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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Company Registration Number SC242550

PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

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PROSOURCE.IT (UK) LTD
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 JUNE 2014

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 UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Accountants	Baker Tilly Tax and Accounting Limited First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Bankers	Clydesdale Bank plc 1 Queens Cross Aberdeen AB15 4XU
Solicitors	Burness Paull 1 Union Wynd Aberdeen AB10 1SL

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2014

The directors present their report and the financial statements of the group for the year ended 30 June 2014.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £2,932,362 (2013: £4,213,846). 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.

Directors

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

C Adams
A Cowie
S Mackie
S Proctor
S Houston

Employee Involvement

The group's policy is to consult and discuss with employees at meetings matters likely to affect employees' interests. Information of matters of concern to employees is given through information and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group performance.

Equality

The group's policy is to provide equal opportunities to each employee. We do not discriminate when making decisions on hiring, promotion or retirement on the grounds of race, colour, gender, age, social class, religion, sexual orientation, politics or disability – subject to the inherent requirements of the role to be performed.

We are committed to providing training and development for people with disabilities, tailored where appropriate. If an employee becomes disabled whilst in our employment we will do our best to retain them and make appropriate adjustments and provisions.

Directors' report

Information regarding the strategy of the company has been disclosed in the Strategic Report (on page 4) instead of in the Directors' Report under s414c (11). This specifically relates to the Principal Activity, Review of the Business and future developments, principal risks and uncertainties, and going concern.

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2014

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.

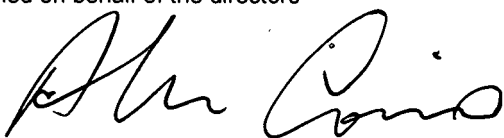
Donations

During the year the group made the following contributions:

	2014	2013
	£	£
Charitable	<u>4,627</u>	<u>11,916</u>

Baker Tilly UK Audit LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors



A Cowie
Director

Approved by the directors on 27th March 2015.

PROSOURCE.IT (UK) LTD
STRATEGIC REPORT
YEAR ENDED 30 JUNE 2014

Principal activities and business review

After a near trebling of revenues in the previous 36 months, prosource.it delivered a year of consolidation in 2013/14, with revenue flat for the 12 months ending June 30th.

On a constant currency basis, revenue rose by around 1.5%, but currency fluctuations (in particular the strengthening of the US Dollar) resulted in an almost identical audited turnover to the previous 12 months.

Significant new customer wins in the US, UK & Dubai contributed c.£3m of revenue which offset reductions caused by the natural conclusion of a series of large Windows 7 deployment projects successfully delivered in the US and the UK.

Further external recognition saw an acknowledgement of our recent years' growth with prosource measured as the 50th fastest growing International Sales business in the UK (Sunday Times) and the 33rd fastest growing business in Houston (Houston Business Journal). We were also recognised by the London Stock Exchange and the Daily Telegraph as a "Company to Inspire Britain".

We are pleased that our investment in Health & Safety and Compliance helped maintain our excellent track record with another year of zero workplace injuries and zero Code of Conduct breaches. Our ongoing commitment to Health, Safety & Compliance remains a fundamental element of our operating model.

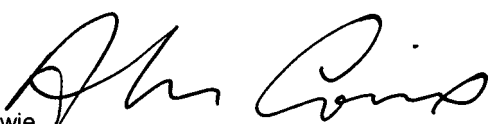
During the past year, prosource has increased its support to the Gathimba Edwards Foundation, becoming the principal sponsor of this fantastic charity which supports some of the neediest children in Africa. For more information, see www.prosource.it/gathimba-edwards-foundation.

prosource has grown in excess of 1700% over the past decade. Much of this growth has been supported by a buoyant Oil & Gas customer base and sector. As we look forward over the next 12-36 months, the outlook for our Oil & Gas customer base is challenging. The recent collapse of the oil price has highlighted the impact of material cost inflation within the sector and all of the Operators and Oil Support Companies are taking steps to address their cost base and to review their budgets. These uncertain times present an opportunity for prosource and we have traditionally performed well when the markets are challenged and looking for alternatives to deliver more service for less cost.

