPMG Australia</i>			
Audit and review of financial reports		(259,026)	(275,101)
Other regulatory audit services		(69,403)	(69,169)
		<u>(328,429)</u>	<u>(344,270)</u>
 <i>Auditors of the Company - KPMG Overseas</i>			
Audit and review of financial reports		<u>(28,355)</u>	<u>(34,852)</u>
 <i>Other Services</i>			
<i>Auditors of the Company - KPMG Australia</i>			
Other assurance services		-	(9,930)
Other non-audit services		-	-
		<u>-</u>	<u>(9,930)</u>
		<u>(356,784)</u>	<u>(389,052)</u>

	2015	2014
	\$'000	\$'000

9. NET FINANCING COSTS

Recognised in profit or loss

Interest income from:

Related parties	112,235	134,602
External parties	1,101	4,554
Net fair value gains on other financial assets at fair value through profit or loss	6,203	4,376
Financial income	<u>119,539</u>	<u>143,532</u>

Interest expense from:

Related parties	(21,669)	(29,705)
External parties	(84,469)	(101,958)
Net foreign exchange loss	(8,331)	(4,090)
Net unwind of discount on provisions	21 (2,034)	(3,614)
Impairment losses incurred on value of trade receivables	12 (44)	(19)
Financial expense	<u>(116,547)</u>	<u>(139,386)</u>
Net financial income	<u>2,992</u>	<u>4,146</u>

Recognised in other comprehensive income

Effective portion of changes in fair value of cash flow hedges	714	(3,634)
Income tax on income and expenses recognised directly in equity	10 (214)	1,090
	<u>500</u>	<u>(2,544)</u>

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
10. INCOME TAX EXPENSE			
<i>Current tax benefit/(expense)</i>			
Current year		(91,000)	(48,486)
Adjustments for prior years		(412)	1,557
		<u>(91,412)</u>	<u>(46,929)</u>
<i>Deferred tax benefit/(expense)</i>			
Origination and reversal of temporary differences	15	(624)	13,017
		<u>(624)</u>	<u>13,017</u>
Total income tax benefit/(expense)		<u>(92,036)</u>	<u>(33,912)</u>
<i>Numerical reconciliation between tax benefit/(expense) and pre-tax net profit/(loss)</i>			
Profit for the period		216,964	74,125
Total income tax expense		92,036	33,912
Profit before income tax		<u>309,000</u>	<u>108,037</u>
Income tax expense using the Company's domestic tax rate of 30% (2014: 30%)		(92,700)	(32,411)
Increase/(decrease) in income tax benefit/(expense) due to:			
Non-deductible expenses		1,076	(3,058)
Income tax over/(under) provided in prior year		(412)	1,557
Income tax expense on pre-tax net profit		<u>(92,036)</u>	<u>(33,912)</u>
<i>Deferred tax recognised in other comprehensive income</i>			
Relating to gains and losses on cash flow hedges		(214)	1,090
Relating to defined benefit plan		(95)	411
Total deferred tax recognised in other comprehensive income	15	<u>(309)</u>	<u>1,501</u>
11. CASH AND CASH EQUIVALENTS			
Bank balances		41,876	29,737
Call deposits		4,251	8,010
Cash and cash equivalents in the Statement of Cash Flows	24a	<u>46,127</u>	<u>37,747</u>

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 19. Call deposits relate to funds with maturities of less than 3 months.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
12. TRADE AND OTHER RECEIVABLES			
<i>Current</i>			
<i>Non-interest bearing</i>			
Trade receivables		73,031	90,972
Receivables due from ultimate parent entity	31a	25,068	27,273
Receivables due from immediate parent entity	31b	439	12,200
Receivables due from other related entities	31c	78,676	89,232
Prepayments and other assets		6,087	7,424
		<u>183,301</u>	<u>227,101</u>
<i>Interest bearing</i>			
Loans due from other related entities	31c	2,022,883	1,521,014
		<u>2,022,883</u>	<u>1,521,014</u>
		<u>2,206,184</u>	<u>1,748,115</u>
<i>Non-current</i>			
<i>Non-interest bearing</i>			
Receivables due from ultimate parent entity	31a	15,652	11,260
Receivables due from other related entities	31c	2,339	2,500
		<u>17,991</u>	<u>13,760</u>
<i>Interest bearing</i>			
Loans due from other related entities	31c	1,171,980	1,412,215
		<u>1,171,980</u>	<u>1,412,215</u>
		<u>1,189,971</u>	<u>1,425,975</u>

Trade receivables are shown net of impairment losses. Impairment losses on trade receivables recognised in the current year amount to \$44,000 (2014: \$19,000) and relate to a high probability of not collecting debts from a number of customers (refer Note 9).

The Company's exposure to credit risk for financial assets is disclosed in Note 19.

13. INVENTORIES

Consumables	134	285
Finished goods	546,769	600,361
Goods in transit	275,785	232,948
	<u>822,688</u>	<u>833,594</u>
Finished goods – at cost	368,092	460,758
Finished goods – at net realisable value	178,677	139,603
	<u>546,769</u>	<u>600,361</u>

During the year consumables and changes in finished goods recognised as cost of sales amounted to \$2.731 billion (2014: \$2.526 billion) and write-down of inventories to net realisable value amounted to \$9.330 million (2014: \$9.109 million) for continuing operations, primarily relating to obsolete parts stock and vehicle provisions (refer Note 7(b)). Inventories are shown net of impairment losses.

Mercedes-Benz Australia/Pacific Pty Ltd
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14. PROPERTY, PLANT AND EQUIPMENT

	Land and improvements \$'000	Buildings \$'000	Plant and equipment \$'000	Assets under Construction \$'000	Total \$'000
<i>Cost</i>					
Balance at 1 January 2014	38,740	99,216	94,676	1,552	234,184
Acquisitions	3	855	67,404	426	68,688
Transfers	-	688	139	(827)	-
Disposals	(34)	(587)	(62,497)	-	(63,118)
Balance at 31 December 2014	38,709	100,172	99,722	1,151	239,754
Balance at 1 January 2015	38,709	100,172	99,722	1,151	239,754
Acquisitions	-	421	62,741	1,407	64,569
Transfers	-	-	-	-	-
Disposals	(25,825)	(32,038)	(60,392)	-	(118,255)
Balance at 31 December 2015	12,884	68,555	102,071	2,558	186,068
<i>Depreciation</i>					
Balance at 1 January 2014	(1,039)	(29,371)	(33,488)	-	(63,898)
Depreciation charge for the year	(102)	(2,802)	(11,465)	-	(14,369)
Transfers	-	-	-	-	-
Disposals	18	300	12,349	-	12,667
Balance at 31 December 2014	(1,123)	(31,873)	(32,604)	-	(65,600)
Balance at 1 January 2015	(1,123)	(31,873)	(32,604)	-	(65,600)
Depreciation charge for the year	(55)	(2,230)	(10,096)	-	(12,381)
Transfers	-	-	-	-	-
Disposals	883	7,062	8,241	-	16,186
Balance at 31 December 2015	(295)	(27,041)	(34,459)	-	(61,795)
<i>Carrying amounts</i>					
Balance at 1 January 2014	37,701	69,845	61,188	1,552	170,286
Balance at 31 December 2014	37,586	68,299	67,118	1,151	174,154
Balance at 1 January 2015	37,586	68,299	67,118	1,151	174,154
Balance at 31 December 2015	12,589	41,514	67,612	2,558	124,273

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NOTES TO THE FINANCIAL STATEMENTS
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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets under construction

Assets under construction at reporting date totalling \$2.558 million (2014: \$1.151 million) primarily relate to IT upgrades.

Operating lease transactions

Vehicles that are subject to operating leases between a related party, Mercedes-Benz Financial Services Australia Pty Ltd ("MBFSAu") and their external customers, and where the Company has agreed to provide residual value guarantees, are accounted for as plant and equipment. The written down value of these operating leases is \$60.731 million (2014: \$56.437 million). Additions for plant and equipment amounting to \$60.348 million (2014: \$64.967 million) related to the new operating lease arrangements entered into by MBFSAu with their external customers. These additions are reflected as non-cash acquisitions as prior to the operating lease arrangements being entered into, these vehicles have been purchased as inventory as part of the normal operating activities of the Company.

Similarly, disposals for plant and equipment with an initial acquisition cost of \$52.612 million (2014: \$60.220 million) related to the expired operating lease arrangements entered into by MBFSAu with their external customers. Upon expiry of the operating lease arrangements, these vehicles were transferred to inventory of the Company. These disposals are reflected as non-cash disposals.

