

AAP3 Limited
Annual report and financial statements
for the year ended 31 December 2014
Registered number 03444435

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AAP3 Limited

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AAP3 Limited

DIRECTORS AND ADVISERS

Directors

Mr B J Boston
Mr N J Daniels
Mr M V Goodyear
Mr R Jackson
Mr R Welch
Mrs C L Pike
Mrs L H Hall
Mr M Wilkinson

Company Secretary

Mr M 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
Accountants
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 2014.

Principal activities

AAP3 Group is a global managed solutions provider 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

From a loss making position in 2013, we improved the financial performance of the business to close the year on a 3% net profit, with similar revenue to FY13. The numbers however do hide a lot, as this turnaround is actually a 4.5% swing in our fortunes from last year. Our US operation has made steady progress throughout the year, with increasing business wins in AT&T and NWN. We also managed to retain all our Cisco business in the US and grew the Cisco intern program.

The final audited numbers show a profit before tax of £654k with revenue of £23.7m. This puts the US business very close to their long range plan target. In EMEA, recruitment also had a good year gaining revenue by 10% and doubled last year's permanent recruitment numbers. In addition we also added 25 new billing accounts during the year.

ISO accreditation has been maintained across the company outside of the US, which will be a major focus to achieve this fiscal year. We have maintained partner/strategic supplier accreditation with Cisco, Orange, HSBC, Polycom, IBM and AT&T, whilst growing new strategic partner status with Affinion and Capita.

Looking forward to 2015, recent organisation adjustments should help us maintain focus and alignment. All our existing accounts have potential to grow, and the market outlook remains positive. In the New Year we are looking to invest in two new facilities, one in the US to cover the middle part of the country, and another in the UK to give us better sales coverage.

We are redoubling our efforts to engage in our markets, and will be investing more in market intelligence and solution development for our key areas of expertise. Becoming the "partner's partner" is a key initiative for the Sales team globally with Engineering and Operations focus honed to support this initiative.

Our internal IT application systems will continue to be overhauled and key infrastructure elements upgraded to ensure our own systems are not a barrier to our success.

AAP3 Limited

STRATEGIC REPORT (continued)

Our strategic plan process, is now complete and the following key focus areas are:-

- US business will continue to see double digit growth and we will look to invest in a third aap3 site.in the US.during 2015:
- Our Remote managed service offerings through our service operation Centres will form a key growth opportunity with end customers and partners.
- Recruitment will grow at a similar rate to this year adding additional revenue in Europe compared toFY14.
- We shall be building a robust channel sales initiative with a view to becoming “the partners-partner”.
- We have eased the breaks on Marketing spend with a focus on Market intelligence and aap3.com, the initial investment areas. We are also re-enforcing the necessary and sufficient way of working for all departments.
- Investment in core technology to run the business has also been prioritised; we already have stepped up our computer refresh program, and are investing in new wireless access points for our offices. In addition we have state of the art Telepresence facilities in 3 conference rooms in our Southampton office and have upgraded the Telepresence facility in Cary. Personal Telepresence units will be available for all exec level staff globally, and the plan is for every aap3 office to have Telepresence capability by the end of 2015.

Fiscally over the next 3 years we are aiming to grow our revenue organically by more than 15% per annum, with a net margin of between 5% and 7%. We also remain committed to “Strategic Growth” through acquisition.

Our CSR program has donated approximately £7.5k of cash and cash equivalent activities by employees with matching donations from the Group. In addition a total of 200 hours has been logged by employees in support of local charity events globally.

AAP3 Limited

STRATEGIC REPORT (continued)

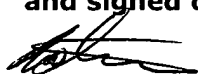
Results for the year

The profit for the year after taxation was £429,523 (2013: loss £180,126).

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

	2014 £	2013 £	Change
Revenue	23,688,179	23,413,832	1%
Total operating profit/(loss)	728,028	(114,866)	734%
Current assets as % of current liabilities	128%	114%	
Average number of employees	264	264	-

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



**R Jackson
Director**

Date: 23/9/15

AAP3 Limited

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2014.

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
Mr M V Goodyear
Mr R Jackson
Mr J A O'Donnell (resigned 30 June 2014)
Mr R Welch
Mrs C L Pike
Mrs L H Hall
Mr M Wilkinson (appointed 10 February 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 Wilkinson
Secretary

Date:

Registered number 03444435 England and Wales

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 2014 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 22. 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 statement of 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 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/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 2014 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.

