

AAP3 Limited

Annual report and financial statements

For the year ended 31 December 2010

Registered number 03444435

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AAP3 Limited

Annual report and financial statements for the year ended 31 December 2010

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AAP3 Limited

Directors and advisors

Directors

Mr B J Boston
Mr N J Daniels
Mr M V Goodyear
Mr R Jackson
Mr C Nichols
Mr J A O'Donnell

Company secretary

Mrs H Quinn

Registered office

3 Benham Road
Benham Campus
Southampton Science Park
Chilworth
Southampton
Hampshire
SO16 7QJ

Independent auditors

Nexia Smith & Williamson
Statutory Auditors
Imperial House
18-21 Kings Park Road
Southampton
SO15 2AT

Bankers

Bank of Scotland
38 Threadneedle Street
London
EC2P 2EH

Solicitors

Trethowans
The Director General's House
15 Rockstone Place
Southampton
Hampshire
SO15 2EP

AAP3 Limited

Directors' report for the year ending 31 December 2010

The directors present their annual report and the audited consolidated financial statements of the group for the year ended 31 December 2010

Principal activity

AAP3 is a global managed solutions group based around three core functional business areas -

- Specialist recruitment services for the IT and related industries
- Engineering solutions
- Business solutions

The company is a limited company, domiciled and incorporated in the United Kingdom. The registered office is also the principal place of business with the address as set out on page 1. The company has subsidiaries in USA, Germany, Italy and France.

Review of business and future developments

The group's key financial and other performance indicators during the year were as follows

	2010	Restated 2009	Change
	£	£	%
Revenue	27,271,640	18,681,835	46%
Total operating (loss)/profit	(424,409)	12,278	
Current assets as % of current liabilities	103%	96%	
Average number of employees	311	249	25%

FY10 has been a year of consolidation & moderate growth. The acquisition of Preferred RS made in the latter part of 2009 has now been fully integrated into the company and initiatives to cross sell within their major accounts has started to show moderate results.

Our Engineering stream of business remains a strong contributor to the overall business, with other areas staying flat.

As a way to streamline & ensure consistency of service all product related activities have been consolidated under the product operations group and recruitment has been split between resourcing and new business sales.

The company outside of the US attained ISO accreditation including successful audits of the already certified Engineering & recruitment groups.

Over the next 3 years it is the aim of AAP3 to develop into a true business solutions company based on a single set of interlocking products & services underpinned by our recruitment heritage. The product group will be responsible for developing & maintaining all our Engineering based capabilities ranging from supply of qualified engineers on a time & material basis through to a fully managed service. Our disciplines will cover every aspect of Engineering, Networks, Data Centre, call managers, Web & system development. In addition we plan to offer a full data centre hosting capability, Network

AAP3 Limited

Directors' report for the year ending 31 December 2010 (continued)

Review of business and future developments (continued)

monitoring & call centre support on a 24x7 basis. Our markets will be defined by both geographic area and market size, and we shall have differentiated product offerings for each market & geography we operate in.

Our recruitment business will remain a measured revenue & profit contributor to the business but shall become far more integrated into the general portfolio of the group, leveraging its accounts as sell up opportunities wherever possible. As such all sales will be in one team and focused accordingly.

Fiscally we are aiming over the next 3 years to grow our revenue organically by >25% per annum, with a net margin of 5-8%. We are also committed to strategic growth through acquisition and shall be restricting the share capital of the company to attract inward investors to generate sufficient cash to achieve this ambition.

The US remains a prime region for the company, we re-iterate the intention for the US to be contributing >40% of the company's revenue & profit within 3 years. We further predict that >30% of the company's revenue will be generated outside of the UK, and we shall have physical sites in at least 3 European countries & 1 in the Asia Pac region and a further 2 sites in the US by 2013.

Finally as a company we shall be fully ISO certified, ITIL accredited, and a GPTW as measured by one of the recognised accreditation agencies. Our Academy program will be industry recognised & our CSR program fully supported.

Principal risks and uncertainties

Risk is an inherent part of doing business. The group continuously identifies and evaluates the risks faced by the business and effectively implements mitigating procedures.

The economic environment and competitor position can affect the performance of the group's businesses in terms of both sales and costs. Through development of our product range and quality of services, the group works to ensure that we deliver value to all our customers. AAP3 constantly reviews its customer concentration, geographic spread and exposure to emerging markets and regularly adjusts its strategy to mitigate and reduce the risks.

Research and development

Research and development activities for the group relate to the development of software and application solutions. During 2010 the activities undertaken by the group have not progressed to development stage and all costs have been expensed to the statement of comprehensive income. We will continue to invest in research and development in order to bring a broad range of products to market in a timely fashion.

Directors

The directors at 31 December 2010, have been directors for the whole of the year ended on that date, except where stated otherwise, are listed on page 1.

Directors' third party indemnity provision

Third party indemnity provision to cover all directors and officers has been in place during 2010.

AAP3 Limited

Directors' report for the year ending 31 December 2010 (continued)

Results and dividends

The loss for the financial year of £448,755 per consolidated statement of comprehensive income (2009 restated loss £146,599) will be set off against group's brought forward reserves

No dividends will be distributed for the year ended 31 December 2010 (2009 £nil)

Financial risk management

The losses for the year included a loss on foreign exchange of £23,964 (2009 loss £105,492) and this continues to be the largest area of financial risk to the group. The majority of transactions denominated in foreign currencies have natural hedging through contracts being negotiated in the currency bearing the costs. With the Euro and USD weakened against Sterling this has contributed to the foreign exchange loss.

The group is also exposed to credit risk. The group has procedures in place that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual customer is subject to a limit, which is reviewed by management on a regular basis.

Charitable and political donations

The group donated £8,234 (2009 £6,927) to local and national charities. This was made up of donations to benevolent charities as follows:

		£
Antony Nolan & Brain Tumour Trust	National	154
Joe Glover trust	Local	823
Macmillan	National	114
Saints Foundation	Local	3,500
Save the Children	National	258
SKIP	Local	3,108
Sports Relief	National	277

The group made no political contributions during the period (2009 £nil)

Policy and practice on payment of creditors

It is company policy to follow a standard on payment practice, in respect of its suppliers the company policy is:

- (a) To settle the terms of payment with those suppliers when agreeing the terms of each transaction
- (b) To ensure that the suppliers are made aware of the terms of payment
- (c) To abide by the terms of payment

Trade creditors at the year end represent 7 days of purchases (2009 7 days)

AAP3 Limited

Directors' report for the year ending 31 December 2010 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) 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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

In accordance with Section 418, directors' reports should include a statement in the case of each director in office at the date the directors' report is approved that

(a) so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) he 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 group's auditors are aware of that information.

