

AAP3 Limited
Annual report and financial statements
for the year ended 31 December 2015
Registered number 03444435

FRIDAY



A5B9TKLL

A26

15/07/2016

#194

COMPANIES HOUSE

AAP3 Limited

CONTENTS	PAGES
Directors and advisers	1
Strategic report	2
Directors' report	4-5
Independent auditor's report	6-7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated and company statement of financial position	9-10
Consolidated and company statement of changes in equity	11-12
Consolidated statement of cash flows	13
Notes to the financial statements	14-35

AAP3 Limited

DIRECTORS AND ADVISERS

Directors

Mr A J Featherstone
Mr K J Harrison
Mr M A Wilkinson
Mr M R Dunne

Company Secretary

Mr M A Wilkinson

Registered office

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

Bankers

Bank of Scotland
38 Threadneedle Street
London
EC2P 2EH

Auditors

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

Solicitors

iLaw
Hamilton House
1 Temple Avenue
London
EC4Y 0HA

AAP3 Limited

STRATEGIC REPORT

The directors present the group strategic report for AAP3 Limited and its subsidiary companies for the year ended 31 December 2015.

Principal activities

AAP3 Group 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.

Business review

Profit and Loss

Turnover for the year ended 31 December 2015 was £22.2m (2014: £23.7m)

Recruitment revenue for the year ended 31 December 2015 was £6.9m (2014: £6.7m). This increase was primarily within Europe Recruitment.

Engineering revenue for the year ended 31 December 2015 was £7.1m (2014: £8.0m). This decrease was primarily within Europe Networking and Local IT.

Business Solutions revenue for the year ended 31 December 2015 was £8.2m (2014: £9.0m). This decrease was primarily within Europe Managed Services.

Administrative expenses for the year ended 31 December 2015 were £3.3m (2014: £4.0m). This decrease was as a result of a rationalisation and redirection of our cost base in Europe and the US during the second half of 2015.

Finance costs for the year ended 31 December 2015 were £0.2m (2014: £0.1m)

The profit before taxation for the year ended 31 December 2015 was £0.9m (2014: £0.7m)

Balance Sheet

Net bank debt has decreased by £0.2m from £1.7m at 31 December 2014 to £1.5m as at 31 December 2015

On 16 February 2015 AAP3 acquired 75% of the ordinary share capital of Etherlive Limited. Following limited due diligence it shortly became apparent that the synergies that were hoped would make both businesses more profitable were not achievable. As a result on 8 May 2015 Rod Jackson exchanged 37.5% of his shareholding in AAP3 for this 75% holding in Etherlive and at this point 2.2m shares were cancelled.

On 28 October 2015 senior members of the management team completed a Management Buy Out (MBO) of 100% of the issued share capital of AAP3 Limited. Various share options were exercised or lapsed at this point. The allotted share capital was thus increased.

AAP3 Limited

An amount owed by group undertakings of £0.5m relating to a new parent company of AAP3 Limited was created as part of the MBO.

A term loan of £0.4m repayable within 12 months was drawn at the time of the MBO.

Future developments

Aligned to the Company business plan, the reductions to overheads achieved throughout 2015 will be maintained. Investment in key areas and trade relationships of the business will however be made during the coming year, namely to sales personnel and marketing activity in both Europe and the US and to business critical systems which will drive forward both the business and its efficiency respectively.

Market indications are such that the reductions seen in 2015 within Europe Networking and Local IT and Europe Managed Services will be reversed in the coming year.

Further investment to the technical infrastructure of our Southampton, Cary and San Jose facilities is also scheduled for the first half of 2016 and an enhanced programme of staff training and development will be undertaken to minimise skills gaps and further drive efficiencies within the Group.

Results for the year

The profit for the year after taxation was £680,807 (2014: £429,523).

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

	2015	2014	Change
	£	£	
Revenue	22,200,810	23,688,179	(6.3)%
Total operating (loss)/profit	988,574	728,028	35.8%
Current assets as % of current liabilities	142%	128%	
Average number of employees	220	264	(16.7)%

**Approved by the board of directors
and signed on behalf of the board**



M A Wilkinson
Director

Date:

30/6/16

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2015.

FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND EXPOSURE

These are detailed in note 20.

POLICY ON DISABLED EMPLOYEES

The Group is an equal opportunities employer. Equal opportunities are offered to all regardless of race, colour, nationality, ethnic origin, sex (including gender reassignment), marital or civil partnership status, disability, religion, belief, sexual orientation, pregnancy and maternity, age or trade union membership. All candidates and employees are treated equally in respect of recruitment, promotion, training, pay and other employment policies and conditions. All decisions are based on relevant merit and abilities.

EMPLOYEE CONSULTATION/INVOLVEMENT

The company recognises the importance of its employees and is committed to effective two-way communication and consultation. The company publishes its own in-house newsletter on a regular basis. General information is posted on the company intranet and regular team briefing sessions are also held. The information in these publications and briefings covers a wide range of subjects that affect the company, including progress on business, the impact of regulatory issues and wider financial and economic issues that may affect the company. An employee survey is also completed on an annual basis to seek input from employees.

STATEMENT OF DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' 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 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. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

AAP3 Limited

DIRECTORS' REPORT (continued)

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

Mr B J Boston (resigned 10 February 2015)
Mr N J Daniels (resigned 28 October 2015)
Mr M V Goodyear (resigned 28 October 2015)
Mr R Jackson (resigned 28 October 2015)
Mr R Welch (resigned 28 October 2015)
Mrs C L Pike (resigned 28 October 2015)
Mrs L H Hall (resigned 28 October 2015)
Mr A J Featherstone (appointed 28 October 2015)
Mr K J Harrison (appointed 28 October 2015)
Mr M A Wilkinson (appointed 10 February 2015)
Mr M R Dunne (appointed 28 October 2015)

Statement of disclosure of information to auditors

In the case of each person who was a director at the time this report was approved:

- a) so far as the director is aware, there is no relevant audit information of which the group's auditors were unaware; and
- b) that director has taken all the steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the group's auditors were aware of that information.

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.

**Approved by the board of directors
and signed on behalf of the board**



**M A Wilkinson
Director**

Date: 30/6/16

Registered number 03444435 England and Wales

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF AAP3 LIMITED

We have audited the financial statements of AAP3 Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 21. 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 4 and 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2015 and of the group's profit 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

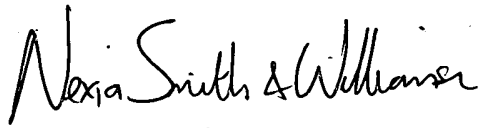
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF AAP3 LIMITED (continued)

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.



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

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

Date: 30th June 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £	2014 £
Revenue	3	22,200,810	23,688,179
Cost of sales		(17,871,820)	(19,008,323)
Gross profit		4,328,990	4,679,856
Administrative expenses		(3,340,416)	(3,951,828)
Operating profit		988,574	728,028
Finance income		19,949	12,858
Finance costs	5	(156,146)	(86,411)
Profit before income tax		852,377	654,475
Income tax expense	8	(171,570)	(224,952)
Profit for the year		680,807	429,523
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		32,434	2,168
Total comprehensive income for the year		713,241	431,691

The results above relate to continuing activities.

The notes on pages 11 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
ASSETS					
Non-current assets					
Goodwill	9	522,430	522,430	522,430	522,430
Intangible assets	9	1,077	512	1,077	512
Property, plant and equipment	10	2,696	10,861	2,696	10,196
Investment in subsidiaries	11	-	-	23,029	32,203
Deferred income tax assets	14	7,011	8,252	7,011	8,252
		533,214	542,055	556,243	573,593
Current assets					
Trade and other receivables	12	4,901,872	4,746,736	3,401,311	3,928,566
Current income tax assets	12	8,493	12,907	-	-
Cash and cash equivalents		180,867	123,603	19,761	29,562
		5,091,232	4,883,246	3,421,072	3,958,128
Total assets		5,624,446	5,425,301	3,977,315	4,531,721
EQUITY AND LIABILITIES					
Equity attributable to owners of parent					
Called up share capital	15	11,100	9,066	11,100	9,066
Share premium		183,868	476,786	183,868	476,786
Other reserves		1,200	300	1,200	300
Translation reserves		(44,356)	(76,790)	-	-
Retained earnings		1,888,582	1,208,300	1,068,292	639,306
Total equity		2,040,394	1,617,662	1,264,460	1,125,458
Current liabilities					
Trade and other payables	13	3,532,988	3,785,825	2,705,148	3,403,691
Current income tax liabilities	13	51,064	21,814	7,707	2,572
		3,584,052	3,807,639	2,712,855	3,406,263
Total equity and liabilities		5,624,446	5,425,301	3,977,315	4,531,721

