

Daimler UK Finance Plc

Directors' Report and Financial Statements

For the year ended 31 December 2008

Company Registration Number 5328119

Directors' Report

The Directors have pleasure in presenting their report and the Company's financial statements for the year ended 31 December 2008.

Principal Activities

The Company issued Medium Term Notes, the proceeds of which were on-lent to Daimler UK Plc.

As of 18 July 2007, the Company ceased issuing Medium Term Notes and currently only manages the settlement of the remaining portfolio of external debt issuance.

Financial Risks

The Company operations exposed it to certain financial risks such as currency fluctuation, counterparty credit risk and interest rate risk.

The treasury policies under which the Company operated sought to minimise all currency and interest rate risk. This was achieved by the use of derivatives to fully hedge any financial risk positions. The Company actively reviews the allocation of its remaining cash assets and other financial instruments to external counterparties. Counterparty credit exposures are monitored continuously and reviewed against limits allocated by the parent company.

Business Review

Funds lent to Daimler UK Plc at the end of 2008 amounted to £226m as compared with £806m at the end of the previous year. Funds borrowed from external counterparties at the end of 2008 amounted to £226m as compared with £806m at the end of the previous year.

Operating profit has decreased to £44,000 in 2008 compared to £106,000 in 2007.

Dividend

The directors do not recommend the payment of a dividend.

Directors

The Directors during the year were as follows:

Dr M Mühlbayer
Mr H Kauffmann (resigned 1 August 2008)
Mr K Schäfer
Dr D Schiller
Ms M Niebuhr
Mr A Williamson (Managing Director)

In accordance with the Articles of Association certain Directors will retire, and being eligible, offer themselves for re-election at the forthcoming AGM.

Directors' Interests

No Director has any disclosable interest in the shares of the Company or any other of the group companies.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Tongwell
Milton Keynes
MK15 8BA

By order of the Board



J. Larkins
Secretary
27 April 2009

Directors' Report

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Daimler UK Finance Plc

We have audited the financial statements of Daimler UK Finance Plc for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 April 2009
Milton Keynes

Profit and Loss Account
For the year ended 31 December 2008

	<i>Notes</i>	Year Ended 31 December 2008 £000's	Year Ended 31 December 2007 £000's
Interest Income	1	25,575	59,945
Interest Expense	2	(25,575)	(59,945)
Net Interest Income		-	-
Other operating income		44	106
Operating expenses		-	-
Profit on ordinary activities before taxation	4	44	106
Taxation	5	(15)	(32)
Profit for the financial year		28	74

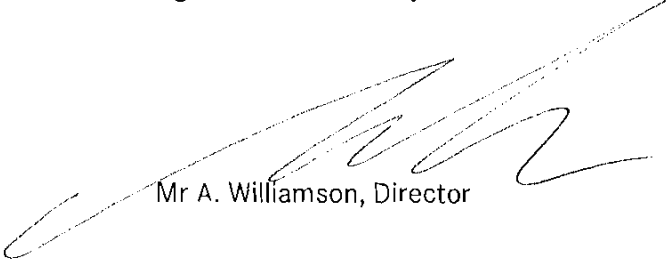
The results for the period have been derived from continuing operations of the Company. There were no recognised gains or losses other than those reported above.

The profit and loss account above is stated on an historical cost basis.

**Balance Sheet
at 31 December 2008**

ASSETS		2008	2007
	<u>Notes</u>	<u>£000's</u>	<u>£000's</u>
CURRENT ASSETS			
Debtors			
Due within one year	7	226,200	588,993
Due after more than one year	7	-	217,350
		<u>226,200</u>	<u>806,343</u>
LIABILITIES			
		2008	2007
	<u>Notes</u>	<u>£000's</u>	<u>£000's</u>
CAPITAL AND RESERVES			
Called up share capital	8	50	50
Profit and loss account	9	201	173
Shareholders' funds	10	251	223
CREDITORS:			
Amounts falling due within one year	11	225,949	588,770
Amounts falling due after more than one year	11	-	217,350
		<u>225,949</u>	<u>806,120</u>
		<u>226,200</u>	<u>806,343</u>

These financial statements were approved by the Board of Directors on 27 April 2009 and were signed on its behalf by:



Mr A. Williamson, Director

Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with the applicable accounting standards.

