

REGISTERED NUMBER: 03578103 (England and Wales)

**Report of the Director and
Financial Statements
for the Year Ended 31st December 2013
for
The A & A Group Limited**

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The A & A Group Limited

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The A & A Group Limited

Company Information

Director: A D M Allen

Secretary I M Fenner-Evans

Registered office: Garrick House
161 High Street
Hampton Hill
Middlesex
TW12 1NG

Registered number: 03578103 (England and Wales)

Auditor: Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

The A & A Group Limited

Strategic report

The director in preparing this strategic report for The A & A Group Limited (the 'Company') for the year to 31st December 2013 has complied with s414C of the Companies Act 2006.

The purpose of this strategic report is to inform members of the Company and help assess how the Director has performed his duty under Section 172 of the Companies Act 2006.

Review of the company's business

The principal activity of the Company is the provision of insurance broking services to the car, van, motorbike and home markets. Insurance services continue to be sold under the following brands: Allen & Allen, Telesales, Mymotorquote, Quoteacar, Brokerking, ESI and Hyper Hotline. During the year, the company launched a new brand, Complete Cover Group, to focus on the motorbike and van markets.

The Company is a member of the Key Topco Limited group of companies (the 'Group'), an insurance broking group in the UK, with internal underwriting capacity available in Gibraltar.

No significant changes in the nature of the business are expected in 2014.

The director is disappointed to report a loss before tax for the year £(4.5)million (2012 profit before tax: £1.2million). Turnover reduced by 32.8% in the year to £14.8million (2012: £22.1million), driven predominantly by reduced volume of customers, as the business continued to move to more niche segments of the market. The reduction in turnover was unfortunately not matched by a reduction in the Company's cost base, with administrative expenses only reducing by 8.7%, as cost savings from a reduction in headcount were offset by costs incurred in strengthening the management team.

The director considers "Adjusted EBITDA" a key performance indicator, being defined as Earnings before Interest, Tax, Depreciation and Amortisation, adjusted for one off related items. The following one off items impacted the 2013 loss before tax result:

- i. A ledger clear up exercise, which resulted in the write off of uncollectible debtors. These debtors relate to business written in prior periods and the director does not consider this adjustment to be reflective of underlying trading during the year.
- ii. Start-up losses related to the new brand, Complete Cover Group.
- iii. Redundancy costs incurred as part of cost cutting programmes.
- iv. Recharges from Key Bidco Limited, which related to non-recurring amounts.

Adjusting for the significant one off items, the Company's EBITDA would be:

	2013 £000	2012 £000
EBITDA	(3,541)	2,306
One off items	3,114	994
Adjusted EBITDA	(427)	3,300

In addition to EBITDA, other key performance indicators (KPIs) used and reported by the Board of Directors are:

New business wins and losses;
Retention rates;
Average premiums;
Complaints; and
Staff satisfaction.

The director reviews these KPIs frequently and takes remedial action if necessary.

Principal risks and uncertainties

The Group has a risk committee that meets monthly which advises the Board on risk and compliance matters and monitors the risk appetite of the business. This committee reviews and challenges the output of the business and each division's risk maps.

The Director's report details the key financial risks the director looks to manage. These risks are also viewed as the principal risks and uncertainties faced by the business. Additional principal risks and uncertainties facing the Company are those relating to people, competition, errors and omissions and interruption to information processing capabilities.

The A & A Group Limited

Strategic report – (continued)

Principal risks and uncertainties (continued)

i) Competitive risks

The nature of the current market combined with some very aggressive strategies from competitors puts significant pressure on the Company to retain existing business and to win new business. Further significant risk exists in maintaining relationships with aggregators and insurers. The Company mitigates these risks by continuing to enhance its value proposition to clients and regular and open meetings with aggregators and insurers.

The Company does not control premiums on which broking commissions are based. Premiums are cyclical and variable.

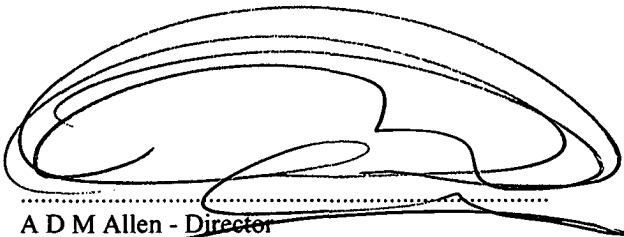
ii) People risks

The willingness of competitors to offer key staff higher remuneration and benefits packages continues to be a risk to the Company's ability to attract and retain key people. Periodic benchmarking of salaries is carried out to ensure the Company remains competitive.

iii) Errors and omissions

The Company is subject to claims and litigation in the ordinary course of its business, principally in connection with the Company's insurance broking business. The Company mitigates this risk through regular review of its processes and, ultimately, the taking out of the appropriate insurance cover.