	2015	2014
	\$'000	\$'000

15. TAX ASSETS AND LIABILITIES

Recognised deferred tax assets

Net deferred tax assets are attributable to the following:

Provisions	67,475	60,496
Employee benefits	4,925	5,202
Recognised liability for defined benefit plans	-	205
Interest bearing loans and borrowings	-	76
Cash settled share-based payment transactions	922	674
Payable to other related entities	20,205	18,364
Provision for doubtful debts	10	2
Provision for diminution of inventories	10,047	9,544
Depreciation timing differences	1,306	1,412
Other payables	7,706	5,587
Derivative financial instruments	1,469	999
Operating leases as lessor	(18,219)	(16,837)
Prepayments	500	880
Receivables from related parties	-	-
Profit deferral for tax purposes	(36,599)	(25,784)
Other items	-	(140)
Net deferred tax assets	<u>59,747</u>	<u>60,680</u>

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
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15. TAX ASSETS AND LIABILITIES (CONTINUED)

In accordance with the tax consolidation legislation, Daimler Australia/Pacific Pty Ltd (the head entity) has assumed the current tax liability or asset initially recognised by the Company which is a member of the tax consolidated group.

Under the tax funding arrangement the Company and the head entity recognise an inter-entity payable or receivable equal in amount to the current tax liability or asset assumed. The Company continues to recognise income tax expense or benefit even though it has derecognised its current tax liability or asset.

At 31 December 2015 the Company had an intercompany payable of \$25.158 million (2014: receivable of \$12.200 million) relating to a current tax receivable assumed by the head entity which is included in Trade and other payables (refer to Note 16).

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

15. TAX ASSETS AND LIABILITIES (CONTINUED)

Movement in temporary differences during the year

	2015			2014		
	Balance at 1 January 2015 \$'000	Recognised in income \$'000	Recognised in other comprehensive income \$'000	Balance at 1 January 2014 \$'000	Recognised in income \$'000	Recognised in other comprehensive income \$'000
Provisions	60,496	6,979	-	60,537	(41)	-
Employee benefits	5,202	(277)	-	4,799	403	-
Recognised liability for defined benefit plans	205	(110)	(95)	(270)	64	411
Interest bearing loans and borrowings	76	(76)	-	725	(649)	-
Cash settled share-based payment transactions	674	248	-	703	(29)	-
Payable to other related entities	18,364	1,841	-	17,049	1,315	-
Provision for doubtful debts	2	8	-	6	(4)	-
Provision for diminution of inventories	9,544	503	-	7,850	1,694	-
Depreciation timing differences	1,412	(106)	-	1,351	61	-
Other payables	5,587	2,119	-	5,393	194	-
Derivative financial instruments	999	684	(214)	(2,710)	2,619	1,090
Operating leases as lessor	(16,837)	(1,382)	-	(14,723)	(2,114)	-
Prepayments	880	(380)	-	569	311	-
Receivables from related parties	-	-	-	(7,321)	7,321	-
Profit deferral for tax purposes	(25,784)	(10,815)	-	(26,045)	261	-
Other items	(140)	140	-	(1,751)	1,611	-
Net deferred tax assets / (liabilities)	60,680	(624)	(309)	46,162	13,017	1,501
						60,680

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NOTES TO THE FINANCIAL STATEMENTS
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	Note	2015 \$'000	2014 \$'000
16. TRADE AND OTHER PAYABLES			
<i>Current</i>			
Trade payables		18,300	28,260
Payable to ultimate parent entity	31a	333,182	336,909
Payable to immediate parent entity	31b	25,158	-
Payable to other related entities	31c	106,583	92,339
Other payables		120,551	133,994
		<u>603,774</u>	<u>591,502</u>
<i>Non-current</i>			
Payable to other related entities	31c	11,942	10,587

Trade and other payables are non-interest bearing and current trade and other payables are due and payable within 30 days from receipt of invoice.

The Company's exposure to liquidity and currency risks related to trade and other payables are disclosed in Note 19.

17. LOANS AND BORROWINGS

<i>Current</i>			
Bank loans (secured)	(b)	625,000	75,000
Notes (secured)	(c)	673,415	626,130
Commercial papers (secured)	(f)	269,665	49,938
Loans from ultimate parent entity	31a, (d)	-	8,399
Loans from other related entity	31c, (e)	-	637,358
		<u>1,568,080</u>	<u>1,396,825</u>
<i>Non-current</i>			
Bank loans (secured)	(b)	250,000	240,000
Notes (secured)	(c)	921,980	1,194,762
		<u>1,171,980</u>	<u>1,434,762</u>
The Company has access to the following lines of credit:			
Bank overdraft (unsecured)	(a)	70,000	50,000
Bank loans (secured)	(b)	955,000	1,300,000
Notes (secured)	(c)	1,595,395	1,820,892
Commercial papers (secured)	(f)	269,665	49,938
Loans from ultimate parent entity	(d)	-	8,399
Loans from other related entity	(e)	-	637,358
		<u>2,890,060</u>	<u>3,866,587</u>
<i>Facilities utilised at reporting date</i>			
Bank loans (secured)	(b)	875,000	315,000
Notes (secured)	(c)	1,595,395	1,820,892
Commercial papers (secured)	(f)	269,665	49,938
Loans from ultimate parent entity	(d)	-	8,399
Loans from other related entity	(e)	-	637,358
		<u>2,740,060</u>	<u>2,831,587</u>

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

17. LOANS AND BORROWINGS (CONTINUED)

	Note	2015 \$'000	2014 \$'000
<i>Facilities not utilised at reporting date</i>			
Bank overdraft (unsecured)	(a)	70,000	50,000
Bank loans (secured)	(b)	80,000	985,000
Notes (secured)	(c)	-	-
Commercial papers (secured)	(f)	-	-
Loans from ultimate parent entity	(d)	-	-
Loans from other related entity	(e)	-	-
		<u>150,000</u>	<u>1,035,000</u>

The proceeds from interest bearing loans and borrowings have been used predominantly to finance the activities of related parties and to meet the Company's working capital needs. Interest payable on loans and borrowings and interest receivable from related parties have been included in profit or loss as financial expense and income respectively.

Current portion of bank loans, notes, commercial papers and loans from the ultimate parent entity and other related entity are payable within one year from the reporting date.

Non-current portion of bank loans, notes and loans from ultimate parent entity are payable on or before 19 November 2018, but after one year from the balance date of these financial statements.

The Company's exposure to credit, liquidity and market rate risks and a sensitivity analysis for financial assets and liabilities are disclosed in Note 19.

(a) Bank overdraft (unsecured)

The Company's bank overdraft is denominated in AUD and is payable on demand and subject to annual review. Interest is charged at prevailing market rates.

(b) Bank loans (secured)

The Company's bank loans are denominated in AUD. The Company has access to credit facilities which are subject to annual renewal. Interest is charged at prevailing market rates. The Company has the following bank loans (secured) outstanding at 31 December 2015 which are guaranteed by the ultimate parent entity:

Currency of Loan	Value of Loan	Due Date	Interest re-pricing
AUD	120,000,000	Jan-16	On maturity
AUD	60,000,000	Jan-16	On maturity
AUD	25,000,000	Jan-16	On maturity
AUD	50,000,000	Jan-16	On maturity
AUD	80,000,000	Feb-16	On maturity
AUD	50,000,000	Mar-16	On maturity
AUD	40,000,000	Apr-16	On maturity
AUD	50,000,000	Jun-16	On maturity
AUD	50,000,000	Jul-16	On maturity
AUD	75,000,000	Sep-16	On maturity
AUD	25,000,000	Sep-16	On maturity
AUD	50,000,000	May-17	On maturity
AUD	75,000,000	Aug-17	On maturity
AUD	25,000,000	Sep-17	On maturity
AUD	100,000,000	Oct-17	On maturity

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
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17. LOANS AND BORROWINGS (CONTINUED)

(c) Notes (secured)

The Company has authorised the following note issues outstanding at 31 December 2015 denominated in EUR and AUD which are guaranteed by the ultimate parent entity:

Currency	Value of Notes	Due Date	Currency Swap	Interest Rate Swap	Interest re-pricing
EUR	100,000,000	Mar-16	EUR to AUD	Quarterly Floating to Quarterly Floating	Quarterly
AUD	100,000,000	Mar-16	-	-	On maturity
AUD	100,000,000	May-16	-	-	On maturity
AUD	100,000,000	Jul-16	-	-	On maturity
AUD	100,000,000	Sep-16	-	-	On maturity
AUD	125,000,000	Nov-16	-	-	On maturity
AUD	125,000,000	Jan-17	-	-	On maturity
AUD	100,000,000	Apr-17	-	-	On maturity
AUD	100,000,000	Jun-17	-	-	On maturity
AUD	100,000,000	Aug-17	-	-	On maturity
AUD	100,000,000	Nov-17	-	-	On maturity
AUD	100,000,000	Jan-18	-	-	On maturity
AUD	100,000,000	Mar-18	-	-	On maturity
AUD	100,000,000	Jun-18	-	-	On maturity
AUD	100,000,000	Nov-18	-	-	On maturity

All issues are listed on the Luxembourg Stock Exchange and guaranteed by Daimler AG. Interest rates on AUD fixed interest notes are agreed at the inception of the notes. Interest rates on EUR floating interest notes are agreed at the inception of the notes and re-priced on a quarterly basis. Average interest rates are set out in Note 19.

