

MONDAY



SCT 31/03/2014 #147
COMPANIES HOUSE

**PROSOURCE.IT (UK) LTD AND SUBSIDIARY
UNDERTAKINGS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Company Registration Number SC242550

Baker Tilly Business Services Limited

Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

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PROSOURCE.IT (UK) LTD
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 JUNE 2013

The board of directors	C Adams A Cowie S Mackie S Proctor S Houston
Company secretary	S Mackie
Business address	1 Hilldowntree Business Centre Banchory Devenick Aberdeen AB12 5YL
Registered office	1 Hilldowntree Business Centre Banchory Devenick Aberdeen AB12 5YL
Auditor	Baker Tilly Audit Limited Chartered Accountants Highfield Court Tollgate Chandlers Ford Eastleigh Hampshire SO53 3TY
Accountants	Baker Tilly Business Services Limited Chartered Accountants Highfield Court Tollgate Chandlers Ford Eastleigh Hampshire SO53 3TY
Bankers	Clydesdale Bank plc 1 Queens Cross Aberdeen AB15 4XU
Solicitors	Paull & Williamson LLP Union Plaza 1 Union Wynd Aberdeen AB10 1DQ

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2013

The directors present their report and the financial statements of the group for the year ended 30 June 2013.

Principal activities and business review

The principal activity of the group is the provision of customer focussed IT support services and related consultancy.

Prosource.it celebrated the 10th anniversary since its creation through merger with a record year, delivering 46.6% growth and group revenues of £44.5m.

There were a number of factors which contributed to this growth, including a full year of revenue generated from our first acquisition; a coaching and productivity business based in Houston that we purchased in January 2012. This helped push our US revenues to \$29.7m in only its 5th full year of trading.

It is always pleasing to see our success recognised and benchmarked externally and this past year saw Prosource measured as the 65th fastest growing International Sales business in the UK (Sunday Times) and the 32nd fastest growing business in Houston (Houston Business Journal).

In the ten years since the merger, Prosource has achieved 40 successive quarters of year-on-year quarter growth growing to 1800% of its pre-merger size and now has a global headcount of staff and associates in excess of 550, including a further 150+ in the past 12 months.

The past 12 months also witnessed a number of Health & Safety and Compliance initiatives being delivered, including Advanced FPAL registration, Code of Conduct rollout and British Safety Council certification. We are also pleased to record that we experienced zero workplace injuries and zero Code of Conduct breaches during the last year. Our on-going commitment to Health, Safety & Compliance underpins our business and is an essential ingredient of our business plan.

After a near trebling in size in the past 3 years, we are confident that growth will continue through 2013/14 and our order book suggests that we should expect revenues in the region of £46m for the next 12 months.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £4,213,846 (2012: £2,071,778). Particulars of dividends paid are detailed in note 9 to the financial statements.

Financial risk management objectives and policies

The financial risk management objectives of the group are to mitigate the risks facing the group as much as possible.

The main financial risks facing the group are credit risk, cash flow risk and foreign exchange risk. The group makes use of invoice discounting facilities to mitigate its cash flow risk. Foreign exchange risk has previously been managed by invoicing in the base currency of the companies. Since the year end foreign currency bank accounts have been opened and forward foreign exchange contracts have been entered into to further mitigate foreign exchange risk.

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 30 JUNE 2013

Directors

The directors who served the company during the year were as follows:

C Adams
A Cowie
S Mackie
S Proctor
S Houston

Directors' responsibilities

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

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

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

In so far as the directors are, individually, aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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.

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 30 JUNE 2013

Donations

During the year the group made the following contributions:

	2013	2012
	£	£
Charitable	<u>11,916</u>	<u>3,050</u>

Auditor

A resolution to reappoint Baker Tilly Audit Limited (formerly RSM Tenon Audit Limited) as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

Signed on behalf of the directors



A Cowie
Director

Approved by the directors on 28th MARCH 2014

PROSOURCE.IT (UK) LTD
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROSOURCE.IT (UK) LTD
YEAR ENDED 30 JUNE 2013

We have audited the group and parent company financial statements ("the financial statements") of Prosource.IT (UK) Ltd for the year ended 30 June 2013 on pages 7 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at
[http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 30 June 2013 and of the group's 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.

Opinion on other matters prescribed by the Companies Act 2006

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

PROSOURCE.IT (UK) LTD
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROSOURCE.IT (UK) LTD *(continued)*
YEAR ENDED 30 JUNE 2013

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.