AAP3 Limited

Directors' report for the year ending 31 December 2010 (continued)

Independent auditors

Nexia Smith & Williamson have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the Board



H Quinn
Secretary

28th June 2011

Date

AAP3 Limited

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AAP3 LIMITED

We have audited the financial statements of AAP3 Limited for the year ended 31 December 2010 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Directors' Responsibilities Statement set out on pages 5, 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

AAP3 Limited

Nexia Smith & Williamson

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Nexia Smith & Williamson

30th June 2011

Andrew Edmonds
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Imperial House
18-21 Kings Park Road
Southampton
SO15 2AT

AAP3 Limited

Consolidated statement of comprehensive income for the year ended 31 December 2010

	Notes	2010 £	Restated 2009 £
Revenue	3	27,271,640	18,681,835
Cost of sales		(21,838,087)	(13,801,597)
Gross profit		5,433,553	4,880,238
Administrative expenses			
Share based payments	18	(158,363)	(305,109)
Other		(5,699,598)	(4,562,851)
		(5,857,961)	(4,867,960)
Operating profit/(loss)			
Before share based payments		(266,046)	317,387
Share based payments		(158,363)	(305,109)
Operating profit/(loss) after share based payments		(424,409)	12,278
Finance income	5	45	397
Finance cost	6	(153,113)	(50,305)
Loss before income tax		(577,477)	(37,630)
Income tax expense	9	128,722	(108,969)
Loss for the year		(448,755)	(146,599)
Other comprehensive income/(loss)			
Currency translation differences		(18,326)	6,813
Total comprehensive loss for the year		(467,081)	(139,786)
Profit attributable to			
- Owners of the parent		(467,081)	(141,301)
- Non-controlling interest		-	1,515
Total comprehensive loss for the year		(467,081)	(139,786)

The results above relate to continuing activities

The notes on pages 13 to 30 are an integral part of these consolidated financial statements

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company statement of comprehensive income. The loss for the parent company for the year was £621,872 (2009 restated loss £128,622)

AAP3 Limited

Statements of financial position as at 31 December 2010

		Group	Group	Company	Restated Company
	Notes	2010 £	2009 £	2010 £	2009 £
ASSETS					
Non-current assets					
Goodwill	10	1,222,430	1,222,430	1,222,430	1,222,430
Intangible assets	10	18,298	473,114	18,298	385,689
Property, plant and equipment	11	41,745	85,723	39,680	63,644
Investment in subsidiaries	12	-	-	320,468	320,468
Deferred income tax assets	15	16,815	-	16,815	12,221
		1,299,288	1,781,267	1,617,691	2,004,452
Current assets					
Trade and other receivables	13	4,904,867	4,089,418	5,196,827	4,760,093
Current income tax assets	13	44,597	-	102,399	-
Cash and cash equivalents		155,207	333,506	94,328	195,250
		5,104,671	4,422,924	5,393,554	4,955,343
Total assets		6,403,959	6,204,191	7,011,245	6,959,795
EQUITY AND LIABILITIES					
Equity attributable to owners of parent					
Called up share capital	17	8,183	8,044	8,183	8,044
Share premium		227,419	167,363	227,419	167,363
Shares to be issued		250,000	-	250,000	-
Other reserves		300	300	300	300
Translation reserves		(20,114)	(1,788)	-	-
Retained earnings		486,129	776,521	374,756	838,265
Total equity		951,917	950,440	860,658	1,013,972
Total equity		951,917	950,440	860,658	1,013,972
Non-current liabilities					
Contingent deferred consideration	16	666,680	634,900	666,680	634,900
Current liabilities					
Trade and other payables	14	4,785,362	4,317,043	5,483,907	5,174,576
Current income tax liabilities	14	-	184,107	-	136,347
Deferred income tax liabilities	15	-	117,701	-	-
		4,785,362	4,618,851	5,483,907	5,310,923
Total liabilities		5,452,042	5,253,751	6,150,587	5,945,823
Total Equity and liabilities		6,403,959	6,204,191	7,011,245	6,959,795

The notes on pages 13 to 30 are an integral part of these consolidated financial statements

The financial statements on pages 9 to 30 were authorised for issue by the board of directors on 28th June 2011 and were signed on its behalf by



R Jackson
Director
AAP3 Limited
Registered number 03444435

AAP3 Limited

Statements of changes in equity for the year ended 31 December 2010

Group

Attributable to owners of the parent

	Called up share capital	Share Premium	Shares to be issued	Capital Redemption Reserve	Retained Earnings	Translation Reserve	Total	Minority interest	Total equity
	£	£		£	£		£	£	£
Balance as at 1 January 2009	7,850	19,019		300	619,526	(8,601)	638,094	(4,547)	633,547
Comprehensive income									
Restated profit or loss	-	-	-	-	(148,114)	6,813	(141,301)	1,515	(139,786)
Share option charge credit to equity - prior year adjustment	-	-	-	-	305,109	-	305,109	-	305,109
Proceeds from shares issued	194	148,344	-	-	-	-	148,538	-	148,538
Restated total comprehensive income	194	148,344	-	-	156,995	6,813	312,346	1,515	313,861
Changes in ownership interest in subsidiaries									
Minority interest acquisition	-	-	-	-	-	-	-	3,032	3,032
Total transactions with owners	-	-	-	-	-	-	-	3,032	3,032
Balance as at 1 January 2010	8,044	167,363		300	776,521	(1,788)	950,440	-	950,440
Comprehensive income									
Profit or loss	-	-	-	-	(448,755)	(18,326)	(467,081)	-	(467,081)
Share Option charge	-	-	-	-	158,363	-	158,363	-	158,363
Proceeds from shares issued	139	60,056	-	-	-	-	60,195	-	60,195
Proceeds from shares to be issued	-	-	250,000	-	-	-	250,000	-	250,000
Balance as at 31 December 2010	8,183	227,419	250,000	300	486,129	(20,114)	951,917	-	951,917