AAP3 Limited

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015
(CONTINUED)**

The notes on pages 11 to 35 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and were signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M A Wilkinson', written over a horizontal line.

M A Wilkinson
Director
AAP3 Limited
Registered number: 03444435

Date: 30/6/16

AAP3 Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

GROUP

	Called up share capital	Share Premium	Capital Redemption Reserve	Retained Earnings	Translation Reserve	Total
	£	£	£	£	£	£
Balance at 1 January 2014	9,065	476,537	300	743,777	(78,958)	1,150,721
Profit for the period	-	-	-	429,523	-	429,523
Currency translation differences	-	-	-	-	2,168	2,168
Total comprehensive income	-	-	-	429,523	2,168	431,691
Proceeds from shares issued	1	249	-	-	-	250
Share option movement	-	-	-	35,000	-	35,000
Balance at 1 January 2015	9,066	476,786	300	1,208,300	(76,790)	1,617,662
Profit for the period	-	-	-	680,807	-	680,807
Currency translation differences	-	-	-	-	32,434	32,434
Total comprehensive income	-	-	-	680,807	32,434	713,241
Proceeds from shares issued	2,934	6,182	-	-	-	9,116
Shares repurchased and cancelled	(900)	(299,100)	900	(900)	-	(300,000)
Share option movement	-	-	-	375	-	375
Balance as at 31 December 2015	11,100	183,868	1,200	1,888,582	(44,356)	2,040,394

AAP3 Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

COMPANY

	Called up share capital	Share Premium	Capital Redemption Reserve	Retained Earnings	Total
	£	£	£	£	£
Balance as at 1 January 2014	9,065	476,537	300	340,210	826,112
Profit for the period	-	-	-	264,096	264,096
Total comprehensive income	-	-	-	264,096	264,096
Proceeds from shares issued	1	249	-	-	250
Share option movement	-	-	-	35,000	35,000
Balance as at 1 January 2015	9,066	476,786	300	639,306	1,125,458
Profit for the period	-	-	-	429,511	429,511
Total comprehensive income	-	-	-	429,511	429,511
Proceeds from shares issued	2,934	6,182	-	-	9,116
Shares repurchased and cancelled	(900)	(299,100)	900	(900)	(300,000)
Share option movement	-	-	-	375	375
Balance as at 31 December 2015	11,100	183,868	1,200	1,068,292	1,264,460

The notes on pages 11 to 32 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Cash flows from operating activities					
Cash generated from operations	17	596,123	286,331	328,245	57,986
Interest paid		(156,146)	(86,411)	(65,411)	(73,716)
Income tax paid		(136,665)	(189,844)	6,647	20,393
Net cash generated from operating activities		303,312	10,076	269,481	4,663
Cash flows from investing activities					
Purchases of intangible assets		(2,154)	(1,025)	(2,154)	(1,025)
Purchase of property, plant and equipment		(5,393)	(21,319)	(5,393)	(20,395)
Interest received		19,949	12,858	19,149	12,858
Net cash used in investing activities		12,402	(9,486)	11,602	(8,562)
Cash flows from financing activities					
Proceeds from issue of share capital		9,116	250	9,116	250
Shares repurchased and cancelled		(300,000)	-	(300,000)	-
Net cash received in financing activities		(290,884)	250	(290,884)	250
Net increase in cash and cash equivalents		24,830	840	(9,801)	(3,649)
Cash, cash equivalents and bank overdrafts at the beginning of the year		123,603	121,533	29,562	33,211
Exchange gain on cash and cash equivalents		32,434	1,230	-	-
Cash, cash equivalents at the end of the year		180,867	123,603	19,761	29,562

The notes on pages 11 to 35 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

1 Accounting policies

The principal accounting policies are summarised below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRSs as endorsed by the EU), IFRS 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.

