

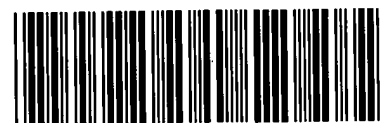
Registered number: 03444435

AAP3 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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AAP3 LIMITED

COMPANY INFORMATION

Directors	M Dunne A Featherstone K Harrison M Wilkinson
Company secretary	M Wilkinson
Registered number	03444435
Registered office	3 Benham Road Southampton Science Park Chilworth Southampton Hampshire SO16 7QJ
Independent auditors	Nexia Smith & Williamson Chartered Accountants & Statutory Auditors Cumberland House 15 - 17 Cumberland Place Southampton SO15 2BG
Bankers	HSBC Bank PLC Mitchell Way Southampton SO18 2XU
Solicitors	iLaw Hamilton House 1 Temple Avenue London EC4Y 0HA

AAP3 LIMITED

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AAP3 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The directors are pleased to present the strategic report of the company for the year ended 31 December 2017.

Business review

aap3 (Holdings) Limited acquired 100% of the issued share capital of aap3 Limited on the 28 October 2015. The consolidated results of the group can be seen in the financial statements of aap3 (Holdings) Limited.

The financial statements for aap3 Limited, now represent those of the entity only.

Profit and Loss

Turnover for the year ended 31 December 2017 was £12.7m (2016: £12.2m).

Recruitment revenue for the year ended 31 December 2017 was £7.7m (2016: £6.6m).

Engineering revenue for the year ended 31 December 2017 was £4.0m (2016: £4.2m).

Business Solutions revenue for the year ended 31 December 2017 was £1.0m (2016: £1.4m).

Administrative expenses for the year ended 31 December 2017 were £2.0m (2016: £2.0m).

Finance costs for the year ended 31 December 2017 were £0.05m (2016: £0.06m).

The profit before taxation for the year ended 31 December 2017 was £0.5m (2016: £0.5m).

Balance Sheet

Amounts owed by group undertakings include debt servicing transactions of the parent Company aap3 (Holdings) Limited.

Principal risks and uncertainties

The Board acknowledges there are risks that affect the Company and action is taken to minimise the risks. The directors consider the principal risks and uncertainties associated with running the Company to be interest and exchange rate exposure, staff recruitment and customer retention. The latter is managed via regular internal and client communication to ensure delivery standards are achieved or surpassed. Ongoing investment in appropriate tools are critical to the recruitment and retention of high calibre staff and partners. Regular meetings are also held internally in relation to the latest risks and financial and commercial issues, including health and safety and data protection updates.

AAP3 LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Financial key performance indicators

The principal key performance indicators for the financial year were as follows:

Non-financial

- Headcount
- Performance against Service Level Agreements

Financial

- Revenue
- Payroll and utilisation data
- EBITDA (Earnings before interest, tax, depreciation and amortisation)
- Cash flow

Future developments

Within the recruitment division specialist market verticals are now well-established and will drive new business activity for 2018, whilst broadening our recruitment services portfolio within the existing client base. Next year will see growth in the recruitment team with the expected introduction of additional sales, resource and administrative staff.

The focus for IT Services sales for 2018 will be in the areas of Field Engineering, utilizing in-house and partner resources and targeting both channel partners and direct end clients.

European operations will continue to focus on its core activities and relationships, with research and development focus on Collaboration and Security technologies.

This report was approved by the board and signed on its behalf.



M Wilkinson
Director

Date: 25/9/18

AAP3 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £427,237 (2016 - £431,269).

No dividends were paid during the year (2016 - £nil) and the directors do not recommend payment of a final dividend.

Directors

The directors who served during the year were:

M Dunne
A Featherstone
K Harrison
M Wilkinson

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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 profit or loss of the Company 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The 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 to 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.

AAP3 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



M Wilkinson
Director

Date: 25/9/18

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AAP3 LIMITED

Opinion

We have audited the financial statements of aap3 Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Andrew Edmonds (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants
Statutory Auditors

Cumberland House
15 - 17 Cumberland Place
Southampton
SO15 2BG

Date: 25/9/18

AAP3 LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	12,733,599	12,217,546
Cost of sales		(10,372,383)	(9,943,741)
Gross profit		2,361,216	2,273,805
Administrative expenses		(2,087,494)	(1,959,480)
Other operating income	5	195,624	243,299
Operating profit	6	469,346	557,624
Interest receivable and similar income	10	3,284	3,794
Interest payable and similar charges	11	(46,631)	(58,105)
Profit before tax		425,999	503,313
Tax on profit	12	1,238	(72,044)
Profit and total comprehensive income for the year		427,237	431,269

There was no other comprehensive income for 2017 (2016: £NIL).

The notes on pages 11 to 28 form part of these financial statements.