Nexia Smith & Williamson

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

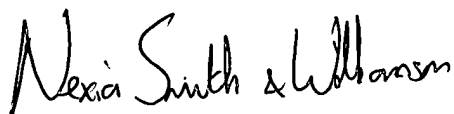
Opinion on other matter prescribed by the Companies Act 2006

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.

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: 28th September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		£	£
Revenue	3	23,688,179	23,413,832
Cost of sales		(19,008,323)	(19,024,273)
Gross profit		4,679,856	4,389,559
Administrative expenses		(3,951,828)	(4,504,425)
Operating profit/(loss)		728,028	(114,866)
Finance income		12,858	13,974
Finance costs	5	(86,411)	(91,085)
Profit/(loss) before income tax		654,475	(191,977)
Income tax expense	8	(224,952)	11,851
Profit/(loss) for the year		429,523	(180,126)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		2,168	(4,328)
Total comprehensive income/(loss) for the year		431,691	(184,454)

The results above relate to continuing activities.

The notes on pages 14 to 36 are an integral part of these consolidated financial statements.

AAP3 Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

		Group	Group	Company	Company
	Notes	2014	2013	2014	2013
		£	£	£	£
ASSETS					
Non-current assets					
Goodwill	9	522,430	522,430	522,430	522,430
Intangible assets	9	512	4,522	512	4,522
Property, plant and equipment	10	10,861	29,950	10,196	15,327
Investment in subsidiaries	11	-	-	32,203	32,203
Deferred income tax assets	14	8,252	85,254	8,252	85,254
		542,055	642,156	573,593	659,736
Current assets					
Trade and other receivables	12	4,746,736	4,066,314	3,928,566	3,555,340
Current income tax assets	12	12,907	20,214	-	20,214
Cash and cash equivalents		123,603	121,533	29,562	33,211
		4,883,246	4,208,061	3,958,128	3,608,765
Total assets		5,425,301	4,850,217	4,531,721	4,268,501
EQUITY AND LIABILITIES					
Equity attributable to owners of parent					
Called up share capital	15	9,066	9,065	9,066	9,065
Share premium		476,786	476,537	476,786	476,537
Other reserves		300	300	300	300
Translation reserves		(76,790)	(78,958)	-	-
Retained earnings		1,208,300	743,777	639,306	340,210
Total equity		1,617,662	1,150,721	1,125,458	826,112
Current liabilities					
Trade and other payables	13	3,785,825	3,628,481	3,403,691	3,442,389
Current income tax liabilities	13	21,814	71,015	2,572	-
		3,807,639	3,699,496	3,406,263	3,442,389
Total equity and liabilities		5,425,301	4,850,217	4,531,721	4,268,501

The notes on pages 14 to 36 are an integral part of these consolidated financial statements.

AAP3 Limited

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



R Jackson
Director
AAP3 Limited
Registered number: 03444435

Date: 23/9/15

AAP3 Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

GROUP

	Called up share capital	Share Premium	Capital Redemption Reserve	Retained Earnings	Translation Reserve	Total
	£	£	£	£	£	£
Balance at 1 January 2013	9,065	476,537	300	898,507	(74,630)	1,309,779
Profit for the period	-	-	-	(180,126)	-	(180,126)
Currency translation differences	-	-	-	-	(4,328)	(4,328)
Total comprehensive income	-	-	-	(180,126)	(4,328)	(184,454)
Share option movement	-	-	-	25,396	-	25,396
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 as at 31 December 2014	9,066	476,786	300	1,208,300	(76,790)	1,617,662

COMPANY

	Called up share capital	Share Premium	Capital Redemption Reserve	Retained Earnings	Total
	£	£	£	£	£
Balance as at 1 January 2013	9,065	476,537	300	627,642	1,113,544
Loss for the period	-	-	-	(312,828)	(312,828)
Share option movement	-	-	-	25,396	25,396
Total comprehensive income	-	-	-	(287,432)	(287,432)
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 31 December 2014	9,066	476,786	300	639,306	1,125,458

The notes on pages 14 to 36 are an integral part of these consolidated financial statements.