Changes in accounting policies and disclosures

In the current year, no new or amended Standards and Interpretations have been endorsed and materially affected the amounts reported in these financial statements.

The following new and amended Standards and Interpretations are not currently relevant to the Group or Company however they may have a significant impact in future years:

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27 Separate Financial Statements
- Amendments to IAS 1 Presentation of Financial Statements
- Investment Entities – Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- IFRS 16 Leases

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

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015
(continued)**

1 Accounting policies (continued)

Changes in accounting policies and disclosures (continued)

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 acquisition 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.

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.

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 profit for the parent company for the year was £429,511 (2014: £264,096).

Revenue recognition

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

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.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015
(continued)**

1 Statement of accounting policies (continued)

Intangible assets

(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:

Computer equipment – software - 50% straight line

(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 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.

(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.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015
(continued)**

1 Statement of accounting policies (continued)

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 administrative expenses. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are recognised in the income statement.

(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.
- 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).
- 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.

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015
(continued)**

1 Statement of accounting policies (continued)

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 at the time of issue using the Black-Scholes option pricing model and is recognised over the vesting period.

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 asset 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 substantially 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.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015
(continued)**

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.

Revenue

Revenue is recognised on service contracts on the basis of percentage completion. Judgement is required when assessing how complete a contract is. This is done on the basis of pre-agreed rates with the customer and time incurred by employees.

Impairment

In determining the appropriateness of the carrying value of goodwill, an annual impairment review is carried out. The asset is impaired if the carrying value of the asset exceeds its recoverable amount. When assessing the recoverable amount of the asset, which is the higher of the asset's fair value less costs to sell and the value in use, estimation is required. The value in use calculation requires the directors to group the assets at the lowest levels for which there are separately identifiable cash flows (cash-generating units), estimate the future cash flows expected to arise from them and a suitable discount rate in order to calculate their present value. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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 publically 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.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015
(continued)**

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 monitor 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

3 Revenue -group

An analysis of the Group's revenue is as follows:

	2015	2014
	£	£
Recruitment business unit	6,876,842	6,733,860
Engineering business unit	7,077,731	7,960,924
Business solutions unit	8,246,237	8,993,395
	22,200,810	23,688,179

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 2015	Group 2014	Company 2015	Company 2014
	Number	Number	Number	Number
Administrative staff	15	19	12	15
Management staff	20	24	17	19
Production/sales staff	185	221	70	89
	220	264	99	123

The aggregate payroll costs of these persons were as follows:

	Group 2015	Group 2014	Company 2015	Company 2014
	£	£	£	£
Wages and salaries	8,087,870	9,097,879	3,201,248	3,926,353
Social Security Costs	600,017	782,915	350,060	441,677
Pension costs	23,264	58,329	24,083	12,164
	8,711,151	9,939,123	3,575,391	4,380,194

Emoluments payable to the directors are as follows:

	Group 2015	Group 2014	Company 2015	Company 2014
	£	£	£	£
Aggregate emoluments	302,732	342,925	302,732	338,699

The number of Directors who accrued benefits under the company pension schemes was 4 (2014: none)

The directors received pension contributions totalling £1,055 during the year (2014: £nil).

AAP3 Limited**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)****4 Employee information and directors' emoluments (continued)**

The highest paid director received the following remuneration:

	2015	2014
	£	£
Aggregate emoluments	134,790	174,603

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	Group	Company	Company
	2015	2014	2015	2014
	£	£	£	£
Salaries and other short-term employee benefits	720,468	827,614	595,724	712,208
Employer's pension contributions	4,437	2,556	2,117	722
Share option charge	375	35,000	375	35,000
	725,280	865,170	598,216	747,930

5 Finance costs and finance income – Group

	2015	2014
	£	£
Bank interest receivable	19,949	12,858
Invoice discounting charges	136,063	73,716
Bank interest payable	20,083	12,695
Total interest payable	156,146	86,411