David Brookes

David Brookes, Senior Statutory Auditor
For and on behalf of

Baker Tilly Audit Limited, Statutory Auditor
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

Prior to 30 September 2013 Baker Tilly Audit Limited was named RSM Tenon Audit Limited.

31 MARCH 2014

PROSOURCE.IT (UK) LTD
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2013

		2013 £	2012 £
Group turnover	2	44,536,749	30,389,271
Cost of sales		(31,693,683)	(23,057,133)
Gross profit		<u>12,843,066</u>	<u>7,332,138</u>
Administrative expenses		(5,777,326)	(4,061,622)
Other operating income		17,286	-
Operating profit	3	<u>7,083,026</u>	<u>3,270,516</u>
Interest payable and similar charges	6	(90,440)	(12,129)
Profit on ordinary activities before taxation		<u>6,992,586</u>	<u>3,258,387</u>
Tax on profit on ordinary activities	7	(2,479,086)	(1,003,570)
Profit on ordinary activities after taxation		<u>4,513,500</u>	<u>2,254,817</u>
Minority interests	22	(299,654)	(183,039)
Profit attributable to members of the parent company	24	<u>4,213,846</u>	<u>2,071,778</u>
Profit for the financial year	24	<u>4,213,846</u>	<u>2,071,778</u>

All of the activities of the group are classed as continuing.

The company has taken advantage of section 408 of the Companies Act 2006
not to publish its own profit and loss account.

The notes on pages 12 to 27 form part of these financial statements.

PROSOURCE.IT (UK) LTD
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 JUNE 2013

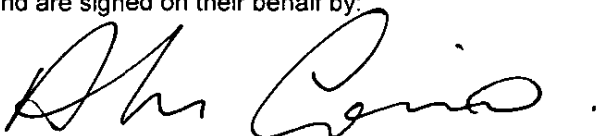
	2013 £	2012 £
Profit for the financial year attributable to the shareholders of the parent company	4,213,846	2,071,778
Foreign currency reserve movement	<u>(147,401)</u>	<u>(48,293)</u>
Total gains and losses recognised since the last annual report	<u>4,066,445</u>	<u>2,023,485</u>

The notes on pages 12 to 27 form part of these financial statements.

PROSOURCE.IT (UK) LTD
GROUP BALANCE SHEET
30 JUNE 2013

	Note	2013 £	2012 £
Fixed assets			
Intangible assets	10	696,194	669,508
Tangible assets	11	109,859	18,573
		<u>806,053</u>	<u>688,081</u>
Current assets			
Debtors	13	11,844,145	7,305,857
Cash at bank		583,512	114,133
		<u>12,427,657</u>	<u>7,419,990</u>
Creditors: Amounts falling due within one year	14	<u>(8,889,043)</u>	<u>(5,419,598)</u>
Net current assets		3,538,614	2,000,392
Creditors: Amounts falling due after more than one year	15	<u>(24,794)</u>	<u>(119,579)</u>
Total assets less liabilities		4,319,873	2,568,894
Provisions for liabilities			
Deferred tax	16	-	(251,347)
		<u>4,319,873</u>	<u>2,317,547</u>
Capital and reserves			
Called-up share capital	23	11,576	11,599
Share premium account	24	1,272,993	911,845
Share options reserve	24	101,894	76,357
Capital redemption reserve	24	1,227	1,171
Profit and loss account	24	2,721,946	1,193,796
Shareholders' funds	25	<u>4,109,636</u>	<u>2,194,768</u>
Minority interests	22	<u>210,237</u>	<u>122,779</u>
		<u>4,319,873</u>	<u>2,317,547</u>

These financial statements were approved by the directors and authorised for issue on 28th MARCH 2014 and are signed on their behalf by:



A Cowie
Director

The notes on pages 12 to 27 form part of these financial statements.