(d) Loans from ultimate parent entity

All issues are from Daimler AG (refer Note 31 (a)). Interest rates on related party loans are re-priced periodically to market rates as indicated. Interest rates on fixed interest related party loans are agreed at the inception of the loans.

(e) Loans from other related entity

Loans from other related entity in 2014 relates to loans from Daimler International Finance B.V., a related party of the Company. The loans are guaranteed by the ultimate parent entity. The loans from Daimler International Finance B.V. are denominated in EUR and payable upon maturity. Interest rates on related party loans are re-priced periodically to market rates as indicated. Interest rates on fixed interest related party loans are agreed at the inception of the loans. The Company hedges all related party loans issued in Euro as detailed in the table above. Average interest rates are set out in Note 19.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

17. LOANS AND BORROWINGS (CONTINUED)

(f) Commercial papers (secured)

The Company has authorised the following commercial papers issues outstanding at 31 December 2015 denominated in AUD which are guaranteed by the ultimate parent entity:

Currency	Value of Commercial Papers	Due Date	Interest re-pricing
AUD	10,000,000	Jan-16	On maturity
AUD	35,000,000	Jan-16	On maturity
AUD	25,000,000	Jan-16	On maturity
AUD	25,000,000	Jan-16	On maturity
AUD	30,000,000	Jan-16	On maturity
AUD	15,000,000	Jan-16	On maturity
AUD	25,000,000	Jan-16	On maturity
AUD	45,000,000	Jan-16	On maturity
AUD	25,000,000	Jan-16	On maturity
AUD	15,000,000	Jan-16	On maturity
AUD	20,000,000	Jan-16	On maturity

2015
\$'000

2014
\$'000

18. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Assets

Current

Foreign exchange swap contracts - cash flow hedges	-	5,173
Foreign exchange swap contracts - no hedge accounting	-	1,587
Interest rate swap contracts - no hedge accounting	142	4
Forward foreign exchange contracts - no hedge accounting	883	3,733
	<u>1,025</u>	<u>10,497</u>

Non-current

Cross currency swap contracts - cash flow hedges	-	-
Interest rate swap contracts - no hedge accounting	773	5,046
	<u>773</u>	<u>5,046</u>

Derivative Liabilities

Current

Cross currency swap contracts - cash flow hedges	4,279	767
Interest rate swap contracts - no hedge accounting	142	4
Forward foreign exchange contracts - no hedge accounting	1,356	-
Foreign exchange swap contracts - cash flow hedges	-	4,466
Foreign exchange swap contracts - no hedge accounting	146	-
	<u>5,923</u>	<u>5,237</u>

Non-current

Cross currency swap contracts - cash flow hedges	-	4,597
Interest rate swap contracts - no hedge accounting	773	5,046
	<u>773</u>	<u>9,643</u>

The Company's exposure to credit, liquidity and market rate risks and a sensitivity analysis for financial assets and liabilities are disclosed in Note 19. Contracts are classified as current where maturity dates are less than 12 months. All other contracts are classified as non-current.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS

The Company has exposure to credit, liquidity and market risks from its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are also included in this note and throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and is also responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit Risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers and certain key suppliers. Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which is principally Daimler AG. At 31 December 2015 the credit rating of Daimler AG was as follows:

Standard & Poors	A-
Moody's	A3
Fitch	A-

The Company also has derivative contracts with external counterparties. The Company's ultimate parent Daimler AG determines which counterparties are contracted with. Typically this will only be with A rated external counterparties.

The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Company pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Company.

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Note	2015 \$'000	2014 \$'000
Trade and other receivables	12	3,396,155	3,174,090
Cash and cash equivalents	11	46,127	37,747
Derivative financial instruments	18	1,798	15,543
		<u>3,444,080</u>	<u>3,227,380</u>

The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties, and is not materially exposed to any individual third party customer as at the reporting date.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (CONTINUED)

Credit Risk (continued)

At reporting date 96% (2014: 95%) of trade and other receivables related to a related party, Mercedes-Benz Financial Services Australia Pty Ltd. Mercedes-Benz Financial Services Australia Pty Ltd is subject to a parent company guarantee from the Company's ultimate parent entity, Daimler AG. Other than this, there were no significant concentrations of credit risk relating to the Company's trade and other receivables.

The Company's maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	2015	2014
	\$'000	\$'000
Australia	3,380,410	3,158,210
Europe	6,417	13,791
New Zealand	574	587
Asia	2,779	644
Americas	5,821	858
Africa	154	-
	<u>3,396,155</u>	<u>3,174,090</u>

The Company's maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

Wholesale customers	3,375,728	3,170,908
Retail customers	20,427	3,182
	<u>3,396,155</u>	<u>3,174,090</u>

Impairment losses

The movement in the allowance for impairment in respect of the trade and other receivables during the year was:

Balance at 1 January	8	21
Impairment losses recognised / (reversed)	44	19
Allowance (utilised) / amount recovered	(18)	(32)
Balance at 31 December	<u>34</u>	<u>8</u>

Impairment losses incurred in respect of trade and other receivables for the reporting period primarily related to a high probability of not collecting debts from external retail customers (refer Note 12).

The ageing of the Company's trade and other receivables at the reporting date was:

	2015		2014	
	Gross	Impairment	Gross	Impairment
	\$'000	\$'000	\$'000	\$'000
Not past due	3,353,977	-	3,115,844	-
Past due 1-30 days	36,302	-	49,336	-
Past due 30-60 days	1,605	-	4,974	-
Past due 60-90 days	2,602	-	1,247	-
Past due 90-120 days	631	-	951	-
Past due 120+ days	1,072	(34)	1,746	(8)
	<u>3,396,189</u>	<u>(34)</u>	<u>3,174,098</u>	<u>(8)</u>

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements to ensure that it has sufficient cash on demand to meet expected operational expenses on an on-going basis.

Daimler AG applies a cash concentration method for cash and asset management throughout the global Daimler group. The overriding principle of cash management is to concentrate cash at the highest possible level to maximise investment returns and to minimise borrowing costs.

Daimler AG Group treasury develops proposals concerning the allocation of financial assets on the basis of the global Daimler group's liquidity planning; the CFO is to determine the final asset allocation.