On behalf of the board:

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

A D M Allen - Director
Date: 15 December 2014

The A & A Group Limited

Director's report for the year ended 31 December 2013

The director presents his annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2013

Directors

The directors who have held office during the year to 31 December 2013 and to the date of this report are as follows:

A D M Allen

J Anderson (appointed 29 May 2013, resigned 30 May 2014)

D M Oliver (resigned 29 May 2014)

R J Taberner (resigned 28 February 2014)

D G Harlow (resigned 31 December 2013)

S R McPherson (resigned 28 March 2013)

The director, who is eligible, will offer himself for re-election at the forthcoming Annual General Meeting.

The Group has made qualifying third party indemnity provisions for the benefit of directors of all Group companies which were made during the year and remain in force at the date of this report.

Dividends

No dividends have been paid in the year ended 31 December 2013 (year ended 31 December 2012:£nil).

The Director does not recommend payment of a final dividend on the ordinary shares for the year ended 31 December 2013. (2012:£100,000).

Events after the balance sheet date

On 6 March 2014, the Company completed the sale of its wholly owned subsidiary, SAS Auto First, a company incorporated in France, for £10.1m after costs.

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 business review which forms part of the Strategic Report. The Strategic and Director's Reports also describe the financial position of the Company, its cash flows, liquidity risk and the Company's objectives. Policies and process for managing its capital, its financial risk, management objectives, exposure to credit and liquidity risk are in place.

The Company meets its day to day working capital requirements from corporate cash balances. The UK broking market remains extremely competitive and the Company suffered from reduced customer volumes as the business continued to move into more niche segments of the market. The Company continues to monitor the uncertainty in the current environment and the director is satisfied that the Company's services will continue to be attractive to its clients.

The director notes that while the Company is in a net asset position of £15.4 million (2012: £19.4 million), it is also in a net current liability position with current liabilities exceeding current assets by £7.1 million (2012: £3.9 million).

The repayment terms of the loans held by the Company's immediate holding company, Key Bidco Ltd., have been renegotiated with the Royal Bank of Scotland plc, and new covenants have been included as part of this renegotiation, with the first covenant test date being 31 December 2014. A guarantee of £2.0 million has been provided by Funds managed by Darwin Private Equity LLP, the ultimate shareholder, across all outstanding RBS facilities.

After a review of the company's cash flows and forecast for the period of the next 3 years, and after securing new banking facilities within which the business is expected to operate, the Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, while acknowledging the current guidance on going concern, including that from the FRC, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Future developments

Details of future developments can be found in the Strategic report on page2 to 3 and form part of this report by cross-reference.

The A & A Group Limited

Director's report - continued for the year ended 31 December 2013

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk for the Group are interest rate risk, currency risk, credit risk and liquidity/cash flow risk.

i) Liquidity/cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when due. The Company carefully monitors levels of cash to ensure compliance with banking covenants. The director of the Company makes use of forecasts and budgets to monitor and control cash flows and working capital requirements.

ii) Interest rate risk

The Group has both cash deposits and holdings in government and corporate bonds in its portfolio. The primary market risk in the investment portfolio is interest rate risk, namely the fair value sensitivity of a fixed-income security or cash to changes in interest rates. The interest rate risk is managed through active investment portfolio management to ensure a prudent mix of fixed income investments with a varied maturity schedule. This is in line with guidelines issued by the ultimate parent company.

iii) Currency risk

The Company is exposed to currency risk in respect of revenue as well as assets and liabilities denominated in currencies other than pounds sterling. The most significant currency to which the Company is exposed is the Euro. The Company seeks to mitigate the risk as far as possible by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

iv) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main areas where the Company is exposed to credit risk are amounts due from clients and insurers in respect of brokerage not yet received and cash investment holdings.

The use of premium credit with full recourse across the Company gives rise to potential debt through default by the clients with the premium credit provider.