These financial statements represent the Company's financial statements. The Company is a wholly owned subsidiary of Daimler UK Plc, a company incorporated in England and Wales. The results of the Company are consolidated in the accounts of Daimler Aktiengesellschaft (a company incorporated in Germany). The consolidated accounts of the ultimate holding company are available to the public and may be obtained from Daimler UK Plc, Tongwell, Milton Keynes MK15 8BA.

Under Financial Reporting Standard (FRS) 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the Company in its own published consolidated financial statements.

Accounting Policies

As all of the Company's voting rights are controlled by Daimler UK Plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Daimler Aktiengesellschaft within which this Company is included, can be obtained from the address given above.

Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies have been translated at the year-end rate except where the Company has entered into forward exchange contracts prior to the period end. In such cases the rates of the contract have been used for the translation of the related liability. All exchange differences have been included before arriving at profit on ordinary activities before taxation.

Taxation

The charge for corporation tax is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Bond and Medium Term Note Issue Expenses

Expenses arising from Bond and Medium Term Note issues are borne by Daimler UK Plc which are accounted for in accordance with FRS 4 in their accounts.

**Notes to the Accounts
at 31 December 2008**

	Year Ended 31 December 2008	Year Ended 31 December 2007
	<u>£000</u>	<u>£000</u>
1. Interest Income		
Interest income from group undertakings	<u>25,575</u>	<u>59,945</u>
2. Interest Expense		
Medium Term Notes	<u>25,575</u>	<u>59,945</u>
3. Directors' Emoluments / Employees – Staff Costs		
No director provided any significant services to the Company and as a result there was no remuneration during the current or prior period. During the current and prior period there were no employees or staff costs.		
4. Profit on ordinary activities before taxation	Year Ended 31 December 2008	Year Ended 31 December 2007
This is stated after charging	<u>£000</u>	<u>£000</u>
Auditor's remuneration	-	-

Auditor remuneration costs for Daimler UK Finance Plc are paid for by Daimler UK Plc.

**Notes to the Accounts
at 31 December 2008**

	Year Ended 31 December 2008	Year Ended 31 December 2007
	<u>£000</u>	<u>£000</u>
5. Tax on profit on ordinary activities		
UK Corporation Tax		
Current tax on income for the year	<u>16</u>	<u>32</u>
<u>Current tax reconciliation</u>		
Profit on ordinary activities before tax	<u>44</u>	<u>106</u>
Current tax at 28.5% (2007: 30%)	13	32
Adjustment in tax charge in respect of previous periods	3	-
Total current tax charge	<u>16</u>	<u>32</u>
The corporation tax rate applicable to the company has changed from 30% to 28% from 01 April 2008.		
6. Ultimate Holding Company		
The ultimate holding company is Daimler Aktiengesellschaft a company incorporated in Germany.		
7. Debtors	2008	2007
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Amounts owed by group undertakings	226,200	588,993
Amounts falling due after one year:		
Amounts owed by group undertakings	<u>-</u>	<u>217,350</u>
	<u>226,200</u>	<u>806,343</u>
8. Share Capital	2008	2007
	<u>£000</u>	<u>£000</u>
Authorised, allotted, called up and fully paid at par		
Ordinary shares of £1 each	<u>50</u>	<u>50</u>