AAP3 Limited

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Cash flows from operating activities					
Cash generated from operations:	17	286,331	88,925	57,986	194,306
Interest paid		(86,411)	(91,085)	(73,716)	(76,972)
Income tax paid		(189,844)	(45,938)	20,393	(77,747)
Net cash generated/(used) from operating activities		10,076	(48,098)	4,663	39,587
Cash flows from investing activities					
Purchases of intangible assets		(1,025)	(9,044)	(1,025)	(9,044)
Purchase of property, plant and equipment		(21,319)	(59,900)	(20,395)	(30,653)
Interest received		12,858	13,974	12,858	13,974
Net cash used in investing activities		(9,486)	(54,970)	(8,562)	(25,723)
Cash flows from financing activities					
Proceeds from issue of share capital		250	-	250	-
Net cash received in financing activities		250	-	250	-
Net (decrease)/increase in cash and cash equivalents		840	(103,068)	(3,649)	13,864
Cash, cash equivalents and bank overdrafts at the beginning of the year		121,533	228,923	33,211	19,347
Exchange gains/(losses) on cash and cash equivalents		1,230	(4,322)	-	-
Cash, cash equivalents at the end of the year		123,603	121,533	29,562	33,211

The notes on pages 14 to 36 are an integral part of these consolidated financial statements.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

1 Accounting policies

The principal accounting policies are summarised below.

Basis of preparation

The consolidated financial statement 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

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:

- IFRS 10 – 'Consolidated Financial statements'
- IAS 27 – 'Separate financial Statements'
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – 'Consolidated financial statements, transition guidance'
- Amendments to IAS 32 – 'Offsetting Financial Assets and Financial liabilities'
- Amendments to IAS 36 – 'Recoverable Amount disclosures for Non-Financial Assets'
- Amendments to IAS 39 Financial Instruments: Recognition and measurement Novation of derivatives and continuance of hedge accounting.
- IFRS 12 – disclosure of interests in other entities

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.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

1 Accounting policies (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 £264,096 (2013: loss £312,828).

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.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (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.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (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.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (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 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 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 2014
(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 2014
(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.

AAP3 Limited**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(continued)****3 Revenue -group**

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

	2014	2013
	£	£
Recruitment business unit	6,733,860	5,899,301
Engineering business unit	7,960,924	8,087,929
Business solutions unit	8,993,395	9,426,602
	23,688,179	23,413,832

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 2014	Group 2013	Company 2014	Company 2013
	Number	Number	Number	Number
Administrative staff	19	19	15	15
Management staff	24	25	19	22
Production/sales staff	221	220	89	106
	264	264	123	143

The aggregate payroll costs of these persons were as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
	£	£	£	£
Wages and salaries	9,097,879	9,653,778	3,926,353	4,771,333
Social Security Costs	782,915	953,938	441,677	536,848
Pension costs	58,329	47,244	12,164	0
	9,939,123	10,654,960	4,380,194	5,308,181

Emoluments payable to the directors are as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
	£	£	£	£
Aggregate emoluments	342,925	390,173	338,699	390,173

AAP3 Limited**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(continued)**

No directors received pension contributions during the year (2013: none)

The highest paid director received the following remuneration:

	2014	2013
	£	£
Aggregate emoluments	174,603	204,465

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 2014	Group 2013	Company 2014	Company 2013
	£	£	£	£
Salaries and other short-term employee benefits	827,614	993,995	712,208	870,156
Share option charge	35,000	25,396	35,000	25,396
	862,614	1,019,391	747,208	895,552

5 Finance costs and finance income – Group

	2014	2013
	£	£
Bank interest receivable	12,858	13,974
Invoice discounting charges	73,716	76,972
Bank interest payable	12,695	14,113
Total interest payable	86,411	91,085

6 Expenses by nature - Group

	2014	2013
	£	£
Employee benefit expense (note 4)	9,939,123	10,654,960
Depreciation	41,753	32,764
Amortisation	5,035	9,950
Operating lease payments	259,299	226,111
Administrative expenses	12,714,941	12,604,913
Total	22,960,151	23,528,698

AAP3 Limited**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(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	2014	2013
	£	£
Fees payable to company's auditors for the audit of the parent company and consolidated financial statements	15,250	14,820
Fees payable to the company's auditors and its associates for other services:		
1. Tax services	2,500	2,430

8 Taxation**Analysis of tax charge in the year**

	2014	2013
	£	£
UK corporation tax		
Current tax on income for the period	2,393	-
Adjustments in respect of previous years	-	(11,532)
Foreign Tax		
Current tax on income for the period	145,557	71,015
Adjustments in respect of previous years		
Current tax expenses	147,950	59,483
Deferred tax (credit)/charge (note 14)	77,002	(71,334)
Tax on (loss)/profit on ordinary activities	224,952	(11,851)

Tax has been calculated using an estimated annual effective tax rate of 20.00% (2013: 23.25%) on profit before tax.