PROSOURCE.IT (UK) LTD
Registered Number SC242550

COMPANY BALANCE SHEET

30 JUNE 2013

	Note	2013 £	£	2012 £	£
Fixed assets					
Tangible assets	11		62,740		17,030
Investments	12		3,886		3,886
			<u>66,626</u>		<u>20,916</u>
Current assets					
Debtors	13	8,080,224		5,862,673	
Cash at bank		252,008		200	
		<u>8,332,232</u>		<u>5,862,873</u>	
Creditors: Amounts falling due within one year	14	<u>(5,057,421)</u>		<u>(4,370,741)</u>	
Net current assets			3,274,811		1,492,132
Total assets less current liabilities			<u>3,341,437</u>		<u>1,513,048</u>
Capital and reserves					
Called-up share capital	23		11,576		11,599
Share premium account	24		1,272,993		911,845
Share options reserve	24		101,894		76,357
Capital redemption reserve	24		1,227		1,171
Profit and loss account	24		1,953,747		512,076
Shareholders' funds	25		<u>3,341,437</u>		<u>1,513,048</u>

These financial statements were approved by the directors and authorised for issue on 28th MARCH 2014 and are signed on their behalf by:


A Cowie
Director

The notes on pages 12 to 27 form part of these financial statements.

PROSOURCE.IT (UK) LTD
GROUP CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2013

	Note	2013 £	2012 £
Net cash inflow from operating activities	26	1,589,521	2,441,096
Returns on investments and Servicing of finance			
Interest paid		(90,440)	(12,129)
Taxation		(1,069,915)	(536,356)
Capital expenditure			
Payment to acquire intangible fixed assets		-	(741,390)
Payments to acquire tangible fixed assets		(118,322)	(15,631)
Net cash outflow from capital expenditure		(118,322)	(757,021)
Equity dividends paid		(2,327,369)	(1,402,638)
Cash outflow before financing		(2,016,525)	(267,048)
Financing			
Issue of equity share capital		26,219	873,984
Purchase of own equity shares		(100,157)	(1,752,913)
Net cash outflow from financing		(73,938)	(878,929)
Decrease in cash	26	(2,090,463)	(1,145,977)

The notes on pages 12 to 27 form part of these financial statements.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over twenty years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Turnover

Turnover represents the invoiced value of employee placement services supplied by the company, net of value added tax.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Purchased goodwill	- 15 years
Consolidated goodwill	- 20 years

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost represents purchase price together with any incidental costs of acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Office equipment	- 33% straight line
Software	- 33% straight line

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

1. Accounting policies *(continued)*

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit. Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly.

Share-based payments

The company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the group's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No expense is recognised for awards that do not ultimately vest provided vesting is not conditional on market related conditions.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

1. Accounting policies *(continued)*

Investments

Investments are stated at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Employee benefit trusts

Trusts have been established for the benefit of company employees and certain of their dependants. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

Where monies held in a trust are determined by the company on the basis of employees' past services to the business and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the profit and loss account in the period to which they relate.

The company does not have de facto control of the trusts which have been established to date.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2013	2012
	£	£
United Kingdom	24,195,203	17,394,133
Europe	371,684	32,265
North America	18,940,603	11,258,574
Canada	179,013	119,119
Rest of the World	850,246	1,585,180
	<u>44,536,749</u>	<u>30,389,271</u>

3. Operating profit

Operating profit is stated after charging:

	2013	2012
	£	£
Equity-settled share-based payments	25,537	28,874
Amortisation	767	74,280
Depreciation of owned fixed assets	27,036	15,053
Auditor's remuneration	9,000	9,000
Operating lease costs:		
-Land and buildings	225,584	310,301
Net loss/(profit) on foreign currency translation	<u>31,463</u>	<u>(7,132)</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

4. Particulars of employees

The average number of staff employed by the group during the financial year amounted to:

	2013	2012
	No	No
Administrative staff	32	16
Commercial staff	2	3
Operational staff	365	254
	<u>399</u>	<u>273</u>

The aggregate payroll costs of the above were:

	2013	2012
	£	£
Wages and salaries	17,386,840	12,016,103
Social security costs	1,580,214	1,180,020
Other pension costs	889,494	369,272
Employee benefit trust	-	1,000,100
Share based payments	25,537	28,874
	<u>19,882,085</u>	<u>14,594,369</u>

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2013	2012
	£	£
Remuneration receivable	1,069,455	435,351
Value of company pension contributions to money purchase schemes	174,741	24,808
	<u>1,244,196</u>	<u>460,159</u>

Remuneration of highest paid director:

	2013	2012
	£	£
Total remuneration (excluding pension contributions)	<u>460,462</u>	<u>111,774</u>

The number of directors on whose behalf the company made pension contributions was as follows:

	2013	2012
	No	No
Money purchase schemes	<u>4</u>	<u>5</u>

6. Interest payable and similar charges

	2013	2012
	£	£
Interest payable on bank borrowing	<u>90,440</u>	<u>12,129</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2013 £	2012 £
UK taxation		
UK Corporation tax	984,536	552,588
Under provision in prior year	-	2,269
	<u>984,536</u>	<u>554,857</u>
Foreign tax		
Current tax on income for the year	1,494,550	448,713
	<u>2,479,086</u>	<u>1,003,570</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 23.75% (2012 - 26%).

