Volkswagen Insurance Service (Great Britain) Limited

Annual report and financial statements
Year ended 31 December 2016

Registered number 00715189

Annual report and financial statements for the year ended 31 December 2016

Contents

Directors and Advisors for the year ended 31 December 2016

Directors
Jens Legenbauer
Graham Wheeler (resigned 30.06.2016)
Robert Cottrell (resigned 12.09.2016)
David Maloney (appointed 08.06.2016)

Registered Office
Brunswick Court
Yeomans Drive
Blakelands
Milton Keynes
MK14 5LR

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Exchange House
Central Business Exchange
Midsummer Boulevard
Central Milton Keynes
MK9 2DF

Principal Bankers
HSBC Bank PLC
62-76 Park Street
London
SE1 9DZ

Strategic Report for the year ended 31 December 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

Principal activities

The principal activity of Volkswagen Insurance Services (Great Britain) Limited ('the company') is to arrange motor insurance for Audi, Volkswagen, SEAT and Skoda vehicle owners and motor trade insurance on behalf of retailers in the United Kingdom.

Business review

Conversion from complimentary 5 day insurance into an annual policy continued to be a challenge in 2016, and as a result new business volumes declined from 2015.

Whilst renewal performance was good and at a retention rate consistent with the long term, given the low levels of new business the number of renewals secured declined as a result of the reducing portfolio.

Free insurance campaigns continued to support the VIS sales performance, with the largest contribution coming from Polo.

Results and dividends

The company's profit for the year is £1,462,806 (2015: £1,266,039).

The company's net increase in total equity for the financial year is £223,288 (2015: decrease £493,961), after a total dividend paid of £31.75 (2015: £44.00) per £1 ordinary share, amounting to £1,270,000 (2015: £1,760,000).

A dividend in respect of the year ended 31 December 2016 of £1,340,000 has been proposed (2015: £1,270,000), and will be recognised in the financial statements for the year ending 31 December 2017.

Strategy

The company remains committed to its long term vision of providing support to Volkswagen Group brands and delivering shareholder value through the three strategic pillars of Acquire, Develop and Retain.

Acquire - acquire more customers through existing and additional channels.

Develop - develop the scope of the relationship with our customers through offering a range of lifestyle mobility products.

Retain - retain more customers through comprehensive customer retention and loyalty activities based on a service culture.

In order to reflect the changing market place for automotive financial services, the global Volkswagen Financial Services organisation is undertaking a wide strategic review which will extend its planning goals to 2025. During the year the Company continued with the local adoption of the new 2025 global long term vision of 'The key to mobility'.

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, interest rates and cash flow are detailed below.

Given the size of the company, the directors do not delegate the responsibility of monitoring financial risk management to a subcommittee 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) Limited, a fellow subsidiary of the ultimate parent company Volkswagen AG.

Price risk

The company has no immediate exposure to commodity price risk or equity securities price risk. All contracts are at an agreed rate for a fixed period.

Credit risk

The company has limited exposure to credit risk. This is primarily the risk of Insurers failing to pay commissions to the company. Historically, there have not been any defaults by agents, and hence there is no indication there will be any in the near future. Due to the relatively low amounts involved the company has transferred responsibility for monitoring the risk and debtor performance to Volkswagen Financial Services (UK) Limited.

Liquidity risk

The company currently has no significant liquidity risk.

Strategic Report for the year ended 31 December 2016 (continued)

Interest rate 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.

Principal risks and uncertainties

Operational risk
Processes and procedures are in place which evaluate the operational risks associated with processes, personnel, infrastructure / IT and external risks. The procedures established ensure awareness and determination of assessed operational risks, and the initiation of appropriate counter-measures to avoid such or similar future re-occurrences.

Non-financial risk
The company's operations also expose it to a number of non-financial risks which are described below. The company has in place risk management policies that seek to limit the adverse effects of these risks on the company.

Competition risk
The main competition risk is from other insurance companies, selling products on which the company does not earn commission. The directors mitigate competition risk by the following method. The company works closely with the Volkswagen Group brands to continue to be their supplier of choice for insurance facilities, including providing insurance as part of a wider package.

