REGISTERED NUMBER: 03578103 (England and Wales)

Annual Report and

Financial Statements

for the Year Ended 31st December 2014

for

The A & A Group Limited

The A & A Group Limited

Contents

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 2014 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, Insure It All, ESI, Hyper Hotline and Complete Cover Group.
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 2015.

2014 was a year of unprecedented change in the Group, which culminated in the group being in a much stronger financial position by 2014 year end than it was at the start. Significant events affecting the Group in 2014 included the following:

- **On 6 March 2014, the Group completed the sale of SAS Auto First for £10.6million after costs.** The Group used the proceeds from the SAS Auto First sale to repay secured borrowings with Royal Bank of Scotland plc and repaid £8.6million on 23 June 2014.
- **Change in the management team in the UK Broking businesses**, being The A&A Group Limited and Hyperformance Limited, in June 2014. The new management team made some significant changes to the business model from July 2014, including a change in pricing of its fees and commission based products to reflect the continued move into the more niche, high premium sector of the UK motor market.
- **Secured a capital injection from its majority shareholders** to secure the medium term future of the company and give the Group a great foundation on which to build. In June 2014, Funds managed by Darwin Private Equity LLP invested £2.0million in the form of secured Loan Notes (New Investor Notes), with a further £1.1million of investment from A D M Allen (in the form of New Manager Loan Notes). Both Loan Notes were issued by Key Midco Limited.
- **Significantly reduced its secured borrowings with the Royal Banks of Scotland plc and renegotiated the terms of loans repayable.** Following a repayment of £8.6million using the SAS Auto First disposal proceeds, secured borrowings with the Royal Bank of Scotland plc at 31 December 2014 amounted to £3.7million (2013: £13.3million). Following a breach of banking covenants at the end of 2013, the terms of the loans repayable were renegotiated with the Royal Bank of Scotland plc during 2014, and new covenants were included as part of this renegotiation, with the first covenant test date being 31 December 2014. The Directors note that these covenant tests were comfortably passed.

The results for the year and the state of the company's affairs are presented in the attached financial statements on pages 9 to 20.

The director considers "Adjusted EBITDA" a key performance indicator (KPI), being defined as Earnings before Interest, Tax, Depreciation and Amortisation, adjusted for one off related items. The following one off items impacted the 2014 loss before tax result:

i. Close down costs of offices as the business consolidated premises and reduced headcount
ii. Redundancy costs incurred as part of cost cutting programmes and Director turnover
iii. Recharges from Key Bidco Limited, which related to non-recurring amounts.

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

	2014	2013
	£000	£000
EBITDA	(1,192)	(3,541)
One off items	914	3,114
Adjusted EBITDA	(278)	(427)

The A & A Group Limited

Strategic report (continued)

The Adjusted EBITDA result in the Company was characterised by the changes in the pricing of its fee and commission based products that were made to reflect the continued move into the more niche and high premium end of the UK motor market. The strategic move means the UK broking business has continued to suffer from reduced customer volumes, however, this has been more than offset by an improvement in margin following the pricing changes made above.

Adjusted EBITDA improved in 2014 compared to 2013, but the extent of the improvement is more significant if the annual result for 2014 is split into two halves. The following table demonstrates this:

Adjusted EBITDA (£000)	H1 2014	H2 2014	2014
The A&A Group Limited	(756)	478	(278)

On the basis of the above results, the Director is extremely pleased with the turnaround in profitability that the Company has achieved. The Director also notes that the profitability of the Company has continued into 2015, with Adjusted EBITDA run rates ahead of 2014.

In addition to Adjusted EBITDA, other KPIs used and reported by the Board of Directors are:
New business wins and losses;
Retention rates;
Average premiums;
Complaints;
Staff satisfaction;

The Directors review these KPIs frequently and take 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.

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.

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 D M Allen - Director
17 June 2015

The A & A Group Limited

Director's report
for the year ended 31 December 2014

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 2014.