That said, the outlook for the year is likely to show a small contraction in our revenues for the 12 months to June 30 2015.

Our financial risk management policies are set out in the Directors' Report.

Signed on behalf of the directors


A Cowie
Director

Approved by the directors on 27th MARCH 2015

PROSOURCE.IT (UK) LTD
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROSOURCE.IT (UK) LTD
YEAR ENDED 30 JUNE 2014

We have audited the group and parent company financial statements ("the financial statements") on pages 7 to 28. 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 pages 2 to 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/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 30 June 2014 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 Strategic Report and 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 2014

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.



Alan Aitchison (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date:-

31/03/15

PROSOURCE.IT (UK) LTD
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2014

		2014 £	2013 £
Group turnover	2	44,536,050	44,536,749
Cost of sales		(34,065,733)	(31,693,683)
Gross profit		<u>10,470,317</u>	<u>12,843,066</u>
Administrative expenses		(5,856,143)	(5,777,326)
Other operating income		6,995	17,286
Operating profit	3	<u>4,621,169</u>	<u>7,083,026</u>
Interest payable and similar charges	6	(134,390)	(90,440)
Interest receivable		275	-
Profit on ordinary activities before taxation		<u>4,487,054</u>	<u>6,992,586</u>
Tax on profit on ordinary activities	7	(1,314,901)	(2,479,086)
Profit on ordinary activities after taxation		<u>3,172,153</u>	<u>4,513,500</u>
Minority interests	21	(239,791)	(299,654)
Profit attributable to members of the parent company	23	<u>2,932,362</u>	<u>4,213,846</u>
Profit for the financial year	23	<u><u>2,932,362</u></u>	<u><u>4,213,846</u></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 28 form part of these financial statements.

PROSOURCE.IT (UK) LTD
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 JUNE 2014

	2014 £	2013 £
Profit for the financial year attributable to the shareholders of the parent company	2,932,362	4,213,846
Foreign currency reserve movement	<u>(68,118)</u>	<u>(147,401)</u>
Total gains and losses recognised since the last annual report	<u>2,864,244</u>	<u>4,066,445</u>

The notes on pages 12 to 28 form part of these financial statements.

PROSOURCE.IT (UK) LTD

GROUP BALANCE SHEET

30 JUNE 2014

	Note	2014 £	2013 £
Fixed assets			
Intangible assets	10	646,803	696,194
Tangible assets	11	133,955	109,859
		<u>780,758</u>	<u>806,053</u>
Current assets			
Debtors	13	9,179,968	11,844,145
Cash at bank		689,465	583,512
		<u>9,869,433</u>	<u>12,427,657</u>
Creditors: Amounts falling due within one year	14	<u>(6,147,757)</u>	<u>(8,889,043)</u>
Net current assets		3,721,676	3,538,614
Creditors: Amounts falling due after more than one year	15	<u>-</u>	<u>(24,794)</u>
Total assets less liabilities		4,502,434	4,319,873
		<u>4,502,434</u>	<u>4,319,873</u>
Capital and reserves			
Called-up share capital	22	11,479	11,576
Share premium account	23	1,756,830	1,272,993
Share options reserve	23	83,765	101,894
Capital redemption reserve	23	1,324	1,227
Profit and loss account	23	2,351,493	2,721,946
Shareholders' funds	24	<u>4,204,891</u>	<u>4,109,636</u>
Minority interests	21	297,543	210,237
		<u>4,502,434</u>	<u>4,319,873</u>

These financial statements were approved by the directors and authorised for issue on 27/3/15 and are signed on their behalf by:



A Cowie
Director

The notes on pages 12 to 28 form part of these financial statements.

