

Volkswagen Insurance Service (Great Britain) Limited

Annual report and financial statements for the year ended

31 December 2007

Registered Number: 00715189



Volkswagen Insurance Service (Great Britain) Limited

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Volkswagen Insurance Service (Great Britain) Limited

Directors and advisers

Directors

K Crede
R A J Woolcock
U Baunack
G Wheeler
D Maloney

Secretary and registered office

W Gibbard
Brunswick Court
Yeomans Drive
Blakelands
Milton Keynes
MK14 5LR

Independent auditors

PricewaterhouseCoopers LLP
Central Business Exchange
Midsummer Boulevard
Central Milton Keynes
MK9 2DF

Volkswagen Insurance Service (Great Britain) Limited

Directors' report for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007

Principal activities

The principal activity of the company is to arrange motor insurance for Audi, Volkswagen, SEAT and Skoda owners and motor trade insurance on behalf of retailers in the United Kingdom

Business review

On 1 January 2007 Volkswagen Insurance Service (Great Britain) Limited (VIS) implemented a new business model with a new supplier partner, Zurich Insurance Company (ZIC). The new business model includes free seven day insurance at point of purchase for new and used vehicles from all Volkswagen Group retailers. Retailers have responded well to this offer leading to increased new business throughout the year.

Total number of new business and renewal policies in 2007 were slightly lower than the previous year at 32,381 (2006 35,283) but commission earnings were considerably higher as a result of new commission rates negotiated with ZIC. However, retailers have needed time to understand and work with the new process, and migration of existing customers from the previous supplier has proved challenging as a result of limited customer data made available to VIS. Northern Ireland business has remained with Antell Insurance Associates Ltd (AIA) throughout most of 2007, though this relationship was terminated in November 2007 in preparation for moving that business over to ZIC in 2008.

The new business model and supplier are now established within VIS, and this together with a number of process enhancements and greater use of technology should lead to growth in 2008 and beyond.

The company's profit on ordinary activities after taxation for the financial year is £819,305 (2006 £273,126).

The company's retained profit for the financial year is £539,305 (2006 Loss £101,874), after a total dividend paid of £7.00 (2006 £9.38) per £1 ordinary share, amounting to £280,000 (2006 £375,000).

A final dividend of £800,000 has been proposed, and subject to approval at the Annual General Meeting, will be recognised in the financial statements for the year ending 31 December 2008.

Volkswagen Insurance Service (Great Britain) Limited

Directors' report for the year ended 31 December 2007 (continued)

Key Performance Indicators

	2007	2006	Definition and method of calculation
New Motor Insurance Policies	12,678	9,370	This is the total number of new insurance policies written for VIS (GB) Ltd in the year
Renewal Insurance Policies	19,703	25,913	This is the total number of renewal policies written for VIS (GB) Ltd in the year
New Motor Insurance Premiums	£5.3m	£3.3m	This is the total premium for new policies
Renewal Insurance Premiums	£7.0m	£9.1m	This is the total premium for renewal policies
Operating Profit %	87.3%	56.6%	This is the percentage of operating profit to turnover

Financial risk management

The company's operations expose it to limited financial risks which include, primarily, the credit risk of insurance agents failing to pay commissions to the company. The risks related to price, credit, liquidity and interest rates are detailed below.

Given the size of the company, the directors do not delegate the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the risk management and finance departments of the service provider Volkswagen Financial Services (UK) Ltd.

Price risk

The company has no exposure to commodity price risk or equity securities price risk.

Credit risk

The company has limited credit risk. As mentioned above, this is primarily the credit risk of insurance agents failing to pay commissions to the company. Due to the relatively low amounts involved, the company has vested responsibility for monitoring the risk and debtor performance in the Head of Insurance Services - Insurance and Finance Department personnel of the service provider Volkswagen Financial Services (UK) Ltd.