Mercedes-Benz Australia/Pacific Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

19. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

The following are the contractual maturities of financial assets and liabilities, including estimated interest receipts or payments:

2015	Note	Carrying amount	Contractual cash flows	1 year or less	1 to 2 years	2 to 5 years	More than 5 years
\$'000							
<i>Non derivative financial assets</i>							
Loans and other receivables due from other related entities		2,716,789	2,835,662	1,612,544	811,493	411,625	-
Treasury sweep		478,074	-	-	-	-	-
	12	3,194,863	2,835,662	1,612,544	811,493	411,625	-
<i>Non derivative financial liabilities</i>							
Bank loans (secured)	17	(875,000)	(898,442)	(639,468)	(255,923)	(1,190)	(1,861)
Notes issued (secured)	17	(1,595,395)	(1,689,874)	(723,936)	(554,813)	(411,125)	-
Loans from other related entities	17	-	-	-	-	-	-
Commercial papers (secured)	17	(269,665)	(270,000)	(270,000)	-	-	-
Trade and other payables	16	(615,716)	(615,716)	(615,716)	-	-	-
		(3,355,776)	(3,474,032)	(2,249,120)	(810,736)	(412,315)	(1,861)
<i>Derivative financial assets</i>							
Interest rate swap contracts – no hedge accounting	18	915	980	581	514	(115)	-
Forward foreign exchange contracts – no hedge accounting							
Receive legs	18	883	38,313	38,313	-	-	-
Pay legs			(37,683)	(37,683)	-	-	-
Foreign exchange swap contracts – no hedge accounting							
Receive legs	18	-	-	-	-	-	-
Pay legs			-	-	-	-	-
Foreign exchange swap contracts – cash flow hedges							
Receive legs	18	-	-	-	-	-	-
Pay legs			-	-	-	-	-
		1,798	1,610	1,211	514	(115)	-
<i>Derivative financial liabilities</i>							
Interest rate swap contracts – no hedge accounting	18	(915)	(980)	(581)	(514)	115	-
Cross currency swap – cash flow hedges							
Receive legs	18	(4,279)	149,010	149,010	-	-	-
Pay legs			(154,361)	(154,361)	-	-	-
Forward foreign exchange contracts – no hedge accounting							
Receive legs	18	(1,356)	49,260	49,260	-	-	-
Pay legs			(51,005)	(51,005)	-	-	-
Foreign exchange swap contracts – no hedge accounting							
Receive legs	18	(146)	7,184	7,184	-	-	-
Pay legs			(7,337)	(7,337)	-	-	-
		(6,496)	(8,229)	(7,830)	(514)	115	-

Mercedes-Benz Australia/Pacific Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

19. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

2014 \$'000	Note	Carrying amount	Contractual cash flows	1 year or less	1 to 2 years	2 to 5 years	More than 5 years
<i>Non derivative financial assets</i>							
Loans and other receivables due from other related entities	12	2,933,229	2,982,038	1,500,665	937,154	544,219	-
		2,933,229	2,982,038	1,500,665	937,154	544,219	-
<i>Non derivative financial liabilities</i>							
Bank loans (secured)	17	(315,000)	(330,425)	(84,887)	(245,528)	(10)	-
Notes issued (secured)	17	(1,820,892)	(1,947,819)	(691,879)	(712,252)	(543,688)	-
Loans from other related entities	17	(637,358)	(637,358)	(637,358)	-	-	-
Commercial papers (secured)	17	(49,938)	(50,000)	(50,000)	-	-	-
Loans from the ultimate parent entity	17	(8,399)	(10,991)	(7,459)	(1,466)	(798)	(1,268)
Trade and other payables	16	(602,089)	(602,089)	(602,089)	-	-	-
		(3,433,676)	(3,578,682)	(2,073,672)	(959,246)	(544,496)	(1,268)
<i>Derivative financial assets</i>							
Interest rate swap contracts – no hedge accounting	18	5,050	11,586	589	3,240	7,757	-
Forward foreign exchange swap contracts – no hedge accounting							
Receive legs	18	3,733	35,421	35,421	-	-	-
Pay legs			(31,829)	(31,829)	-	-	-
Foreign exchange swap contracts – no hedge accounting							
Receive legs	18	1,587	22,657	22,657	-	-	-
Pay legs			(21,270)	(21,270)	-	-	-
Foreign exchange swap contracts – cash flow hedges							
Receive legs	18	5,173	426,698	426,698	-	-	-
Pay legs			(422,266)	(422,266)	-	-	-
		15,543	20,997	10,000	3,240	7,757	-
<i>Derivative financial liabilities</i>							
Interest rate swap contracts – no hedge accounting	18	(5,050)	(11,586)	(589)	(3,240)	(7,757)	-
Cross currency swap – cash flow hedges							
Receive legs	18	(5,364)	201,378	52,927	148,451	-	-
Pay legs			(214,433)	(60,005)	(154,428)	-	-
Foreign exchange swap contracts – cash flow hedges							
Receive legs	18	(4,466)	210,914	210,914	-	-	-
Pay legs			(215,596)	(215,596)	-	-	-
		(14,880)	(29,323)	(12,349)	(9,217)	(7,757)	-

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

19. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

The Company is exposed to foreign currency risk on purchases and funding transactions that are denominated in a currency other than AUD. The currencies giving rise to this risk are USD (vehicle inventory purchases) and EUR (loans and borrowings, spare parts purchases or specific contracts).

The Company uses forward exchange contracts to economically hedge certain firm purchase commitments denominated in foreign currencies.

In respect of other monetary assets and liabilities held in currencies other than the AUD, the Company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Company uses cross currency swaps, foreign exchange swap contracts and forward exchange contracts to hedge monetary assets and liabilities held in foreign currencies.

The Company's exposure to foreign currency risk at reporting date was based on notional amounts as set out in the tables below. Note that the only material net currency exposure is with USD. As mentioned above these exposures are taken to hedge against USD firm purchase commitments. The effect of movements in foreign exchange rates on the Company's net currency exposure is disclosed in the Sensitivity Analysis below.

	2015			
	AUD \$'000	EURO €'000	USD \$'000	SGD \$'000
<i>Non derivative financial assets</i>				
Cash and cash equivalents	45,323	76	505	-
Trade receivables	72,926	65	5	-
Receivables due from ultimate parent entity	40,720	-	-	-
Receivables due from immediate parent entity	439	-	-	-
Loans and other receivables due from other related entities	3,275,877	-	-	-
Prepayments and other assets	6,087	-	-	-
	<u>3,441,372</u>	<u>141</u>	<u>510</u>	<u>-</u>
<i>Non derivative financial liabilities</i>				
Bank loans (secured)	(875,000)	-	-	-
Notes issued (secured)	(1,446,434)	(100,000)	-	-
Commercial papers (secured)	(269,665)	-	-	-
Loans from the ultimate parent entity	-	-	-	-
Loans from related parties	-	-	-	-
Trade payables	(608,270)	(2,179)	(2,123)	(1,259)
	<u>(3,199,369)</u>	<u>(102,179)</u>	<u>(2,123)</u>	<u>(1,259)</u>
<i>Derivative financial assets</i>				
<i>Cash flow hedges</i>				
Cross currency swap				
Receive legs	-	-	-	-
Pay legs	-	-	-	-
Foreign exchange swap contracts				
Receive legs	-	-	-	-
Pay legs	-	-	-	-
<i>No hedge accounting</i>				
Interest rate swap contracts				
Receive legs	145,690	-	-	-
Pay legs	(145,690)	-	-	-
Foreign exchange swap contracts				
Receive legs	-	-	-	-
Pay legs	-	-	-	-
Forward foreign exchange contracts				
Receive legs	-	-	15,000	-
Pay legs	(19,705)	-	-	-
	<u>(19,705)</u>	<u>-</u>	<u>15,000</u>	<u>-</u>

Mercedes-Benz Australia/Pacific Pty Ltd
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FOR THE YEAR ENDED 31 DECEMBER 2015

19. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk (continued)

Derivative financial liabilities

	2015			
	AUD \$'000	EURO €'000	USD \$'000	SGD \$'000
<i>Cash flow hedges</i>				
Cross currency swap				
Receive legs	-	100,000	-	-
Pay legs	(153,280)	-	-	-
Foreign exchange swap contracts				
Receive legs	-	-	-	-
Pay legs	-	-	-	-
<i>No hedge accounting</i>				
Interest rate swap contracts				
Receive legs	145,690	-	-	-
Pay legs	(145,690)	-	-	-
Foreign exchange swap contracts				
Receive legs	-	-	5,250	-
Pay legs	(7,324)	-	-	-
Forward foreign exchange contracts				
Receive legs	-	-	49,000	-
Pay legs	(68,984)	-	-	-
	(229,588)	100,000	54,250	-
Net Currency Exposure	(7,290)	(2,038)	67,637	(1,259)