AAP3 Limited**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(continued)****8 Taxation (continued)**

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:

Factors affecting tax charge for the period:

	2014	2013
	£	£
(Loss)/profit on ordinary activities before tax	654,475	(191,977)
Tax calculated at standard rate of UK corporation tax of 20.00 % (2013: 23.25%)	130,895	(44,621)
Effects of:		
Expenses not deductible for tax purposes	10,696	7,956
Losses not utilised	6,350	-
Adjustment for prior years	-	(11,532)
Adjustment for prior years - Deferred tax	-	962
Rate adjustment to deferred tax	-	11,735
Difference between foreign and UK rates	77,011	23,649
Tax (credit)/charge	224,952	(11,851)

Changes in future corporation tax rates:

There were no factors that may affect future tax charges.

9 Intangible Assets

	Goodwill	Other Intangibles	Computer Software	Total
Group	£	£	£	£
Cost				
At 1 January 2014	524,942	739,580	84,973	1,349,495
Additions	-	-	1,025	1,025
Disposals	-	-	-	-
At 31 December 2014	524,942	739,580	85,998	1,350,520
Accumulated amortisation				
At 1 January 2014	2,512	739,580	80,451	822,543
Charge for the year	-	-	5,035	5,035
Disposals	-	-	-	-
At 31 December 2014	2,512	739,580	85,486	827,578
Net book value				
At 31 December 2014	522,430	-	512	522,942
At 31 December 2013	522,430	-	4,522	526,952

Further detail concerning goodwill is given in note 21.

Amortisation expense of £5,035 (2013: £9,950) has been charged in net operating expenses.

AAP3 Limited
**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(continued)**
9 Intangible Assets (continued)

Company	Goodwill	Other Intangibles	Computer Software	Total
	£	£	£	£
Cost				
At 1 January 2014	522,430	600,405	83,583	1,206,418
Additions	-	-	1,025	1,025
Disposals	-	-	-	-
At 31 December 2014	522,430	600,405	84,608	1,207,443
Accumulated amortisation				
At 1 January 2014	-	600,405	79,061	679,466
Charge for the year	-	-	5,035	5,035
Disposals	-	-	-	-
At 31 December 2014	-	600,405	84,096	684,501
Net book value				
At 31 December 2014	522,430	-	512	522,942
At 31 December 2013	522,430	-	4,522	526,952

10 Property, plant and equipment

Group	Fixtures & Fittings	Computer Equipment	Total
	£	£	£
Cost			
At 1 January 2014	115,621	176,291	291,912
Additions	900	20,826	21,726
Disposals	-	(17,037)	(17,037)
Exchange movement	1,478	1,815	3,293
At 31 December 2014	117,999	181,895	299,894
Accumulated depreciation			
At 1 January 2014	107,204	154,758	261,962
Charge for the year	9,358	32,395	41,753
Disposals	-	(17,037)	(17,037)
Exchange movement	987	1,368	2,355
At 31 December 2014	117,549	171,484	289,033
Net book value			
At 31 December 2014	450	10,411	10,861
At 31 December 2013	8,417	21,533	29,950

Depreciation expense of £41,753 (2013: £32,764) has been charged in net operating expenses.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

10 Property, plant and equipment (continued)

Company	Fixtures & Fittings £	Computer Equipment £	Total £
Cost			
At 1 January 2014	92,573	147,976	240,549
Additions	900	19,495	20,395
Disposals	-	(17,037)	(17,037)
At 31 December 2014	93,473	150,434	243,907
Accumulated depreciation			
At 1 January 2014	91,808	133,414	225,222
Charge for the year	1,215	24,311	25,526
Disposals	-	(17,037)	(17,037)
At 31 December 2014	93,023	140,688	233,711
Net book value			
At 31 December 2014	450	9,746	10,196
At 31 December 2013	765	14,562	15,327

11 Investment in subsidiaries - Company

The following were subsidiaries of the company as at 31 December 2014 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