AAP3 LIMITED
REGISTERED NUMBER:03444435

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Goodwill	14		522,430		522,430
Other intangible assets	13		-		16,336
Tangible assets	15		4,413		15,199
Investments	16		23,029		23,029
			<u>549,872</u>		<u>576,994</u>
Current assets					
Debtors: amounts falling due within one year	17	4,374,802		3,755,317	
Cash at bank and in hand	18	14,963		38,655	
		<u>4,389,765</u>		<u>3,793,972</u>	
Creditors: amounts falling due within one year	19	(2,766,671)		(2,675,237)	
Net current assets			<u>1,623,094</u>		<u>1,118,735</u>
Total assets less current liabilities			<u>2,172,966</u>		<u>1,695,729</u>
Other provisions		(50,000)		-	
		<u>(50,000)</u>		<u>-</u>	
Net assets			<u><u>2,122,966</u></u>		<u><u>1,695,729</u></u>
Capital and reserves					
Called up share capital	23		11,100		11,100
Share premium account	24		183,868		183,868
Capital redemption reserve	24		1,200		1,200
Profit and loss account	24		1,926,798		1,499,561
			<u>2,122,966</u>		<u>1,695,729</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

M Wilkinson
Director



Date: 25/9/18

The notes on pages 11 to 28 form part of these financial statements.

AAP3 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2016	11,100	183,868	1,200	1,068,292	1,264,460
Comprehensive income for the year					
Profit for the year	-	-	-	431,269	431,269
Total comprehensive income for the year	-	-	-	431,269	431,269
At 1 January 2017	11,100	183,868	1,200	1,499,561	1,695,729
Comprehensive income for the year					
Profit for the year	-	-	-	427,237	427,237
Total comprehensive income for the year	-	-	-	427,237	427,237
At 31 December 2017	11,100	183,868	1,200	1,926,798	2,122,966

AAP3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

aap3 Limited is a global managed solutions company based around three core functional business areas: specialist recruitment services for the IT and related industries, engineering solutions and 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 the company information page. The company has subsidiaries in USA, Germany and France.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

AAP3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the following bases:

Computer software	-	50 % straight line
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2.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

AAP3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	50% straight line
Computer equipment	-	50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

AAP3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial Assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost. Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

AAP3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

AAP3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

AAP3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements under FRS 101 requires the use of certain critical accounting estimates and requires management to exercise its judgment and to make estimates in the process of applying the Company'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. Judgment 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.

AAP3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Business solutions unit	1,008,708	1,392,292
Recruitment business unit	7,795,391	6,674,180
Engineering business unit	3,929,500	4,151,074
	<u>12,733,599</u>	<u>12,217,546</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2017 £	2016 £
Royalty income	<u>195,624</u>	<u>243,299</u>

6. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	19,613	17,896
Amortisation of intangible assets, including goodwill	16,336	17,413
Exchange differences	(303)	(34,272)
Defined contribution pension cost	32,953	26,690
Operating lease payments	<u>144,720</u>	<u>154,634</u>

AAP3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017	2016
	£	£
Fees for the audit of the Company	14,700	16,995

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2017	2016
	£	£
Wages and salaries	3,171,266	3,266,273
Social security costs	365,357	370,660
Cost of defined contribution scheme	32,953	26,690
	3,569,576	3,663,623

The average monthly number of employees, including the directors, during the year was as follows:

	2017	2016
	No.	No.
Administrative staff	9	9
Management staff	13	13
Production/sales staff	65	73
	87	95

AAP3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	320,614	292,109
Company contributions to defined contribution pension schemes	1,159	1,110
	<u>321,773</u>	<u>293,219</u>

During the year retirement benefits were accruing to 3 directors (2016 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £101,654 (2016 - £NIL).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £386 (2016 - £370).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £386 (2016 - £370).

The total accrued pension provision of the highest paid director at 31 December 2017 amounted to £NIL (2016 - £NIL).

The amount of the accrued lump sum in respect of the highest paid director at 31 December 2017 amounted to £NIL (2016 - £NIL).

10. Interest receivable

	2017 £	2016 £
Other interest receivable	<u>3,284</u>	<u>3,794</u>

11. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	<u>46,631</u>	<u>58,105</u>

AAP3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	35,972	72,644
Adjustments in respect of previous periods	(35,428)	(4,690)
Total current tax	544	67,954
Deferred tax		
Origination and reversal of timing differences	(1,782)	3,741
Changes to tax rates	-	392
Adjustments in respect of prior periods	-	(43)
Total deferred tax	(1,782)	4,090
Taxation on (loss)/profit on ordinary activities	(1,238)	72,044

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2016 - the same as) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%) as set out below:

	2017 £	2016 £
Profit on ordinary activities before tax	425,999	503,313
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	82,005	100,663
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,246	10,107
Capital allowances for year in excess of depreciation	2,420	-
Adjustments to tax charge in respect of prior periods	(35,428)	(4,690)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(48,511)	(9,618)
Other differences leading to an increase (decrease) in the tax charge	12,434	(311)
Group relief	(17,082)	(24,107)
Rate change adjustment	(322)	-
Total tax charge for the year	(1,238)	72,044

AAP3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Taxation (continued)

Factors that may affect future tax charges

On 8 July 2015 the Government announced its intention to propose to Parliament a reduction in the corporation tax rate to 19% for the tax years 2017 to 2020 and 18% for the tax year 2020.

During September 2016 the Government enacted a further reduction in the tax rate to 17% for the tax years from 2020.