The Company mitigates its credit risk for cash and investments by only depositing money or holding investments in entities with a sufficiently high credit rating. The credit rating required is that demanded by the ultimate parent company. In addition the Company has investment guidelines that restrict the amount of the investment portfolio that can be placed with a single issuer, and the level of investment in a non-sovereign- issue.

The Company mitigates its credit risk in respect of funded items by closely monitoring the debts created.

Brokerage and fee debtors are also monitored closely with a view to minimising the collection period of these items, particularly given the current economic climate.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that where appropriate reasonable adjustments are made and/or relevant training provided. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons, should, as far as possible, be identical to that of other employees.

Employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Formal and informal meetings are held to keep employees informed and for the purpose of consulting them. Information is provided through employee notices and bulletins and every opportunity is taken to ensure as far as practicable that employees are fully aware of the financial and other factors which affect the Company's performance.

The A & A Group Limited

**Director's report
for the year ended 31 December 2013 - continued**

Political donations

During the year no donations were made to political parties (year ended 31 December 2012:£nil).

Auditor

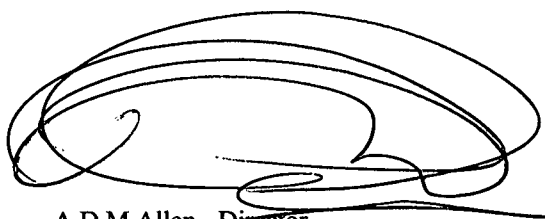
Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint, Deloitte LLP, will be proposed at the forthcoming Annual General Meeting.

On behalf of the board:

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

A D M Allen - Director
Date: 15 December 2014

The A & A Group Limited

Statement of director's responsibilities

The director is responsible for preparing the Strategic report, Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

The director is 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 enables him to ensure that the financial statements comply with the Companies Act 2006. He is 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 director is responsible for the maintenance and integrity of the corporate and financial information included on the Company's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Independent Auditor to the Members of The A & A Group Limited

We have audited the financial statements of The A & A Group Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Director's Responsibilities Statement, the director is 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Mark McIlquham (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Date: 15 December 2014

The A & A Group Limited
Profit and Loss Account
for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Turnover	2	14,808	22,066
Administrative expenses		(18,624)	(19,672)
Goodwill amortisation		(937)	(937)
Total administration expenses		<u>(19,561)</u>	<u>(20,609)</u>
Operating (loss)/profit on broking activities		(4,753)	1,457
Other operating income	3	101	628
Operating (loss)/profit		<u>(4,652)</u>	2,085
Exceptional item	7	-	(994)
		<u>(4,652)</u>	1,091
Income from shares in group undertakings		192	84
Interest	8	10	(7)
(Loss)/profit on ordinary activities before taxation	6	<u>(4,450)</u>	1,168
Tax on loss on ordinary activities	9	456	(672)
(Loss)/profit for the financial year	18/19	<u><u>(3,994)</u></u>	<u><u>496</u></u>

Continuing operations

All operating results derive from continuing activities.

Historical profits and losses

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The notes form part of these financial statements

The A & A Group Limited

**Statement of Total Recognised Gains and Losses
for the year ended 31 December 2013**

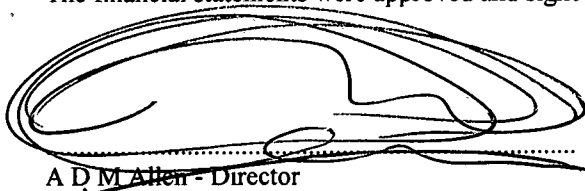
	Note	2013 £000	2012 £000
(Loss)/profit for the financial year		(3,994)	496
Total recognised gains and losses relating to the year		(3,994)	496
Prior year adjustment	19	-	(487)
Total gains and losses recognised since last annual report		(3,994)	9

The notes form part of these financial statements

Balance Sheet
31 December 2013

	Note	2013 £000	Restated (Note 1) 2012 £000
Fixed assets			
Intangible assets	11	8,886	9,822
Tangible assets	12	1,121	987
Investments	13	12,475	12,465
		<u>22,482</u>	<u>23,274</u>
Current assets			
Debtors	14	32,422	35,718
Cash at bank		5,360	5,861
		<u>37,782</u>	<u>41,579</u>
Creditors			
Amounts falling due within one year	15	<u>(44,905)</u>	<u>(45,500)</u>
Net current liabilities		<u>(7,123)</u>	<u>(3,921)</u>
Total assets less current liabilities		<u>15,359</u>	<u>19,353</u>
Net assets		<u>15,359</u>	<u>19,353</u>
Capital and reserves			
Called up share capital	17	16,152	16,152
Profit and loss account	18	(793)	3,201
Shareholders' funds	19	<u>15,359</u>	<u>19,353</u>