Regulatory risk
The company operates in a highly regulated industry that is constantly changing. Structures, processes and procedures are in place to monitor and implement changes in regulation and to provide assurance of ongoing regulatory compliance.

Key Performance Indicators
The company monitors certain aspects of its performance through five indicators set out in the table below:

	2016	2015	Definition, method of calculation and analysis
New Motor Insurance Policies	29,147	33,546	This is the total number of new insurance policies written for VIS (GB) Ltd in the year
Renewal Insurance Policies	58,419	71,293	This is the total number of renewal policies written for VIS (GB) Ltd in the year
New Motor Insurance Premiums	£17,427k	£17,060k	This is the total premium for new policies
Renewal Insurance Premiums	£26,957k	£29,654k	This is the total premium for renewal policies
Operating Profit %	91.5%	78.5%	This is the percentage of operating profit to turnover

Approved on behalf of the board of directors

David Maloney
Managing Director

Date 31 August 2017

Directors' report for the year ended 31 December 2016

The directors present their report, together with the financial statements and Independent auditors' report, for the year ended 31 December 2016. These have been prepared for the first time using International Financial Reporting Standards ("IFRSs"). This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

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

Dividend
The shareholders have been paid a dividend of £1,270,000 in the year (2015: £1,760,000).

Political and charitable donations
The company made no charitable or political donations in 2016 (2015: Nil).

Directors and directors' interests
The directors who served during the year and up to the date of signing of the financial statements are as follows:

Jens Legenbauer
Graham Wheeler (resigned 30.06.2016)
Robert Cottrell (resigned 12.09.2016)
David Maloney (appointed 08.06.2016)

None of the directors held beneficial interests in the share capital of the company as at 31 December 2016 (31 December 2015: None).

Financial Risk Management
The Company's Strategic Report on pages 3 and 4 contains disclosures and commentary relevant to the financial risk management policies of the Company.

Financial Instruments

Cash and cash equivalents
Cash and cash equivalents comprise cash balances.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Disclosure of information to independent 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 they ought to have taken in their duty as a director in order to make him / her self aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors' independence
During the year the external auditors have not provided any non-audit services.

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.

Labour standards and human rights

In 2015 the UK Government published the Modern Slavery Act (MSA) which places a duty on companies to make a public statement on the steps to minimise the possibility that slavery or human trafficking is happening in their own business or in their supply chain, this can be found on the Company's website at www.vwfs.co.uk.

Approved on behalf of the board of directors

David Maloney
Managing Director

Date 31 August 2017

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The directors 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.

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

Report on the financial statements

Our opinion

In our opinion, Volkswagen Insurance Service (Great Britain) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial position as at 31 December 2016 as at 31 December 2016;
- the Statement of Comprehensive Income for the year ended 31 December 2016 for the year then ended;
- the Statement of Cash Flows for the year ended 31 December 2016 for the year then ended;
- the Statement of Changes in Equity for the year ended 31 December 2016 for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies regime. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

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

Report on the financial statements (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

David Roper

David Roper (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes

Date 31 August 2017

Statement of comprehensive income for the year ended 31 December 2016

	Note	2016	2015
		£	£
Revenue	2	**1,983,489**	2,010,858
Gross profit		**1,983,489**	2,010,858
Distribution Costs	4	**(72,316)**	(150,287)
Administration Costs	4	**(188,753)**	(392,266)
Other Operating Income	4	**92,457**	109,666
Operating profit		**1,814,877**	1,577,971
Interest receivable		**18,791**	15,451
Profit before tax		**1,833,668**	1,593,422
Taxation	7	**(370,862)**	(327,383)
Profit for the year		**1,462,806**	1,266,039
Total comprehensive income for the year		**1,462,806**	1,266,039

All of the above figures relate to continuing operations.