PROSOURCE.IT (UK) LTD

Registered Number SC242550

COMPANY BALANCE SHEET**30 JUNE 2014**

	Note	2014 £	2013 £
Fixed assets			
Tangible assets	11	65,623	62,740
Investments	12	14,741	3,886
		<u>80,364</u>	<u>66,626</u>
Current assets			
Debtors	13	8,292,476	8,080,224
Cash at bank		515,041	252,008
		<u>8,807,517</u>	<u>8,332,232</u>
Creditors: Amounts falling due within one year	14	<u>(5,398,723)</u>	<u>(5,057,421)</u>
Net current assets		3,408,794	3,274,811
Total assets less current liabilities		<u>3,489,158</u>	<u>3,341,437</u>
Capital and reserves			
Called-up share capital	22	11,479	11,576
Share premium account	23	1,756,830	1,272,993
Share options reserve	23	83,765	101,894
Capital redemption reserve	23	1,324	1,227
Profit and loss account	23	1,635,760	1,953,747
Shareholders' funds	24	<u>3,489,158</u>	<u>3,341,437</u>

These financial statements were approved by the directors and authorised for issue on 27/03/15 and are signed on their behalf by:


A Cowie
Director

The notes on pages 12 to 28 form part of these financial statements.

PROSOURCE.IT (UK) LTD
GROUP CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2014

		2014		2013	
	Note	£	£	£	£
Net cash inflow from operating activities	25		8,638,286		1,589,521
Returns on investments and Servicing of finance					
Interest paid		(134,390)		(90,440)	
Interest receivable		275		-	
			(134,115)		(90,440)
Taxation			(2,925,982)		(1,069,915)
Capital expenditure					
Payment to acquire intangible fixed assets		-		-	
Payments to acquire tangible fixed assets		(88,908)		(118,322)	
Net cash outflow from capital expenditure			(88,908)		(118,322)
Equity dividends paid			(3,392,813)		(2,327,369)
Cash outflow before financing			2,096,468		(2,016,525)
Financing					
Issue of equity share capital		483,837		26,219	
Repurchase of equity shares		(97)		(100,157)	
Invoice discounting		(2,474,255)		-	
Net cash outflow from financing			(1,990,515)		(73,938)
Increase / (Decrease) in cash	25		105,953		(2,090,463)

The notes on pages 12 to 28 form part of these financial statements.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

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. 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.

Going Concern

The accounts for the year ended 30 June 2014 have been prepared on a going concern basis. The directors have reviewed forecasts and contracts and have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The accounts for the year to 30 June 2014 include a provision of £1.43m in respect of PAYE liabilities arising from Employee Benefit Trusts following the enactment of the Finance Act 2014. Payment Notices have not yet been received however are anticipated following March 2015, the Directors are actively managing this potential liability and are managing the payment of dividends and the invoice discounting account to enable payment on receipt of Payment Notices. The group does not require loan facilities. As a result the directors are satisfied that it is appropriate to adopt the going concern basis of accounting.

Turnover

Turnover represents the invoiced value of employment placement services supplied by the group net of value added tax. Turnover is recognised when the service is delivered appropriate to the stage of completion of the contract.

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

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

1. Accounting policies *(continued)*

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

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

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

- 1. Accounting policies** *(continued)*
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.

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.

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.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

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:

	2014	2013
	£	£
United Kingdom	27,224,859	24,195,203
Europe	-	371,684
North America	17,017,132	18,940,603
Canada	198,249	179,013
Middle East	95,810	-
Rest of the World	-	850,246
	<u>44,536,050</u>	<u>44,536,749</u>

3. Operating profit

Operating profit is stated after charging:

	2014	2013
	£	£
Equity-settled share-based payments	22,048	25,537
Amortisation	49,391	767
Depreciation of owned fixed assets	64,812	27,036
Auditor's remuneration	16,000	9,000
Non audit fees payable to entities related to Baker Tilly UK Audit LLP	10,650	-
Operating lease costs:		
-Land and buildings	118,076	225,584
Net loss/(profit) on foreign currency translation	<u>68,118</u>	<u>31,463</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

4. Particulars of employees

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

	2014	2013
	No	No
Administrative staff	40	32
Commercial staff	-	2
Operational staff	358	365
	<u>398</u>	<u>399</u>

The aggregate payroll costs of the above were:

	2014	2013
	£	£
Wages and salaries	16,989,493	17,386,840
Social security costs	930,052	1,580,214
Other pension costs	894,434	889,494
Share based payments	22,048	25,537
	<u>18,836,027</u>	<u>19,882,085</u>

5. Directors' remuneration

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

	2014	2013
	£	£
Remuneration receivable	1,358,547	1,069,455
Value of company pension contributions to money purchase schemes	60,310	174,741
	<u>1,418,857</u>	<u>1,244,196</u>

