

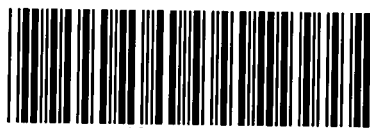
**PROSOURCE.IT (UK) LTD AND SUBSIDIARY
UNDERTAKINGS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Company Registration Number SC242550

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PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2015

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PROSOURCE.IT (UK) LTD
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 JUNE 2015

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	RSM UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Accountants	RSM UK 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 2015

The directors present their report and the financial statements of the group for the year ended 30 June 2015.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £2,897,356 (2014: £2,932,362). 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 regular 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 2015

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 group and the company 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;
- 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 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.

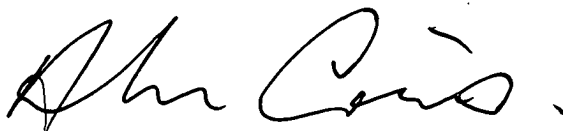
Donations

During the year the group made the following contributions:

	2015	2014
	£	£
Charitable	<u>16,149</u>	<u>4,627</u>

A resolution to reappoint RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) 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 30/3/16

PROSOURCE.IT (UK) LTD
STRATEGIC REPORT
YEAR ENDED 30 JUNE 2015

Principal activities and business review

The 1700% growth of prosource between 2004 and 2014 was supported by a buoyant Oil & Gas ("O&G") customer base and sector. With the crash in oil prices that was experienced at the end of 2014 and through 2015, our customers sought to reduce their cost base and minimise discretionary spend. Consequently, the challenge for prosource during this period was to demonstrate that its O&G expertise, combined with its flexibility, customer focus and nimbleness could deliver value add and value for money, even in times of austerity.

Heading into 2015, we did anticipate a small contraction in revenues and this was indeed the case, with Group revenues falling by 10.7%. However, in our home market in the UK, that contraction was contained to just 5.3% as we managed to add extra services and new customers to offset the spend and rate reductions required by the majority of our O&G customers.

In response to the challenging conditions, we took a number of steps to reduce our own cost base, including the reduction in the number of functional support staff and tight control of discretionary spend. This cost management aligned with ongoing business wins and customer expansion allowed us to maintain Group pre-tax profits at just under 10%.

Despite the commercial distractions and the uncertainty that causes, we thank our staff for continuing excellent HSSE performance 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.

Again, despite the economic challenges, prosource maintains its support for the Gathimba Edwards Foundation, remaining 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.

Future Developments

As we look towards 2016, we see another year of belt-tightening in the O&G marketplace and with the majority of our customers. Nevertheless, the cost management and business successes that we have achieved during 2015 along with the pipeline of activity that we have for the next 3 or 4 quarters justifies optimism that we are well positioned to endure the challenge, with a reasonable prospect of single digit UK growth in 2015-16.

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

Approved and signed on behalf of the directors


A Cowie
Director

Approved by the directors on 30/3/16

PROSOURCE.IT (UK) LTD
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROSOURCE.IT (UK) LTD
YEAR ENDED 30 JUNE 2015

We have audited the group and parent company financial statements ("the financial statements") 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 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 (APB'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 2015 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 2015

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.

RSll OK checked

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

Date:-

31/05/16

PROSOURCE.IT (UK) LTD
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2015

		2015 £	2014 £
Group turnover	2	39,753,107	44,536,050
Cost of sales		(29,898,917)	(34,065,733)
Gross profit		<u>9,854,190</u>	<u>10,470,317</u>
Administrative expenses		(5,661,878)	(5,856,143)
Other operating income		6,693	6,995
Operating profit	3	<u>4,199,005</u>	<u>4,621,169</u>
Interest payable and similar charges	6	(70,207)	(134,390)
Interest receivable		1,568	275
Profit on ordinary activities before taxation		<u>4,130,366</u>	<u>4,487,054</u>
Tax on profit on ordinary activities	7	(1,049,016)	(1,314,901)
Profit on ordinary activities after taxation		<u>3,081,350</u>	<u>3,172,153</u>
Minority interests	18	(183,994)	(239,791)
Profit attributable to members of the parent company	20	<u>2,897,356</u>	<u>2,932,362</u>
Profit for the financial year	20	<u><u>2,897,356</u></u>	<u><u>2,932,362</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 27 form part of these financial statements.