The notes on pages 13 to 25 form part of these financial statements

Statement of financial position as at 31 December 2016

	Note	31-Dec-16	31-Dec-15
		£	£
Non-current assets			
Deferred Tax Assets	8	**48,305**	82,452
		48,305	82,452
Current assets			
Trade Receivables	9	**1,995,834**	2,101,528
Cash and cash equivalents		**19,900**	9,043
	13	**2,015,734**	2,110,571
Total assets		**2,064,039**	2,193,023
Current liabilities			
Trade Payables		**(22,041)**	(24,636)
Accruals and deferred income		**(49,385)**	(215,932)
Current income tax liabilities		**(192,508)**	(196,484)
Other Provisions	11	**(284,149)**	(432,821)
	10	**(548,083)**	(869,873)
Total liabilities		**(548,083)**	(869,873)
Net assets		**1,515,956**	1,323,150
Equity			
Called up Share Capital	12	**(40,000)**	(40,000)
Retained Earnings		**(1,475,956)**	(1,283,150)
Total equity		**(1,515,956)**	(1,323,150)

The financial statements on pages 13 to 25 were approved by the Board of Directors on 31 August 2017 and signed on its behalf by:

David Maloney
Managing Director

Company registered number: 00715189

Statement of changes in equity for the year ended 31 December 2016

	Called up Share capital £	Retained earnings £	Total equity £
Balance as at 1 January 2015	40,000	1,777,111	1,817,111
Profit for the year	-	1,266,039	1,266,039
Dividends	-	(1,760,000)	(1,760,000)
Balance as 31 December 2015	40,000	1,283,150	1,323,150
Balance as at 1 January 2016	40,000	1,283,150	1,323,150
Profit for the year	-	1,462,806	1,462,806
Dividends	-	(1,270,000)	(1,270,000)
Balance as 31 December 2016	**40,000**	**1,475,956**	**1,515,956**

The notes on pages 13 to 25 form part of these financial statements

Statement of cash flows for the year ended 31 December 2016

	2016	2015
	£	£
Cash flows from operating activities		
Profit before tax	**1,833,668**	1,593,422
Change in trade receivables	**89,693**	18,820
Change in other receivables from affiliates	**16,000**	110,091
Change in other liabilities from operating activities	**(317,812)**	397,288
Income tax payments	**(340,692)**	(399,165)
Net cash flows generated from operating activities	**1,280,857**	1,720,456
Cash flows from financing activities		
Payment of dividends	**(1,270,000)**	(1,760,000)
Net cash flows used in financing activities	**(1,270,000)**	(1,760,000)
Net increase/ (decrease) in cash and cash equivalents	**10,857**	(39,544)
Cash and cash equivalents at beginning of the year	**9,043**	48,587
Cash and cash equivalents as at the end of the year	**19,900**	9,043

The notes on pages 13 to 25 form part of these financial statements

Notes to the financial statements for year ended 31 December 2016

1. Accounting policies

Volkswagen Insurance Service (Great Britain) Limited ('the Company') is a wholly-owned subsidiary of Volkswagen Financial Services AG.

The Company is domiciled and incorporated in the United Kingdom under the Companies Act 2006 and is limited by shares.

The address of its registered office is Brunswick Court, Yeomans Drive, Blakelands, Milton Keynes, MK14 5LR, United Kingdom. The registered number of the Company is 00715189.

Basis of preparation
The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the EU ("EU Adopted IFRSs") and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the going concern basis, under the historical cost convention. The accounting policies set out below have been applied in respect of the financial year ended 31 December 2015, and have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2014 for the purposes of transition to IFRS.

Amounts are stated in pounds (£), unless indicated otherwise. All notes in the financial statements refer to the Company unless otherwise stated.

Assets and liabilities are shown in descending order of liquidity in accordance with IAS 1.60.

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the primary statements and notes of these set of financial statements. In addition, notes 12 and 13 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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

Given the size of the company, the directors do not delegate the responsibility of monitoring financial risk management to a subcommittee 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) Limited.

Non-derivative financial instruments

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the financial statements for year ended 31 December 2016 (continued)

1. Accounting policies (continued)

Revenue

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

The company invoices commission income up-front at the time the insurance policy is arranged. Under the contract terms with the insurance provider, this commission can be partially clawed back if a customer cancels or amends the policy before the end date. The company recognises the majority of revenue at the point of billing but defers a portion of this income based on their best estimate of these likely future claw backs.

