

Driver UK One PLC

Annual report and financial statements for the  
year ended 31 December 2009

Registered number 6445842

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## **Driver UK One PLC**

### **Annual report and financial statements for the year ended 31 December 2009**

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# **Driver UK One PLC**

## **Directors and advisers for the year ended 31 December 2009**

### **Current directors**

Tariq Husain

Joint Corporate Services Limited

Praxis MGT Limited

### **Company secretary and registered office**

Joint Secretarial Services Limited

Pellipar House

First Floor

9 Cloak Lane

London

EC4R 2RU

### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Hay's Galleria

1 Hay's Lane

London

SE1 2RD

# Driver UK One PLC

## Directors' report for the year ended 31 December 2009

The directors have pleasure in presenting their report together with the audited financial statements of Driver UK One PLC (the "Company" or the "Issuer") for the year ended 31 December 2009. The Company is a special purpose entity with limited permitted activities as set out in the Driver UK One PLC Prospectus dated 18 March 2008 (the "Prospectus" or the "Offering Circular"). The Prospectus can be obtained at [www.vwfsag.de](http://www.vwfsag.de)

### Principal activities

The principal activity of the Company is the provision of a limited recourse loan to Volkswagen Financial Services (UK) Limited (the "Originator" or the "Servicer") financed primarily through the issue of Floating Rate Asset Backed Notes (the "Notes"). The Notes are listed on the Irish Stock Exchange.

On 20<sup>th</sup> March 2008 the Company purchased £499,974,872 of auto loans (the "Initial Purchased Receivables") from Dunyard Funding Limited ("Dunyard"). Dunyard is a special purpose entity conduit incorporated in Jersey for a securitisation programme of the Originator which started in August 2002. Similar to the Company, although beneficially owned by a charitable trust, Dunyard is deemed to be a subsidiary of the Originator.

During an initial 12 month revolving period, the Company purchased further auto loans from the Originator (the "Additional Purchased Receivables" and together with the Initial Purchased Receivables the "Purchased Receivables"). The acquisition of the Purchased Receivables has been accounted for as a limited recourse loan to the Originator as detailed in Note 2 of the financial statements.

The amortisation of the Notes commenced after the end of the 12 month revolving period with the first repayment of principal made on 20 April 2009.

### Business review and future outlook

The statement of comprehensive income for the year ended 31 December 2009 is set out on page 7. The 2008 comparative results cover the period from incorporation on 5 December 2007 to 31 December 2008. The Company's activities began with the issue of the Notes on 20 March 2008.

The Company's profit for the year is £11,481,754 (period to 31 December 2008: loss of £19,035,746). The profit for the year comprises the Issuer Retained Profit of £750 as determined by the Prospectus, the income tax expense and unrealised profits and losses arising from movements in exchange rates and in the fair value of derivatives. The directors consider satisfactory both the financial result for the year and the financial position of the Company at the year end.

At 31 December 2009, the Purchased Receivables had a nominal principal balance outstanding of £285,404,597. The Purchased Receivables provide collateral security for the Notes in issue; the outstanding balance of which at 31 December 2009 was £276,313,706. The directors consider the Purchased Receivables to be adequate collateral against the Notes in issue.

### Transaction triggers

The transaction is subject to two triggers which if breached result in a change to the priority of payments.

Late Delinquency Ratio trigger threshold	0.70%
Late Delinquency Ratio at the end of the year	0.74%
Net Loss Ratio trigger threshold (until March 2010)	1.20%
Net Loss Ratio at the end of the year	0.76%

## **Driver UK One PLC**

### **Directors' report for the year ended 31 December 2009 (continued)**

#### **Business review and future outlook (continued)**

##### **Transaction triggers (continued)**

The Late Delinquency Ratio trigger is breached when the Late Delinquency Ratio exceeds 0.70% for three consecutive months. The threshold was exceeded for a third consecutive month in February 2010. As a result the priority of payments changed in order to achieve a higher overcollateralisation percentage.

The legal final maturity of the Notes is in March 2017. However, the Issuer is entitled to exercise a Clean-Up Call to sell the Purchased Receivables to the Originator once the balance on the Purchased Receivables falls below 10% of the amount of the Initial Purchased Receivables. The Clean-Up Call is expected to become exercisable in June 2011.

No dividend has either been proposed or paid (2008: £nil).

#### **Directors and their interests**

The directors who held office during the year and up to the date of signing the financial statements are as follows:

Tariq Husain  
Joint Corporate Services Limited  
Praxis MGT Limited

The directors held no beneficial interests in the share capital of the Company as at 31 December 2009.

#### **Principal risks and uncertainties**

##### **Financial instrument risk**

The Company's operations expose it to a number of financial risks that include credit risk, interest rate risk, currency risk and liquidity risk. The financial and operating policies of the Company, including those for risk management, were largely predetermined under the Prospectus.

##### **Credit risk**

Credit risk is the risk that borrowers will not be able to meet their obligations as they fall due. All Purchased Receivables were required to adhere to specific eligibility criteria. The ongoing credit risk of the Purchased Receivables is closely monitored by the Servicer. The Purchased Receivables are the collateral for the limited recourse loan to the Originator as explained in more detail in note 2 below.

##### **Interest rate risk**

Interest rate risk exists where assets and liabilities are subject to interest rates set on different bases or which reset at different times. The Company minimises its exposure to interest rate risks by the use of interest rate swaps.