**Notes to the Accounts
at 31 December 2008**

	Year Ended 31 December 2008	Year Ended 31 December 2007
	<u>£000</u>	<u>£000</u>
9. Profit and loss account		
Balance brought forward	173	99
Profit for the financial year	28	74
	<u>201</u>	<u>173</u>
	Year Ended 31 December 2008	Year Ended 31 December 2007
	<u>£000</u>	<u>£000</u>
10. Reconciliation of movements in shareholders' funds		
Profit for the financial year	28	74
Net change in shareholders' fund	28	74
Opening shareholders' fund	223	149
Closing shareholders' fund	<u>251</u>	<u>223</u>
11. Creditors	2008	2007
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Medium Term Notes	217,350	568,686
Corporation Tax	5	74
Accruals	8,594	20,010
	<u>226,200</u>	<u>588,770</u>
Amounts falling due after more than one year:		
Medium Term Notes	-	217,350
	-	217,350
	<u>226,200</u>	<u>806,120</u>
Total creditors		

**Financial Risk Management
at 31 December 2008****Capital Market Issuance**

Daimler UK Finance Plc (referred to as DUKF) was an active issuer under the group's USD 25 billion EMTN programme. In October 2005 DUKF took over the existing EMTN debt obligations and substituted DUK as the issuer under the EMTN programme.

As of the 18 July 2007, the Company ceased issuing Medium Term Notes and currently only manages the settlement of the remaining portfolio of external debt issuance.

Treasury Policies

The treasury policies adopted by DUKF limited foreign exchange refinancing risk and interest rate risk. Within the scope of the Company's funding operations, DUKF used derivatives for the sole purpose of hedging its interest and currency exposure.

Currency risk, counterparty exposure and interest rate risk are monitored and managed on the remaining portfolio of debt issuance. Details of the positions and results of DUKF are incorporated into the monthly reporting to the parent company. Prevailing market values of derivative instruments and underlying debt issues are monitored. Counterparty exposure is reviewed against limits allocated by the parent company.

Further disclosures on the Company's use of derivatives are included in these notes.

Short-term debtors and creditors that meet the definition of a financial asset or liability under FRS 13 have been included in all numerical disclosures in this note.

Currency / Interest Rate Exposure

The foreign exchange exposure of DUKF arises primarily from the fact that a high proportion of its remaining medium term debt is issued in foreign currency in order to generate cost-effective terms. The Company also avails itself of structured transactions denominated in foreign currency which are made possible under the EMTN programme.

**Financial Risk Management
at 31 December 2008**

(i) Fair values of financial assets and liabilities

The fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties and is calculated by reference to market rates discounted to current value. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates translated at year end exchange rates.

The fair value of assets and liabilities at year end was:

	31 December 2008		31 December 2007	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Primary Financial Instruments held or issued to finance the Company's operations				
Short-term borrowings	(217,350)	(245,676)	-	-
Long-term borrowings	-	-	(786,036)	(817,956)
Intercompany loans	-	-	-	-
Financial Liabilities	<u>(217,350)</u>	<u>(245,676)</u>	<u>(786,036)</u>	<u>(817,956)</u>
Other liabilities	(8,599)	(8,599)	(20,084)	(20,084)
	<u>(225,949)</u>	<u>(254,275)</u>	<u>(806,120)</u>	<u>(838,040)</u>
Intercompany Debtors	226,200	226,200	806,343	806,343
Bank Deposits	-	-	-	-
Financial Assets	<u>226,200</u>	<u>226,200</u>	<u>806,343</u>	<u>806,343</u>
Other assets	-	-	-	-
	<u>226,200</u>	<u>226,200</u>	<u>806,343</u>	<u>806,343</u>
Derivative Financial Instruments held or issued to hedge				
Currency swaps				
Group	-	28,326	-	31,920
	<u>-</u>	<u>28,326</u>	<u>-</u>	<u>31,920</u>
TOTAL:	251	251	223	223

Financial Risk Management at 31 December 2008

(ii) Interest rate exposure of financial assets and liabilities

After taking into account the various interest rate and cross-currency swaps entered into by the Company, the currency and interest rate exposure of the financial assets and liabilities of the Company was:

	Financial Assets 2008 £000				Financial Assets 2007 £000			
	Fixed rate	Floating rate	Non interest	Total	Fixed rate	Floating rate	Non interest	Total
Sterling	225,945	-	255	226,200	652,702	153,344	296	806,342
Euro	-	-	-	-	-	-	-	-
	<u>225,945</u>	<u>0</u>	<u>255</u>	<u>226,200</u>	<u>652,702</u>	<u>153,344</u>	<u>50</u>	<u>806,342</u>
of which:								
Amount owed by group undertaking				226,200				806,342
Bank Deposits				-				-
				<u>226,200</u>				<u>806,342</u>
	Financial Liabilities 2008 £000				Financial Liabilities 2007 £000			
	Fixed rate	Floating rate	Non interest	Total	Fixed rate	Floating rate	Non interest	Total
Sterling	(217,350)	-	-	(217,350)	(633,598)	(152,438)	-	(786,036)
Euro	-	-	-	-	-	-	-	-
	<u>(217,350)</u>	<u>0</u>	<u>-</u>	<u>(217,350)</u>	<u>(633,598)</u>	<u>(152,438)</u>	<u>-</u>	<u>(786,036)</u>
of which:								
Gross External Borrowings				(217,350)				(786,036)
Amount owed to group undertakings				-				-
				<u>(217,350)</u>				<u>(786,036)</u>
Net assets/(liabilities)								
Sterling				8,850				20,306
Euro				-				-
				<u>8,850</u>				<u>20,306</u>

Financial Risk Management at 31 December 2008

(iii) Interest rate exposure of financial assets and liabilities (continued)

Floating rate financial assets and liabilities attract interest based on adjusted LIBOR equivalents. The weighted average period until maturity of the fixing on financial assets is 4 months (2007 – 9 months). The weighted average interest rate on such fixed rate financial assets is 5.63% (2007 – 5.34%). The weighted average period until maturity of the fixing on financial liabilities is 4 months (2007 – 9 months). The weighted average interest rate on such fixed rate financial liabilities is 5.63% (2007 – 5.34%). Non interest bearing liabilities have no set period to maturity.

(iv) Currency exposure of financial assets and liabilities

All monetary assets and liabilities of the Company at 31 December 2008 that are not denominated in its functional currency are fully hedged with external counterparties via inter-group swaps.

(v) Hedges

	at 31 December 2008			at 31 December 2007		
	Gains	Losses	Total net	Gains	Losses	Total net
	£000	£000	gains/(losses) £000	£000	£000	gains/(losses) £000
At beginning of period	31,920	-	31,920	4,643	(13,620)	(8,977)
Arising in previous years/recognised in this year	-	-	-	(3,409)	9,279	5,870
Arising in prior years/not recognised this year	31,920	-	31,920	1,234	(4,341)	(3,107)
Arising in the year/not recognised in the year	(4,802)	-	(4,802)	30,686	4,341	35,027
At the end of the year	<u>27,118</u>	<u>-</u>	<u>27,118</u>	<u>31,920</u>	<u>-</u>	<u>31,920</u>
Expected to be recognised:						
In one year or less	27,118	-	27,118	25,808	-	25,808
In later than one year	-	-	0	6,112	-	6,112
	<u>27,118</u>	<u>-</u>	<u>27,118</u>	<u>31,920</u>	<u>-</u>	<u>31,920</u>

The instruments used for hedging Company exposure to movements in interest rates and exchange rates are detailed in the notes on Financial Risk Management on page 13.

**Financial Risk Management
at 31 December 2008****(vi) Maturity of financial liabilities**

The maturity profile of the Company's financial liabilities was as follows:

	2008 £000	2007 £000
In one year or less, or on demand	217,350	568,686
In more than one year but not more than two years	-	217,350
In more than two years but not more than five years	-	-
	<u>217,350</u>	<u>786,036</u>