6 Expenses by nature - Group

	2015	2014
	£	£
Employee benefit expense (note 4)	8,711,151	9,939,123
Depreciation	13,558	41,753
Amortisation	1,589	5,035
Operating lease payments	243,196	259,299
Administrative expenses	12,242,742	12,714,941
Total	21,212,236	22,960,151

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

7 Auditor Remuneration – Group

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

Group	2015 £	2014 £
Fees payable to company's auditors for the audit of the parent company and consolidated financial statements	15,500	15,250
Fees payable to the company's auditors and its associates for other services:		
1. Tax services	2,550	2,500

8 Taxation

Analysis of tax charge in the year

	2015 £	2014 £
UK corporation tax		
Current tax on income for the period	7,707	2,393
Adjustments in respect of previous years	-	-
Foreign Tax		
Current tax on income for the period	162,622	145,557
Adjustments in respect of previous years	-	-
Current tax expenses	170,329	147,950
Deferred tax (credit)/charge (note 14)	1,241	77,002
Tax on (loss)/profit on ordinary activities	171,570	224,952

Tax has been calculated using an estimated annual effective tax rate of 20% (2014: 20.00%) on profit before tax.

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2015 £	2014 £
(Loss)/profit on ordinary activities before tax	852,377	654,475
Tax calculated at standard rate of UK corporation tax of 20 % (2014: 20%)	170,475	130,895
Effects of:		
Expenses not deductible for tax purposes	(3,177)	10,696
Enhanced R&D relief	(9,525)	-
Chargeable gains/(losses)	8,217	-
Group relief (claimed)/surrendered not paid	(4,349)	-
Changes in future corporation tax rates:		

There were no factors that may affect future tax charges.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

9 Intangible Assets

Group	Goodwill	Other Intangibles	Computer Software	Total
	£	£	£	£
Cost				
At 1 January 2015	524,942	739,580	85,998	1,350,520
Additions	-	-	2,154	2,154
Disposals	-	-	-	-
At 31 December 2015	524,942	739,580	88,152	1,352,674
Accumulated amortisation				
At 1 January 2015	2,512	739,580	85,486	827,578
Charge for the year	-	-	1,589	1,589
Disposals	-	-	-	-
At 31 December 2015	2,512	739,580	87,075	829,167
Net book value				
At 31 December 2015	522,430	-	1,077	523,507
At 31 December 2014	522,430	-	512	522,942

Amortisation expense of £1,589 (2014: £5,035) has been charged in net operating expenses.

Company	Goodwill	Other Intangibles	Computer Software	Total
	£	£	£	£
Cost				
At 1 January 2015	522,430	600,405	84,608	1,207,443
Additions	-	-	2,154	2,154
Disposals	-	-	-	-
At 31 December 2015	522,430	600,405	86,762	1,209,597
Accumulated amortisation				
At 1 January 2015	-	600,405	84,096	684,501
Charge for the year	-	-	1,589	1,589
Disposals	-	-	-	-
At 31 December 2015	-	600,405	85,685	686,090
Net book value				
At 31 December 2015	522,430	-	1,077	523,507
At 31 December 2014	522,430	-	512	522,942

Further detail concerning goodwill is given in note 21.

AAP3 Limited
**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015
(continued)**
10 Property, plant and equipment

Group	Fixtures & Fittings £	Computer Equipment £	Total £
Cost			
At 1 January 2015	117,999	181,895	299,894
Additions	-	5,393	5,393
Disposals	-	-	-
Exchange movement	-	-	-
At 31 December 2015	117,999	187,288	305,287
Accumulated depreciation			
At 1 January 2015	117,549	171,484	289,033
Charge for the year	450	13,108	13,558
Disposals	-	-	-
Exchange movement	-	-	-
At 31 December 2015	117,999	184,592	302,591
Net book value			
At 31 December 2015	-	2,696	2,696
At 31 December 2014	450	10,411	10,861

Depreciation expense of £13,558 (2014: £41,712) has been charged in net operating expenses.