##### **Currency risk**

Currency risk exists where the Notes are denominated in Euro while the Purchased Receivables are denominated in Sterling. The Company minimises its exposure to currency risk by the use of cross currency swaps.

##### **Liquidity Risk**

Liquidity risk is managed by matching the timing of the cash receipts from Purchased Receivables underlying the loan to the originator with the cash payments due on the Notes. In addition, the Company holds a cash balance to manage short term liquidity requirements.

# **Driver UK One PLC**

## **Directors' report for the year ended 31 December 2009 (continued)**

### **Going concern**

The Company was in a negative equity position at 31 December 2009 due to unrealised losses on the fair value of its interest rate swaps. The Directors do not consider that this impacts on the going concern of the Company as the losses recorded on the interest rate swaps are expected to reverse over the life of the securitisation transaction as the Notes issued by the Company are repaid.

Additionally, the Directors note that due to the limited recourse provisions in the relevant swap documentation, the swap counterparty's claims on the Company are, like those of other transaction parties, limited to the value of the Company's assets. The Directors therefore consider that, in the event that the unrealised fair value loss shown in relation to the interest rate swaps is realised prior to the full repayment of the Notes, the total value of legally valid claims on the Company would not exceed the value of its assets.

Having considered the above and all the other factors that may reasonably be expected to have an impact on the Company's going concern the directors consider it appropriate to prepare the financial statements of the Company on a going concern basis and that there is no material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern.

### **Payment of Creditors**

Creditors are paid on a monthly basis on the 20<sup>th</sup> of the month or the next subsequent business day in accordance with the priority of payments described in the transaction's legal documentation. Under the legal terms of the transaction, creditors are only paid to the extent that the underlying assets generate sufficient cash to do so.

### **Employees**

The Company has no employees (2008: none)

### **Political and charitable donations**

The Company made no political or charitable donations during the year (2008: £nil)

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

## **Driver UK One PLC**

### **Directors' report for the year ended 31 December 2009 (continued)**

#### **Statement of directors' responsibilities (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Disclosure of information to auditors**

In accordance with Section 418, in the case of each director in office at the date the directors' report is approved:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board



Joint Corporate Services Limited

Directors

25 June 2010



Praxis MGT Limited

# **Driver UK One PLC**

## **Independent auditors' report to the members of Driver UK One PLC**

We have audited the financial statements of Driver UK One PLC for the year ended 31 December 2009 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Peter Jeffrey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London,  
June 2010



## Driver UK One PLC

### Statement of comprehensive income for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Interest income	4	29,411	28,012
Interest expense	5	(24,401)	(23,367)
Net interest income		5,010	4,645
Change in the fair value of cross currency swaps		(41,285)	65,383
Foreign exchange gain/(loss)		40,487	(64,493)
Change in the fair value of interest rate swaps		12,279	(19,927)
Administrative expenses	6	(5,009)	(4,644)
Profit/ (loss) before income tax		11,482	(19,036)
Income tax expense	7	-	-
Profit/ (loss) for the year / period		11,482	(19,036)
Total comprehensive income for the year / period		11,482	(19,036)

All operations are continuing

The notes on pages 11 to 30 form an integral part of these financial statements


## Driver UK One PLC


Company Registered Number: 6445842

### Statement of financial position as at 31 December 2009

	Notes	2009 £000	2008 £000
<b>Assets</b>			
Limited recourse loan	8	251,820	501,050
Derivative assets	9	24,098	65,383
Cash at bank	10	23,700	7,168
<b>Total assets</b>		<b>299,618</b>	<b>573,601</b>
<b>Liabilities</b>			
Floating rate asset backed notes	11	277,112	523,544
Subordinated loans	12	21,780	48,349
Derivative liabilities	9	7,647	19,927
Current income tax liability		-	-
Accruals and deferred income		583	767
<b>Total liabilities</b>		<b>307,122</b>	<b>592,587</b>
<b>Equity</b>			
Called up equity share capital	13	50	50
Retained earnings		(7,554)	(19,036)
<b>Total liabilities and equity</b>		<b>299,618</b>	<b>573,601</b>

The financial statements on pages 7 to 30 were approved by the board of directors on 25 June 2010 and were signed on its behalf by

  
Joint Corporate Services Limited

  
Praxis MGT Limited

**Directors**

The notes on pages 11 to 30 form an integral part of these financial statements

## **Driver UK One PLC**

### **Statement of changes in equity for the year ended 31 December 2009**

	Share capital £000	Retained earnings £000	Total £000
Share capital issued on incorporation at 5 Dec 2007	50	-	50
Total comprehensive income for the period	-	(19,036)	(19,036)
At 1 January 2009	50	(19,036)	(18,986)
Total comprehensive income for the year	-	11,482	11,482
<b>At 31 December 2009</b>	<b>50</b>	<b>(7,554)</b>	<b>(7,504)</b>