Company

	Called up share capital	Share Premium	Shares to be issued	Capital Redemption Reserve	Retained Earnings	Total
	£	£		£	£	£
Balance as at 1 January 2009	7,850	19,019		300	661,778	688,947
Comprehensive income						
Restated profit or loss	-	-	-	-	(128,622)	(128,622)
Share option charge credit to equity - prior year adjustment	-	-	-	-	305,109	305,109
Proceeds from shares issued	194	148,344	-	-	-	148,538
Restated total comprehensive income	194	148,344	-	-	176,487	325,025
Balance as at 1 January 2010	8,044	167,363	-	300	838,265	1,013,972
Comprehensive income						
Profit or loss	-	-	-	-	(621,872)	(621,872)
Share options charge	-	-	-	-	158,363	158,363
Proceeds from shares issued	139	60,056	-	-	-	60,195
Proceeds from shares to be issued	-	-	250,000	-	-	250,000
Balance as at 31 December 2010	8,183	227,419	250,000	300	374,756	860,658

The notes on pages 13 to 30 are an integral part of these consolidated financial statements

AAP3 Limited

Statement of cash flows for the year ended 31 December 2010

	Notes	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Cash flows from operating activities					
Cash generated from operations	19	990,806	1,090,178	928,505	1,004,814
Interest paid		(121,333)	(50,305)	(86,960)	(42,745)
Income Tax Paid		(234,546)	(168,730)	(151,622)	(169,270)
Net cash generated from operating activities		634,927	871,143	689,923	792,799
Cash flows from investing activities					
Purchases of intangible assets		(36,596)	(18,210)	(36,596)	(17,994)
Purchase of property, plant and equipment		(83,943)	(124,732)	(79,816)	(115,680)
Proceeds from property, plant and equipment disposal		15,351	-	15,351	-
Interest received		45	397	21	397
Payment of contingent deferred consideration		(1,000,000)	(454,821)	(1,000,000)	(500,000)
Net cash used in investing activities		(1,105,143)	(597,366)	(1,101,040)	(633,277)
Cash flows from financing activities					
Repayment of borrowings		-	(71,661)	-	(71,661)
Proceeds for issue of ordinary shares		60,195	148,538	60,195	148,538
Proceeds for ordinary shares to be issued		250,000	-	250,000	-
Net cash generated from financing activities		310,195	76,877	310,195	76,877
Net (decrease)/increase in cash and cash equivalents		(160,021)	350,964	(100,922)	236,399
Cash, cash equivalents and bank overdrafts at the beginning of the year		333,506	81,221	195,250	31,911
Exchange gains/(losses) on cash and cash equivalents		(18,278)	(98,679)	-	(73,060)
Cash, cash equivalents at the end of the year		155,207	333,506	94,328	195,250

The notes on pages 13 to 30 are an integral part of these consolidated financial statements

AAP3 Limited

Notes to the financial statements for the year ended 31 December 2010

1 Statement of accounting policies

Basis of preparation

The consolidated financial statement have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis under the historic cost convention.

During the year it was found that the groups adoption of IFRS 2 'Share based payments' had not been applied correctly in the year ended 31 December 2009. The requirement of the standard is to spread the share based payment charge over the vesting period of the share option, rather than the option life. Taking this into account, it was found that staff expenses had been understated in the year ending 31 December 2009 by £305,109. On this basis the statement of comprehensive income has been restated for this period to take account of this error.

This adjustment does not have any impact on the reported balance sheet as at 31 December 2009, since the 'credit' for the share option expense has been allocated to 'retained earnings' in full. Therefore net assets as a result of this error remain unchanged.

The directors have also made a prior year adjustment in respect of the recognition of the investment in Preferred International Limited which took place in the year ending 31 December 2009. On recognition the entire purchase consideration was recognised as an investment balance within the accounts. The directors are of the opinion that, due to the hive-up of this business into aap3 Limited shortly after acquisition, the investment balance recorded should have been £288,265, equal to the net assets of the underlying dormant subsidiaries. The remainder of the purchase consideration has been recognised as goodwill of £1,222,430 (at the same amount as at consolidated level), and the remainder of £600,405 recognised as an intangible asset of customer contracts which has been amortised in accordance with the company's accounting policy.

Adoption of new and revised standards

The following standards and amendments to existing standards were mandatory for the financial year starting 1 January 2010:

- IFRS 3 (revised) - 'Business Combinations' introduces significant changes in the accounting for business combinations occurring on or after 1 January 2010 and IAS 27 (revised) - 'Consolidated and Separate Financial Statements' introduces requirements with regards to accounting for transactions with non-controlling interests. There was no requirement to restate previous business combinations, there have been no business combinations in 2010 and there have been no transactions with non-controlling interests, so therefore there has been no material impact on the group's annual results on the adoption of these revised standards.

A number of other amendments to existing standards and interpretations were also effective for the current period, the adoption of which did not have a material impact on the group's annual results.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not effective (and in some cases had not yet been adopted by the European Union):

- IFRS 9 - 'Financial Instruments'
- IAS 24 (amended) - 'Related Party Disclosures'
- IFRIC 19 - 'Extinguishing Financial Liabilities with Equity Instruments'
- Improvements to IFRSs (May 2010)

The directors do not expect that the adoption of the other standards and interpretations listed above will have a material impact on the financial statements of the group in future periods.

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the accounts of AAP3 Limited and its subsidiary undertakings (all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights). Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

1 Statement of accounting policies (continued)

Basis of consolidation (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions with non-controlling interest

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to non-controlling interests result in gains and losses for the group and are recorded in the income statement. Purchases from the non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary.

Revenue

Revenue, which excludes value added tax, represents net amounts invoiced during the year adjusted for accrued and deferred income where applicable. Revenue generated from contracts of services is recognised under the percentage-of-completion method using contractual rates. For recruitment contracts the revenue is recognised on a time and material basis and for permanent fees this is recognised when the candidates start their placement.