This method of income recognition most fairly reflects the nature of the business.

Other operating income

Other operating income comprises income from service level agreement breaches. The income is recognised in the period the event to which it relates occurs.

Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision-maker has been identified as the Executive Board that makes strategic decisions.

Information reported to the Executive Board for the purpose of resource allocation and assessment of segment performance is by strategic (significant) business unit, i.e. on a geographical basis.

Secondary (less detailed) reporting information is also provided to the Executive Board regarding business products. The Company operates in the United Kingdom only and therefore has a single operating segment.

Management estimates and judgements

The presentation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities as well as income and expenses in the financial statements provided.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The actual outcome is not expected to differ significantly from the estimates and assumptions made.

The estimates underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or the period of revision and future periods if this revision affects both current and future periods.

Management consider the key estimates and judgements involved in the preparation of the financial statements to be the calculation of the provision for commission rebates (note 11) and the calculation of deferred tax (note 8).

The impact of a possible change in the key estimates and judgements in the calculation of the provision for commission rebates can be found in note 11.

Provisions

Provisions are made relating to cancellations within 14 days of the policy start date, or relating to amendments and cancellations throughout the life of the contract. This is because the insurers can claim back commission from VIS should a customer make amendments to, or cancel within 12 months of the policy being taken out.

The provision is calculated using a percentage split calculation based on previous year cancellations. This percentage is then applied to current year new business and renewals to arrive at the provision required. Due to the term of policies being a maximum of one year, the calculation is worked out using a years basis rather than a longer period.

The balance is classified as current at the reporting date given that this provision will be utilised within 12 months.

Notes to the financial statements for year ended 31 December 2016 (continued)

1. Accounting policies (continued)

Deferred Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax liability arises due to enhanced capital allowances having been claimed in prior years. This has been recognised in full. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Effects of new and revised IFRS standards

Volkswagen Insurance Service (Great Britain) Limited has applied all financial reporting standards subject to mandatory application from fiscal year 2016.

A number of amendments to International Financial Reporting Standards resulting from the Annual Improvements 2012-2012 became effective for accounting periods beginning on or after 1 February 2015 and for Annual Improvements 2012-2014. These relate to changes to a number of standards, they do not materially affect the Company's net assets, financial position and results of operations.

During the year the following standards became mandatory, the application of these standards does not materially affect the Company's net assets, financial position and results of operations.

Standard/Interpretation		Mandatory application
IFRS10, IFRS12 and IAS28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Exception to Consolidation Requirement for Investment Entities	01.01.2016
IFRS11	Joint Arrangements: Acquisition of Shares in a Joint Operation	01.01.2016
IFRS14	Regulatory Deferral Accounts	01.01.2016
IAS1	Presentation of Financial Statements	01.01.2016
IAS16 and IAS38	Clarification of Acceptable Depreciation Methods	01.01.2016
IAS19	Employee Benefits: Defined Benefit Plans - Employee Contributions	01.01.2016
IAS27	Separate Financial Statements: Equity Method	01.01.2016

Notes to the financial statements for year ended 31 December 2016 (continued)

New and revised IFRS standards not applied (continued)

New and revised IFRS standards not applied

Volkswagen Insurance Service (Great Britain) Limited has not applied in its 2016 financial statements the following financial reporting standards that have already been issued by the IASB but were not yet subject to mandatory application in fiscal year 2016.