Company	Fixtures & Fittings £	Computer Equipment £	Total £
Cost			
At 1 January 2015	93,473	150,434	243,907
Additions	-	5,393	5,393
Disposals	-	-	-
At 31 December 2015	93,473	155,827	249,300
Accumulated depreciation			
At 1 January 2015	93,023	140,688	233,711
Charge for the year	450	12,443	12,893
Disposals	-	-	-
At 31 December 2015	93,473	153,131	246,604
Net book value			
At 31 December 2015	-	2,696	2,696
At 31 December 2014	450	9,746	10,196

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

11 Investment in subsidiaries - Company

	Share in group undertakings	
	2015	2014
	£	£
Cost		
At 1 January	32,203	32,203
Disposals	(9,174)	-
At 31 December	23,029	32,203

Following a scaling down of operations in Italy over the last few years, the decision was taken this year to close aap3 Srl on the 31st December 2015.

The following were subsidiaries of the company as at 31 December 2015 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.a.r.l.	France	Ordinary	IT Managed Services
AAP3 GmbH	Germany	Ordinary	IT Managed Services

	Aggregate capital and reserves	Profit/(loss) for the year
	£	£
AAP3 Inc.	559,174	250,919
AAP3 S.a.r.l.	45,776	(12,623)
AAP3 GmbH	197,550	23,490

12 Trade and other receivables

	Group 2015	Group 2014	Company 2015	Company 2014
	£	£	£	£
Trade receivables	3,236,901	3,721,542	1,690,723	2,806,980
Amounts owed by group undertaking:	906,120	-	1,336,083	878,861
Other debtors	26,634	11,701	18,909	8,192
Prepayments and accrued income	732,217	1,013,493	355,596	234,533
	4,901,872	4,746,736	3,401,311	3,928,566
Current income tax assets	8,493	12,907	-	-

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.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

12 Trade and other receivables (continued)

Group

As of 31 December 2015, trade receivables of £3,236,901 (2014: £3,721,542) were fully performing. Trade receivables of £303 (2014: £8,966) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2015	2014
Group	£	£
Up to 30 days	1,797,308	2,184,595
30 to 60 days	1,229,499	1,220,537
60 to 90 days	209,791	307,444
More than 90 days	303	8,966
	3,236,901	3,721,542

During 2015 £nil trade receivables were impaired and written off (2014: £25,330). There was no provision as of 31 December 2015 (2014: £nil).

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.

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

	2015	2014
Group	£	£
Sterling	2,240,318	2,455,509
Euro	311,795	564,692
US dollar	1,949,757	1,726,535
	4,501,870	4,746,736

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 2015, trade receivables of £1,690,723 (2014: £2,806,980) were fully performing.

As of 31 December 2014 trade receivables of negative £7,383 (2014: £5,886) were past due but not impaired.

	2015	2014
Company	£	£
Up to 30 days	1,068,971	1,842,697
30 to 60 days	574,601	892,106
60 to 90 days	54,534	66,291
More than 90 days	(7,383)	5,886
	1,690,723	2,806,980

During 2015, £nil of company trade receivables were written off (2014: £19,624). There was no provision as of 31 December 2015 (2014: £nil).

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

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

12 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 company does not hold any collateral as security.

	2015	2014
Company	£	£
Sterling	2,240,318	3,334,370
Euro	311,795	564,692
US dollar	449,198	29,504
	3,001,311	3,928,566

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

13 Trade and other payables

	Group 2015	Group 2014	Company 2015	Company 2014
	£	£	£	£
Trade creditors	298,181	274,953	194,453	210,365
Other taxes and social security costs	101,551	130,444	91,764	109,607
VAT	147,164	222,852	127,370	233,720
Amounts due to subsidiary undertakings	-	-	258,995	281,184
Bank loans	400,000	-	400,000	-
Other creditors	14,646	46,479	3,101	23,714
Invoice discounting	1,065,863	1,664,024	979,475	1,664,024
Accruals and deferred costs	1,505,583	1,447,073	649,990	881,077
Total trade and other payables	3,532,988	3,785,825	2,705,148	3,403,691
Current income tax liabilities	51,064	21,814	7,707	2,572

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

There is a fixed and floating charge over the assets of the group in respect of the invoice discounting balance of £1,065,863 (2014: £1,664,024). The invoice discounting balance is secured over the book debts value but the control over the debts remains with the group.