Directors
The directors who have held office during the year to 31 December 2014 and to the date of this report are as follows:

A D M Allen
J Anderson (resigned 30 May 2014)
D M Oliver (resigned 29 May 2014)
R J Taberner (resigned 28 February 2014)

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 2014 (year ended 31 December 2013:£nil).
The Director does not recommend payment of a final dividend on the ordinary shares for the year ended 31 December 2014. (2013:£nil).

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. Offsetting this, however, was a significantly improved income per policy as a result of the increase in average premium associated with this strategic move. 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 £15.1 million (2013: £15.4 million), as well as a net current asset position with current assets exceeding current liabilities by £1.9 million (2013: Net current liabilities £7.1 million).

The repayment terms of the loans held by the Company's immediate holding company, Key Bidco Ltd., were renegotiated with the Royal Bank of Scotland plc, and new covenants were 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. The Director notes that these covenant tests were comfortably passed.

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 pages 2 to 3 and form part of this report by cross-reference.

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) 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 2014 - continued

Political donations
During the year no donations were made to political parties (2013:£nil).

Auditor
The person 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 D M Allen - Director
17 June 2015

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.

Independent Auditor's report to the Members of
The A & A Group Limited

We have audited the financial statements of The A & A Group Ltd for the year ended 31st December, 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. 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 director's 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 director; 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, 2014 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, UK

17 June 2015

The A & A Group Limited

Profit and Loss Account
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	2	16,371	14,808
Administrative expenses		(18,149)	(18,624)
Goodwill amortisation		(808)	(937)
Total administration expenses		(18,957)	(19,561)
Operating loss on broking activities		(2,586)	(4,753)
Other operating income	3	-	101
Operating loss		(2,586)	(4,652)
Profit on sale of fixed asset investment		1,960	-
		(626)	(4,652)
Income from shares in group undertakings		-	192
Interest	7	70	10
Loss on ordinary activities before taxation	6	(556)	(4,450)
Tax on loss on ordinary activities	8	324	456
Loss for the financial year	16/17	(232)	(3,994)

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.

Statement of Total Recognised Gains and Losses
The Company has no recognised gains or losses other than the loss on ordinary activities before taxation and the loss for the current financial year and prior year.

The notes form part of these financial statements

The A & A Group Limited

Balance Sheet
31 December 2014

	Note	2014	2013
		£000	£000
Fixed assets			
Intangible assets	9	8,078	8,886
Tangible assets	10	1,086	1,121
Investments	11	4,086	12,475
		13,250	22,482
Current assets			
Debtors	12	38,655	32,422
Cash at bank	13	6,338	5,360
		44,993	37,782
Creditors			
Amounts falling due within one year	14	(43,116)	(44,905)
Net current assets/(liabilities)		1,877	(7,123)
Total assets less current liabilities		15,127	15,359
Net assets		15,127	15,359
Capital and reserves			
Called up share capital	15	16,152	16,152
Profit and loss account	16	(1,025)	(793)
Shareholders' funds	17	15,127	15,359

The financial statements of The A & A Group Limited, company registration number 03578103, were approved and signed by the sole director and authorised for issue on 17 June 2015

A D M Allen - Director

The notes form part of these financial statements

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. Offsetting this, however, was a significantly improved income per policy as a result of the increase in average premium associated with this strategic move. 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 £15.1 million (2013: £15.4 million), as well as a net current asset position with current assets exceeding current liabilities by £1.9 million (2013: Net current liabilities £7.1 million).

The repayment terms of the loans held by the Company's immediate holding company, Key Bidco Limited, were renegotiated with the Royal Bank of Scotland plc, and new covenants were included as part of this renegotiation, with the first covenant test date being 31 December 2014. The Director notes that these covenant tests were comfortably passed. 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.

Preparation of consolidated financial statements
Group accounts are not prepared in line with section 400 of the Companies Act 2006 as this Company is itself a wholly owned subsidiary of Key Bidco Limited and is included in the consolidated financial statements of Key Topco Limited, its ultimate parent company. Accordingly, these accounts present information about the Company as an individual undertaking and not about its Group.