Remuneration of highest paid director:

	2014	2013
	£	£
Total remuneration (excluding pension contributions)	<u>682,534</u>	<u>460,462</u>

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

	2014	2013
	No	No
Money purchase schemes	<u>4</u>	<u>4</u>

6. Interest payable and similar charges

	2014	2013
	£	£
Interest payable on bank borrowing	<u>134,390</u>	<u>90,440</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2014 £	2013 £
UK taxation		
UK Corporation tax	639,552	984,536
Over provision in prior year	(8,209)	-
	<u>631,343</u>	<u>984,536</u>
Foreign tax		
Current tax on income for the year	683,558	1,494,550
	<u>1,314,901</u>	<u>2,479,086</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 22.50% (2013 – 23.75%).

	2014 £	2013 £
Profit on ordinary activities before taxation	<u>4,487,054</u>	<u>6,992,586</u>
Profit on ordinary activities by rate of tax	1,009,636	1,660,739
Effects of:		
Non-taxable income	(608,191)	-
Unrelieved tax losses & other deductions arising in the period	17,730	-
Expenses not deductible for tax purposes	628,155	12,124
Capital allowances for year in excess of depreciation	(1,291)	(11,105)
Effect of different foreign tax rates	277,442	831,578
Adjustments to tax charge in respect of previous periods	(8,209)	-
Other short term timing differences	(371)	(14,250)
Total current tax (note 7(a))	<u>1,314,901</u>	<u>2,479,086</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

8. Profit attributable to members of the parent company

The after tax profit dealt with in the financial statements of the parent company was £2,916,710 (2013 - £3,979,966).

9. Dividends

Equity dividends

	2014 £	2013 £
Paid during the year		
Equity dividends on Ordinary shares type 'A'	1,835,690	1,505,529
Equity dividends on Ordinary shares type 'B'	477,209	391,380
Equity dividends on Ordinary shares type 'C'	125,208	77,198
Equity dividends on Ordinary shares type 'D'	149,353	122,491
Equity dividends on Ordinary shares type 'E'	687,317	441,641
	<u>3,274,777</u>	<u>2,538,239</u>
Company dividends paid		
	118,036	224,193
	<u>3,392,813</u>	<u>2,762,432</u>

10. Intangible fixed assets

Group	Consolidated Goodwill £	Purchased Goodwill £	Total £
Cost			
At 1 July 2013	2,821	766,466	769,287
At 30 June 2014	<u>2,821</u>	<u>766,466</u>	<u>769,287</u>
Amortisation			
At 1 July 2013	705	72,388	73,093
Charge for the year	141	49,250	49,391
At 30 June 2014	<u>846</u>	<u>121,638</u>	<u>122,484</u>
Net book value			
At 30 June 2014	<u>1,975</u>	<u>644,828</u>	<u>646,803</u>
At 30 June 2013	<u>2,116</u>	<u>694,078</u>	<u>696,194</u>

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11. Tangible fixed assets

Group	Office equipment £	Software £	Total £
Cost			
At 1 July 2013	153,644	39,255	192,899
Additions	88,908	-	88,908
Disposals	(3,327)	-	(3,327)
At 30 June 2014	<u>239,225</u>	<u>39,255</u>	<u>278,480</u>
Depreciation			
At 1 July 2013	82,063	977	83,040
Charge for the year	51,858	12,954	64,812
On disposals	(3,327)	-	(3,327)
At 30 June 2014	<u>130,594</u>	<u>13,931</u>	<u>144,525</u>
Net book value			
At 30 June 2014	<u>108,631</u>	<u>25,324</u>	<u>133,955</u>
At 30 June 2013	<u>71,581</u>	<u>38,278</u>	<u>109,859</u>
Company			
	Office equipment £	Software £	Total £
Cost			
At 1 July 2013	100,895	39,255	140,150
Additions	50,404	-	50,404
Disposals	(3,327)	-	(3,327)
At 30 June 2014	<u>147,972</u>	<u>39,255</u>	<u>187,227</u>
Depreciation			
At 1 July 2013	76,433	977	77,410
Charge for the year	34,567	12,954	47,521
On disposals	(3,327)	-	(3,327)
At 30 June 2014	<u>107,673</u>	<u>13,931</u>	<u>121,604</u>
Net book value			
At 30 June 2014	<u>40,299</u>	<u>25,324</u>	<u>65,623</u>
At 30 June 2013	<u>24,462</u>	<u>38,278</u>	<u>62,740</u>