	2013 £	2012 £
Profit on ordinary activities before taxation	<u>6,992,586</u>	<u>3,258,387</u>
Profit on ordinary activities by rate of tax	1,660,739	847,181
Effects of:		
Expenses not deductible for tax purposes	12,124	36,861
Capital allowances for year in excess of depreciation	(11,105)	(506)
Effect of different foreign tax rates	831,578	105,149
Adjustments to tax charge in respect of previous periods	-	2,269
Other short term timing differences	(14,250)	12,616
Total current tax (note 7(a))	<u>2,479,086</u>	<u>1,003,570</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

8. Profit attributable to members of the parent company

The after tax profit dealt with in the financial statements of the parent company was £3,979,966 (2012 - £2,219,484).

9. Dividends

Equity dividends

	2013 £	2012 £
Paid during the year		
Equity dividends on Ordinary shares type 'A'	1,505,529	594,288
Equity dividends on Ordinary shares type 'B'	391,380	245,644
Equity dividends on Ordinary shares type 'C'	77,198	72,113
Equity dividends on Ordinary shares type 'D'	122,491	48,352
Equity dividends on Ordinary shares type 'E'	441,641	223,473
Company dividends paid	2,538,239	1,183,870
Dividends paid to minority interests	224,193	218,768
Group dividends paid	<u>2,762,432</u>	<u>1,402,638</u>

10. Intangible fixed assets

Group	Consolidated Goodwill £	Purchased Goodwill £	Total £
Cost			
At 1 July 2012	2,821	741,390	744,211
Foreign exchange movement	-	25,076	25,076
At 30 June 2013	<u>2,821</u>	<u>766,466</u>	<u>769,287</u>
Amortisation			
At 1 July 2012	564	74,139	74,703
Charge for the year	141	626	767
Foreign exchange movement	-	(2,377)	(2,377)
At 30 June 2013	<u>705</u>	<u>72,388</u>	<u>73,093</u>
Net book value			
At 30 June 2013	<u>2,116</u>	<u>694,078</u>	<u>696,194</u>
At 30 June 2012	<u>2,257</u>	<u>667,251</u>	<u>669,508</u>

The company has no intangible fixed assets.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

11. Tangible fixed assets

Group	Office equipment £	Software £	Total £
Cost			
At 1 July 2012	74,577	-	74,577
Additions	79,067	39,255	118,322
At 30 June 2013	<u>153,644</u>	<u>39,255</u>	<u>192,899</u>
Depreciation			
At 1 July 2012	56,004	-	56,004
Charge for the year	26,059	977	27,036
At 30 June 2013	<u>82,063</u>	<u>977</u>	<u>83,040</u>
Net book value			
At 30 June 2013	<u>71,581</u>	<u>38,278</u>	<u>109,859</u>
At 30 June 2012	<u>18,573</u>	<u>-</u>	<u>18,573</u>
Company	Office equipment £	Software £	Total £
Cost			
At 1 July 2012	73,034	-	73,034
Additions	27,861	39,255	67,116
At 30 June 2013	<u>100,895</u>	<u>39,255</u>	<u>140,150</u>
Depreciation			
At 1 July 2012	56,004	-	56,004
Charge for the year	20,429	977	21,406
At 30 June 2013	<u>76,433</u>	<u>977</u>	<u>77,410</u>
Net book value			
At 30 June 2013	<u>24,462</u>	<u>38,278</u>	<u>62,740</u>
At 30 June 2012	<u>17,030</u>	<u>-</u>	<u>17,030</u>

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12. Investments

Company	Subsidiary undertakings £
Cost	
At 1 July 2012 and 30 June 2013	<u>3,886</u>
Net book value	
At 30 June 2013	<u>3,886</u>
At 30 June 2012	<u>3,886</u>