Property, plant and equipment

The cost of property, plant and equipment is their purchase cost together with any incidental costs of acquisition. Depreciation is provided on all property, plant and equipment, calculated to write off the cost of each asset evenly over its expected useful life. The principal annual rates used are as follows:

Fixtures & fittings	- 50% straight line
Computers and equipment	- 50% straight line
Vehicles	- 50% straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see below).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Intangibles

(a) Software

The cost of intangibles is their purchase cost together with any incidental costs of acquisition. Amortisation is provided on all intangibles, calculated to write off the cost of each asset evenly over its expected useful life. The principal annual rates used are as follows:

Software	- 50% straight line
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(b) Goodwill

Goodwill represents the difference between the cost of an acquisition over the fair value of the group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Where the consideration paid exceeds the fair value of the assets and liabilities acquired, goodwill is measured at cost less any accumulated impairment losses and is reviewed for impairment annually. Impairment is determined by comparing the recoverable amount of the cash-generating unit to the carrying value of the goodwill. The recoverable amount is the greater of an asset's value in use and its fair value less costs to sell. Value in use is calculated by discounting the future cash flows expected to be derived from the asset at the group's cost of capital. Where the recoverable amount is less than the carrying value, the goodwill is considered impaired and is written down through the income statement to its recoverable amount.

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

1 Statement of accounting policies (continued)

Intangibles (continued)

(c) Contracted customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

Impairment

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in GB pound sterling, which is the company's functional and the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

1 Statement of accounting policies (continued)

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets, if not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and short-term deposits. For the purpose of the cash flow statement cash and cash equivalents are shown net of outstanding bank overdrafts.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less, if not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment.

Share-based payments

The group operates an Enterprise Management Incentives (EMI) share option scheme, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised in the income statement as an employee expense. The fair value is determined using the Black-Scholes option pricing model.

Research and development

Internal research costs are charged against income as incurred. Internal development costs are capitalised as intangible assets only when there is an identifiable asset that can be completed and that will generate probable future economic benefits and when the cost of such an asset can be measured reliably. The group does not currently have any such internal development costs that qualify for capitalisation as intangible assets. Internal development costs are therefore charged against income as incurred since the criteria for their recognition as an assets are not met.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and branches operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

1 Statement of accounting policies (continued)

Pension costs

The pension costs charged in the financial statements represent the contributions payable by the group during the year to a defined contribution pension scheme

Critical accounting estimates and judgements

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement and to make estimates in the process of applying the group's accounting policies. The estimate and assumption that has a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year is addressed below

Goodwill

The goodwill has been calculated as the difference between the purchase consideration and the fair value of the net assets acquired. The purchase consideration includes payments already made and future consideration discounted to its present value. The management used a CAPM model and market indicators to calculate the appropriate discounting factor. Part of the deferred consideration is contingent on delivering specific targets which management has considered achievable and payable in full.

Share based payments

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

2 Financial risk management

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board are implemented by the group's finance department.

(a) Market risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and the UK pound. Foreign exchange risks arise from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

(b) Credit risk

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

(c) Liquidity risk

Group finance monitors the group's liquidity requirements to ensure it has sufficient cash to meet all operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants on any of its borrowing facilities.

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

3 Revenue - group

An analysis of the Group's revenue is as follows

	2010 £	2009 £
Recruitment business unit	10,337,682	4,514,252
Engineering business unit	6,650,128	4,216,321
Business solutions unit	10,283,830	9,951,262
	27,271,640	18,681,835

4 Employee information and directors' emoluments

The average monthly number of persons (including directors) employed by the group during the year were as follows

	Group 2010 Number	Group 2009 Number	Company 2010 Number	Company 2009 Number
Administrative staff	18	15	14	10
Management staff	34	31	31	25
Production/sales staff	259	203	172	135
	311	249	217	170

The aggregate payroll costs of these persons were as follows

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Wages and salaries	12,350,864	8,910,525	7,772,505	6,075,460
Social Security Costs	1,258,978	916,915	792,711	639,258
Pension costs	64,888	33,184	1,035	-
	13,674,730	9,860,624	8,566,251	6,714,718

Emoluments payable to the directors are as follows

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Aggregate emoluments	491,648	439,297	491,648	439,297
Pension contributions	-	-	-	-
	491,648	439,297	491,648	439,297

The number of directors for which pension contributions were made amounted to 0 (2009 0)

The highest paid director received the following remuneration.

	2010 £	2009 £
Aggregate emoluments	260,318	214,441
Pension contributions	-	-
	260,318	214,441

Key management compensation

Key management includes directors (executive and non-executive), the Company Secretary and the Executive Team. The compensation paid or payable to key management for employee services is shown below

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Salaries and other short-term employee benefits	1,050,514	1,133,936	1,050,514	1,023,583
Share option charge	137,345	244,194	137,345	244,194
	1,187,859	1,378,130	1,187,859	1,267,777

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

5 Finance income - Group

	2010 £	2009 £
Bank interest receivable	45	397

6 Finance cost - Group

	2010 £	2009 £
Bank interest payable	153,113	50,305

7 Expenses by nature - Group

	2010 £	2009 £
Employee benefit expense (note 4)	13,674,730	9,860,624
Depreciation	125,235	102,431
Amortisation	490,809	285,575
Impairment	-	2,512
Operating lease payments	399,581	194,740
Administrative expenses	13,005,648	7,991,248
Other expenses	-	5,880
Total	27,696,003	18,443,010

8 Auditor remuneration

During the year, the group (including its overseas subsidiaries) obtained the following services from the company's auditors

Group	2010 £	2009 £
Fees payable to company's auditors for the audit of the parent company and consolidated financial statements	12,700	19,450
Fees payable to the company's auditors and its associates for other services		
1 The audit of the company's subsidiaries pursuant to legislation	10,390	9,000
2 Tax services	2,250	4,000

9 Income tax expense - Group

Analysis of tax charge in the year

	2010 £	2009 £
UK corporation tax		
Current tax on income for the period	-	167,437
Adjustments in respect of previous years	(87,124)	(31,090)
Foreign Tax		
Current tax on income for the period	95,430	47,760
Adjustments in respect of previous years	(2,512)	-
Current tax credit	5,794	184,107
Deferred tax expense (note 15)	(134,516)	(75,138)
Tax credit on loss on ordinary activities	(128,722)	108,969