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12. Investments

Company	Subsidiary undertakings £
Cost	
At 1 July 2013	3,886
Additions	<u>10,855</u>
At 30 June 2014	<u>14,741</u>
Net book value	
At 30 June 2014	14,741
At 30 June 2013	<u>3,886</u>

During the year, shares in ProSource.IT Limited, a company incorporated in Dubai, were acquired.

	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
Prosource.IT Ltd	Dubai	Ordinary shares	100%	IT consultancy services

13. Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	5,418,777	9,642,410	3,462,060	4,902,290
Amounts owed by group undertakings (note 19)	-	-	1,224,626	1,169,003
Other debtors	960,490	30,560	947,351	19,462
Directors' current accounts	-	10,000	-	10,000
Prepayments and accrued income	2,800,701	2,161,175	2,658,439	1,979,469
	<u>9,179,968</u>	<u>11,844,145</u>	<u>8,292,476</u>	<u>8,080,224</u>

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14. Creditors: Amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Invoice discounting facility	1,043,138	3,517,393	1,043,138	2,120,963
Trade creditors	863,110	862,038	716,046	639,287
Amounts owed to group undertakings	–	–	2,991	–
Corporation tax	505,420	2,116,501	179,002	735,543
Other taxation and social security	2,486,179	825,350	2,438,511	814,965
Other creditors	234,934	675,988	55,947	59,730
Accruals and deferred income	1,014,976	891,773	963,088	686,933
	<u>6,147,757</u>	<u>8,889,043</u>	<u>5,398,723</u>	<u>5,057,421</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 £55,947 (2013: £57,596 included within accruals).

Included in other taxation and social security is a provision for a £1,430,000 taxation payment. The company disputes that this is due, but it may be required to make a payment on account until the dispute is settled.

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

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Other creditors	<u>–</u>	<u>24,794</u>	<u>–</u>	<u>–</u>

16. Deferred taxation – group

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

	2014	2013
	£	£
At 1 July 2013	–	251,347
Reclassify to current foreign tax	–	(251,347)
At 30 June 2014	<u>–</u>	<u>–</u>

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

	2014	2013
	£	£
Short term timing differences	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

There was no deferred tax asset or liability within the company as at 30 June 2013 and 30 June 2014.

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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.

83,039 share options are outstanding at the year end, with a weighted average exercise price (WAEP) of £14.37.

	2014		2013	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	86,059.00	14.47	59,535.00	12.37
Granted during the year	0.00	0.00	37,639.00	17.93
Forfeited during the year	(3,020.00)	17.24	(7,549.00)	17.68
Exercised during the year	0.00	0.00	(3,566.00)	8.63
Outstanding at the end of the year	<u>83,039.00</u>	<u>14.37</u>	<u>86,059.00</u>	<u>14.47</u>
Exercisable at the end of the year	<u>83,039.00</u>	<u>14.37</u>	<u>54,320.00</u>	<u>12.45</u>

Fair value of options granted are calculated using the Black-Scholes pricing model. No options were granted in the year to 30 June 2014.

	2014	2013
Weighted average share price - £	n/a	17.93
Weighted average exercise price - £	n/a	17.93
Expected volatility - %	n/a	53.00
Expected life - years	n/a	8.00
Risk free rate - %	n/a	2.18
Expected dividend yield - %	<u>n/a</u>	<u>10.84</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 £22,048 (2013: £25,537) in respect of share based payments.

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18. Commitments under operating leases

At 30 June 2014 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2014		2013	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	36,939	7,740	76,875	3,805
Within 1 to 5 years	144,965	5,120	123,902	–
	<u>181,904</u>	<u>12,860</u>	<u>200,777</u>	<u>3,805</u>

At 30 June 2014 the company had annual commitments under non-cancellable operating leases as set out below.