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings				
All held by the company:				
Prosource.IT Ltd	USA	Ordinary shares	78%	IT consultancy services
Prosource.IT Ltd	Canada	Ordinary shares	100%	IT consultancy services

13. Debtors

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Trade debtors	9,642,410	6,756,187	4,902,290	3,641,334
Amounts owed by group undertakings (note 19)	-	-	1,169,003	1,751,802
Other debtors	30,560	140,689	19,462	100,103
Directors' current accounts	10,000	-	10,000	-
Prepayments and accrued income	2,161,175	408,981	1,979,469	369,434
	<u>11,844,145</u>	<u>7,305,857</u>	<u>8,080,224</u>	<u>5,862,673</u>

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14. Creditors: Amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Invoice discounting facility	3,517,393	957,551	2,120,963	957,551
Trade creditors	862,038	887,853	639,287	562,562
Directors' loan accounts (note 19)	—	1,237,000	—	1,237,000
Corporation tax	2,116,501	455,983	735,543	307,076
Other taxation and social security	825,350	1,025,414	814,965	1,019,591
Other creditors	675,988	315,324	59,730	—
Accruals and deferred income	891,773	540,473	686,933	286,961
	<u>8,889,043</u>	<u>5,419,598</u>	<u>5,057,421</u>	<u>4,370,741</u>

The invoice discounting facility is secured over the trade debtors of the company and the group.

Included in other creditors of the company and group is an outstanding pension liability of £57,596 (2012: £49,472 included within accruals).

15. Creditors: Amounts falling due after more than one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Other creditors	<u>24,794</u>	<u>119,579</u>	<u>—</u>	<u>—</u>

16. Deferred taxation – group

The movement in the deferred taxation provision during the year was:

	2013	2012
	£	£
At 1 July 2012	251,347	—
Reclassify to current foreign tax	(251,347)	251,347
At 30 June 2013	<u>—</u>	<u>251,347</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2013	2012
	£	£
Short term timing differences	<u>—</u>	<u>251,347</u>
	<u>—</u>	<u>251,347</u>

There was no deferred tax asset or liability within the company as at 30 June 2012 and 30 June 2013.

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17. Share-based payments

Equity-settled share-based payments

The company has a share option scheme for all employees (including directors). Options are exercisable at a price equal to the average market price of the company's shares on the date of grant. The vesting condition for employees is that they must be an eligible employee, and have neither given nor received notice of termination of their employment, up until the vesting date which is the earlier of:

- I. The date falling thirty days prior to the tenth anniversary of the last date of execution hereof or
- II. The date falling thirty days prior to the completion date of the disposal or
- III. On such date as the board determine at their sole discretion.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

86,059 share options are outstanding at the year end, with a weighted average exercise price (WAEP) of £14.47.

	2013		2012	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	59,535.00	12.37	65,560.00	12.60
Granted during the year	37,639.00	17.93	—	—
Forfeited during the year	(7,549.00)	17.68	—	—
Exercised during the year	(3,566.00)	8.63	(6,025.00)	14.89
Outstanding at the end of the year	<u>86,059.00</u>	<u>14.47</u>	<u>59,535.00</u>	<u>12.37</u>
Exercisable at the end of the year	<u>54,320.00</u>	<u>12.45</u>	<u>59,535.00</u>	<u>12.37</u>

In the year ended 30 June 2013, options were granted with an estimated fair value of £109,878.

The fair value of the options granted during the year were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2013	2012
Weighted average share price - £	17.93	10.41
Weighted average exercise price - £	17.93	8.66
Expected volatility - %	53.00	53.00
Expected life - years	8.00	8.00
Risk free rate - %	2.18	2.14
Expected dividend yield - %	<u>10.84</u>	<u>12.00</u>

Expected volatility was determined by calculating the historical volatility of the company's share valuation over the previous 3 years. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the year there was a charge to the profit and loss account of £25,537 (2012: £28,874) in respect of share based payments.

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18. Commitments under operating leases

At 30 June 2013 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2013		2012	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	76,875	3,805	124,618	-
Within 1 to 5 years	123,902	-	73,702	-
	<u>200,777</u>	<u>3,805</u>	<u>198,320</u>	<u>-</u>

At 30 June 2013 the company had annual commitments under non-cancellable operating leases as set out below.