	Aggregate capital and reserves £	Profit/(loss) for the year £
AAP3 Inc.	286,012	158,821
AAP3 S.r.l.	6,172	(13,097)
AAP3 S.a.r.l.	51,327	(18,653)
AAP3 GmbH	180,897	38,350

AAP3 Limited**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(continued)****12 Trade and other receivables**

	Group 2014	Group 2013	Company 2014	Company 2013
	£	£	£	£
Trade receivables	3,721,542	3,254,460	2,806,980	2,798,229
Amounts owed by group undertakings	-	-	878,861	337,062
Other debtors	11,701	42,891	8,192	12,167
Prepayments and accrued income	1,013,493	768,963	234,533	407,882
	4,746,736	4,066,314	3,928,566	3,555,340
Current income tax assets	12,907	20,214	-	20,214

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.

As of 31 December 2014, trade receivables of £3,721,542 (2013: £3,254,460) were fully performing. Trade receivables of £8,966 (2013: £107,305) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2014	2013
Group	£	£
Up to 30 days	2,184,595	1,635,971
30 to 60 days	1,220,537	1,465,697
60 to 90 days	307,444	45,487
More than 90 days	8,966	107,305
	3,721,542	3,254,460

During 2014, £19,624 of company trade receivables were written off (2013: £nil). There was no provision as of 31 December 2014 (2013: £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:

	2014	2013
Group	£	£
Sterling	2,455,509	2,253,590
Euro	564,692	911,139
US dollar	1,726,535	901,585
	4,746,736	4,066,314

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.

AAP3 Limited**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(continued)****12 Trade and other receivables – Group (continued)****Company**

As of 31 December 2014, trade receivables of £2,806,980 (2013: £2,798,229) were fully performing.

As of 31 December 2014 trade receivables of £5,886 (2013: £107,305) were past due but not impaired.

	2014	2013
Company	£	£
Up to 30 days	1,842,697	1,419,017
30 to 60 days	892,106	1,226,422
60 to 90 days	66,291	45,487
More than 90 days	5,886	107,305
	2,806,980	2,798,231

During 2014, £19,624 of company trade receivables was written off (2013: £nil). There was no provision as of 31 December 2014 (2013: £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 company does not hold any collateral as security.

Company	£	£
Sterling	3,334,370	2,590,652
Euro	564,692	911,139
US dollar	29,504	53,552
	3,928,566	3,555,343

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

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

13 Trade and other payables

	Group 2014	Group 2013	Company 2014	Company 2013
	£	£	£	£
Trade creditors	274,953	311,354	210,365	269,852
Other taxes and social security costs	130,444	180,456	109,607	137,967
VAT	222,852	200,715	233,720	211,458
Amounts due to subsidiary undertakings	-	-	281,184	267,224
Other creditors	46,479	7,950	23,714	7,950
Invoice discounting	1,664,024	1,802,342	1,664,024	1,802,342
Accruals and deferred costs	1,447,073	1,125,664	881,077	745,596
Total trade and other payables	3,785,825	3,628,481	3,403,691	3,442,389
Current income tax liabilities	21,814	71,015	2,572	-

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

There is a fixed and floating charge over the assets of the group in respect of the invoice discounting balance of £1,664,024 (2013: £1,802,342). 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 (asset)/liability is as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
	£	£	£	£
At 1 January 2014	(85,254)	(13,920)	(85,254)	(13,920)
Income statement charge (note 8)	77,002	(71,334)	77,002	(71,334)
At 31 December 2014	(8,252)	(85,254)	(8,252)	(85,254)

The following are the major deferred income tax balances recognised:

	Group 2014	Group 2013	Company 2014	Company 2013
	£	£	£	£
Capital allowances in excess of depreciation	(6,970)	(8,003)	(6,970)	(8,003)
Short term temporary differences	(663)	-	(663)	-
Losses and other deductions	-	(77,251)	-	(77,251)
	(7,633)	(85,254)	(7,633)	(85,254)

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

15 Share Capital – Group and company

Authorised share capital	2014	2013
	£	£
Ordinary shares 0.04p each	12,000	12,000

Allotted fully paid:	2014	2014	2013	2013
	Number	£	Number	£
Ordinary shares 0.04p each	22,666,198	9,066	22,663,698	9,065

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 2014 is £35,000 (2013: £25,396). 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	-	-	234,500	0.10
Granted	370,000	0.20	-	-
Forfeited	-	-	-	-
Exercised	-	-	2,500	0.10
Lapsed	-	-	5,000	-
Outstanding at 31 December 2014	370,000	0.20	227,000	0.10
Exercisable at 31 December 2014	310,000	0.20	224,500	0.10

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(continued)****16 Share based payments (continued)**

	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	-	-	-	-
Forfeited/Lapsed	-	-	-	-
Outstanding at 31 December 2014	669	0.0003	959,729	0.0030
Exercisable at 31 December 2014	669	0.0003	959,729	0.0030

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.