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

9 Income tax expense - Group (continued)

Factors affecting tax charge for the period

	2010 £	2009 £
(Loss)/Profit on ordinary activities before tax	(577,477)	267,479
Tax calculated at standard rate of UK corporation tax of 28%	(161,694)	74,981
Effects of:		
Expenses not deductible for tax purposes	119,699	33,458
Enhanced R&D relief	(20,453)	-
Excess capital allowances over depreciation	-	33,845
Group relief claimed	-	(31,090)
Origination and reversal of temporary differences	3,476	-
Tax losses for which no deferred income tax asset was recognised	-	(2,225)
Effect of tax rate change on opening deferred tax balances	752	-
Adjustments for prior years	(87,124)	-
Adjustments for prior years - deferred tax	(8,822)	-
Difference between foreign and UK rates	25,444	-
Tax charge/(refund)	(128,722)	108,969

Changes in future corporation tax rates

In the June 2010 Budget Statement it was announced that the main rate of corporation tax would be reduced from 28% to 27% from 1 April 2011. This change was substantively enacted on 1 July 2010. In the Budget on 23 March 2011 a further reduction in the rate to 26% was announced. This change was substantively enacted on 29 March 2011. In addition further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

10 Intangible assets

Group	Goodwill £	Other Intangibles £	Computer Equipment £	Total £
Cost				
At 1 January 2009	-	-	14,832	14,832
Additions	1,224,942	739,580	18,210	1,982,732
Disposals	-	-	-	-
Assets acquired on acquisition of subsidiary	-	-	7,299	7,299
At 31 December 2009	1,224,942	739,580	40,341	2,004,863
Additions	-	-	36,596	36,596
Exchange movement	-	-	51	51
Disposals	-	-	(21,300)	(21,300)
At 31 December 2010	1,224,942	739,580	55,688	2,020,210
Accumulated amortisation				
At 1 January 2009	-	-	13,933	13,933
Charge for the year	-	275,571	10,004	285,575
Disposals	-	-	-	-
Impairment	2,512	-	-	2,512
Assets acquired on acquisition of subsidiary	-	-	7,299	7,299
At 31 December 2009	2,512	275,571	31,236	309,319
Charge for the year	-	464,009	26,800	490,809
Exchange movement	-	-	47	47
Disposals	-	-	(20,693)	(20,693)
At 31 December 2010	2,512	739,580	37,390	779,482
Net book value				
At 31 December 2010	1,222,430	-	18,298	1,240,728
At 31 December 2009	1,222,430	464,009	9,105	1,695,544
At 31 December 2008	-	-	899	899

Amortisation expense of £490,809 (2009 £285,575) has been charged in net operating expenses

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

10 Intangible assets (continued)

Company	Goodwill £	Other Intangibles £	Computer Equipment £	Total £
Cost				
At 1 January 2009	-	-	13,710	13,710
Restated additions	1,222,430	600,405	17,994	1,840,829
Disposals	-	-	-	-
Transfer of assets from subsidiary	-	-	7,299	7,299
At 31 December 2009	1,222,430	600,405	39,003	1,861,838
Additions	-	-	36,596	36,596
Disposals	-	-	(21,300)	(21,300)
At 31 December 2010	1,222,430	600,405	54,299	1,877,134
Accumulated amortisation				
At 1 January 2009	-	-	12,811	12,811
Restated charge for the year	-	223,713	9,896	233,609
Impairment	-	-	-	-
Transfer of assets from subsidiary	-	-	7,299	7,299
At 31 December 2009	-	223,713	30,006	253,719
Charge for the year	-	376,692	26,687	403,379
Disposals	-	-	(20,693)	(20,693)
Impairment	-	-	-	-
At 31 December 2010	-	600,405	36,000	636,405
Net book value				
At 31 December 2010	1,222,430	-	18,298	1,240,729
At 31 December 2009	1,222,430	376,692	8,997	1,608,119
At 31 December 2008	-	-	899	899

11 Property, plant and equipment

Group	Vehicles £	Fixtures & Fittings £	Computer Equipment £	Total £
Cost				
At 1 January 2009	-	34,061	109,070	143,131
Additions	-	51,226	72,889	124,115
Disposals	-	-	(47,132)	(47,132)
Assets acquired on acquisition of subsidiary	68,110	45,526	75,048	188,684
Fair value on assets acquired from subsidiary	35,105	-	-	35,105
At 31 December 2009	103,215	130,813	209,875	443,903
Additions	-	25,356	58,587	83,943
Exchange movement	-	305	246	551
Disposals	(38,840)	(57,191)	(122,950)	(218,981)
At 31 December 2010	64,375	99,283	145,758	309,416
Accumulated depreciation				
At 1 January 2009	-	23,149	91,048	114,197
Charge for the year	17,553	36,627	48,251	102,431
Disposals	-	-	(47,132)	(47,132)
Assets acquired on acquisition of subsidiary	68,110	45,526	75,048	188,684
At 31 December 2009	85,663	105,302	167,215	358,180
Charge for the year	17,552	38,342	69,341	125,235
Exchange movement	-	153	224	377
Disposals	(38,840)	(57,191)	(120,090)	(216,121)
At 31 December 2010	64,375	86,606	116,690	267,671
Net book value				
At 31 December 2010	-	12,677	29,068	41,745
At 31 December 2009	17,552	25,511	42,660	85,723
At 31 December 2008	-	10,912	18,022	28,934

Depreciation expense of £125,235 (2009 £102,431) has been charged in net operating expenses

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

11 Property, plant and equipment (continued)

Company	Vehicles £	Fixtures & Fittings £	Computer Equipment £	Total £
Cost				
At 1 January 2009	-	34,061	103,193	137,254
Additions	-	43,291	72,389	115,680
Disposals	-	-	(47,132)	(47,132)
Transfer of assets from subsidiary	68,110	45,526	75,048	188,684
At 31 December 2009	68,110	122,878	203,498	394,486
Additions	-	25,356	54,460	79,816
Disposals	(38,840)	(57,191)	(122,950)	(218,981)
At 31 December 2010	29,270	91,043	135,008	255,321
Accumulated depreciation				
At 1 January 2009	-	23,149	88,108	111,257
Charge for the year	-	32,660	45,373	78,033
Disposals	-	-	(47,132)	(47,132)
Transfer of assets from subsidiary	68,110	45,526	75,048	188,684
At 31 December 2009	68,110	101,335	161,397	330,842
Charge for the year	-	34,222	66,698	100,920
Disposals	(38,840)	(57,191)	(120,090)	(216,121)
At 31 December 2010	29,270	78,366	108,005	215,641
Net book value				
At 31 December 2010	-	12,677	27,003	39,680
At 31 December 2009	-	21,543	42,101	63,644
At 31 December 2008	-	10,912	15,085	25,997

12 Investments - Company

Restated share in group
undertakings
£

Cost	
At 1 January 2009	32,203
Restated additions	288,265
At 31 December 2009	320,468
Additions	-
At 31 December 2010	320,468

The investment recognised for the acquisition of Preferred International was £2,110,100 which represents the value of the purchase consideration for this acquisition. At 31 December 2009 AAP3 reported an investment inclusive of this addition at £2,143,303.