The notes on pages 11 to 30 form an integral part of these financial statements

# Driver UK One PLC

## Statement of cash flows for the year ended 31 December 2009

	2009 £000	2008 £000
<b>Operating activities</b>		
Interest from the Purchased Receivables received	29,208	26,065
Interest from bank accounts received	16	256
Administrative expenses paid	(129)	-
Servicing fee to the Originator paid	(4,309)	(3,816)
Net (payments) / receipts on cross currency swaps	(16,611)	1,738
Interest paid on the floating rate backed notes	(7,028)	(21,424)
Interest paid on the subordinated loans	(1,147)	(2,717)
<b>Net cash from operating activities</b>	-	102
<b>Investing activities</b>		
Payments to the Originator relating to the purchase of Receivables	(72,926)	(738,771)
Principal receipts from Purchased Receivables	322,665	238,796
<b>Net cash from investing activities</b>	249,739	(499,975)
<b>Financing activities</b>		
Proceeds from Notes issuance	-	459,975
Issue expenses paid	(46)	(1,533)
Repayment of Notes principal	(206,559)	-
Proceeds from subordinated loans	-	48,549
Repayment of subordinated loans	(26,602)	-
Proceeds from issuance of share capital	-	50
<b>Net cash from financing activities</b>	(233,207)	507,041
<b>Net increase in cash and cash equivalents</b>	16,532	7,168
Cash and cash equivalents at the beginning of the year / period	7,168	-
<b>Cash and cash equivalents at the end of the year / period</b>	23,700	7,168

The notes on pages 11 to 30 form an integral part of these financial statements

# **Driver UK One PLC**

## **Notes to the financial statements for the year ended 31 December 2009**

### **1 General information**

Driver UK One PLC (the ‘Company’) is a public limited company registered, incorporated and domiciled in England. The address of its registered office is Pellipar House, First Floor, 9 Cloak Lane, London EC4R 2RU. The Company is a securitisation vehicle for auto loans secured by first charges over vehicles within the United Kingdom originated by Volkswagen Financial Services (UK) Limited.

The issued share capital of Driver UK One PLC comprises 50,000 ordinary shares of £ 1 each, 49,999 of which are held by TMF Trustee Limited under a trust for charitable purposes and 1 by TMF Corporate Services Ltd. The Company has no subsidiaries.

The Company commenced its activities on 20 March 2008 when it issued £459,974,600 of floating rate asset backed notes (referred to in these financial statements as the ‘Notes’), listed on the Irish Stock Exchange, and obtained a subordinated loan of £40,000,000 from Volkswagen International Payment Services N V, in order to purchase £499,974,872 of auto loans from Dunyard Funding Limited (the ‘Initial Purchased Receivables’).

Principal collections from the auto loans in the revolving period from March 2008 to March 2009 were used to purchase further auto loans from Volkswagen Financial Services (UK) Limited (the ‘Additional Purchased Receivables’) and together with the Initial Purchased Receivables the ‘Purchased Receivables’. Principal collections from the Purchased Receivables subsequent to the revolving period are being used to repay the capital outstanding on the Notes.

Volkswagen Financial Services (UK) Limited administers the Purchased Receivables under a servicing agreement with the Company. Volkswagen Financial Services (UK) Limited is referred to in these financial statements as the ‘Originator’ or the ‘Servicer’.

At 31 December 2009, the outstanding balance of the Purchased Receivables amounted to £264,713,555.

### **2 Principal accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated. The 2008 comparative amounts cover the period from the Company’s incorporation on 5 December 2007 to 31 December 2008. Where necessary for consistency, comparative amounts have been reclassified.

#### **Basis of preparation**

The financial statements of Driver UK One PLC have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company’s accounting policies.

#### **Effects of new and revised IFRS**

IFRS 7, Financial Instruments: Disclosures (amendment), extends the disclosures for determining the fair value of financial instruments and the disclosures regarding the liquidity risk arising from financial liabilities. Revised IAS 1, Presentation of Financial Statements, leads to a restructuring of the elements of the financial statements. Some of the terminology was also adopted.

# **Driver UK One PLC**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **Purchased Receivables**

Under IFRS, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The Directors of the Company have concluded that the Originator has retained substantially all the risks and rewards of the Purchased Receivables and as a consequence, the Company does not recognise the Purchased Receivables on its balance sheet but rather a loan due from the Originator, where recourse to the Originator is limited to the cashflows from the Purchased Receivables and any additional credit enhancement provided by the Originator.

The initial amount of the loan due from the Originator corresponds to the consideration paid by the Company for the Initial Purchased Receivables. The Company recognises principal and interest cashflows from the underlying pool of Purchased Receivables only to the extent that it is entitled to retain such cashflows. Cashflows attributable to the Originator are not recognised by the Company. Additionally, the Directors of the Company consider that the subordinated loans from the Originator do not meet the definition of a liability as the Company will repay them only if it first receives an equivalent amount from the Originator.

As mentioned under note 1, of the 50,000 equity shares of the Company, 49,999 are held by TMF Trustee Limited under a trust for charitable purposes and 1 by TMF Corporate Services Ltd. The Directors nevertheless consider that the financial and operating policies of the Company were largely predetermined to facilitate a securitisation transaction by the Originator and that, for accounting purposes, the Company is a subsidiary of Volkswagen Financial Services (UK) Limited.

### **Critical accounting estimates and judgements**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### *Impairment of the limited recourse loan*

The Company assesses at each balance sheet date whether there is objective evidence that the loan to the Originator is impaired. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the loan that can be reliably estimated.

#### *Fair value of financial instruments*

The Company holds financial instruments that are not quoted in active markets, such as the interest rate and cross currency swaps. The fair values of these instruments are determined by using valuation techniques.

#### *Financial assets measured at amortised cost*

When calculating the effective interest rate of its financial instruments measured at amortised cost, the Company has to estimate future cashflows to determine the expected life of the limited recourse loan and the Notes issued by the Company and therefore to make assumptions around the prepayment rate on the underlying Purchased Receivables. The estimated prepayment rate used by the Company is based on historical data which are regularly updated in response to economic changes.