Company	2014		2013	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	19,200	7,740	25,600	2,560
Within 1 to 5 years	88,400	5,120	50,000	–
	<u>107,600</u>	<u>12,860</u>	<u>75,600</u>	<u>2,560</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 £nil (2013: £20,000) during the year. At the year end A Cowie was due £nil (2013: £nil) from the company and £nil (2013: £10,000) to the company. The highest balance due from the company during the year was £nil (2013: £110,510).

S Mackie, a director and shareholder of the company, granted loans to the company of £nil (2013: £nil). At the year end S Mackie was due £nil (2013: £nil) from the company. The highest balance due from the company during the year was £nil (2013: £540,180).

S Proctor, a director and shareholder of the company, granted loans to the company of £nil (2013: £nil). At the year end S Proctor was due £nil (2013: £nil) from the company. The highest balance due from the company during the year was £nil (2013: £586,310).

As at 30 June 2014 Prosource.IT Ltd (USA) owed £392,848 (2013: £1,011,471) to Prosource.IT (UK) Ltd. Prosource.IT Ltd (UK) owed £79,632 (2013: £nil) to Prosource.IT (USA) Ltd. During the year, Prosource.IT (UK) Ltd made sales to Prosource.IT Ltd (USA) of £1,969,960 (2013: £1,542,622) and purchases of £237,563 (2013: £247,634).

As at 30 June 2014 Prosource.IT Ltd (USA) owed £nil (2013: £35,106) to Prosource.IT Ltd (Canada). Prosource.IT Ltd (Canada) owed £49,692 (2013: £nil) to Prosource.IT Ltd (USA). During the year, Prosource.IT Ltd (Canada) made sales to and purchases from Prosource.IT Ltd

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(USA) of £4,004 (2013: £514,549) and £967 (2013: £nil).

As at 30 June 2014 Prosource.IT Ltd (Canada) owed £149,059 (2013: £nil) to Prosource.IT (UK) Ltd. During the year, Prosource.IT (UK) Ltd made sales to Prosource.IT Ltd (Canada) of £140,281 (2013: £nil).

As at 30 June 2014 Prosource.IT Ltd (UK) has a loan balance of £2,991 (2013: £nil) to Prosource.IT Ltd (Dubai). During the year, Prosource.IT Ltd (Dubai) made sales to Prosource.IT Ltd (Dubai) of £24,509 (2013: £nil).

20. Contingent liabilities

The company has received indications that HMRC will be requesting payment of £1,430,000, but it disputes that this payment is due. Further potential liability of £461,000 may be introduced once the NIC Bill receives Royal Assent.

The company plans to continue to defend its position, but may be required to make a payment on account until the dispute is settled.

In the event that HMRC are successful in their enquiries, the PAYE and NIC would be deductible for corporation tax purposes.

21. Minority interest

Group	2014 £	2013 £
At 1 July 2013	210,237	122,779
Share of profit for the financial year	239,791	299,654
Equity dividends paid	(118,036)	(224,193)
Foreign exchange movement	(34,449)	11,997
As at 30 June 2014	<u>297,543</u>	<u>210,237</u>

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22. Share capital

Group and Company

Allotted:

	2014		2013	
	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
40,884 Ordinary Class 'C' shares (2013: 42,281) of £0.01 each	40,884	408.84	42,281	422.81
53,724 Ordinary Class 'D' shares of £0.01 each	53,724	537.24	53,724	537.24
221,271 Ordinary Class 'E' shares (2013: 229,650) of £0.01 each	221,271	2,212.71	229,650	2,296.50
	<u>1,147,857</u>	<u>11,478.57</u>	<u>1,157,633</u>	<u>11,576.33</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.

The 'E' shares were issued subject to further amounts due on them. The Board will make calls at the same time dividends are due on the 'E' shares. Dividends on the 'E' shares representing the unpaid element are included in share premium (see note 23).

During the year the company repurchased 1,397 'C' Ordinary class shares which had a nominal value of £13.97 for a total consideration of £25,048 during the year.

During the year the company also repurchased 8,379 'E' Ordinary class shares which had a nominal value of £83.79 for a total consideration of £150,026 during the year.