The financial statements were approved and signed by the sole director and authorised for issue on 15 December 2014



A D M Allen - Director

The A & A Group Limited

Notes to the Financial Statements for the year ended 31st December 2013

1. Accounting policies

Accounting convention

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

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 business review which forms part of the Strategic Report. The Strategic and Director's Reports also describe the financial position of the Company, its cash flows, liquidity risk and the Company's objectives. Policies and process for managing its capital, its financial risk, management objectives, exposure to credit and liquidity risk are in place.

The Company meets its day to day working capital requirements from corporate cash balances. The UK broking market remains extremely competitive and the Company suffered from reduced customer volumes as the business continued to move into more niche segments of the market. The Company continues to monitor the uncertainty in the current environment and the director is satisfied that the Company's services will continue to be attractive to its clients.

The director notes that the Company is in a net asset position of £15.4 million (2012: £19.4 million), it is also in a net current liability position with current liabilities exceeding current assets by £7.1 million (2012: £3.9 million).

The repayment terms of the loans held by the Company's immediate holding company, Key Bidco Ltd., have been renegotiated with the Royal Bank of Scotland plc, and new covenants have been included as part of this renegotiation, with the first covenant test date being 31 December 2014. A guarantee of £2.0 million has been provided by Funds managed by Darwin Private Equity LLP, the ultimate shareholder, across all outstanding RBS facilities.

After a review of the company's cash flows and forecast for the period of the next 3 years, and after securing new banking facilities within which the business is expected to operate, the director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, while acknowledging the current guidance on going concern, including that from the FRC, the director continues to adopt the going concern basis in preparing the annual report and financial statements.

Cash flow statement and related party disclosure

The Company is a wholly-owned subsidiary of Key Topco Limited and is included in the consolidated financial statements of Key Topco Limited, which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

The Company is exempt under the terms of FRS 8 Related Party Disclosures, from disclosing related-party transactions with entities that are part of the Key Topco Limited group or investees of Key Topco Limited group.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of various businesses in 2005, is being amortised evenly over its estimated useful life of twenty years.

Investments

Fixed asset investments are shown at cost less provisions for any impairment.

Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and any impairment losses. Cost consists of expenditure that is directly attributable to the acquisition of the assets.

The A & A Group Limited

Notes to the Financial Statements for the year ended 31 December 2013 - continued

1. Accounting policies - continued

Depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 1% on cost
Long leasehold	- Evenly over the term of the lease
Fixtures, fittings & equipment	- 25% on reducing balance
Computer equipment	- 33% on cost

Impairment

In accordance with FRS 11, 'Impairment of fixed assets and goodwill' long term assets are subject to an impairment review if circumstances or events change to indicate that the carrying value may not be fully recoverable. The carrying value of the investment of the long term asset is compared with its recoverable amount, being the higher of the net realisable value and value in use. The net realisable value is considered to be the amount that could be obtained on disposal of the asset. The value in use of the asset is determined by discounting at a market-based discount rate, the expected future cash flows from its continued use, including those arising from its final disposal. When the carrying values of long term assets are written down by an impairment amount, the loss is recognised in the profit and loss account in the period in which it is incurred.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Bad debt policy

The Company continually manages its bad debt exposures. It provides for potential bad debts based on an estimate of the likely cancellation rate of policies and estimated level of bad debt created per cancelled policy. Profit and loss estimates are based on historical experience and are reassessed every quarter. The estimated bad debt per policy is provided for at the date of sale of the policy.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated into sterling at the rates of exchange at the dates the transactions occurred. All gains and losses arising from foreign exchange transactions are recognised in the profit and loss account.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts are capitalised as tangible fixed assets and are depreciated over their useful lives.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

Pension costs and other post-retirement benefits

The Company operates a money purchase pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

The A & A Group Limited

Notes to the Financial Statements for the year ended 31 December 2013 - continued

1. Accounting policies - continued

Interest and investment income

Interest income is recognised on an accruals basis. Dividends from subsidiary undertakings are accounted for when declared.