### **Segment reporting**

The Directors of Driver UK One PLC consider that the entity has only one reportable segment and therefore is not required to produce additional segmental disclosure.

# **Driver UK One PLC**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **Interest income and expense**

Interest income and expense is recognised using the effective interest method

### **Foreign currency translation**

#### *(a) Functional and presentation currency*

The primary activity of the Company is to facilitate the securitisation of loans denominated in Sterling and granted to customers by Volkswagen Financial Services (UK) Limited. The limited recourse loan to the Originator is also deemed to be denominated in Sterling. The Notes held by the investors are denominated both in Sterling and in Euro.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate fixed at the date of inception of the relevant transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

### **Cash and cash equivalents**

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

### **Limited recourse loan**

The Directors of the Company have concluded that the purchase of the Purchased Receivables fails the derecognition criteria of IAS 39 because the risks and rewards of ownership of the Purchased Receivables are not considered to pass to the Company and, therefore, the Company cannot recognise the Purchased Receivables as assets on its balance sheet. Instead, the Company recognises a limited recourse loan to the Originator which is secured on, and only has recourse to, the cashflows arising from the Purchased Receivables.

Following the net presentation of the Loan to the Originator, the amounts of interest received and paid to the Originator are presented net on the face of the statement of comprehensive income.

The Company has legal rights under the transaction documentation to receive cash flows arising from the Purchased Receivables. The Company's rights to receive cashflows and other legal rights are in no way affected by and are entirely separate from the accounting treatment applied to the cash flows arising from the Purchased Receivables.

The limited recourse loan has been initially recognised at the amount corresponding to the consideration paid by the Company for the Initial Purchased Receivables. The limited recourse loan has subsequently been adjusted for principal receipts from the underlying Purchased Receivables which have been retained by the Company and which represent repayments of the limited recourse loan. The carrying value of the limited recourse loan is also adjusted to reflect the amortisation of issue expenses effectively borne by the Originator using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

# **Driver UK One PLC**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **Limited recourse loan (continued)**

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Delinquencies and defaults on the securitised assets will not result in an impairment loss if the cashflows from the asset pool are still expected to be sufficient to meet obligations under the limited recourse loan. Losses incurred on the securitised assets will not trigger an impairment of the Loan to the Originator as long as they do not exceed the credit enhancement granted by the Originator.

The amount of the loss is measured as the difference between the carrying amount of the Loan to the Originator and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted with the original effective interest rate.

### **Derivative financial assets and liabilities**

Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value with changes in fair value being recognised in the statement of comprehensive income.

The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of discounted cash flow analysis and other valuation techniques commonly used by market participants.

Interest payments and receipts under currency swaps are accrued and treated as an adjustment to interest paid on the foreign currency denominated Notes issued by the Company. Movements in the fair value of currency swaps less amounts accrued are included in the statement of comprehensive income.

### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### **Floating rate asset backed notes ("Notes")**

The Notes were issued by the Company to external investors. They are recognised initially at fair value net of issue costs incurred.

The Notes are subsequently stated at amortised cost, any difference between proceeds net of issue costs and the redemption value is recognised in the statement of comprehensive income over the life of the Notes using the effective interest method.

In the unlikely event that impairment losses exceed the credit enhancement provided by the Originator, it is possible that some loss may be borne by the Noteholders.

The terms and conditions of the Notes state that the Company is entitled to an optional early redemption of the Notes. This option is exercisable at par at any time if the outstanding principal amount of the Purchased Receivables falls below 10% of the amount originally purchased. The Directors of the Company have concluded that the economic characteristics and risks of this prepayment option are closely related to the economic characteristics and risks of the Notes. As such, the option is not separately accounted for as an embedded derivative.

### **Current income tax**

The current tax expense is based on the taxable profit for the period, using the tax rate that has been enacted or substantively enacted by the balance sheet date.

### **Deferred tax**

Deferred tax is provided in full using the liability method where there are temporary differences between the carrying value of assets and liabilities for accounting and for tax purposes.



## **Driver UK One PLC**

### **Notes to the financial statements for the year ended 31 December 2009 (continued)**

#### **3 Financial risk management**

##### **Nature, extent and management of risks arising from financial instruments**

The risks relevant to the Company were assessed on inception of the securitisation transaction and certain features included in the securitisation structure which are designed to mitigate, but not eliminate, those risks throughout the life of the deal. These risks are described in detail in the Prospectus relating to the issuance of the Notes and those assessed by the directors as the most significant are summarised below. In assessing those risks the directors rely on representations received from the Originator.

The Company's principal activity is to issue the Notes and use the proceeds to acquire the Initial Purchased Receivables from Dunyard Funding Limited. For accounting purposes the acquisition of the Purchased Receivables is treated as a loan to Volkswagen Financial Services (UK) Limited, where the Company's recourse for repayment is limited to the cashflows arising from the Purchased Receivables. The Company will only have recourse to the Originator if there is a breach of warranty by the Originator, but otherwise the Originator's assets will not be available to the Company as a source of funds to make payments on the Notes.

Various factors influence auto delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, and yields on alternative funding sources.

Cashflows arising from the Purchased Receivables in each monthly payment period are used to make payments in accordance with the Company's priority of payments or "waterfall". The Notes issued by the Company are in various tranches which differ in their seniority under the waterfall. Once other obligations have been met, any surplus cashflows are returned to the Originator as a deferred purchase consideration.