PROSOURCE.IT (UK) LTD
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 JUNE 2015

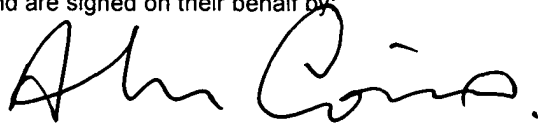
	2015 £	2014 £
Profit for the financial year attributable to the shareholders of the parent company	2,897,356	2,932,362
Foreign currency reserve movement	<u>(107,273)</u>	<u>(68,118)</u>
Total gains and losses recognised since the last annual report	<u>2,790,083</u>	<u>2,864,244</u>

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

PROSOURCE.IT (UK) LTD
GROUP BALANCE SHEET
30 JUNE 2015

	Note	2015 £	£	2014 £	£
Fixed assets					
Intangible assets	10		597,333		646,803
Tangible assets	11		82,548		133,955
			<u>679,881</u>		<u>780,758</u>
Current assets					
Debtors	13	9,063,009		9,179,968	
Cash at bank		434,296		689,465	
		<u>9,497,305</u>		<u>9,869,433</u>	
Creditors: Amounts falling due within one year	14	<u>(6,140,775)</u>		<u>(6,147,757)</u>	
Net current assets			<u>3,356,530</u>		<u>3,721,676</u>
Total assets less liabilities			<u>4,036,411</u>		<u>4,502,434</u>
			<u>4,036,411</u>		<u>4,502,434</u>
Capital and reserves					
Called-up share capital	19		11,486		11,479
Share premium account	20		2,201,315		1,756,830
Share options reserve	20		150,996		83,765
Capital redemption reserve	20		1,324		1,324
Profit and loss account	20		1,416,678		2,351,493
Shareholders' funds	21		<u>3,781,799</u>		<u>4,204,891</u>
Minority interests	18		<u>254,612</u>		<u>297,543</u>
			<u>4,036,411</u>		<u>4,502,434</u>

These financial statements were approved by the directors and authorised for issue on 30/3/16 and are signed on their behalf by:



A Cowie
Director

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

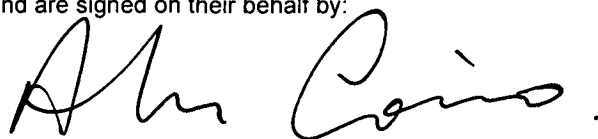
PROSOURCE.IT (UK) LTD

Registered Number SC242550

COMPANY BALANCE SHEET**30 JUNE 2015**

	Note	2015 £	£	2014 £	£
Fixed assets					
Tangible assets	11		36,760		65,623
Investments	12		10,906		14,741
			<u>47,666</u>		<u>80,364</u>
Current assets					
Debtors	13	7,946,693		8,292,476	
Cash at bank		178,246		515,041	
		<u>8,124,939</u>		<u>8,807,517</u>	
Creditors: Amounts falling due within one year	14	<u>(5,448,341)</u>		<u>(5,398,723)</u>	
Net current assets			2,676,598		3,408,794
Total assets less current liabilities			<u>2,724,264</u>		<u>3,489,158</u>
Capital and reserves					
Called-up share capital	19		11,486		11,479
Share premium account	20		2,201,315		1,756,830
Share options reserve	20		63,126		83,765
Capital redemption reserve	20		1,324		1,324
Profit and loss account	20		447,013		1,635,760
Shareholders' funds	21		<u>2,724,264</u>		<u>3,489,158</u>

These financial statements were approved by the directors and authorised for issue on 30/3/16 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 2015

	Note	2015		2014	
		£	£	£	£
Net cash inflow from operating activities	22		4,810,253		8,638,286
Returns on investments and Servicing of finance					
Interest paid		(70,207)		(134,390)	
Interest receivable		<u>1,568</u>		<u>275</u>	
			(68,639)		(134,115)
Taxation			(1,570,449)		(2,925,982)
Capital expenditure					
Payments to acquire tangible fixed assets		<u>(15,701)</u>		<u>(88,908)</u>	
Net cash outflow from capital expenditure			(15,701)		(88,908)
Equity dividends paid			(4,019,632)		(3,392,813)
Cash outflow before financing			<u>(864,168)</u>		<u>(2,096,468)</u>
Financing					
Issue of equity share capital		444,597		483,837	
Repurchase of equity shares		(105)		(97)	
Invoice discounting		<u>164,507</u>		<u>(2,474,255)</u>	
Net cash inflow / (outflow) from financing			608,999		(1,990,515)
(Decrease) / Increase in cash	22		<u>(255,169)</u>		<u>105,953</u>

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 2015

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 up to 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 2015 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 2015 include a provision of £1.892m in respect of disputed PAYE liabilities. APN notices were received post year-end and the Directors are actively managing the company's reserves, cash flow and invoice discounting facility to accommodate these PAYE payments along with scheduled dividend distributions. Company reserves and cash flow are sufficient to meet the payment schedule without requiring 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 managed 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 impractical 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 2015

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 on market related conditions.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2015

1. Accounting policies *(continued)*

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.