Volkswagen Insurance Service (Great Britain) Limited

Directors' report for the year ended 31 December 2007 (continued)

Financial risk management (continued)

Liquidity risk

The company currently has no significant liquidity risk

Interest rate cash flow risk

The company has interest bearing assets, including cash balances and loans to group undertakings, which earn interest at a variable rate. The company is therefore exposed to fluctuations in levels of interest receivable on these assets. However the company does not consider this to be a material risk as these returns are incidental to the main trading operations. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Charitable and political donations

The company made no charitable or political donations in 2007 or 2006

Directors

The directors who served during the year are as follows

K Crede
R A I Woolcock
U Baunack (appointed 2 November 2007)
G Wheeler
D Maloney (appointed 2 November 2007)
F Ortiz-Cañavate (resigned 1 September 2007)

The directors held no beneficial interests in the shares of the company as at 31 December 2007

Company secretaries

The secretaries who served during the year are as follows

Wayne Gibbard (appointed 2 November 2007)
Alistair Shields (resigned 2 November 2007)

Volkswagen Insurance Service (Great Britain) Limited

Directors' report for the year ended 31 December 2007 (continued)

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

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 the financial statements comply with the Companies Act 1985. 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report".

Each director has taken all the steps that he ought to have taken in his duty 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.

Volkswagen Insurance Service (Great Britain) Limited

Directors' report for the year ended 31 December 2007 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements (continued)

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

A handwritten signature in black ink, appearing to read 'G Wheeler', followed by a long, sweeping horizontal stroke.

G Wheeler
Director
23 May 2008

Independent auditors' report to the members of Volkswagen Insurance Service (Great Britain) Limited

We have audited the financial statements of Volkswagen Insurance Service (Great Britain) Limited for the year ended 31 December 2007 which comprises 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.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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.

Independent auditors' report to the members of Volkswagen Insurance Service (Great Britain) Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 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

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', is written over the printed name of the firm.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes
23 May 2008

Volkswagen Insurance Service (Great Britain) Limited

Profit and loss account for the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	1,288,841	657 062
Administrative expenses		<u>(163,433)</u>	<u>(285,080)</u>
Operating profit		1,125,408	371 982
Interest receivable and other income	3	<u>45,028</u>	<u>18 198</u>
Profit on ordinary activities before taxation	6	1,170,436	390,180
Tax charge on profit on ordinary activities	7	<u>(351,131)</u>	<u>(117 054)</u>
Profit on ordinary activities after taxation	12 13	<u>819,305</u>	<u>273,126</u>

The above results all derive from continuing operations

The company has no recognised gains or losses other than the profits above and, therefore, no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and its historical cost equivalent

The notes on pages 13 to 17 form an integral part of these financial statements

Volkswagen Insurance Service (Great Britain) Limited

Balance sheet as at 31 December 2007

	Notes	2007 £	2006 £
Current assets			
Debtors amounts falling due within one year	9	1,202,117	377,345
Cash at bank and in hand		<u>4,047</u>	<u>65,124</u>
		1,206,164	442,469
Creditors: amounts falling due within one year	10	<u>(289,102)</u>	<u>(64,712)</u>
Net assets		<u>917,062</u>	<u>377,757</u>
Capital and reserves			
Called up share capital	11	40,000	40,000
Profit and loss account	12	<u>877,062</u>	<u>337,757</u>
Total shareholders' funds	13	<u>917,062</u>	<u>377,757</u>

The notes on pages 13 to 17 form an integral part of these financial statements

The financial statements on pages 11 to 17 were approved by the board of directors on 23 May 2008 and were signed on its behalf by



G Wheeler
Director

Volkswagen Insurance Service (Great Britain) Limited

Notes to the financial statements for the year ended 31 December 2007

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom and the Companies' Act 1985. A summary of the more important accounting policies, which have been applied consistently, are set out below.

Financial instruments

The company has adopted the presentation requirements of FRS25 'Financial Instruments disclosure and presentation' in the financial statements. Financial assets and liabilities (mainly debtors and creditors) are initially recognised at cost and only derecognised once payment has been received/made in respect of the instrument.

Cash flow

The directors have adopted the provisions of FRS 1 (Revised 1996) and have taken advantage of the exemption allowing them to dispense with the preparation of a cash flow statement on the grounds that the company is included in the consolidated financial statements of its parent undertaking which are publicly available.

Turnover

Turnover, which excludes value-added tax and trade discounts, represents the value of commission earned for arranging insurance.