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

14 Deferred income tax

The analysis of the deferred tax liability is as follows:

	Group 2015	Group 2014	Company 2015	Company 2014
	£	£	£	£
At 1 January 2015	(8,252)	(85,254)	(8,252)	(85,254)
Charge (note 8)	1,241	77,002	1,241	77,002
At 31 December 2015	(7,011)	(8,252)	(7,011)	(8,252)

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

14 Deferred income tax (continued)

The following are the major deferred income tax balances recognised:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Capital allowances in excess of depreciation	(6,164)	(6,970)	(6,164)	(6,970)
Short term temporary differences	(345)	(400)	(345)	(400)
Losses and other deductions	(502)	(882)	(502)	(882)
	(7,011)	(8,252)	(7,011)	(8,252)

15 Share Capital – Group and company

Authorised share capital	2015	2014		
	£	£		
Ordinary shares 0.04p each	12,000	12,000		
Allotted fully paid:				
	2015	2015	2014	2014
	Number	£	Number	£
Ordinary shares 0.04p each	27,750,000	11,100	22,666,198	9,066

16 Share based payments

EMI Share options scheme

An EMI share option scheme was introduced on 31 December 2009 with further issues in 2013 and 2014. Under this scheme the remuneration committee can grant options over shares in the company to employees of the group. 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:

	EMI £0.20 share option	EMI £0.10 share option	EMI £0.10 share option	EMI £1 share option
Grant date	01/01/2014	01/01/2013	31/12/2009	31/12/2009
Share price at grant date	0.20	0.20	0.20	0.20
Exercise price	0.20	0.10	0.0003	0.0030
Number of employees	5	9	2	6
Shares under option	280,000	234,500	669	1,081,451
Exercise year	10 years	10 years	10 years	10 years
Expected volatility	33.50%	33.50%	33.50%	33.50%
Risk free rate	3.16%	2.05%	4.20%	4.20%
Fair value per option	0.10	0.13	0.20	0.20

The fair value of the share options granted at 1 January 2014 during the year was £28,000 and this cost has been charged to the consolidated statement of income over the vesting period. The charge in the financial statements for the year ended 31 December 2015 is £375 (2013: £35,000).

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015
(continued)**

16 Share based payments (continued)

A reconciliation of option movement is shown below:

	EMI £0.20 share option 2014		EMI £0.10 share option 2013	
	Number	Exercise Price £	Number	Exercise Price £
Outstanding at start of year	370,000	0.2000	227,000	0.1000
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	62,000	0.1000
Lapsed	370,000	-	165,000	-
Outstanding at 31 December 2015	-	-	-	-
Exercisable at 31 December 2015	-	-	-	-

	EMI £0.10 share option 2009		EMI £1 share option 2009	
	Number	Exercise Price £	Number	Exercise Price £
Outstanding at start of year	669	0.0003	959,729	0.0030
Granted/Exercised	669	0.0003	959,729	0.0030
Forfeited/Lapsed	-	-	-	-
Outstanding at 31 December 2015	-	-	-	-
Exercisable at 31 December 2015	-	-	-	-

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 (£0.20), exercise price, (£0.20), volatility (33.50%), an expected option life of 10 years, and an annual risk-free interest rate of 3.16%. 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.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

16 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	0.20
Exercise price	0.0003
Number of employees	3
Shares under option	204,653
Exercise year	10 years
Expected volatility	33.50%
Risk free rate	4.20%
Fair value per option	0.20

The fair value of the share options granted was £126,415 and this cost has been 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 2015 is £nil (2014: £nil).