	2014			
	AUD \$'000	EURO €'000	USD \$'000	SGD \$'000
<i>Non derivative financial assets</i>				
Cash and cash equivalents	35,312	1,250	477	-
Trade receivables	90,928	28	3	-
Receivables due from ultimate parent entity	38,534	-	-	-
Receivables due from immediate parent entity	12,200	-	-	-
Loans and other receivables due from other related entities	3,024,961	-	-	-
Prepayments and other assets	7,424	-	-	-
	3,209,359	1,278	480	-
<i>Non derivative financial liabilities</i>				
Bank loans (secured)	(315,000)	-	-	-
Notes issued (secured)	(1,620,754)	(135,000)	-	-
Commercial papers (secured)	(49,938)	-	-	-
Loans from the ultimate parent entity	-	(3,500)	-	-
Loans from related parties	-	(429,806)	-	-
Trade payables	(579,181)	(6,366)	(10,709)	-
	(2,564,873)	(574,672)	(10,709)	-
<i>Derivative financial assets</i>				
<i>Cash flow hedges</i>				
Cross currency swap				
Receive legs	-	-	-	-
Pay legs	-	-	-	-
Foreign exchange swap contracts				
Receive legs	-	287,746	-	-
Pay legs	(422,266)	-	-	-
<i>No hedge accounting</i>				
Interest rate swap contracts				
Receive legs	196,720	-	-	-
Pay legs	(196,720)	-	-	-
Foreign exchange swap contracts				
Receive legs	-	-	18,550	-
Pay legs	(21,270)	-	-	-
Forward foreign exchange contracts				
Receive legs	-	-	29,000	-
Pay legs	(31,829)	-	-	-
	(475,365)	287,746	47,550	-

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19. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk (continued)

Derivative financial liabilities

Cash flow hedges

	2014			
	AUD \$'000	EURO €'000	USD \$'000	SGD \$'000
Cross currency swap				
Receive legs	-	135,000	-	-
Pay legs	(206,060)	-	-	-
Foreign exchange swap contracts				
Receive legs	-	142,231	-	-
Pay legs	(215,596)	-	-	-
<i>No hedge accounting</i>				
Interest rate swap contracts				
Receive legs	196,720	-	-	-
Pay legs	(196,720)	-	-	-
Forward foreign exchange contracts				
Receive legs	-	-	-	-
Pay legs	-	-	-	-
	(421,656)	277,231	-	-
Net Currency Exposure	(252,535)	(8,417)	37,321	-

The following significant exchange rates were applied during and at the end of the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
AUD:EURO	0.677	0.679	0.671	0.674
AUD:NZD	1.078	1.087	1.069	1.047
AUD:USD	0.751	0.903	0.731	0.819
AUD:JPY	90.891	95.326	87.984	97.936

Sensitivity analysis

A 10 percent strengthening or weakening of the Australian dollar against the following currencies at 31 December 2015 would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	2015		2014	
	Profit or loss		Profit or loss	
	\$'000	\$'000	\$'000	\$'000
	10% increase	10% decrease	10% increase	10% decrease
AUD:EURO	276	(337)	768	(938)
AUD:USD	(8,476)	10,360	(4,144)	5,065

The amount recognised in Equity from a 10% movement in foreign exchange rates is minimal, with spot movements on the swaps being offset against spot movements on the hedged foreign denominated loans in profit or loss.

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19. FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Risk

The Company manages interest rate risk by entering into interest rate and cross currency swaps in order to minimise currency interest rate risks and achieve an appropriate mix of fixed and floating AUD interest rate exposure within the Company's policy. The swaps mature over the next three years following the maturity of the related loans. At 31 December 2015 the Company had interest rate and cross currency swaps with a notional contract amount of \$0.86 billion (2014: \$1.21 billion).

Where currency or AUD interest rates swaps are designated as hedges, the Company designates currency or AUD interest rate swaps that fix interest cash flows in AUD as cash flow hedges with respect to interest rate and currency risk. Currency interest rate swaps that do not fix interest cash flows in AUD are designated as cash flow hedges with respect to currency risk only. The Company measures all interest rate and cross currency swaps at fair value.

The net fair value of swaps is shown in Note 18.

Interest sensitivity analysis

As part of its risk management control systems, Daimler AG (the ultimate parent entity) employs value-at-risk analysis as recommended by the Bank for International Settlements. In performing these analyses, the market risk exposure to changes in foreign currency exchange rates, interest rates and equity prices are quantified on a continuous basis by predicting the maximum loss over a target time horizon (holding period) and confidence level. The value-at-risk calculations employed express potential losses in fair values, and are based on the variance-covariance approach, assuming a 99% confidence level and a holding period of five days.

The value-at-risk calculation is performed by Daimler AG for the Company. When the value-at-risk of the Company's portfolio of financial instruments is calculated, the current fair value of these financial instruments is first computed. Then, the sensitivity of the Company's portfolio value to changes in relevant market risk factors is quantified. Based on expected volatilities and correlations of these market risk factors (obtained from the RiskMetrics™ dataset), potential changes of the portfolio value are computed by applying the variance-covariance approach. The variance-covariance approach is a statistical method used to quantify the total impact of all relevant major risk factors on the portfolio's present value. Through these calculations and by assuming a 99% confidence level and the five day holding period, the Company's value-at-risk is obtained. The 99% confidence level and the five day holding period indicate that there is only a 1% statistical probability that the value-at-risk will be exceeded by losses at the end of the five day holding period.

The following table shows the period-end high, low and average value-at-risk ("VaR") figures for the 2015 and 2014 portfolio of interest rate sensitive financial instruments. VaR numbers reflect the quantified net fair value movements on the hedged loan payables and receivable balances. Average exposure has been computed on an end of quarter basis:

	Period-end	High	Low	Average
	\$'000	\$'000	\$'000	\$'000
Interest rate risk				
2015	3,009	3,691	2,774	3,270
2014	3,316	3,316	2,148	2,594

Cash flow exposures arising from significant portions of the loans payable to related parties are economically hedged by amounts receivable from other related parties.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (CONTINUED)

Hedging

The Company hedges at least 90% of all receivables and payables denominated in foreign currency. At any point in time, the Company also hedges a varying proportion of its estimated foreign currency exposure in respect of forecast sales and purchases over the next 6 to 18 months. The proportion is determined by reference model. A favourable outlook for a given currency from the Company's perspective will result in the Company hedging forward for shorter periods of time and with lower proportions. An unfavourable outlook for a given currency from the Company's perspective will result in the Company hedging forward for longer periods of time and greater proportions.

The Company uses forward exchange contracts and currency swaps to hedge its foreign currency risk. Most of these contracts have maturities of less than one year after the reporting date. Where necessary the forward foreign exchange contracts are rolled over at maturity.

In regard to the Company's EUR denominated notes and loans, the Company classifies related hedge contracts as either cash flow or fair value hedges. Hedges have been valued using market-sourced inputs. There were no fair value hedges during the financial year ended 31 December 2015 (2014: Nil).

Gains and losses on revaluation of cash flow hedges are recorded in equity, in the hedging reserve. These are reclassified into profit or loss when the underlying asset acquired or liability assumed is recognised in profit or loss.

Gains and losses on revaluation of fair value hedges and their related notes or receivables are recorded in profit or loss as part of net financing costs (Note 9).

Changes in the fair value of hedge contracts, that economically hedge forecasted transactions in foreign currencies, and for which no hedge accounting is applied, are recognised in profit or loss. Both the changes in fair value of these hedge contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of net financing costs (Note 9).

The Company has EUR denominated notes and loans (Note 17). The Company has fully hedged the principal amounts using cross currency interest rate swaps, foreign exchange swaps and forwards that mature on the same dates as the loans are due for repayment.

Fair values

Fair value versus carrying amounts

Except for derivative financial assets and liabilities which are carried at fair values, all other monetary assets and liabilities are carried at amortised cost. The carrying values of foreign currency borrowings are determined by translating them into AUD using exchange rates prevailing at reporting date. For receivables and payables expected to be recovered or settled no more than twelve months after the reporting date, the carrying value is deemed to reflect the fair value.

All financial assets and liabilities carried at fair value are based on Level 2 valuation methodology which requires inputs, other than quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices).

Interest rates used for determining fair value

The entity uses the implied zero coupon yield curve as of 31 December 2015 to discount financial instruments holding credit margins constant. The interest rates used have been consistently applied using rates between 2.02% and 2.36% (2014: between 2.39% and 2.77%).

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values (continued)

	2015		2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<i>Non derivative financial assets</i>				
Loans due from other related entities	3,194,863	3,218,061	2,933,229	2,967,948
<i>Non derivative financial liabilities</i>				
Bank loans (secured)	(875,000)	(878,065)	(315,000)	(318,065)
Notes (secured)	(1,595,395)	(1,615,453)	(1,820,892)	(1,851,282)
Commercial papers (secured)	(269,665)	(269,665)	(49,938)	(49,941)
Loans from other related parties	-	-	(637,358)	(637,218)
Loans from the ultimate parent entity	-	-	(8,399)	(8,399)

The basis of determining fair values is disclosed in Note 4.