During 2010 the directors considered that the investment value should reflect the net assets of the subsidiary, £288,265 therefore £1,222,430 has been recognised as goodwill and £600,405 as intangible assets based on the contracts value at 31 December 2009 and amortised in line with company policy. Financial statements for 31 December 2009 have been restated to reflect these adjustments.

The directors consider the value of investments to be supported by their underlying assets.

The following were subsidiaries of the company as at 31 December 2010 and were wholly owned

Name	Country of incorporation	Class of Shares	Nature of Business
AAP3 Inc	United States of America	Ordinary	IT Managed Services
AAP3 S r l	Italy	Ordinary	IT Managed Services
AAP3 S a r l	France	Ordinary	IT Managed Services
AAP3 GmbH	Germany	Ordinary	IT Managed Services
Preferred International Ltd	United Kingdom	Ordinary	Recruitment Services

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

12 Investments - Company (continued)

	Aggregate capital and reserves £	Profit for the year £
AAP3 Inc	(101,748)	56,722
AAP3 S r l	50,810	17,250
AAP3 S a r l	89,706	15,774
AAP3 GmbH	90,859	16,412
Preferred International Ltd	288,265	-

Indirectly held investments

Preferred RS Limited - 100% Subsidiary of Preferred International Limited	122,495	-
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13 Trade and other receivables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade receivables	3,705,307	2,549,883	3,362,830	2,395,104
Less				
provision for impairment of trade receivables	-	-	-	-
Trade receivables net	3,705,307	2,549,883	3,362,830	2,395,104
Amounts owed by group undertakings	-	-	906,868	870,755
Other debtors	22,275	29,531	15,858	24,228
Prepayments and accrued income	1,177,285	1,510,004	911,272	1,470,006
	4,904,867	4,089,418	5,196,827	4,760,093
Current income tax assets	44,597	-	102,399	-

The book values approximate the fair values of each class of trade and other receivables

The amounts owed by group undertakings are unsecured and have no fixed date of repayment

Group

As of 31 December 2010, trade receivables of £3,705,307 (2009 £2,549,883) were fully performing

As of 31 December 2010 trade receivables of £26,108 (2009 £48,518) were past due but not impaired. These relate to a number of independent customers for whom there is no recent default history. The ageing analysis of the trade receivables is as follows:

Group	2010 £	2009 £
Up to 30 days	2,603,266	1,457,967
30 to 60 days	928,812	898,343
60 to 90 days	147,121	145,055
More than 90 days	26,108	48,518
	3,705,307	2,549,883

During 2010 trade receivables of £0 (2009 £5,880) were impaired and written off. The amount of the provision as of 31 December 2010 as of 31 December 2009 was £0 (2009 £0). The individually impaired receivables in the prior year mainly related to a number of independent customers which are in unexpectedly difficult economic situations.

Movements on the group provision for impairment of trade receivables are as follows:

Group	2010 £	2009 £
At 1 January	-	-
Provision for receivables impairment	-	5,880
Receivables written off during the year as uncollectible	-	(5,880)
At 31 December 2010	-	-

The other classes within trade and other receivables do not contain impaired assets

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

13 Trade and other receivables (continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above
The group does not hold any collateral as security

The carrying amounts of the group's trade and other receivables are denominated in the following currencies

Group	2010 £	2009 £
UK pound	3,239,068	3,192,841
Euro	869,155	617,767
US dollar	796,644	278,810
	4,904,867	4,089,418

Trade, group and other receivables and cash and cash equivalents constitute the financial assets in the category Loans and receivables as defined in IAS 39

Company

As of 31 December 2010, trade receivables of £3,362,830 (2009 £2,395,104) were fully performing

As of 31 December 2010 trade receivables of £13,259 (2009 £23,250) were past due but not impaired. These relate to a number of independent customers for whom there is no recent default history. The ageing analysis of these trade receivables is as follows

Company	2010 £	2009 £
Up to 30 days	2,337,702	1,321,269
30 to 60 days	869,586	894,737
60 to 90 days	142,282	145,056
More than 90 days	13,259	34,042
	3,362,829	2,395,104

During 2010 trade receivables of £0 (2009 £0) were impaired and provided for. The amount of the provision as of 31 December 2010 was £0 (2009 £0)

The other classes within trade and other receivables do not contain impaired assets

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above
The group does not hold any collateral as security

Company	2010 £	2009 £
UK pound	4,145,936	3,192,841
Euro	869,155	1,203,020
US dollar	181,736	364,232
	5,196,827	4,760,093

Trade and other receivables and cash and cash equivalents constitute the financial assets in the category Loans and receivables as defined in IAS 39

14 Trade and other payables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade creditors	369,652	162,971	345,627	150,953
Other taxes and social security costs	376,417	331,668	253,278	218,715
VAT	350,455	185,088	355,844	185,088
Amounts due to subsidiary undertakings	-	-	980,918	1,145,333
Other creditors	148,836	976,200	150,258	976,200
Invoice discounting	2,127,528	1,070,105	2,127,528	1,070,105
Accruals and deferred costs	1,412,475	1,591,011	1,270,453	1,428,182
Total trade and other payables	4,785,362	4,317,043	5,483,907	5,174,576
Current income tax liabilities	-	184,107	-	136,347

The book values approximate the fair values of each class of trade and other payables measured at amortised cost

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

14 Trade and other payables (continued)

There is a fixed and floating charge over the assets of the company in respect of the invoice discounting balance of £2,127,528 (2009 £1,070,105). The invoice discounting balance is secured over the book debts value but the control over the debts remains with the company.