Related Parties

The company's voting rights are controlled within the group headed by Volkswagen AG. The directors have adopted the provisions of FRS 8 and have taken advantage of the exemption from the disclosure requirements regarding intra group related party transactions and balances.

2 Turnover

Turnover consists of commissions on insurance premiums collected in the United Kingdom.

	2007	2006
	£	£
New Business commission income	586,637	321,831
Motor Renewal commission income	674,049	262,792
Other commissions & similar income	28,155	72,439
	<u>1,288,841</u>	<u>657,062</u>

Volkswagen Insurance Service (Great Britain) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

3 Interest receivable and other income

	2007	2006
	£	£
Interest receivable on loans to group undertakings	35,494	18,198
Other income	9,534	-
	<u>45,028</u>	<u>18,198</u>

4 Directors' emoluments

The directors did not receive any emoluments for their services to the company during either year. No recharge is made to Volkswagen Insurance Service (Great Britain) Ltd with respect to the directors as they are remunerated through fellow subsidiaries of the Volkswagen AG Group.

5 Employee information

The company had no employees apart from the directors during either year.

6 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging:

	2007	2006
	£	£
Auditors' remuneration		
Audit services	<u>14,100</u>	<u>4,700</u>

7 Tax on profit on ordinary activities

	2007	2006
	£	£
Current year tax charge	<u>351,131</u>	<u>117,054</u>
Total tax charge	<u>351,131</u>	<u>117,054</u>

The tax assessed for the year is equal to the standard rate of corporation tax in the UK (30%) (2006: 30%).

Factors that may effect future tax charges:

The standard rate of Corporation Tax in the UK changes to 28% with effect from 1 April 2008.

Volkswagen Insurance Service (Great Britain) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

8 Dividends

	2007 £	2006 £
Dividends on equity shares: Ordinary		
Final 2006 dividend paid of £7.00 (2006 final 2005 dividend paid of £9.38) per ordinary share	<u>280,000</u>	<u>375,000</u>

The directors have proposed a final dividend for the year ended 31 December 2007 of £20.00 per ordinary share totalling £800,000

9 Debtors: amounts falling due within one year

	2007 £	2006 £
Amounts owed by group undertakings	1,086,000	340,000
Trade debtors	<u>116,117</u>	<u>37,345</u>
	<u>1,202,117</u>	<u>377,345</u>

10 Creditors: amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	6,939	4,166
Corporation tax payable	258,694	19,744
Accruals and deferred income	16,489	40,802
Trade creditors	<u>6,980</u>	<u>-</u>
	<u>289,102</u>	<u>64,712</u>

Volkswagen Insurance Service (Great Britain) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 Called up share capital

	2007 £	2006 £
Authorised, allotted, called up and fully paid.		
20,400 A ordinary shares of £1 each	20,400	20,400
19,600 B ordinary shares of £1 each	19,600	19,600
	<u>40,000</u>	<u>40,000</u>

A and B shares are regarded as one class of shares, except for provisions relating to voting and holding the chairman's seat. Directors appointed by the shareholders of A class shares have their votes weighted such that their votes will always total at least one more than those cast by directors appointed by B class shareholders. Only directors appointed by the A class shareholders can hold the chairmanship.

12 Profit and loss account

	£
At 1 January 2007	337,757
Profit for the financial year	819,305
Dividend paid in the year	(280,000)
At 31 December 2007	<u>877,062</u>

13 Reconciliation of movements in total shareholders' funds

	2007 £	2006 £
Profit for the financial year	819,305	273,126
Dividend paid in the year	(280,000)	(375,000)
Net increase/(reduction) in total shareholders' funds	539,305	(101,874)
Opening shareholders' funds	377,757	479,631
Closing shareholders' funds	<u>917,062</u>	<u>377,757</u>

Volkswagen Insurance Service (Great Britain) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

14 Ultimate parent company and controlling party

Volkswagen-Versicherungsdienst GmbH, a company incorporated in Germany, holds a 51% shareholding interest in Volkswagen Insurance Service (Great Britain) Limited and is considered to be the immediate parent company

The ultimate parent undertaking and ultimate controlling party by virtue of shareholdings is Volkswagen Aktiengesellschaft, a company incorporated in Germany. Copies of the ultimate parent's consolidated financial statements may be obtained from

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