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23. Reserves

Group	Share premium account £	Capital redemption reserve £	Share options reserve £	Profit and loss account £
Balance brought forward	1,272,993	1,227	101,894	2,721,946
Profit for the year	–	–	–	2,932,362
Equity dividends	–	–	–	(3,392,813)
Equity dividends to minority interests	–	–	–	118,036
Foreign currency translation reserve	–	–	–	(68,118)
Other movements	–	–	(40,177)	40,177
Dividend on part paid E shares	658,813	–	–	–
Purchase of own shares	(174,976)	97	–	(97)
Recognition of equity-settled share-based payments in the year (note 17)	–	–	22,048	–
Balance carried forward	<u>1,756,830</u>	<u>1,324</u>	<u>83,765</u>	<u>2,351,493</u>
Company	Share premium account £	Capital redemption reserve £	Share options reserve £	Profit and loss account £
Balance brought forward	1,272,993	1,227	101,894	1,953,747
Profit for the year	–	–	–	2,916,710
Equity dividends	–	–	–	(3,274,777)
Other movements	–	–	(40,177)	40,177
Dividend on part paid E shares	658,813	–	–	–
Purchase of own shares	(174,976)	97	–	(97)
Recognition of equity-settled share-based payments in the year (note 17)	–	–	22,048	–
Balance carried forward	<u>1,756,830</u>	<u>1,324</u>	<u>83,765</u>	<u>1,635,760</u>

Details of the share transactions are given in note 22 to the financial statements.

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24. Reconciliation of movements in shareholders' funds

Group	2014		2013	
	£	£	£	£
Profit for the financial year		2,932,362		4,213,846
Movements in share premium	483,837		461,282	
		483,837		461,282
Purchase of own ordinary shares	(97)		(100,157)	
Equity dividends	(3,392,813)		(2,762,432)	
Equity dividends to minority interests	118,036		224,193	
		(3,274,874)		(2,638,396)
Foreign currency translation reserve		(68,118)		(147,401)
Recognition of equity-settled share-based payments in the year (note 17)		22,048		25,537
Net addition to shareholders' funds		95,255		1,914,868
Opening shareholders' funds		4,109,636		2,194,768
Closing shareholders' funds		<u>4,204,891</u>		<u>4,109,636</u>

Company	2014		2013	
	£	£	£	£
Profit for the financial year		2,916,710		3,979,966
Movements in share premium	483,837		461,282	
		483,837		461,282
Purchase of own ordinary shares	(97)		(100,157)	
Equity dividends	(3,274,777)		(2,538,239)	
		(3,274,874)		(2,638,396)
Recognition of equity-settled share-based payments in the year (note 17)		22,048		25,537
Net addition to shareholders' funds		147,721		1,828,389
Opening shareholders' funds		3,341,437		1,513,048
Closing shareholders' funds		<u>3,489,158</u>		<u>3,341,437</u>

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25. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2014 £	2013 £
Operating profit	4,621,169	7,083,026
Amortisation	49,391	767
Depreciation	64,812	27,036
Decrease / (Increase) in debtors	2,664,177	(4,538,288)
Increase / (Decrease) in creditors	1,319,256	(845,701)
Foreign exchange movements	(68,118)	(162,856)
Equity-settled share-based payments	22,048	25,537
Movement on minority interest from non-consolidation	(34,449)	-
Net cash inflow from operating activities	<u>8,638,286</u>	<u>1,589,521</u>

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

	2014 £	2013 £
Decrease in cash in the year	2,580,208	(2,090,463)
Movement in net funds in the year	<u>2,580,208</u>	<u>(2,090,463)</u>
Net debt at 1 July 2013	(2,933,881)	(843,418)
Net debt at 30 June 2014	<u>(353,673)</u>	<u>(2,933,881)</u>

Analysis of changes in net debt

	At 1 July 2013 £	Cash flows £	At 30 June 2014 £
Cash:			
Cash in hand and at bank	583,512	105,953	689,465
Debt:			
Invoice discounting facilities	(3,517,393)	2,474,255	(1,043,138)
Net debt	<u>(2,933,881)</u>	<u>2,580,208</u>	<u>(353,673)</u>

26. Ultimate controlling party

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