Mercedes-Benz Australia/Pacific Pty Ltd
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FOR THE YEAR ENDED 31 DECEMBER 2015

19. FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives

The fair value of all foreign currency and interest rate derivatives are determined by applying valuation techniques to market-sourced inputs.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

Master netting or similar agreements

The Company enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Company does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross and net amounts of financial instruments in the statement of financial position \$'000	Related financial instruments that are not offset \$'000	Net Amount \$'000
31 December 2015			
<i>Financial assets</i>			
Foreign exchange swap contracts used for hedging	-	-	-
Other foreign exchange swap contracts	-	-	-
Other interest rate swap contracts	915	(258)	657
Other forward foreign exchange contracts	883	(883)	-
	<u>1,798</u>	<u>(1,141)</u>	<u>657</u>
<i>Financial liabilities</i>			
Cross currency swaps used for hedging	(4,279)	-	(4,279)
Foreign exchange swap contracts used for hedging	-	-	-
Other foreign exchange swap contracts	(146)	-	(146)
Other forward foreign exchange contracts	(1,356)	883	(473)
Other interest rate swap contracts	(915)	258	(657)
	<u>(6,696)</u>	<u>1,141</u>	<u>(5,555)</u>

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NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (CONTINUED)

Master netting or similar agreements (continued)

	Gross and net amounts of financial instruments in the statement of financial position \$'000	Related financial instruments that are not offset \$'000	Net Amount \$'000
31 December 2014			
<i>Financial assets</i>			
Foreign exchange swap contracts used for hedging	5,173	(4,466)	707
Other foreign exchange swap contracts	1,587	-	1,587
Other interest rate swap contracts	5,050	-	5,050
Other forward foreign exchange contracts	3,733	-	3,733
	<u>15,543</u>	<u>(4,466)</u>	<u>11,077</u>
<i>Financial liabilities</i>			
Cross currency swaps used for hedging	(5,364)	-	(5,364)
Foreign exchange swap contracts used for hedging	(4,466)	4,466	-
Other interest rate swap contracts	(5,050)	-	(5,050)
	<u>(14,880)</u>	<u>4,466</u>	<u>(10,414)</u>

Capital management

The Company's policy is to maintain a strong capital base so as to sustain future development of the business. The Board of Management actively monitor the financial performance of the Company to ensure adequate financial returns are generated. The Board of Management also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

	2015 \$'000	2014 \$'000
Total liabilities	3,647,510	3,712,811
Less: cash and cash equivalents	(46,127)	(37,747)
Net debt	<u>3,601,383</u>	<u>3,675,064</u>
Total equity	803,278	582,997
Less: amounts accumulated in equity relating to cash flow hedges	(137)	(3,232)
Adjusted capital	<u>803,141</u>	<u>586,229</u>
Debt-to-adjusted capital ratio	<u>4.48</u>	<u>6.27</u>

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

20. EMPLOYEE BENEFITS	2015	2014
	\$'000	\$'000
<i>Current</i>		
Liability for annual leave	5,411	6,382
Liability for long service leave	9,765	9,454
Cash settled share-based payment liability	1,620	426
Recognised (asset)/liability for defined benefit plans	-	682
	<u>16,796</u>	<u>16,944</u>
<i>Non current</i>		
Liability for long service leave	1,305	1,504
Cash settled share-based payment liability	1,388	1,821
	<u>2,693</u>	<u>3,325</u>

Superannuation plan information

During the year the Company contributed to the Mercedes-Benz Superannuation Plan, being part of the Mercer Super Trust in respect of all its permanent employees.

The Plan is a defined benefit and accumulation fund providing lump sum benefits on the retirement, death, total and permanent disablement and leaving service of its members. The Company is obliged to ensure that contributions are made to the Plan at the rate assessed by the actuary, subject to its right to reduce, suspend or terminate contributions as specified in the trust deed.

The obligation of the Company to make contributions to the Mercedes-Benz Superannuation Plan is legally enforceable up to the date on which the Company gives notice to suspend or terminate contributions as provided in the trust deed.

Defined benefit plan members receive lump sum benefits upon retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in some cases. The defined benefit section of the plan is closed to new members. All new members receive accumulation only benefits.

Actuarial assessments are made annually. The last such assessment for the Mercedes-Benz Superannuation Plan was made as at 17 December 2015 by Mr R.R. Codron, F.I.A.A. of Mercer Human Resource Consulting Pty Ltd.

Movement in net defined benefit (asset)/ liability

The following table shows reconciliation from the opening balances to the closing balances for net defined benefit (asset)/ liability and its components.

Mercedes-Benz Australia/Pacific Pty Ltd
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20. EMPLOYEE BENEFITS (CONTINUED)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	2015	2014	2015	2014	2015	2014
\$'000						
Balance at 1 January	18,305	17,591	(17,623)	(18,486)	682	(895)
Included in profit or loss						
Current service cost	820	868	-	-	820	868
Past service credit	-	-	-	-	-	-
Interest cost (income)	434	691	(426)	(735)	8	(44)
(Gain)/loss on settlement	(678)	-	-	-	(678)	-
Total profit or loss	576	1,559	(426)	(735)	150	824
Included in OCI						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	-	-	-	-	-	-
- financial assumptions	-	1,913	-	-	-	1,913
- experience adjustment	(417)	(66)	-	-	(417)	(66)
- Return on plan assets	-	-	100	(476)	100	(476)
Taxes	(287)	(171)	287	171	-	-
Effect of movements in exchange rates	-	-	-	-	-	-
Total OCI	(704)	1,676	387	(305)	(317)	1,371
Other						
Contributions to the plan	93	139	(608)	(757)	(515)	(618)
Benefits paid	(2,701)	(2,660)	2,701	2,660	-	-
Settlements	(15,569)	-	15,569	-	-	-
Total other	(18,177)	(2,521)	17,662	1,903	(515)	(618)
Balance at 31 December	-	18,305	-	(17,623)	-	682

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NOTES TO THE FINANCIAL STATEMENTS
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20. EMPLOYEE BENEFITS (CONTINUED)

Defined contribution plan

The Company makes contributions to the defined contribution plan and the amount recognised as an expense for the year ended 31 December 2015 was \$8.164 million (2014: \$7.479 million) (refer Note 6).

The defined benefit plan has closed during the financial year 2015.

Share based payments

Performance Phantom Share Plan

In 2006 Daimler AG adopted the "2005-2007 Performance Phantom Share Plan" under which virtual shares (phantom shares) are granted to eligible employees entitling them to receive cash payment after four years of service. The amount of cash paid to eligible employees is based on the number of phantom shares that vest (determined over a three year performance period) times the quoted price of Ordinary Shares of Daimler AG (determined as an average price over a specified period at the end of the four-year service). The number of phantom shares that vest will depend on the achievement of Daimler AG performance goals as compared with competitive and internal benchmarks (return on net assets and return on sales). Daimler AG will not issue any common shares in connection with the Performance Phantom Share Plan.

In 2015 the Company recognised \$2,126,085 (2014: \$971,096) (refer Note 6) of compensation expenses related to the Performance Phantom Share Plan as cash-settled. The proportionate compensation expense for 2015 is determined based on the quoted price of Daimler AG Ordinary Shares as well as the estimated target achievement grades as of 31 December 2015. As at 31 December 2015, the carrying amount of the liability recognised for the entitlements granted is \$3,074,207 (2014: \$2,247,052).

The number of phantom shares on-issue by Daimler AG to key management personnel of the Company as at 31 December 2015 was 24,443 (2014: 28,922).

21. PROVISIONS

	Warranty \$'000	Vehicle Marketing \$'000	Legal \$'000	Onerous contracts \$'000	Other \$'000	Total \$'000
Balance at 1 January 2015	142,861	33,559	1,394	3,250	19,477	200,541
Provisions made during the year	93,537	378,500	506	-	37,345	509,888
Provisions used during the year	(79,192)	(370,102)	(890)	(3,250)	(34,239)	(487,673)
Provisions reversed in the year	-	-	-	-	-	-
Net unwind of discount	(2,034)	-	-	-	-	(2,034)
Balance at 31 December 2015	155,172	41,957	1,010	-	22,583	220,722
Current	88,559	41,957	1,010	-	14,572	146,098
Non-current	66,613	-	-	-	8,011	74,624
	155,172	41,957	1,010	-	22,583	220,722

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21. PROVISIONS (CONTINUED)

Warranties

The provision for warranties relates primarily to vehicles sold during the five years to 31 December 2015. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to pay out the liability over the next five years. During the year, \$93.537 million was recognised as an expense in cost of sales (2014: \$87.022 million) (refer to Note 7).