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.

1. **Accounting policies - continued**

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.

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% per annum on cost
Long leasehold	- Straight-line over the term of the lease
Fixtures, fittings & equipment	- 25% per annum on reducing balance
Computer equipment	- 33% per annum 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.

1. **Accounting policies - continued**

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.

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.

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 provision
No cancellation provision is included in the accounts as clients are charged a cancellation fee which covers the Company's commission exposure. Lost income from cancellation is recorded in the month in which the cancellation occurs.

2. **Turnover**
Turnover and profit before taxation for the current and previous year 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**

	2014	2013
	£000	£000
Management fees receivable	-	101
	-	101

4. Staff costs

	2014	2013
	£000	£000
Wages and salaries	8,106	7,819
Social security costs	812	813
Pension costs	147	106
	9,065	8,738

Average monthly number of employees during the year

	2014	2013
	Number	Number
Sales	70	87
Administration	183	196
	253	283

5. Directors' remuneration

	2014	2013
	£000	£000
Remuneration	316	752
Compensation for loss of office	265	187
Benefits in kind	13	34
Pension contributions to money purchase schemes	30	103
	624	1,076

	Number	Number
The number of directors to whom retirement benefits were accruing	4	5

Highest paid director:

	2014	2013
	£000	£000
Emoluments	159	225
Pension contributions to money purchase schemes	18	14

6. Loss on ordinary activities before taxation

Loss on ordinary activities is stated after charging:

	2014	2013
	£000	£000
Depreciation – owned assets	586	175
Goodwill amortisation	808	936
Profit on sale of investment in subsidiary undertaking	(1,960)	-
Loss on disposal of tangible fixed assets	12	-
Operating lease rentals – land and buildings	174	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	75	100
prior year	4	46
Total audit fees	79	146
- other assurance services in respect of fellow subsidiaries	8	8
- fees payable for tax services	-	13
Total non-audit fees	8	21

7. Interest

	2014	2013
	£000	£000
Interest payable and similar charges:		
Bank interest	(5)	(1)
Other	(53)	(29)
Payable to group companies	(4)	-
	(62)	(30)
Interest receivable and similar income		
Deposit account	8	31
Other	124	9
	132	40
Net interest receivable	70	10

8. Taxation

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

	2014	2013
	£000	£000
Current taxation:		
UK corporation tax charge for the year	-	-
Credit adjustment in respect of prior years	(324)	(483)
	(324)	(483)
Deferred taxation:		
Charge for the year	-	27
Tax (credit) on loss on ordinary activities	(324)	(456)

UK corporation tax has been charged at 21.5% (2013:23.25%).

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:

	2014	2013
	£000	£000
Loss on ordinary activities before tax	(556)	(4,450)
Tax at standard UK corporation tax rate of 21.5% (2013: 23.25%)	(120)	(1,035)
Effect of:		
Expenses not deductible for tax purposes	190	179
Income not taxable for tax purposes	(422)	(45)
Tax losses carried forward	220	424
Tax losses carried back	-	528
Prior year adjustment	(323)	(483)
Capital allowances	83	(51)
Transfer pricing adjustment	48	-
Current tax credit	(324)	(483)

8. Taxation (continued)

The UK corporation tax expense within these financial statements has been provided for at the rate of 21.5% (2013: 23.25%). The blended rate for the accounting period represents the reduction of the headline rate from 23% to 21% on the 1 April 2014. On 17 July 2013 the UK Government 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%.