The Company is therefore exposed to the risk that the cash flows arising from the Purchased Receivables are insufficient to meet the payments due by the Company on the Notes in issue and other obligations under the waterfall.

The Purchased Receivables are administered on the Company's behalf by Volkswagen Financial Services (UK) Limited, in its role as the Servicer. The Directors reassess the risk that the cashflows arising from the Purchased Receivables will be insufficient to meet the Company's obligations based on monthly quantitative data that they receive from the Servicer and the paying agent for the Notes concerning the Purchased Receivables and the outstanding obligations in relation to the Notes. Where necessary, the Directors also make appropriate enquiries of the Servicer concerning specific matters which may affect the nature and extent of particular risks to the Company.

The transfer of the Purchased Receivables to the Company is by way of equitable assignment or declaration of trust and legal title to the Purchased Receivables remains with the Originator. Only in certain circumstances will the Company have the right to demand that the Originator give it legal title to the Purchased Receivables. As a result the rights of the Company to the cashflows from the Purchased Receivables may be subject to the rights of borrowers against the Originator.

Certain auto loans are subject to consumer credit regulations and other consumer protection legislation. Failure to comply with the requirements of the legislation may in certain circumstances result in an auto loan being unenforceable.

Under the terms of the securitisation, the Originator has given to the Company certain representations and warranties concerning the enforceability of the Purchased Receivables and their compliance with certain eligibility criteria.

## Driver UK One PLC

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### Credit risk

The primary credit risk of the Company relates to delinquency or default on the limited recourse loan to the Originator, which in turn depends on the credit risk associated with the securitised pool of auto loans. The credit risk of the auto loans is managed by the Originator through the application of its underwriting criteria, taking into account a customer's residential status, employment history, the size of the loan and other factors.

Credit enhancement is provided to the securitisation structure in the following way as the income from the Purchased Receivables is expected to exceed the interest payable on the Company's liabilities. In addition a Cash Reserve Fund has been created which can be utilised by the Company in certain circumstances.

The likelihood of defaults in the Purchased Receivables and the amounts that may be recovered in the event of default are related to a number of factors, and may vary according to characteristics such as loan to value ratios and product type. Significant changes in the economy, or in the health of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cashflows from the Purchased Receivables. Key characteristics of the Purchased Receivables at 31 December 2009 are shown below.

As existing Purchased Receivables are repaid, the characteristics of the Purchased Receivables pool may change during the amortising period.

The tables on the following pages present the characteristics of the Purchased Receivables and record the assets at their discounted principal balance value.

#### Key data at 31 December

	2009	2008
Aggregate loan balance	£264,713,555	£513,643,122
Number of loans	38,636	64,695
Largest loan	£83,674	£172,073
Average balance of loan	£6,851	£7,939
Average deposit	£3,660	£3,700
Longest dated loan (months)	49	58

#### Distribution of Purchased Receivables currently in arrears

	2009	2008
	£000	£000
Current	251,660	496,396
Up to one month	5,666	7,486
Over one month and up to three months	3,666	5,934
Over three months and up to six months	1,712	2,950
Over six months	2,010	877
At 31 December	264,714	513,643

## Driver UK One PLC

### Notes to the financial statements for the year ended 31 December 2009 (continued)

Losses incurred on Purchased Receivables and impairment provision	2009	2008
	£000	£000
Net losses for the year / period	4,411	1,829
Cumulative net losses	6,240	1,829
Impairment provision at the end of the year / period	4,478	5,325

The value of net losses represents the principal balance of contracts which became written off net of any collections related thereto plus the value of contracts where the customer had the right to return the vehicle and elected to do so net of sale proceeds. Given the credit enhancements in place at 31 December 2009 the directors consider that the limited recourse loan to the Originator is not impaired.

Credit type	2009	2008
	£000	£000
Balloon loan	127,873	234,852
Equal instalment loan	136,841	278,791
At 31 December	264,714	513,643

Distribution of Purchased Receivables by make	2009	2008
	£000	£000
Audi	109,561	203,494
Bentley	1,251	2,640
Lamborghini	22	239
Seat	13,730	29,241
Skoda	15,647	31,013
Volkswagen	120,439	238,841
Non VW Group	4,064	8,175
At 31 December	264,714	513,643

## Driver UK One PLC

### Notes to the financial statements for the year ended 31 December 2009 (continued)

Geographic distribution of Purchased Receivables	2009	2008
	£000	£000
East Anglia	22,446	44,731
East Midlands	14,980	27,925
London	14,365	27,997
North East	10,640	19,485
North West	32,046	59,418
Scotland	21,828	42,657
South East	61,623	122,113
South West	20,640	40,350
Wales	12,456	24,142
West Midlands	26,209	51,371
Yorkshire & Humberside	27,481	53,454
At 31 December	264,714	513,643

#### Other counterparties

In addition to the credit risk associated with the limited recourse loan to Volkswagen Financial Services (UK) Limited, there is also credit risk relating to bank deposits and in derivative transactions such as cross currency swaps. The terms of these instruments include provisions such that if the rating of the counterparty falls below a specified level, the Company may take remedial measures which include

- requiring a guarantee from a third party with a higher credit rating
- requiring collateral in support of the counterparty's obligation
- transferring the instrument to a new counterparty with the required rating