	Standard/Interpretation	Published by the IASB	Mandatory application	Adopted by the EU	Expected effects
IFRS9	Financial instruments	24.07.2014	01.01.2018	Yes	Revised accounting requirements for changes in the fair value of financial instruments previously designated as available-for-sale, modified procedure for determining impairment calculations, expansion of designation possibilities, simplified effectiveness checks, expansion of the notes
IFRS15	Revenue from Contracts with Customers	28.05.2014	01.01.2018	No	No material effects on revenue recognition, expansion of the notes
IFRS16	Leases	13.01.2016	01.01.2019	No	For lessors, no significant changes in the accounting treatment of leases compared with IAS 17. Further disclosures in the notes required
IFRS10 and IAS28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets by an investor to its Associated Company or Joint Venture	11.09.2014	Effective date deferred indefinitely	No	None
IAS 12	Income Taxes	19.01.2016	01.01.2017	No	Amendments to clarify certain aspects of the standard
IAS 7	Statement of Cash Flows	29.01.2016	01.01.2017	No	Clarification of disclosures relating to changes in liabilities in financing activities
IFRS2	Share-based Payment	20.06.2016	01.01.2018	No	Clarification for settlements with performance conditions, net settlement features and modifications.

Notes to the financial statements for year ended 31 December 2016 (continued)

2. Revenue

Revenue is the commission earned for arranging insurance.

Amounts recognised within revenue in the statement of comprehensive income are set out below:

	2016	2015
	£	£
Renewal Commission	2,031,717	2,000,683
New Business Commission	208,156	344,362
Clawback on cancellations & amendments	(256,384)	(334,187)
	1,983,489	2,010,858

3. Auditors' remuneration

	2016	2015
	£	£
Amounts receivable by the auditors and their associates in respect of:		
Fees payable to company's auditors in respect of audit work	10,748	10,748
	10,748	10,748

4. Expenses by function and other operating income

Administration and Distribution costs

	2016	2015
	£	£
Third party services	**68,315**	137,861
Payroll and training expenses	**187,489**	331,379
Other expenses	**5,265**	73,313
Total Administration and Distribution Costs	**261,069**	542,553

Other operating income

	2016	2015
	£	£
Other income	**92,457**	109,666
Total Other operating income	**92,457**	109,666

5. Staff numbers and costs

The company has no employees apart from the directors during the year. (2015: nil). The company is recharged payroll and training costs through a monthly servicer fee invoice received from Volkswagen Financial Services (UK) Ltd a fellow subsidiary of the Volkswagen AG Group.

6. Key management personnel remuneration

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

Notes to the financial statements for year ended 31 December 2016 (continued)

7. Taxation

Recognised in the statement of comprehensive income

	2016	2015
	£	£
Current tax expense		
Current year	**336,999**	365,770
Adjustments in respect of prior periods	**(284)**	(156)
	336,716	365,614
Deferred tax charge/ (credit)		
Origination and reversal of temporary differences	**25,274**	(40,442)
Effect from the change in tax rate	**8,656**	2,211
Adjustments for prior years	**216**	-
	34,147	**(38,231)**
Total tax charge in statement of comprehensive income	**370,862**	327,383

Reconciliation of effective tax rate

The tax charge is higher (2015: higher) as the standard rate of corporation tax in the UK. The differences are explained below:

	2016	2015
	£	£
Profit before tax	**1,833,668**	1,593,422
Tax at the UK corporation tax rate of 20% (2015: 20.25%)	**366,734**	322,668
Effects of:		
Adjustments in respect of prior periods	**(68)**	(156)
Difference in rates	**4,196**	4,871
Total tax in statement of comprehensive income	**370,862**	327,383

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantially enacted at the balance sheet date.

UK deferred tax assets and liabilities have been calculated at 17% (2015: 19%).

Notes to the financial statements for year ended 31 December 2016 (continued)

8. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets		Net	
	2016	2015	**2016**	2015
	£	£	**£**	£
Temporary differences on impairment	**48,305**	82,452	**48,305**	82,452
Net tax assets	**48,305**	82,452	**48,305**	82,452

Movement in deferred tax during the year

	1 January 2016	**Recognised in income**	**Recognised in equity**	**31 December 2016**
	£	**£**	**£**	**£**
Temporary differences	**82,452**	**(34,147)**	**-**	**48,305**
	82,452	**(34,147)**	**-**	**48,305**

Movement in deferred tax during the prior year

	1 January 2015	Recognised in income	Recognised in equity	31 December 2015
	£	£	£	£
Temporary differences	44,221	38,231	-	82,452
	44,221	38,231	-	82,452

Deferred tax relating to timing differences which are expected to reverse is measured at 17% (2015: 19%) and reflects the rates at which deferred tax is expected to reverse. Deferred tax has not been discounted.