The amounts owed to subsidiary undertakings are unsecured and have no fixed date of repayment.

15 Deferred income tax

The analysis of the deferred tax liability is as follows:

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
At 1 January	117,701	(14,243)	(12,221)	(14,243)
Acquisition of subsidiary	-	207,082	-	-
Income statement charge (note 9)	(134,516)	(75,138)	(4,594)	2,022
At 31 December	(16,815)	117,701	(16,815)	(12,221)

The following are the major deferred income tax balances recognised:

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Capital allowances in excess of depreciation	(15,465)	(12,221)	(15,465)	(12,221)
Short term timing differences	(1,350)	-	(1,350)	-
Acquisition of subsidiary	-	129,922	-	-
	(16,815)	117,701	(16,815)	(12,221)

The group did not recognise deferred income taxes assets of £10,688 (2009 £40,569) in respect of losses amounting to £39,585 (2009 £119,320) that can be carried forward against future taxable income.

16 Non current liabilities

Group	2010 £	2009 £
Contingent deferred consideration	666,680	634,900

The contingent deferred consideration recognised by the group as a non current liability is the final payment as part of the purchase consideration on the acquisition of Preferred International Limited. During 2010 unwinding interest of £31,780 has been charged to the income statement.

The deferred consideration is entirely contingent on delivering certain targets as defined in the purchase agreement. The Directors chose to make the provision in full at £700,000 and applied 5% to discount to its present value.

17 Share capital - Group and company

Authorised share capital

	2010 £	2009 £
Ordinary shares £0.10 each	-	8,971
Ordinary shares £0.10 each	8,971	-

Allotted fully paid

	2010 Number	2010 £	2009 Number	2009 £
Ordinary shares £0.10 each	-	-	80,440	8,044
Ordinary shares £0.10 each	81,830	8,183	-	-

During 2010 150 £1 EMI shares options and 449 £0.10 unapproved share options were exercised. These transactions have increased the Share Capital by £59.90 and the Share Premium by £135.

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Notes to the financial statements (continued) for the year ended 31 December 2010

17 Share capital - Group and company (continued)

The Share capital also increased by £78 50 when 785 shares were purchased in October 2010. These shares were acquired at the market value of £76 43 and credited the Share Premium by £59,922.

In December 2010 AAP3 received an investment of £250,000 and the shares acquired with this investment were issued in the following financial year; therefore this is shown under "Shares to be issued" reserve.

18 Share based payments

EMI Share options scheme

An EMI share option scheme was introduced on 31 December 2009. Under this scheme the remuneration committee can grant options over shares in the company to employees of the company. Options granted under the EMI share option scheme vest when certain criteria have been achieved. Options are granted for ten years at a fixed exercise price. Awards under the scheme are at the discretion of the directors. Details of the options granted under the scheme are as follows:

Grant date	EMI £0 10 share option 31/12/2009	EMI £1 share option 31/12/2009
Share price at grant date	76 43	76 43
Exercise price	0 10	1 00
Number of employees	3	8
Shares under option	359	5042
Exercise year	10 years	10 years
Expected volatility	33 50%	33 50%
Risk free rate	4 20%	4 20%
Fair value per option	76 43	76 43

The fair value of the share options granted was £412,798 and this cost is being charged to the consolidated statement of income over the vesting period. The charge in the financial statements for the year ended 31 December 2010 is £158,363.

A reconciliation of option movement is shown below:

	EMI £0 10 share option 2010		EMI £1 share option 2010	
	Number	Exercise Price	Number	Exercise Price
Outstanding at start of year	359	0 10	5,042	1
Granted	359	0 10	5,042	1
Exercised	-	-	150	1
Lapsed	-	-	-	-
Outstanding at 31 December 2010	359	0 10	4,892	1
Exercisable at 31 December 2010	359	0 10	2,129	1

The fair value of options granted during the period was determined using the Black-Scholes valuation model. The significant inputs into the model were the share price at the grant date (£76 43), exercise price, (£0 10 and £1), volatility (33 50%), an expected option life of 10 years, and an annual risk-free interest rate of 4 20%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 4 years.

Un-approved Share options scheme

The Un-approved share option scheme was introduced on 31 December 2009. Under this scheme the remuneration committee can grant options over shares in the company to employees of the company. Options granted under the un-approved share option scheme vest when certain criteria have been achieved. Options are granted for ten years at a fixed exercise price. Awards under the scheme are at the discretion of the directors.

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Notes to the financial statements (continued) for the year ended 31 December 2010

18 Share based payments (continued)

Details of the options granted under the scheme are as follows

Grant date	31/12/2009
Share price at grant date	76.43
Exercise price	0.10
Number of employees	5
Shares under option	1654
Exercise year	10 years
Expected volatility	33.50%
Risk free rate	4.20%
Fair value per option	76.43

The fair value of the share options granted was £126,415 and this cost is being charged to the consolidated statement of income over the vesting period of the option. The charge in the financial statements for the year ended 31 December 2010 is £nil.

A reconciliation of option movement is shown below

	2010 Number	Exercise Price
Outstanding at start of year	1,654	0
Granted	1,654	0
Exercised	449	1
Lapsed	300	0
Outstanding at 31 December 2010	905	0
Exercisable at 31 December 2010	905	0

The fair value per options granted during the period was determined using the Black-Scholes valuation model. The significant inputs into the model were the share price at the grant date (£76.43), exercise price, (£1), volatility (33.50%), an expected option life of 10 years, and an annual risk-free interest rate of 4.20%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 4 years.