Company	2013		2012	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	25,600	2,560	81,842	-
Within 1 to 5 years	50,000	-	-	-
	<u>75,600</u>	<u>-</u>	<u>-</u>	<u>-</u>

19. Related party transactions – company and group

The entity has taken advantage of the exemptions in Financial Reporting Standard 8 not to disclose transactions between members of the group that are 100% owned by the parent company.

A Cowie, a director and shareholder of the company granted loans of £20,000 (2012: £123,662) during the year. At the year end A Cowie was due £nil (2012: £110,510) from the company and £10,000 (2012: £nil) to the company. The highest balance due from the company during the year was £110,510 (2012: £131,510).

S Mackie, a director and shareholder of the company, granted loans to the company of £nil (2012: £615,180). At the year end S Mackie was due £nil (2012: £540,180) from the company. The highest balance due from the company during the year was £540,180 (2012: £640,180).

S Proctor, a director and shareholder of the company, granted loans to the company of £nil (2012: £661,310). At the year end S Proctor was due £nil (2012: £586,310) from the company. The highest balance due from the company during the year was £586,310 (2012: £686,310).

As at 30 June 2013 Prosource.IT Ltd (USA) owed £1,011,471 (2012: £1,749,812) to Prosource.IT (UK) Ltd. During the year, Prosource.IT (UK) Ltd made sales to Prosource.IT Ltd (USA) of £1,542,622 (2012: £1,152,508) and purchases of £247,634 (2012: £546,873).

As at 30 June 2013 Prosource.IT Ltd (USA) owed £35,106 (2012: £8,319) to Prosource.IT Ltd (Canada). During the year, Prosource.IT Ltd (Canada) made sales to and purchases from Prosource.IT Ltd (USA) of £514,549 (2012: £314,619) and £nil (2012: £37,594)

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20. Contingent liabilities

The company has received assessments from HMRC requesting payment of £917,627 PAYE & NIC for the period 2009-12, but it disputes that this payment is due. In the event that HMRC are successful in their enquires, the PAYE and NIC payable would be deductible for corporation tax purposes.

The company plans to continue to defend its position and based on recent case law it has assessed that based on the legislation in place at the year-end it was not probable that it will require to settle the PAYE and NIC covered by these assessments. However, since the year end, further legislation has been issued which may affect future payments of PAYE.

21. Non-adjusting post balance sheet events

HMRC has released details of proposed measures to raise Payment Notices whilst enquiries continue. Whilst the company considers that should the legislation be enacted through the Finance Act 2014 it will be required to make a payment in the region of £1,430,000 by October 2014, it will continue to take professional advice and defend its position. The proposed legislation is a requirement to pay disputed tax liabilities on account, rather than as an ascertained liability, until the dispute is settled. If HMRC fails to win the argument, the money will be refunded with interest. A Corporation Tax deduction would be received on any tax liability finally established

22. Minority interest

Group	2013 £	2012 £
At 1 July 2012	122,779	173,781
Share of profit for the financial year	299,654	183,039
Equity dividends paid	(224,193)	(218,768)
Share of share premium movement	—	6,578
Foreign exchange movement	11,997	(21,851)
As at 30 June 2013	<u>210,237</u>	<u>122,779</u>

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23. Share capital

Allotted:

	2013		2012	
	No	£	No	£
660,320 Ordinary Class 'A' shares of £0.01 each	660,320	6,603.20	660,320	6,603.20
171,658 Ordinary Class 'B' shares of £0.01 each	171,658	1,716.58	171,658	1,716.58
42,281 Ordinary Class 'C' shares (2012: 38,980) of £0.01 each	42,281	422.81	38,980	389.80
53,724 Ordinary Class 'D' shares of £0.01 each	53,724	537.24	53,724	537.24
229,650 Ordinary Class 'E' shares (2012: 235,235) of £0.01 each	229,650	2,296.50	235,235	2,352.35
	<u>1,157,633</u>	<u>11,576.33</u>	<u>1,159,917</u>	<u>11,599.17</u>

The 'A', 'B', 'C', 'D' and 'E' Ordinary shares rank equally in all respects, except that the 'C' Ordinary shares do not carry voting rights and are subject to the rules of the Enterprise Management Incentive Scheme.

During the year the company issued 3,301 'C' Ordinary class shares which had a nominal value of £33.01 for proceeds of £26,219. These shares were fully paid as at 30 June 2013.

During the year the company issued 1 'E' Ordinary class share which had a nominal value of £0.01 for proceeds of £17.93. In respect of these shares issued in the year, only £5 had been paid by 30 June 2013.