Insurance broking debtors and creditors

The Company acts as an agent in broking insurable risks of its clients and generally is not liable as a principal for premiums due to underwriters or for claims payable to clients.

In accordance with generally accepted accounting practice, the Company has shown debtors and creditors balances relating to insurance broking business as assets and liabilities of the Company itself. Under the provisions of Financial Reporting Standard 5 "Reporting the Substance of Transactions", trade debtors and creditors arising from insurance broking transactions are presented gross unless there is a contractual right of set off. Factored trade debtors for which the associated risks and rewards are not fully transferred to the factor are held on the Company's balance sheet.

Factored insurance debtors have been presented gross to better represent the contractual arrangements in place, whereas in 2012 they were shown net. The result of reflecting the gross presentation of factored debtors in both current and prior periods had no impact on either the profit and loss account or the Company's net assets.

Revenue recognition

Turnover

Turnover relating to insurance broking represents net fees and commissions derived from premiums invoiced to clients. In accordance with Financial Reporting Standard 5, Application Note G and the guidance for insurance brokers issued by ICAEW, the Company recognises fees and commission income at the point of sale. This is when the directors consider that the right to consideration from clients has been achieved.

Post placement obligations

Financial Reporting Standard 5 "Reporting the substance of transactions" Application Note G "Revenue recognition" requires that where there is an expectation of future servicing requirements, an element of income relating to the policy is deferred to cover the associated contractual obligation. The Company has only very insignificant contractual post placement obligations and accordingly, revenue is not deferred.

Cancellation reserve

No cancellation reserve is included in the accounts as clients are charged a cancellation fee which covers the Company's commission exposure.

2. Turnover

Turnover and profit before taxation for the current and previous years are derived from the Company's principal activity as an insurance intermediary and are wholly from the United Kingdom. As such, no segmental analysis of the Company's turnover has been presented

3. Other operating income

	2013	2012
	£000	£000
Management fees receivable	101	100
Fees on the use of insurance capacity	-	140
Marketing incentive	-	388
	<u>101</u>	<u>628</u>

The A & A Group Limited

**Notes to the Financial Statements
for the year ended 31 December 2013 - continued**

4. Staff costs

	2013	2012
	£000	£000
Wages and salaries	7,819	8,358
Social security costs	813	843
Pension costs	106	68
	<u>8,738</u>	<u>9,269</u>

Average monthly number of employees during the year

	2013	2012
	Number	Number
Sales	87	119
Administration	196	199
	<u>283</u>	<u>318</u>

5. Directors' remuneration

	2013	2012
	£000	£000
Remuneration	752	540
Compensation for loss of office	187	-
Benefits in kind	34	29
Pension contributions to money purchase schemes	103	64
	<u>1,076</u>	<u>633</u>

	Number	Number
The number of directors to whom retirement benefits were accruing	<u>5</u>	<u>4</u>

Highest paid director:

	2013	2012
	£000	£000
Emoluments	225	163
Pension contributions to money purchase schemes	<u>14</u>	<u>12</u>

6. (Loss)/profit on ordinary activities before taxation

	2013	2012
	£000	£000
Depreciation – owned assets	175	194
Depreciation – assets on hire purchase contracts	-	30
Goodwill amortisation	936	937
Operating lease rentals – land and buildings	183	-
Services provided by the company's auditor:		
- fees payable to the company's auditor for the audit of the company's annual accounts:		
current year	100	76
prior year	46	-
Total audit fees	<u>146</u>	<u>76</u>
- other assurance services in respect of fellow subsidiaries	8	8
- fees payable for tax services	13	34
Total non-audit fees	<u>21</u>	<u>42</u>

The A & A Group Limited

Notes to the Financial Statements for the year ended 31 December 2013 - continued

7. Exceptional items

Exceptional items on the face of the Profit and Loss account relate to freehold and leasehold property that was disposed of at arms-length market value to the directors of the Company prior to the management buy-out and acquisition by Darwin Private Equity LLP

8. Interest

	2013	2012
	£000	£000
Interest payable and similar charges:		
Bank loan interest	(1)	(55)
Other	(29)	(14)
Hire purchase interest	-	(4)
	<u>(30)</u>	<u>(73)</u>
Interest receivable and similar income		
Deposit account	31	30
Other	9	36
	<u>40</u>	<u>66</u>
Net interest receivable/(payable)	<u>10</u>	<u>(7)</u>

9. Taxation

The tax charge on the loss on ordinary activities for the year was as follows:

	2013	2012
	£000	£000
Current taxation:		
UK corporation tax charge for the year		732
Credit adjustment in respect of prior years	(483)	-
	<u>(483)</u>	<u>732</u>
Deferred taxation:		
Charge/(credit) for the year	27	(60)
Tax (credit)/charge on profit on ordinary activities	<u>(456)</u>	<u>672</u>

UK corporation tax has been charged at 23.25% (2012:24.5%).