## Driver UK One PLC

### Notes to the financial statements for the year ended 31 December 2009 (continued)

At 25 June 2010, the ratings of counterparties to the Company's bank deposits and interest rate and currency swap transactions were as follows

Bank deposits	Short term debt obligation	Long term debt obligation
S&P	A-1	A+
Moody's	P-1	Aa3
Fitch	F1+	AA-
Interest rate and currency swaps	Short term debt obligation	Long term debt obligation
S&P	A-1+	AA
Moody's	P-1	Aa2
Fitch	F1+	AA

#### Maximum exposure to credit risk before collateral held or other credit enhancements

The Company's maximum exposure to credit risk is reflected by the amounts disclosed in the balance sheet

#### Liquidity risk

Liquidity risk is the risk that the Company is unable to meet the payment obligations associated with its financial liabilities when they fall due. The ability of the Company to make interest payments under the currency swaps, pay interest on the Notes and to pay its other expenses is dependent upon the Company receiving sufficient cashflow from the Purchased Receivables, and receiving the amounts due from swap counterparties.

In addition to the credit and other risks noted above receipt of interest cashflows may be subject to certain timing differences between the dates on which a borrower's payment is collected or transferred to the Company and the date on which the Company makes payments on the Notes. In order to meet temporary cash timing differences the Company has access to funds held in a cash reserve account which as at 31 December 2009 stood at a balance of £3,801,341.

From the end of the revolving period in March 2009, principal repayments have been made on the Notes in accordance with the Company's priority of payments, and reflect the amount of principal collections on the underlying Purchased Receivables. The Company is only required to make payments on the Notes to the extent that it has received sufficient cashflows from the underlying Purchased Receivables, subject to a final legal maturity date of the Notes of March 2017.

Principal collections from the Purchased Receivables reflect the terms of the underlying auto loans which vary between products.

The table below shows the remaining maturity of the loans in the Purchased Receivables pool

## Driver UK One PLC

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### Liquidity risk (continued)

	2009	2008
Remaining term of Purchased Receivables	£000	£000
Up to 12 months	93,624	100,452
13 – 24 months	114,229	185,125
25 – 36 months	44,794	160,323
37 – 48 months	12,061	56,212
49 – 60 months	6	11,531
At 31 December	264,714	513,643

The table below analyses the Company's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 31 December 2009 Amounts in £000	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
Floating rate asset backed notes	20,825	37,396	131,695	87,196	277,112
Subordinated loans	-	-	-	41,456	41,456
<b>Total</b>	<b>20,825</b>	<b>37,396</b>	<b>131,695</b>	<b>108,976</b>	<b>298,892</b>
Limited recourse loan	21,181	38,023	127,694	84,699	271,112
Cash at bank	23,700	-	-	-	23,700
<b>Total</b>	<b>44,881</b>	<b>38,023</b>	<b>127,694</b>	<b>84,699</b>	<b>295,297</b>

The table below analyses the Company's derivative financial instruments that are settled on a gross basis

At 31 December 2009 Amounts in £000	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
- Outflow	10,524	23,102	80,845	47,050	161,521
- Inflow	8,944	19,654	68,889	40,087	137,574

The Company's cross currency interest rate derivatives are settled on a gross basis and are designed to exactly match the terms of the Notes denominated in Euro so no currency exposure arises.

# Driver UK One PLC

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### Prepayment risks

Cash flows from the limited recourse loan to the Originator are dependent on the underlying Purchased Receivables which have a maximum maturity of 49 months. However, in the normal course of business, a proportion of borrowers repay their loan in advance of their contractual maturity. As a result the weighted average life of the loan to the Originator and of the Notes is likely to be significantly less than that implied by the contractual maturity dates of the Purchased Receivables.

The terms of the Notes specify that payments on the Notes will only be made to the extent that sufficient cashflows have been received from the Company's assets. The terms of the interest rate and cross currency swaps also specify that the notional amounts of the swaps will amortise to match the outstanding amount of the Notes to which they relate. In the event that prepayment rates on the Purchased Receivables reduce, principal repayments on the loan to the Originator and on the Notes will be spread over a longer period.

### Prepayment rates

	2009	2008
	£000	£000
Prepayments during the year / period	101,781	101,139
Constant prepayment rate since the start of the year / period	22.7%	21.0%
Constant prepayment rate since inception of the transaction	21.8%	21.0%

### Market risk

#### Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Purchased Receivables pool comprises loans which are subject to fixed rates of interest set by the Servicer based on market interest rates and competitive considerations.

Changes in interest rates could result in the interest cashflows from the Purchased Receivables being insufficient to meet the interest payments due to the Company. To mitigate this risk, the Company entered into basis swaps with a swap counterparty at the time of transfer of the Initial Purchased Receivables. Under the terms of the swap, the Company pays a fixed rate of interest and receives a floating rate of interest based on 1 month Libor on a notional principal balance which is automatically adjusted each month to equal the outstanding principal balance of the Purchased Receivables.

In addition the Company has entered into currency swaps under which it makes a monthly payment based on 1 month Sterling Libor and receives an amount based on 1 month Euribor which is equivalent to the interest payment due on the Euro denominated Notes.

The table below summarises the Company's exposure to interest rate risk, and shows the Company's financial instruments at carrying amount by maturity date.