A reconciliation of option movement is shown below:

	2015 Number	Exercise Price £
Outstanding at start of year	204,653	0.0003
Granted/Exercised/Lapsed	204,653	0.0003
Outstanding at 31 December 2015	-	-
Exercisable at 31 December 2015	-	-

17 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Profit/(loss) before income tax	852,377	654,475	438,459	343,491
Adjustments for:				
Depreciation (note 10)	13,558	41,753	12,893	25,526
Amortisation (note 9)	1,589	5,035	1,589	5,035
Share options charge	375	35,000	375	35,000
Loss/(profit) on disposal of ppe	-	(407)	-	-
Finance Cost	136,197	73,553	46,217	60,858
(Increase)/decrease in trade and other receivables	(155,136)	(680,422)	527,255	(373,226)
Decrease/(increase) in payables	(252,837)	157,344	(698,543)	(38,698)
Cash generated from operations	596,123	286,331	328,245	57,986

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

18 Operating lease commitments - minimum lease payments – Group

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

	2015 Other £	2014 Other £	2015 Property £	2014 Property £
Commitments under non-cancellable operating lease expiring:				
Within one year	6,265	6,835	227,353	189,665
Later than one and less than five years	-	6,265	664,399	659,679
Later than five years	-	-	-	119,405
Total	6,265	13,100	891,752	968,749

19 Related party disclosures

Group

During the year, the group made sales totalling £550 (2014: 17,549) for the supply of a sub-contractor to Alliants Limited, a company of which Nick Daniels, a non-executive director of AAP3, is a director. The total amount included within trade debtors relating to this transaction is £nil (2014: £nil).

Company

	2015 £	2014 £
Sale of services to subsidiaries	510,239	502,033
Purchase of services from subsidiaries	338,271	500,248
Sale of services from key management personnel	550	17,549
Receivables from subsidiaries	1,336,083	878,861
Payables to subsidiaries	258,995	281,184

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015
(continued)**

20 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 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 of defaults.

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 2015	Group 2014	Company 2015	Company 2014
	£	£	£	£
Cash and cash equivalents	180,867	123,603	19,761	29,562
Amounts owed from group undertakings	906,120	-	1,336,083	878,861
Trade receivables	3,236,901	3,721,542	1,690,723	2,806,980
	4,323,888	3,845,145	3,046,567	3,715,403

Interest rate risk

The group and company have interest bearing liabilities. These liabilities include only the invoice discounting balances. Interest on one of these facilities is charged at 2% above the base rate and the other at 7%. The interest of the first facility is fixed by the current agreement until October 2016 with any variations wholly dependent on the Bank of England base rate. As at 31 December 2014 if the base rate had increased or decreased by 0.25% for one month, post-tax profit would have increased or decreased by £222 (2014: £347).

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 cash flows considering the level of liquid assets necessary to meet these, monitoring balance sheet ratios against internal and external regulatory requirements.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

20 Financial risk management - Group and Company (continued)

The tables below analyse the group's financial liabilities and relevant maturity groupings based on the remaining period at the financial statements date to the contractual maturity date.

	Less than 6 months	Between 6 & 12 months	Between 12 & 24 months	Over 24 months
Group at 31 December 2015	£	£	£	£
Trade creditors	298,181	-	-	-
Invoice discounting	1,065,863	-	-	-
Accruals and deferred costs	1,505,583	-	-	-
Less imputed interest				
Carrying value	2,869,627	-	-	-

	Less than 6 months	Between 6 & 12 months	Between 12 & 24 months	Over 24 months
Group at 31 December 2014	£	£	£	£
Trade creditors	274,953	-	-	-
Invoice discounting	1,664,024	-	-	-
Accruals and deferred costs	1,447,073	-	-	-
	3,386,050	-	-	-
Less imputed interest	-	-	-	-
Carrying value	3,386,050	-	-	-

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 31 December 2015, with the primary trading currencies of the Euro weakening by 8% but the US dollar strengthening by 6% against the pound, the group experienced a net exchange profit of £10,559 (2014: gain of £22,006). Should the US dollar have weakened by 8% as the Euro during FY14, with all other areas remaining constant, the group would have experienced an additional exchange loss of £17,001 (2014: £21,031), 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 economic hedge. No formal hedging vehicles are currently used by the group.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)
21 Goodwill

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

The carrying amount of goodwill has been as follows:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
As 1 January 2014	522,430	522,430	522,430	522,430
Less lapsed deferred consideration	-	-	-	-
At 31 December 2015	522,430	522,430	522,430	522,430

Cash generating unit

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Recruitment business	522,430	522,430	522,430	522,430

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