13. Intangible assets

	Computer software £	Other intangibles £	Total £
Cost			
At 1 January 2017	119,434	600,405	719,839
At 31 December 2017	<u>119,434</u>	<u>600,405</u>	<u>719,839</u>
Amortisation			
At 1 January 2017	103,098	600,405	703,503
Charge for the year	16,336	-	16,336
At 31 December 2017	<u>119,434</u>	<u>600,405</u>	<u>719,839</u>
Net book value			
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2016	<u>16,336</u>	<u>-</u>	<u>16,336</u>

AAP3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14. Goodwill

	2017 £
Cost	
At 1 January 2017	522,430
At 31 December 2017	<u>522,430</u>
Net book value	
At 31 December 2017	<u>522,430</u>
<i>At 31 December 2016</i>	<u>522,430</u>

15. Tangible fixed assets

	Fixtures & fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2017	93,473	186,226	279,699
Additions	-	8,827	8,827
At 31 December 2017	<u>93,473</u>	<u>195,053</u>	<u>288,526</u>
Depreciation			
At 1 January 2017	93,473	171,027	264,500
Charge for the year on owned assets	-	19,613	19,613
At 31 December 2017	<u>93,473</u>	<u>190,640</u>	<u>284,113</u>
Net book value			
At 31 December 2017	<u>-</u>	<u>4,413</u>	<u>4,413</u>
<i>At 31 December 2016</i>	<u>-</u>	<u>15,199</u>	<u>15,199</u>

AAP3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	23,029
At 31 December 2017	<u>23,029</u>
Net book value	
At 31 December 2017	<u>23,029</u>
At 31 December 2016	<u>23,029</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
aap3 Inc	Ordinary	100 %	IT Managed Services
aap3 SARL	Ordinary	100 %	IT Managed Services
aap3 GmbH	Ordinary	100 %	IT Managed Services

Name	Registered office
aap3 Inc	100 Cascade Pointe Lane, Suite 101, Cary, NC 27513, United States
aap3 SARL	144 Avenue Charles De Gaulle, 92200 Neuilly-sur-Seine, France
aap3 GmbH	Wilhelm-Strauß-Straße 45-47, 41236 Monchengladbach, Germany

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
aap3 Inc	1,183,707	416,490
aap3 SARL	31,138	(12,618)
aap3 GmbH	216,489	5,605
	<u>1,431,334</u>	<u>409,477</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. Debtors

	2017 £	2016 £
Trade debtors	1,729,835	1,568,221
Amounts owed by group undertakings	2,310,585	1,785,734
Other debtors	65,214	46,859
Prepayments and accrued income	264,465	351,582
Deferred taxation	4,703	2,921
	<u>4,374,802</u>	<u>3,755,317</u>

18. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	<u>14,963</u>	<u>38,655</u>

19. Creditors: Amounts falling due within one year

	2017 £	2016 £
Invoice discounting facility	610,998	944,008
Trade creditors	199,695	286,724
Amounts owed to group undertakings	792,036	221,730
Corporation tax	-	67,954
Other taxation and social security	273,324	343,688
Other creditors	8,676	8,150
Accruals and deferred income	881,942	802,983
	<u>2,766,671</u>	<u>2,675,237</u>

AAP3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. Financial instruments

	2017 £	2016 £
Financial assets		
Cash and cash equivalents	14,963	38,655
Financial assets that are debt instruments measured at amortised cost	4,224,906	3,649,632
	<u>4,239,869</u>	<u>3,688,287</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(2,233,304)	(2,074,496)
	<u>(2,233,304)</u>	<u>(2,074,496)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors, accrued income and amounts due from group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals, bank loans and overdrafts and amounts owed to group undertakings.

21. Deferred taxation

	2017 £	2016 £
At beginning of year	2,921	7,011
Charged to profit or loss	1,782	(4,090)
At end of year	<u>4,703</u>	<u>2,921</u>

The deferred tax asset is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	4,703	2,565
Short term temporary differences	-	356
	<u>4,703</u>	<u>2,921</u>

AAP3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

22. Provisions

	Other provision £
Charged to profit or loss	50,000
At 31 December 2017	<u>50,000</u>

23. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
27,750,000 Ordinary shares shares of £0.0004 each	<u>11,100</u>	<u>11,100</u>

24. Reserves

Share premium account

The share premium account records the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Capital redemption reserve

This reserve relates to the nominal value of shares that the Company has bought back.

Profit & loss account

This reserve is the cumulative retained earnings less amounts distributed to shareholders.

25. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £32,953 (2016 - £25,580). Contributions totalling £4,347 (2016 - £3,937) were payable to the fund at the reporting date.

AAP3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

26. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	144,720	144,720
Later than 1 year and not later than 5 years	119,405	264,125
	<u>264,125</u>	<u>408,845</u>

27. Related party transactions

During the year, key management personnel received remuneration of £633,227 (2016: £505,252).

28. Controlling party

The Company does not have one singular ultimate controlling party.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of aap3 (Holdings) Limited. The results of the Company are included in the consolidated financial statements of aap3 (Holdings) Limited which are available from Companies House.