Deferred tax assets are recognised only to the extent that is deemed recoverable. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced was to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020 were substantively enacted on 6 September 2015.

Notes to the financial statements for year ended 31 December 2016 (continued)

9. Trade receivables

	2016	2015
	£	£
Current assets		
Trade and other receivables	**75,834**	165,528
Amounts due from fellow affiliates	**1,920,000**	1,936,000
	1,995,834	2,101,528

Trade and other receivables relate to the commission received from insurance companies by the company for arranging motor insurance for Audi, Volkswagen, SEAT and Skoda vehicle owners and motor trade insurance on behalf of retailers in the United Kingdom which is paid one month in arrears or payable on demand.

The amounts due from fellow affiliates consist of the monthly outstanding loan balance with wholly owned subsidiaries of Volkswagen AG and are interest bearing with rates ranging between 0.5747% and 0.9966%.

10. Current liabilities

	2016	2015
	£	£
Current liabilities		
Trade Payables	**(22,041)**	(24,636)
Accruals and deferred income	**(49,385)**	(215,932)
Current income tax liabilities	**(192,508)**	(196,484)
Other Provisions	**(284,149)**	(432,821)
	(548,083)	(869,873)

11. Other Provisions

	2016	2015
	£	£
Other Provisions		
Provision for future claw backs	**284,149**	432,821
	284,149	432,821

	Claw back provision
	£
At 1 January 2016	**432,821**
Utilised in the year	**(181,690)**
Additions in the year - charged to the statement of comprehensive income	**284,149**
Unused amounts reversed in the year	**(251,131)**
At 31 December 2016	**284,149**

An explanation of the calculation of the provision can be found in note 1.

Key estimates and judgements
Management consider the calculation of the provision for rebates to be a key judgement. The impact of a 1% increase in the level of customer cancellations would lead to an additional £30,424 requirement in the provision.

Notes to the financial statements for year ended 31 December 2016 (continued)

12. Capital and reserves

Called up share capital	2016 £	2015 £
Authorised		
20,400 (2015: 20,400) 'A' ordinary shares of £1 each	**20,400**	20,400
19,600 (2015: 19,600) 'B' ordinary shares of £1 each	**19,600**	19,600
	40,000	40,000
Allotted called up and fully paid		
20,400 (2015: 20,400) 'A' ordinary shares of £1 each	**20,400**	20,400
19,600 (2015: 19,600) 'B' ordinary shares of £1 each	**19,600**	19,600
	40,000	40,000

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 of directors appointed by B class shareholders. Only directors appointed by the A class shareholders can hold the chairmanship.

The company's net increase in total equity for the financial year is £223,288 (2015: decrease £493,961), after a total dividend paid of £31.75 (2015: £44.00) per £1 ordinary share, amounting to £1,270,000 (2015: £1,760,000).

A dividend in respect of the year ended 31 December 2016 of £1,340,000 has been proposed (2015: £1,270,000), and will be recognised in the financial statements for the year ending 31 December 2017.

Capital management

The Company's capital management objective is to support the objective of the VW Group. The Volkswagen Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in the long term and to provide an adequate return to shareholders.

The Volkswagen Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of the underlying assets.

The Volkswagen Group manages the structure of debt capital on the basis of a target debt ratio. An important aspect of the selection of financial instruments is the objective to achieve matching maturities for the Group's financing requirements. In order to reduce non-systematic risk, the Volkswagen Group uses a variety of financial instruments available on the worlds' capital markets to achieve optimal diversification.