Vehicle marketing

The provision for vehicle marketing relates to performance bonuses payable to dealers, and is dependent upon the number of vehicles sold during the year. Bonuses are paid annually based on sales for the year ended on the reporting date. During the year, \$378.500 million was recognised as rebates against revenue (2014: \$346.986 million).

Legal

The legal provision as at 31 December 2015 relates to legal actions in relation to product liability and other contractual matters in the ordinary course of business.

Onerous contracts

The provision for onerous contracts relates to contracts entered into where the expected benefits to be derived by the Company from these contracts are lower than the unavoidable cost of meeting its obligations. During the year there was no other expense recognised in profit or loss (2014: \$4,750,000).

Other provisions

Other provisions as at 31 December 2015 relate primarily to provisions for maintenance and repair and are dependent on the number of vehicles covered by maintenance and repair contracts.

22. DEFERRED INCOME

	Note	2015 \$'000	2014 \$'000
<i>Current</i>			
Deferred income attributable to other related entities	31c	6,699	5,678
Other deferred income		15,977	16,004
		<u>22,676</u>	<u>21,682</u>
<i>Non-current</i>			
Deferred income attributable to other related entities	31c	4,668	5,898
Other deferred income		17,483	15,865
		<u>22,151</u>	<u>21,763</u>

Rental income from operating leases through a related party, Mercedes-Benz Financial Services Australia Pty Ltd, is recognised as deferred income attributable to other related parties and amortised on a straight line basis over the term of the lease.

Other deferred income consists of:

- progress billings received from a customer under an open supply contract; and
- advance payments received for fixed term service contracts.

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23. CAPITAL AND RESERVES

Share capital

	2015	2014
	\$'000	\$'000
Issued and paid-up share capital		
35,000,000 fully paid ordinary shares of \$2 par value each (2014: 35,000,000 ordinary shares of \$2 par value each)	70,000	70,000

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share reserve

The share reserve relating to Share Option Plans has been transferred to Retained Earnings as all Share Options expired during the year ended 31 December 2015.

Dividends

As the Company is a wholly-owned subsidiary in a tax-consolidated group, the franking credits reside with the head entity in the tax-consolidated group in accordance with the tax funding and sharing agreements. Hence, the dividends recognised are franked.

No dividends were declared or paid in the year ended 31 December 2015 (2014: Nil).

24. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

24. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of cash (continued)

		2015	2014
	Note	\$'000	\$'000
Cash and cash equivalents	11	46,127	37,747

(b) Reconciliation of cash flows from operating activities

Profit for the year		216,964	74,125
<i>Adjustments for:</i>			
(Gain)/loss on sale of property, plant and equipment	5	(2,162)	-
(Gain)/loss on sale of investments	5	(108,581)	-
Depreciation and amortisation expenses	14	12,381	14,369
Impairment losses		9,374	9,128
Foreign exchange (gains)/losses		8,331	4,090
Net (gain)/loss on foreign currency derivatives not qualifying as hedges		(6,203)	(4,376)
Income tax expense	10	92,036	33,912
Operating profit before changes in working capital		<u>222,140</u>	<u>131,248</u>
<i>Change in assets & liabilities during the financial year:</i>			
(Increase)/decrease in trade and other receivables		39,569	15,641
(Increase)/decrease in inventories		1,532	(34,364)
Increase/(decrease) in trade and other payables		(41,734)	(199,085)
Increase/(decrease) in provisions		19,401	22,804
Net cash from operating activities		<u>240,908</u>	<u>(63,756)</u>
Net interest paid		13,665	5,930
Income taxes received / (paid)		(57,697)	(57,964)
Net cash from/(used in) operating activities		<u>196,876</u>	<u>(115,790)</u>

25. SEGMENT INFORMATION

The Company comprises the following main business segments:

- Wholesale: The importation, marketing and distribution of passenger and commercial motor vehicles and their components.
- Retail: Sale and servicing of passenger and commercial motor vehicles through dealerships.
- Financing: The Company is also involved in financing activities for its working capital and capital expenditure requirements and on behalf of some other related parties of the local Daimler group.

The principal activities of the Company are based predominantly in Australia.

Segment information is presented in respect of the Company's business segments which are based on the Company's management and internal reporting structure.

Intersegment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Mercedes-Benz Australia/Pacific Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS
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25. SEGMENT INFORMATION (CONTINUED)

	Wholesale \$'000	Retail \$'000	Financing \$'000	Eliminations \$'000	Total \$'000
2015					
External revenue and other income	2,524,709	843,718	-	-	3,368,427
Inter-segment revenue	578,816	-	-	(578,816)	-
Total inter-segment revenue	3,103,525	843,718	-	(578,816)	3,368,427
Finance income	-	-	119,539	-	119,539
Finance expense	-	-	(116,547)	-	(116,547)
Depreciation	(10,995)	(1,386)	-	-	(12,381)
Reportable segment profit/(loss) before tax	304,975	1,033	2,992	-	309,000
Reportable segment assets	1,001,126	137,860	3,311,802	-	4,450,788
Reportable segment liabilities	742,147	116,245	2,789,118	-	3,647,510
Capital expenditure	(1,861)	(2,128)	-	-	(3,989)
Impairment losses	(6,134)	(3,240)	-	-	(9,374)

Mercedes-Benz Australia/Pacific Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS
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25. SEGMENT INFORMATION (CONTINUED)

	Wholesale \$'000	Retail \$'000	Financing \$'000	Eliminations \$'000	Total \$'000
2014					
External revenue and other income	2,125,119	839,457	-	-	2,964,576
Inter-segment revenue	575,893	-	-	(575,893)	-
Total inter-segment revenue	2,701,012	839,457	-	(575,893)	2,964,576
Finance income	1,811	-	143,532	(1,811)	143,532
Finance expense	-	(1,811)	(139,386)	1,811	(139,386)
Depreciation	(12,621)	(1,748)	-	-	(14,369)
Reportable segment profit/(loss) before tax	99,721	4,170	4,146	-	108,037
Reportable segment assets	1,001,949	194,410	3,099,449	-	4,295,808
Reportable segment liabilities	650,262	171,762	2,890,787	-	3,712,811
Capital expenditure	(1,425)	(2,213)	-	-	(3,638)
Impairment losses	(6,563)	(2,565)	-	-	(9,128)

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
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26. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2015	2014
	\$'000	\$'000
Not later than one year	5,618	9,683
Later than one year or not later than five years	7,548	18,988
Later than five years	0	65
	<u>13,166</u>	<u>28,736</u>

The Company leases a number of sites that include land and building for the purposes of operating dealerships and service departments. The leases typically run for a period of five years, with an option to renew the lease after that date. Lease payments are increased every three years to reflect market rentals. None of the leases include contingent rentals.

Leases of property generally provide the Company with the right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the Consumer Price Index.

During the year ended 31 December 2015 \$10.534 million was recognised as an expense in profit or loss in respect of operating leases (2014: \$11.019 million) (refer Note 7).

Residual value guarantees for operating leases

The Company agreed to provide residual value guarantees for operating leases entered into between a related party, Mercedes-Benz Financial Services Australia Pty Ltd, and their external customers for passenger vehicles, light commercial vehicles and heavy commercial vehicles. These operating leases have an average term of three years.

Vehicles subject to operating leases where the Company has provided a residual value guarantee are accounted for by the Company as plant and equipment and depreciated over a straight-line basis. Depreciation of approximately \$7.313 million (2014: \$5.726 million) was recorded for the year with respect to these leased assets.

Current and non-current liabilities for residual value guarantees have also been recorded by the Company consistent with the provision of the guarantees at the end of the lease terms.

Deferred income, representing the excess of the amount financed over the amount guaranteed, is also recorded by the Company and amortised over a straight line basis over the term of the leases. During the year the Company recorded approximately \$5.071 million (2014: \$6.856 million) of income attributable to operating leases subject to a residual value guarantee.

The liabilities for residual value guarantee have been included in Payables to other related parties in Note 16. Deferred income arising on these operating leases is included in deferred income attributable to other related entities in Note 22.