9. Intangible fixed assets

Goodwill

	£000
Cost	
At 1 January 2014 and 31 December 2014	16,953
Amortisation	
At 1 January 2014	8,067
Amortisation for year	808
At 31 December 2014	8,875
Net book value	
31 December 2014	8,078
1 January 2014	8,886

10. Tangible fixed assets

	Freehold property £000	Fixtures, fittings & equipment £000	Computer equipment £000	Total £000
Cost				
At 1 January 2014	364	1,660	756	2,780
Additions	-	273	290	563
Disposals	-	(50)	(123)	(173)
At 31 December 2014	364	1,883	923	3,170
Depreciation				
At 1 January 2014	47	1,343	269	1,659
Charge for year	4	247	335	586
Disposals	-	(38)	(123)	(161)
At 31 December 2014	51	1,552	481	2,084
Net book value				
31 December 2014	313	331	442	1,086
1 January 2014	317	317	487	1,121

The A & A Group Limited

Notes to the Financial Statements
for the year ended 31 December 2014 - continued

11. Fixed asset investments

	Shares in Group undertaking £000	Loans to Group undertakings £000	Other £000	Total £000
At 1 January 2014	8,419	4,010	46	12,475
Loan to Group undertaking	-	30	-	30
Disposal	(8,419)	-	-	(8,419)
At 31 December 2014	-	4,040	46	4,086

The Company has investments in the subsidiary undertakings listed below:

Name	Country of incorporation	Principal activity	Share holding	% owned 2014	% owned 2013
SAS Auto First	France	Insurance intermediary	Ordinary	-	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.

On 6 March 2014, the Company disposed of its wholly owned subsidiary undertaking SAS Auto First, a company incorporated in France, for £10.6 million, giving a net profit of £2.0 million.

The loans to Group undertakings are interest-free.

12. Debtors

	2014	2013
	£000	£000
Trade debtors	4,372	4,764
Trade debtors with instalment plans	22,806	25,521
Amounts owed by group undertakings	9,244	1,770
Other debtors	1,761	45
Corporation tax	319	70
Prepayments and accrued income	153	252
	38,655	32,422

Deferred tax

	£000
Movement in year	
At 1 January 2014 and 31 December 204	-

The Company has a deferred tax asset of £311,913 (2013:£364,975) which is of tax losses carried forward £247,080 (2013:£364,975) and short term timing differences £64,833 (2013:£nil). 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.

13. Cash at bank

2014	2013
£000	£000
6,338	5,360

Pending payment of insurance premiums, monies relating to the payment of insurer premiums are held in separate bank accounts and are not used as part of the working capital of the business.

14. Creditors: Amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	5,226	4,929
Loan financing for factored debts	22,806	25,521
Amounts owed to group undertakings	10,025	9,436
Other taxation and social security	2,684	1,661
Other creditors	1,321	3,054
Director's current account	-	30
Accrued and deferred income	1,054	274
	43,116	44,905

15. Called up share capital

Allotted, called-up and fully paid

Number	Description	2014 £000	2013 £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	-	-
		16,152	16,152

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

16. Reserves

	Profit and loss account £000
At 1 January 2014	(793)
Loss for the year	(232)
At 31 December 2014	(1,025)

17. Reconciliation of movements in shareholders' funds

	2014 £000	2013 £000
Loss for the financial year	(232)	(3,994)
Net decrease in shareholders' funds	(232)	(3,994)
Opening shareholders' funds	15,359	19,353
Closing shareholders' funds	15,127	15,359

18. Commitments

Operating leases

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

	2014 £000	2013 £000
Land and buildings		
Expiring:		
Within one year	33	55
Between one and five years	-	128
	33	183

	2014 £000	2013 £000
Other		
Expiring:		
Within one year	-	185
Between one and five years	325	140
	325	325

Financial

The group has contractual annual commitments under non-cancellable agreements expiring as follows

	2014 £000	2013 £000
Expiring:		
Within one year	11	117
Between one and five years	759	201
	770	318

19. 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.

20. 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.

21. Contingent liabilities and guarantees

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 2014, amounted to £3,668,000 (2013:£13,327,000).

Guarantees have been given against the Company's assets in respect of the New Investor Loan Notes and New Manager Loan Notes issued by Key Midco Limited on 27 June 2014. This guarantee is subordinate to the fixed and floating charge held by The Royal Bank of Scotland.

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.