Tax rate reconciliation

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2013	2012
	£000	£000
(Loss)/profit on ordinary activities before tax	<u>(4,450)</u>	<u>1,168</u>
Tax at standard UK corporation tax rate of 23.25% (2012: 24.5%)	(1,035)	286
Effect of:		
Expenses not deductible for tax purposes	179	(20)
Income not taxable for tax purposes	(45)	371
Tax losses carried forward	424	-
Tax losses carried back	528	-
Prior year adjustment	(483)	212
Capital allowances	(51)	439
Imputed interest	-	10
Group relief not paid for	-	(566)
Current tax (credit)/charge	<u>(483)</u>	<u>732</u>

The A & A Group Limited

Notes to the Financial Statements for the year ended 31 December 2013 - continued

9. Taxation (continued)

The UK corporation tax expense within these financial statements has been provided for at the rate of 23.25% (2012: 24.5%). The blended rate for the accounting period represents the reduction of the headline rate from 24% to 23% on the 1 April 2013. On 17 July 2013 the UK Government has enacted the reduction in the main rate of corporation tax rate to 21% effective from 1 April 2014 and 20% effective from 1 April 2015. Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date and accordingly deferred tax has been recognised within these financial statements at 20%.

10. Dividends

	2013	2012
	£000	£000
Final (note 19)	-	100

11. Intangible fixed assets Goodwill

	£000
Cost	
At 1 January 2013 and 31 December 2013	16,953
Amortisation	
At 1 January 2013	7,131
Amortisation for year	936
At 31 December 2013	8,067
Net book value	
31 December 2013	8,886
1 January 2013	9,822

The A & A Group Limited

**Notes to the Financial Statements
for the year ended 31 December 2013 - continued**

12. Tangible fixed assets

	Freehold property £000	Fixtures, fittings & equipment £000	Computer equipment £000	Total £000
Cost				
At 1 January 2013	364	1,644	463	2,471
Additions	-	16	293	309
At 31 December 2013	364	1,660	756	2,780
Depreciation				
At 1 January 2013	44	1,280	160	1,484
Charge for year	3	63	109	175
At 31 December 2013	47	1,343	269	1,659
Net book value				
31 December 2013	317	317	487	1,121
1 January 2013	320	364	303	987

13. Fixed asset investments

	Shares in Group undertaking £000	Loan to Group undertakings £000	Other £000	Total £000
At 1 January 2013	8,419	4,000	46	12,465
Loan to Group undertaking	-	10	-	10
	8,419	4,010	46	12,475

The Company has investments in the subsidiary undertakings listed below:

Name	Country of incorporation	Principal activity	Share holding	% owned	
				31 December 2013	1 January 2013
SAS Auto First	France	Insurance intermediary	Ordinary	100	100
Mulsanne Holdings (Gibraltar) Limited	Gibraltar	Holding company	Ordinary	100	100
Mulsanne Insurance Company Limited ¹	Gibraltar	Insurance underwriter	Ordinary	100	100
Autofirst (UK) Limited	United Kingdom	Dormant	Ordinary	100	100
Quotea Limited	United Kingdom	Dormant	Ordinary	100	100

¹ Indirectly owned through Mulsanne Holdings (Gibraltar) Limited.

The loans to Group undertakings are interest-free.

The A & A Group Limited
Notes to the Financial Statements
for the year ended 31 December 2013 - continued

14. Debtors

	2013	2012
	£000	£000
Trade debtors	4,764	4,590
Trade debtors with instalment plans	25,521	28,492
Amounts owed by group undertakings	1,770	1,362
Other debtors	45	966
Deferred tax	-	27
Corporation tax	70	-
Prepayments and accrued income	252	281
	<u>32,422</u>	<u>35,718</u>

Deferred tax

Deferred tax		£000
Movement in year		
1 January 2013		27
Profit and loss account		(27)
31 December 2013		<u>-</u>
	2013	2012
	£000	£000
Provision for deferred tax comprises:		
Short term timing differences	<u>-</u>	<u>27</u>
	-	27

The Company has a deferred tax asset of £364,975 (2012:£nil) in respect of tax losses carried forward. This deferred tax asset has not been recognised in the accounts as it is not anticipated with sufficient certainty that it will be recovered in the near future.