Mercedes-Benz Australia/Pacific Pty Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

27. CONTINGENCIES

- (a) The Company has arranged for its bankers to guarantee its performance to third parties. The used portion of the guarantee is \$82,422,333 (2014: \$84,205,043) and the maximum amount of the guarantee available is \$83,568,000 (2014: \$85,610,505). The Company has also arranged for its ultimate parent entity to guarantee its performance to certain customers to a maximum of \$89,641,852 (2014: \$89,641,852). This facility is fully available and not used at the reporting date (2014: nil).
- (b) The Company is involved in a number of legal actions relating to product liability and other contractual matters in the ordinary course of business. These are being contested and where it is probable that a liability will arise, a provision has been made in these accounts for estimated legal costs and settlements of potential claims. Please refer to Note 21.
- (c) The Company is a member of a tax-consolidated group ('the Group') and is jointly and severally liable for the income tax of that group in the event that the head entity defaults in its payment obligations to the Australian Tax Office. The head entity has not been in default of its payment obligations and the directors are of the opinion that the probability of default is remote.
- (d) Pursuant to an ASIC Class Order dated 19 December 1992, relief has been granted to Mercedes-Benz Australia/Pacific Pty Ltd from the Corporations Act 2001 requirements for preparation, audit and publication of financial statements. As a condition of the Class Order, the Company and its immediate parent entity, Daimler Australia/Pacific Pty Ltd entered into a Deed of Cross Guarantee on 6 November 1992. The effect of the Deed is that the immediate parent entity guarantees to each creditor payment in full of any debt in the event of winding up of the Company under certain provisions of the Corporations Act 2001. The Company has given similar guarantee in the event that its immediate parent entity is wound up.

28. PARENT ENTITY

The ultimate parent entity of the Company is Daimler AG, a company incorporated in the Federal Republic of Germany. The immediate parent entity of the Company is Daimler Australia/Pacific Pty Ltd, a company incorporated in Australia.

29. ECONOMIC DEPENDENCY

The Company is economically dependent on the ultimate parent entity for the supply of passenger and commercial vehicle stock for resale.

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30. KEY MANAGEMENT PERSONNEL

The names of each person holding the position of director of the Company during the financial year are Dr B. Niess, Mr R. Howard, Mr H. von Sanden, Mr R. Schrage, Mr T.H. Conrad, Ms D. Tarr (appointed 1 September 2015) and Mr D. Whitehead (appointed 1 September 2015). Apart from the Company's Directors, the Company's key management personnel during the year include Mr P. Grogan, Mr P. Wundheiler (resigned 10 June 2015) and Mr B. Lee (appointed 17 June 2015).

In addition to their salaries, the Company provides non-cash benefits to key management personnel, share-based payment benefits and contributes to post-employment defined benefit plan on their behalf (refer Note 20 for details on defined benefit plan). The key management personnel compensation included in employee expenses (refer Note 6) are as follows:

	2015	2014
	\$	\$
Short-term employee benefits	2,547,869	2,858,874
Other long term benefits	29,082	28,354
Post-employment benefits	278,999	218,022
Share based payments	364,097	665,928
Termination benefits	321,873	1,938,155
	<u>3,541,920</u>	<u>5,709,333</u>

31. OTHER RELATED PARTY TRANSACTIONS

The Company transacts with its ultimate parent entity, its immediate parent entity and other related parties as disclosed below. All of the transactions are in the normal course of business and on normal terms and conditions.

(a) Transactions with ultimate parent entity

The aggregate amount due and receivable from and payable to the ultimate parent entity by the Company at reporting date:

	Note	2015	2014
		\$'000	\$'000
Current assets			
Trade and other receivables	12	25,068	27,273
Total current assets		<u>25,068</u>	<u>27,273</u>
Non-current assets			
Trade and other receivables	12	15,652	11,260
Total non-current assets		<u>15,652</u>	<u>11,260</u>
Total assets		<u>40,720</u>	<u>38,533</u>
Current liabilities			
Trade and other payables	16	333,182	336,909
Loans and borrowings	17	-	8,399
Total current liabilities		<u>333,182</u>	<u>345,308</u>
Total liabilities		<u>333,182</u>	<u>345,308</u>
Net interest income/(expense)		(8,712)	(11,453)
Warranty recoveries		34,479	24,804

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31. OTHER RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with ultimate parent entity (continued)

The Company also acquires inventory from the ultimate parent entity. The amount of inventory purchased during the year totalled \$1,824 million (2014: \$1,576 million).

The ultimate parent entity undertakes borrowings from external parties and on-lends the proceeds to the Company. Interest is charged to the Company at rates consistent with bank rates in the countries of the currencies transacted.

The ultimate parent entity also acquires derivatives from external parties on behalf of the Company to hedge interest and currency risk of certain loans and borrowings. The derivatives passed through to the Company are on the same terms and conditions as the external derivatives acquired by the ultimate parent entity.

The ultimate parent entity provides guarantees on Euro Medium-Term Notes issued by Mercedes-Benz Australia/Pacific Pty Ltd. The face value of these guarantees as at 31 December 2015 was \$1,598 million (2014: \$1,727 million).

The ultimate parent entity also provides guarantees on Commercial Papers issued by Mercedes-Benz Australia/Pacific Pty Ltd. The face value of these guarantees as at 31 December 2015 was \$270 million (2014: \$50 million).

(b) Transactions with immediate parent entity

The aggregate amount due and receivable from and payable to the immediate parent entity by the Company at reporting date:

	Note	2015 \$'000	2014 \$'000
Current assets			
Trade and other receivables	12	439	12,200
Total current assets		439	12,200
Total assets		439	12,200
Current liabilities			
Trade and other payables	16	25,158	-
Total current liabilities		25,158	-
Total liabilities		25,158	-

The Company is a wholly-owned subsidiary in a tax-consolidated group with its immediate parent entity, Daimler Australia/Pacific Pty Ltd, as the head entity. The Company, in conjunction with other members of the tax-consolidated group, has entered into a tax funding agreement that sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The Company, in conjunction with other members of the tax-consolidated group, has also entered into a tax funding and sharing agreement.

At 31 December 2015 the Company had an intercompany receivable of \$0.439 million (2014: \$12.200 million) relating to current tax receivable assumed by the head entity of the tax consolidated group. The company has \$25.158 million intercompany payable at 31 December 2015 relating to a tax instalment received from a related entity (2014: Nil).

For further details regarding tax consolidation and the nature of the tax funding and sharing agreements, refer to accounting policy Note 3(m) and Note 15.

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31. OTHER RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other related parties

The aggregate amount due and receivable from and payable to other related parties by the Company at reporting date:

	Note	2015 \$'000	2014 \$'000
Current assets			
Trade and other receivables	12	2,101,559	1,610,246
Total current assets		<u>2,101,559</u>	<u>1,610,246</u>
Non-current assets			
Trade and other receivables	12	1,174,319	1,414,715
Total non-current assets		<u>1,174,319</u>	<u>1,414,715</u>
Total assets		<u>3,275,878</u>	<u>3,024,961</u>
Current liabilities			
Trade and other payables	16	106,583	92,339
Loans and borrowings	17	-	637,358
Deferred income	22	6,699	5,678
Total current liabilities		<u>113,282</u>	<u>735,375</u>
Non-current liabilities			
Trade and other payables	16	11,942	10,587
Deferred income	22	4,668	5,898
Total non-current liabilities		<u>16,610</u>	<u>16,485</u>
Total liabilities		<u>129,892</u>	<u>751,860</u>
Net interest income		99,278	114,345
Revenue received for sale of goods and services		3,476	3,568
Rental income received	5	5,782	7,314
Other income	5	4,548	4,943
Net gain/(loss) from interest rate hedging		1,422	2,006
Depreciation on leased assets with related parties	26	(7,313)	(5,726)
Warranty recoveries		6,932	7,663

The Company also acquires inventory from other related parties. The amount of inventory purchased during the year totalled \$370.8 million (2014: \$349.2 million).

The Company undertakes borrowings from external parties and on-lends the proceeds to other related parties. Interest is charged to the related parties at rates consistent with bank rates in the countries of the currencies transacted.

The Company has agreed to provide residual value guarantees for operating leases entered into between Mercedes-Benz Financial Services Australia Pty Ltd and their external customers. Rental income from these leases is recognised on a straight line basis over the term of the lease. Lease income prepaid by Mercedes-Benz Financial Services Australia Pty Ltd is classified as a financial liability, in deferred income and liabilities for residual value guarantees is recognised in trade and other payables.

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32. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 31 December 2015, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.