Notes to the financial statements for year ended 31 December 2016 (continued)

13. Financial instruments

Financial instruments by category

The values shown below are the carrying amounts:

	31 December 2016			
	Loans and receivables	**Assets at fair value through profit and loss**	**Derivatives used for hedging**	**Total**
	£	**£**	**£**	**£**
Assets as per balance sheet:				
Amounts due from fellow affiliates	**1,920,000**	-	-	**1,920,000**
Trade and other receivables	**75,834**	-	-	**75,834**
Cash and cash equivalents	**19,900**	-	-	**19,900**
	2,015,734	-	-	**2,015,734**

	31 December 2015			
	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	**Total**
	£	**£**	**£**	**£**
Assets as per balance sheet:				
Amounts due from fellow affiliates	1,936,000	-	-	**1,936,000**
Trade and other receivables	165,528	-	-	**165,528**
Cash and cash equivalents	9,043	-	-	**9,043**
	2,110,571	-	-	**2,110,571**

Notes to the financial statements for year ended 31 December 2016 (continued)

13. Financial instruments (continued)

	31 December 2016			
	Other financial liabilities at amortised cost	**Liabilities at fair value through profit and loss**	**Derivatives used for hedging**	**Total**
	£	**£**	**£**	**£**
Liabilities as per balance sheet:				
Trade payables	**22,041**	-	-	**22,041**
	22,041	-	-	**22,041**

	31 December 2015			
	Other financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Derivatives used for hedging	**Total**
	£	**£**	**£**	**£**
Liabilities as per balance sheet:				
Trade payables	24,636	-	-	**24,636**
	24,636	-	-	**24,636**

Fair value of Financial Instruments

It is deemed that the fair value of the financial instruments is the same as the carrying value.

Financial risk management

The Company is exposed to the following risks:

Price risk
Credit risk
Liquidity risk
Interest rate risk

Price risk
The company has no immediate exposure to commodity price risk or equity securities price risk. All contracts are at an agreed rate for a fixed period.

Credit risk
The company has limited exposure to credit risk. This is primarily the risk of insurance agents failing to pay commissions to the company. Historically, there have not been any defaults by agents, and there is no indication there will be any in the near future. Due to the relatively low amounts involved the company has transferred responsibility for monitoring the risk and debtor performance to Volkswagen Financial Services (UK) Limited.

All balances receivable with the exception of deferred tax are current and expected to be received within the next 12 months.

Liquidity risk
The company has no significant exposure to liquidity risk, the majority of receivables are intercompany.

Interest rate 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.

Notes to the financial statements for year ended 31 December 2016 (continued)

14. Related parties

The related parties with which the Company traded during the year or with whom there were outstanding assets or liabilities at the year-end are listed below. Each of the related parties is a subsidiary of Volkswagen Aktiengesellschaft ("VW AG"), the ultimate parent company and controlling party.

Identity of related parties:
Volkswagen Financial Services (UK) Ltd

The following transactions were carried out with Volkswagen Financial Services (UK) Ltd:

Purchase of goods and services

	2016	2015
	£	£
Purchase of goods and services	**(89,610)**	118,297

Loan amounts due from fellow group affiliates

	2016	2015
	£	£
Current assets - deposit	**1,920,000**	1,936,000

The amounts due from fellow group affiliates consist of loan balances with wholly owned subsidiaries of Volkswagen AG and are interest bearing with rates ranging between 0.5747% and 0.9966%. All amounts due from fellow group affiliates are unsecured. No amounts were due from the parent or ultimate parent.

Amounts payable to related parties at the year end, which the Company expects to be settled in cash were as follows:

Trade and other payables

	2016	2015
	£	£
Trade and other payables	**(22,041)**	(24,636)

Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Board. 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) Limited with respect to the directors as they are remunerated through fellow subsidiaries of the Volkswagen AG Group.

Key management personnel received loans from Volkswagen Financial Services (UK) Limited for the purchase of cars during the year of £2,382,025 (2015: £955,615). As at 31 December 2016 the amounts outstanding on these loans totalled £1,010,994 (2015: £354,368).

Notes to the financial statements for year ended 31 December 2016 (continued)

15. Ultimate parent company and parent company of larger group

The immediate parent undertaking is Volkswagen Versicherungdien St Gmbh with possession of 51% of shares and Volkswagen Group United Kingdom Limited possessing 49% of shares.

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

Volkswagen Aktiengesellschaft Finanz
Publizität und Statistik
D-38436 Wolfsburg
Germany