15. Creditors: Amounts falling due within one year

	2013	Restated
	£000	2012
Bank overdrafts (note 16)	-	264
Other loans (note 16)	-	30
Trade creditors	4,929	3,014
Loan financing for factored debts	25,521	28,492
Amounts owed to group undertakings	9,436	8,985
Corporation tax	-	902
Social security and other taxes	1,531	1,778
VAT payable	130	-
Other creditors	3,054	1,653
Director's current account	30	113
Accrued and deferred income	274	269
	<u>44,905</u>	<u>45,500</u>

The A & A Group Limited

**Notes to the Financial Statements
for the year ended 31 December 2013 - continued**

16. Bank and other borrowings

	2013	2012
	£000	£000
On demand or within one year		
Secured:		
Bank overdraft	-	264
Unsecured loans:		
Other	-	30
	<u>-</u>	<u>294</u>

Secured bank loans and overdrafts

The Royal Bank of Scotland plc has a fixed and floating charge over all property and assets of Key Topco Limited's subsidiary companies, The A & A Group Limited and Hyperformance Ltd. Secured borrowings at 31 December 2013, amounted to £13,327,000 (2012:£16,803,000).

17. Called up share capital

Allotted, called-up and fully paid

		2013	2012
Number	Description	£000	£000
14,232,562	Ordinary A shares of £1 each	14,233	14,233
1,919,344	Ordinary B shares of £1 each	1,919	1,919
10	Ordinary C shares of £1 each	-	-
		<u>16,152</u>	<u>16,152</u>

The A, B and C ordinary shares carry voting and distribution rights in the proportions of 78%, 12% and 10% respectively.

18. Reserves

	Profit and loss account
	£000
At 1 January 2013	3,201
Loss for the year	(3,994)
At 31 December 2013	<u>(793)</u>

19. Reconciliation of movements in shareholders' funds

	2013	2012
	£000	£000
(Loss)/profit for the financial year	(3,994)	496
Dividends (note 10)	-	(100)
Net (decrease)/increase in shareholders' funds	<u>(3,994)</u>	<u>396</u>
Opening shareholders' funds	19,353	19,444
Prior year adjustment	-	(487)
Closing shareholders' funds	<u>15,359</u>	<u>19,353</u>

Prior year adjustment relates to the reversal of prior year credit write backs.

The A & A Group Limited
Notes to the Financial Statements
for the year ended 31 December 2013 - continued

20. Operating lease commitments

The following operating lease payments are committed to be made within one year:

	2013	Restated
	£000	2012
		£000
Land and buildings		
Expiring:		
Within one year	55	-
Between one and five years	128	183
	<u>183</u>	<u>183</u>

21. Related party disclosures

The Company has taken advantage of the exemption, under the terms of Financial Reporting Standard 8 Related Party Disclosures, not to disclose related party transactions with wholly owned subsidiaries within the Group.

22. Ultimate controlling party

The directors consider the ultimate controlling party to be Funds managed by Darwin Private Equity LLP ("Darwin"), a limited liability partnership registered in England and Wales.

The Company's ultimate parent company is Key Topco Limited and its immediate parent Company is Key Bidco Limited, both incorporated in the United Kingdom..

The largest and smallest group in which the results of The A & A Group Limited are consolidated is that headed by Key Topco Limited. Copies of the consolidated accounts of Key Topco Limited may be obtained from Garrick House, 161 High Street, Hampton Hill, Middlesex, TW12 1NG.

23. Contingent liabilities

The Royal Bank of Scotland plc has a fixed and floating charge over all property and assets of Key Topco Limited and its subsidiary companies, The A & A Group Limited and Hyperformance Ltd. Secured borrowings at 31 December 2013, amounted to £13,327,000 (2012:£16,803,000).

The Company is a member of the Key Bidco Limited UK VAT Group registration and as such has a joint and several liability for any VAT owed by Group to HM Revenue and Customs.

24. Events after balance sheet date

On the 6 March 2014, the Company completed the sale of its wholly owned subsidiary, SAS Auto First, a company incorporated in France for £10.1m after costs.