19 Cash flow from operating activities

Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	Group 2010 £	Group 2009 £	Company 2010 £	Restated Company 2009 £
Profit/(loss) before income tax	(577,477)	67,862	(713,590)	114,028
Adjustments for				
Depreciation (note 11)	124,451	102,431	100,310	78,033
Amortisation (note 10)	491,412	285,575	403,986	233,609
Impairment	-	2,512	-	-
Share options charge	158,363	305,109	158,363	305,109
(Profit)/loss on disposal of property, plant & equipment	(11,881)	-	(11,881)	-
Fair value (gain)/loss on acquisition	-	(35,105)	-	-
Finance income	(45)	(397)	(21)	(397)
Finance cost	153,113	50,305	118,740	42,745
Decrease/(Increase) in trade and other stocks	-	-	-	-
Decrease/(Increase) in trade receivables	(815,450)	(1,158,424)	(436,734)	(1,884,767)
(Decrease)/Increase in trade payables	1,468,320	1,470,310	1,309,332	2,116,454
Cash generated from operations	990,806	1,090,178	928,505	1,004,814

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Notes to the financial statements (continued) for the year ended 31 December 2010

20 Operating lease commitments - minimum lease payments - Group

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2010 Property £	2009 Property £
Commitments under non-cancellable operating lease expiring		
Within one year	226,852	236,794
Later than one year and less than five years	610,754	714,761
Later than five years	528,489	680,609
Total	1,366,095	1,632,164

21 Related party disclosures

The following transactions were carried out with related parties

Group

	2010 £	2009 £
Purchases of services from key management personnel	6,476	7,729

During the year, the group made purchases totalling £6,476 from EEFS Solutions Limited, a company in which the SVP & CFO, Hayley Quinn is Company Secretary and shareholder

Company

	2010 £	2009 £
Sale of services to subsidiaries	286,696	199,024
Purchase of services from subsidiaries	1,548,761	996,290
Purchases of services from key management personnel	6,476	7,729
Receivables from subsidiaries	39,869	-
Payables to subsidiaries	827,514	-

All related party transactions have been performed at arm length with management charges and revenue charges defined in Transfer pricing agreements with each of the entities

22 Financial risk management - Group and Company

The Group's and Company's financial instruments comprise cash and cash equivalents and such items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to ensure that the Group and Company have sufficient funds to continue to operate

The Group's and Company's operations expose it to a variety of financial risks that include the effects of the changes in credit risk, interest risk and market risk. The Group and Company have in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group and Company by monitoring levels of credit and interest rate and market risks. The policies are set by the board and monitored by the finance department

Credit risk

The Group and Company have implemented policies that require appropriate credit checks on potential customers before sales are made to them including the review of credit limits with existing customers. The amount of exposure to any one party is reviewed by the finance department

Credit risk refers to the risk that a counter-party will default on its contracted obligations resulting in financial loss to the Group. The Group and Company have adopted a policy of only dealing with creditworthy counter-parties as a means of mitigating the risk of financial loss from defaults

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

22 Financial risk management - Group and Company (continued)

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk. The maximum credit exposure to credit risk at the reporting date was

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Cash and cash equivalents	155,207	333,506	94,328	195,250
Trade receivables	3,705,307	2,549,883	3,362,830	2,395,104
	3,860,514	2,883,389	3,457,158	2,590,354

Interest rate risk

The Group and Company have interest bearing liabilities. These liabilities include only the invoice discounting balance and the interest is charged at 2% above base rate. This interest is fixed by the current agreement until February 2013 with any variations wholly dependant on the Bank of England base rate. As at 31 December 2010 if base rate had increased or decreased by 0.25%, post-tax profit would have been increased or decreased by £3,283 (2009 £2,031)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facility. The group's liquidity management policy involves projecting cashflows considering the level of liquid assets necessary to meet these, monitoring balance sheet ratios against internal and external regulatory requirements.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the financial statements date to the contractual maturity date.

Group at 31 December 2010

	Less than 6 months	Between 6 and 12 months	Between 12 and 24	Over 24 months
Trade creditors	376,417	-	-	-
Invoice discounting	2,127,528	-	-	-
Accruals and deferred costs	1,412,475	-	-	-
Contingent deferred consideration	-	-	700,000	-
	3,916,420	-	700,000	-
Less imputed interest	-	-	(33,320)	-
Carrying value	3,916,420	-	666,680	-

Group at 31 December 2009

	Less than 6 months	Between 6 and 12 months	Between 12 and 24	Over 24 months
Trade creditors	331,668	-	-	-
Invoice discounting	1,070,105	-	-	-
Accruals and deferred costs	1,591,011	-	-	-
Contingent deferred purchase consideration	-	1,000,000	-	-
Contingent deferred consideration	-	-	-	700,000
	2,992,784	1,000,000	-	700,000
Less imputed interest	-	(23,800)	-	(65,100)
Carrying value	2,992,784	976,200	-	634,900

Market risk

The group operates within Europe and the United States and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

For the year ended 31st December 2010, with the primary trading currencies of the Euro weakening by 3% but the US dollar strengthening by 4%, the group experienced a net exchange loss of £24,152.

Should the US dollar have weakened by the same margin as the Euro during FY10, with all other areas remaining constant, the Group would have experienced an additional exchange loss of £57,000, mainly as a result of foreign exchange losses on translation of US dollar denominated trade receivables, financial assets and group borrowings.

The group ensures that its net exposure to foreign currency movements is kept to an acceptable level by minimising the level of spot rate conversions. With the group trading in currencies other than its Sterling base, group policy is to match foreign currency expenditure to create an economic hedge. No formal hedging vehicles are currently used by the group.

AAP3 Limited

Notes to the financial statements (continued) for the year ended 31 December 2010

23 Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units that are expected to benefit from that business combinations

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
At 1 January 2009	-	-	-	-
Goodwill arising on acquisition of subsidiary	1,222,430	1,222,430	-	-
Restated goodwill - company adjustment to prior year	-	-	1,222,430	1,222,430
Impairment	-	-	-	-
At 31 December 2009	1,222,430	1,222,430	1,222,430	1,222,430
Additions	-	-	-	-
Impairment	-	-	-	-
At 31 December 2010	1,222,430	1,222,430	1,222,430	1,222,430

The carrying amount of goodwill has been allocated as follows

Cash generating unit

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Recruitment business	1,222,430	1,222,430	1,222,430	1,222,430

The Group and Company test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from the value of future cash flows of the cash generating unit.

The management prepared cashflows derived from the budgets for the next 5 years and extrapolates cash flows using an estimated growth rate of 3% and a discount rate of 5%. As the value in use of the Recruitment business exceeds the carrying value of the goodwill, no impairment is required.

24 Contractual commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows

Group	2010	2009
Property, plant and equipment	-	2,250