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 2014 is £nil (2013: £nil).

AAP3 Limited**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(continued)****16 Share based payments (continued)**

A reconciliation of option movement is shown below:

	2014 Number	Exercise Price £
Outstanding at start of year	204,653	0.0003
Granted/Exercised/Lapsed	-	0.0003
Outstanding at 31 December 2014	204,653	0.0003
Exercisable at 31 December 2014	204,653	0.0003

17 Cash flow from operating activities

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

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Profit/(loss) before income tax	654,475	(191,977)	343,491	(312,828)
Adjustments for:				
Depreciation (note 10)	41,753	32,764	25,526	17,848
Amortisation (note 9)	5,035	9,950	5,035	9,950
Share options charge	35,000	25,396	35,000	25,396
Loss/(profit) on disposal of ppe	(407)	427	-	427
Finance Cost	73,553	77,111	60,858	62,998
Decrease in trade and other receivables	(680,422)	59,690	(373,226)	307,057
Decrease/(increase) in payables	157,344	75,564	(38,698)	83,458
Cash generated from operations	286,331	88,925	57,986	194,306

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(continued)**

18 Operating lease commitments - minimum lease payments – Group

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

	2014	2013	2014	2013
	Other	Other	Property	Property
	£	£	£	£
Commitments under non-cancellable operating lease expiring:				
Within one year	6,835	6,265	189,665	209,199
Later than one and less than five years	6,265	13,100	659,679	694,425
Later than five years	-	-	119,405	262,691
Total	13,100	19,365	968,749	1,166,315

19 Related party disclosures

Group

During the year, the group made sales totalling £17,549 (2013: 15,996) 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 (2013: £15,996).

Company

	2014	2013
	£	£
Sale of services to subsidiaries	502,033	549,372
Purchase of services from subsidiaries	500,248	638,816
Sale of services from key management personnel	17,549	15,996
Receivables from subsidiaries	878,861	337,062
Payables to subsidiaries	281,184	267,223

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (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 to the including the review of credit limited 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 max credit exposure to credit risk at the reporting date was:

	Group 2014	Group 2013	Company 2014	Company 2013
	£	£	£	£
Cash and cash equivalents	123,603	121,533	29,562	33,211
Amounts owed from group undertakings	-	-	855,804	337,062
Trade receivables	3,721,542	3,254,460	2,806,980	2,798,229
	3,845,145	3,375,993	3,692,346	3,168,502

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 February 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 £4,160 (2013: £4,506).

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.

The tables below analyse the group's financial liabilities 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 2014	£	£	£	£
Trade creditors	274,953	-	-	-
Invoice discounting	1,664,024	-	-	-
Accruals and deferred costs	1,447,073	-	-	-
Carrying value	3,386,050	-	-	-

AAP3 Limited**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014
(continued)****20 Financial risk management - Group and Company (continued)**

	Less than 6 months	Between 6 & 12 months	Between 12 & 24 months	Over 24 months
Group at 31 December 2013	£	£	£	£
Trade creditors	311,354	-	-	-
Invoice discounting	1,802,342	-	-	-
Accruals and deferred costs	1,125,664	-	-	-
	3,239,360	-	-	-
Carrying value	3,239,360	-	-	-

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 2014, 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 £22,006 (2013: loss of £39,966). 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 £21,031 (2013: £14,061), 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.

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.

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
At 1 January & 31 December 2014	522,430	522,430	522,430	522,430

The carrying amount of goodwill has been as follows:

Cash generating unit

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
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, no impairment is required.

AAP3 Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

22 Post balance sheet events

On 16 February 2015, AAP3 Limited purchased 75% of the ordinary share capital of Etherlive Limited, a company involved in the provision of IT equipment for events, for £250,000.

The acquisition proved not to be as good a strategic fit as initially expected and aap3's holding was subsequently disposed to Rod Jackson one of the Directors on 15th July 2015 via a share exchange equating to £300,000.