# Driver UK One PLC

## Notes to the financial statements for the year ended 31 December 2009 (continued)

At 31 December 2009 £000	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
<b>Assets</b>					
Cash at bank	23,700	-	-	-	23,700
Limited recourse loan	21,181	38,023	127,694	84,699	271,597
<b>Total financial assets</b>	<b>44,881</b>	<b>38,023</b>	<b>127,694</b>	<b>84,699</b>	<b>295,297</b>

At 31 December 2009 £000	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
<b>Liabilities</b>					
Floating rate asset backed notes	20,825	37,396	131,695	87,196	277,112
Subordinated liabilities	-	-	-	21,780	21,780
<b>Total financial liabilities</b>	<b>20,825</b>	<b>37,396</b>	<b>131,695</b>	<b>108,976</b>	<b>298,892</b>
<b>Total interest repricing gap</b>	<b>24,056</b>	<b>627</b>	<b>(4,001)</b>	<b>(24,277)</b>	<b>(3,595)</b>

### Currency risk

The Company's assets are denominated in Sterling, its functional currency. However, the Company has issued Notes denominated in Euro. It is therefore exposed to currency risk, as the value of the Notes will fluctuate due to changes in Euro exchange rates and in Euribor rate.

To manage this risk, the Company entered into a cross currency swap with a Bank counterparty at the time of the Notes issuance. As shown in the table below, the contractual notional amount of the cross currency swaps correspond exactly to the amount of the Notes issued in Euro and therefore mitigates the Company's exposure to currency risk.

### Items in Euro expressed in Sterling At 31 December

	2009 £000	2008 £000
Notes in issue	158,981	309,467
Notional principal amounts of the outstanding cross currency contracts	158,981	309,467

As a result of these highly effective swaps the sensitivity to movements in currency exchange rates is minimised.



## Driver UK One PLC

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### Fair value of financial assets and liabilities

##### *(a) Financial instruments measured at fair value using a valuation technique*

The total amount of the changes in fair value estimated using a valuation technique that was recognised in the statement of comprehensive income during the year is a gain of £29,005,953

##### *(b) Financial instruments not measured at fair value*

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's statement of financial position at their fair value

	Carrying value	Fair value
At 31 December 2009	£000	£000
<b>Financial liabilities</b>		
Notes in issue		
A notes	254,998	254,272
B notes	22,423	21,041
Other liabilities	21,780	20,053

##### *(i) Cash at bank*

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

##### *(ii) Limited recourse loan*

The estimated fair value of the limited recourse loan represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

##### *(iii) Notes in issue*

The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

#### Capital management

The Company is not legally required to maintain a certain level of capital. The statement of change in equity gives information regarding the composition and movement of capital.

## Driver UK One PLC

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### 4 Interest income

	2009	2008
	£000	£000
Limited recourse loan	29,395	27,756
Cash at bank	16	256
	29,411	28,012

#### 5 Interest expense

	2009	2008
	£000	£000
Notes in issue	7,140	20,145
Subordinated loan interest	1,074	2,679
Other loan interest	32	94
Interest rate swap net payable / (receivable)	16,535	(1,316)
Cross currency swap net (receivable) / payable	(380)	1,765
	24,401	23,367

#### 6 Administrative expenses

	2009	2008
	£000	£000
Servicer fee	4,241	3,964
Amortisation of Notes issue costs	629	610
Other administrative expenses	99	43
Audit services statutory audit of Company annual accounts	40	27
	5,009	4,644

## Driver UK One PLC

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### 7 Income tax expense

The tax charge in the statement of comprehensive income and current income tax liability in the balance sheet are both reported in £000s Both values are therefore shown as nil

	2009	2008
	£	£
<b>Current tax:</b>		
Corporation tax charge for the year / period	158	123
Deferred tax	-	-
<b>Reconciliation of total tax charge</b>		
<b>Profit/(loss) before tax</b>	<b>11,481,754</b>	<b>(19,035,623)</b>
Tax for the year / period at the standard rate of corporation tax in the UK of 28%	3,214,891	(5,329,974)
Permanent differences		
Accounting profits/ (losses) not taxable	(3,214,891)	5,329,974
Application of Statutory Instrument No 3296 The Taxation of Securitisation Companies Regulations 2006	158	123
<b>Tax expense</b>	<b>158</b>	<b>123</b>

This Company is taxed in accordance with Statutory Instrument No 3296 The Taxation of Securitisation Companies Regulations 2006 which requires that tax is charged on the profits “retained” by the Issuer Issuer Retained Profit per the Prospectus amounts to £750 per annum The Company has applied the small companies’ rate of corporation tax

## **Driver UK One PLC**

### **Notes to the financial statements for the year ended 31 December 2009 (continued)**

#### **8 Limited recourse loan**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Limited recourse loan to the Originator	<b>251,820</b>	<b>501,050</b>

As set out in the accounting policy note 2, due to the requirements of IAS 39, the Company does not recognise the purchase of the Purchased Receivables, but rather shows a loan to the Originator

The Originator repays the limited recourse loan as and when it receives the cash from the customers towards principal repayments of the Purchased Receivables

The movements in the Loan due from the Originator are as follows

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
At start of year / period	<b>501,050</b>	-
Acquisition of Purchased Receivables	<b>72,926</b>	<b>499,975</b>
Repayments made during the year / period	<b>(322,665)</b>	-
Accrued interest income at end of year / period	<b>509</b>	<b>1,075</b>
At end of the year / period	<b>251,820</b>	<b>501,050</b>

## Driver UK One PLC

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### 9 Derivative financial instruments

The Company uses cross currency swap and interest rate swaps to manage its exposure to market risk. The Company does not apply hedge accounting. As a result, the financial instrument derivatives are all disclosed below as "Derivatives held for trading".