The company also repurchased 5,586 'E' Ordinary class shares which had a nominal value of £55.86 for a total consideration of £100,157 during the year.

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24. Reserves

Group	Share premium account £	Capital redemption reserve £	Share options reserve £	Profit and loss account £
Balance brought forward	911,845	1,171	76,357	1,193,796
Profit for the year	-	-	-	4,213,846
Equity dividends	-	-	-	(2,762,432)
Equity dividends to minority interests	-	-	-	224,193
Foreign currency translation reserve	-	-	-	(147,401)
Other movements	-	-	-	-
New equity shares subscribed	461,248	-	-	-
Purchase of own shares	(100,101)	56	-	(56)
Recognition of equity-settled share-based payments in the year (note 17)	-	-	25,537	-
Balance carried forward	<u>1,272,993</u>	<u>1,227</u>	<u>101,894</u>	<u>2,721,946</u>
Company	Share premium account £	Capital redemption reserve £	Share options reserve £	Profit and loss account £
Balance brought forward	911,845	1,171	76,357	512,076
Profit for the year	-	-	-	3,979,966
Equity dividends	-	-	-	(2,538,239)
Other movements	-	-	-	-
New equity shares subscribed	461,248	-	-	-
Purchase of own shares	(100,101)	56	-	(56)
Recognition of equity-settled share-based payments in the year (note 17)	-	-	25,537	-
Balance carried forward	<u>1,272,993</u>	<u>1,227</u>	<u>101,894</u>	<u>1,953,747</u>

Details of the share transactions are given in note 23 to the financial statements.

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25. Reconciliation of movements in shareholders' funds

GROUP	2013		2012	
	£	£	£	£
Profit for the financial year		4,213,846		2,071,778
New equity share capital subscribed	461,282		873,984	
		461,282		873,984
Purchase of own ordinary shares	(100,157)		(1,752,913)	
Equity dividends	(2,762,432)		(1,183,870)	
Equity dividends to minority interests	224,193		218,768	
		(2,638,396)		(2,718,015)
Foreign currency translation reserve		(147,401)		(48,293)
Recognition of equity-settled share-based payments in the year (note 17)		25,537		28,874
Net addition to shareholders' funds		1,914,868		208,328
Opening shareholders' funds		2,194,768		1,986,440
Closing shareholders' funds		4,109,636		2,194,768

COMPANY	2013		2012	
	£	£	£	£
Profit for the financial year		3,979,966		2,219,484
New equity share capital subscribed	461,282		873,984	
		461,282		873,984
Purchase of own ordinary shares	(100,157)		(1,752,913)	
Equity dividends	(2,538,239)		(1,183,870)	
		(2,638,396)		(2,936,783)
Recognition of equity-settled share-based payments in the year (note 17)		25,537		28,874
Net addition to shareholders' funds		1,828,389		185,559
Opening shareholders' funds		1,513,048		1,327,489
Closing shareholders' funds		3,341,437		1,513,048

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26. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2013 £	2012 £
Operating profit	7,083,026	3,270,516
Amortisation	767	74,280
Depreciation	27,036	15,053
Increase in debtors	(4,538,288)	(2,084,604)
(Decrease)/Increase in creditors	(845,701)	981,723
Foreign exchange movements	(162,856)	155,254
Equity-settled share-based payments	25,537	28,874
Net cash inflow from operating activities	<u>1,589,521</u>	<u>2,441,096</u>

Reconciliation of net cash flow to movement in net (debt)/funds

	2013 £	2012 £
Decrease in cash in the year	(2,090,463)	(1,145,977)
Movement in net funds in the year	(2,090,463)	(1,145,977)
Net debt at 1 July 2012	(843,418)	302,559
Net debt at 30 June 2013	<u>(2,933,881)</u>	<u>(843,418)</u>

Analysis of changes in net debt

	At 1 July 2012 £	Cash flows £	At 30 June 2013 £
Cash:			
Cash in hand and at bank	114,133	469,379	583,512
Debt:			
Invoice discounting facilities	(957,551)	(2,559,842)	(3,517,393)
Net debt	<u>(843,418)</u>	<u>(2,090,463)</u>	<u>(2,933,881)</u>

27. Ultimate controlling party

In the opinion of the directors, the company has no ultimate controlling party.