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps.

The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored regularly with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

At 31 December 2009		Fair values	
Derivatives held for trading	Notional amount	Assets	Liabilities
Foreign exchange derivative			
Cross currency swaps	134,975	24,098	-
Interest rate swaps	274,164	-	7,647
Total OTC derivatives		24,098	7,647

At 31 December 2008		Fair values	
Derivatives held for trading	Notional amount	Assets	Liabilities
Foreign exchange derivative			
Cross currency swaps	244,975	65,383	-
Interest rate swaps	506,874	-	19,927
Total OTC derivatives		65,383	19,927

The fair values for the cross currency swaps in the above table are classified as level 2 valuations. The value is calculated by an external party and validated using an internal model which uses observable market rates.

The fair values for the interest rate swaps in the above table are classified as level 3 valuations. The value is calculated by an external party.

# Driver UK One PLC

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 10 Cash at bank

Cash at bank at 31 December 2009 includes a reserve fund balance of £3,801,341 (31 December 2008 £6,899,619) which is not readily available to the Company

### 11 Floating rate asset backed notes

Sterling floating rate notes	External rating	Interest rate	2009	2008
	S&P, Moody's,		£000	£000
	Fitch			
Class A1	AAA, Aaa, AAA	Libor +0.70%	110,105	200,000
Class B1	A+, A1, A+	EURIBOR +0.70%	8,335	15,000
<b>Euro floating rate notes</b>				
Class A2	AAA, Aaa, AAA	Libor +0.70%	144,965	282,273
Class B2	A+, A1, A+	EURIBOR +0.70%	14,108	27,194
Unamortised issue costs			(401)	(923)
<b>Total</b>			<b>277,112</b>	<b>523,544</b>
Current			189,916	231,742
Non current			87,196	291,802
<b>Total</b>			<b>277,112</b>	<b>523,544</b>

All classes of Notes have been issued on 20 March 2008 and have legal maturity in 2017 although it is expected that they will be subject to a clean up call in June 2011. They are secured by first charge over the Purchased Receivables.

Prior to redemption of the Notes on the final interest payment date falling in March 2017 the Notes will be subject to mandatory and/or optional redemption in certain circumstances, on each interest payment date.

The priority of repayment (waterfall) between the different classes of Notes, as defined in the term and condition of the Notes, is: Class B is subordinated to Class A.

The Company has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year.

## **Driver UK One PLC**

### **Notes to the financial statements for the year ended 31 December 2009 (continued)**

#### **12 Subordinated loans**

The subordinated loans are payable to Volkswagen International Payment Services N V and are secured by a second charge on the Purchased Receivables. The subordinated loans are not repayable until all obligations to the Noteholders have been met.

#### **13 Share capital**

	2009	2008
<b>Authorised, called up and fully paid</b>	<b>£000</b>	<b>£000</b>
50,000 Ordinary shares of £1 each	50	50
<b>At 31 December</b>	<b>50</b>	<b>50</b>

#### **14 Ultimate parent undertaking and ultimate controlling party**

The Company's shares are held by TMF Trustee Limited with on trust for charitable beneficiaries. Copies of the financial statements of TMF Trustee Limited may be obtained from TMF Management (UK) Limited, Pellipar House, First Floor, 9 Cloak Lane, London EC4R 2RU.

Volkswagen Financial Services (UK) Limited, the Originator, is entitled to a deferred purchase consideration in relation to the sale of Purchased Receivables.

As the risks and rewards of the Company's activities remain with Volkswagen Financial Services (UK) Limited, Volkswagen Financial Services (UK) Limited is considered to be the parent company. The ultimate parent undertaking and ultimate controlling party by virtue of its shareholdings in Volkswagen Financial Services (UK) Limited is Volkswagen AG, a company incorporated in Germany. Volkswagen AG is the parent undertaking of the largest group to consolidate these financial statements. Copies of the ultimate and immediate parent's consolidated financial statements may be obtained from the offices at:

Volkswagen Aktiengesellschaft  
Finanz - Publizität und Statistik  
D-38436 Wolfsburg  
Germany

## Driver UK One PLC

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### 15 Related-party transactions

The following are considered to be related parties of Driver UK One PLC

Volkswagen Financial Services (UK) Limited, the Originator

Volkswagen International Payment Services N V, the Subordinated Lender

TMF Management (UK) Limited, the Corporate Services Provider

Dunyard Funding Limited, the Seller of the Initial Purchased Receivables to Driver UK One PLC

A number of transactions are entered into with the Originator, the Subordinated Lender and the Corporate Services Provider in the normal course of business. Their volumes, outstanding balances at the period-end, and relating expense and income for the period are as follows

	2009 £000	2008 £000
<b>Assets</b>		
Limited recourse loan to the Originator	251,820	501,050
<b>Liabilities</b>		
Other liabilities to the Subordinated Lender	21,780	48,349
<b>Other transactions</b>		
Interest income from the Originator	29,395	27,756
Fees payable to the Corporate Services Provider	43	45

#### *Board of Directors' remuneration*

The total remuneration paid to directors in 2009 was nil (2008: £nil)

#### 16 Events after the balance sheet date

As noted in the Directors' report a Late Delinquency Ratio breach has occurred since the balance sheet date. As a result the priority of payments changed in order to achieve a higher overcollateralisation percentage.