Retirement Benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2015

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:

	2015	2014
	£	£
United Kingdom	25,107,073	27,224,859
Europe	64,050	-
North America	14,063,922	17,017,132
Canada	655	198,249
Middle East	512,007	95,810
Rest of the World	5,400	-
	<u>39,753,107</u>	<u>44,536,050</u>

3. Operating profit

Operating profit is stated after charging:

	2015	2014
	£	£
Equity-settled share-based payments	(697)	22,048
Amortisation	49,470	49,391
Depreciation of owned fixed assets	65,527	64,812
Auditor's remuneration	18,000	16,000
Non audit fees payable to entities related to RSM UK Audit LLP	22,364	10,650
Operating lease costs:		
- Land and buildings	<u>210,167</u>	<u>118,076</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2015

4. Particulars of employees

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

	2015	2014
	No	No
Administrative staff	28	40
Operational staff	278	358
	<u>306</u>	<u>398</u>

The aggregate payroll costs of the above were:

	2015	2014
	£	£
Wages and salaries	17,120,509	16,989,493
Social security costs	2,250,720	930,052
Other pension costs	964,290	894,434
Share based payments	(697)	22,048
	<u>20,334,822</u>	<u>18,836,027</u>

5. Directors' remuneration

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

	2015	2014
	£	£
Remuneration receivable	1,100,428	1,358,547
Value of company pension contributions to money purchase schemes	119,722	60,310
	<u>1,220,150</u>	<u>1,418,857</u>

Remuneration of highest paid director:

	2015	2014
	£	£
Total remuneration (excluding pension contributions)	<u>587,750</u>	<u>682,534</u>

No share options were exercised by the highest paid director.

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

	2015	2014
	No	No
Money purchase schemes	<u>4</u>	<u>4</u>

6. Interest payable and similar charges

	2015	2014
	£	£
Interest payable on bank borrowing	<u>70,207</u>	<u>134,390</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2015

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2015 £	2014 £
UK taxation		
UK Corporation tax	532,431	639,552
Over provision in prior year	-	(8,209)
	<u>532,431</u>	<u>631,343</u>
Foreign tax		
Current tax on income for the year	516,585	683,558
	<u>1,049,016</u>	<u>1,314,901</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 20.75% (2014 – 22.50%).

	2015 £	2014 £
Profit on ordinary activities before taxation	<u>4,130,366</u>	<u>4,487,054</u>
Profit on ordinary activities by rate of tax	857,030	1,009,636
Effects of:		
Non-taxable income	(666,353)	(608,191)
Unrelieved tax losses & other deductions arising in the period	-	17,730
Expenses not deductible for tax purposes	699,011	628,155
Capital allowances for year in excess of depreciation	6,236	(1,291)
Effect of different foreign tax rates	174,810	277,442
Adjustments to tax charge in respect of previous periods	-	(8,209)
Other short term timing differences	(21,718)	(371)
Total current tax (note 7(a))	<u>1,049,016</u>	<u>1,314,901</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2015

8. Profit attributable to members of the parent company

The after tax profit dealt with in the financial statements of the parent company was £2,536,151 (2014 - £2,916,710).

9. Dividends

Equity dividends

	2015 £	2014 £
Paid during the year		
Equity dividends on Ordinary shares type 'A'	2,324,326	1,835,690
Equity dividends on Ordinary shares type 'B'	604,236	477,209
Equity dividends on Ordinary shares type 'C'	112,409	125,208
Equity dividends on Ordinary shares type 'D'	189,109	149,353
Equity dividends on Ordinary shares type 'E'	514,760	687,317
Company dividends paid	3,744,840	3,274,777
Dividends paid to minority interests	274,792	118,036
Group dividends paid	<u>4,019,632</u>	<u>3,392,813</u>

10. Intangible fixed assets

Group	Consolidated Goodwill £	Purchased Goodwill £	Total £
Cost			
At 1 July 2014	2,821	766,466	769,287
At 30 June 2015	<u>2,821</u>	<u>766,466</u>	<u>769,287</u>
Amortisation			
At 1 July 2014	846	121,638	122,484
Charge for the year	141	49,329	49,470
At 30 June 2015	<u>987</u>	<u>170,967</u>	<u>171,954</u>
Net book value			
At 30 June 2015	<u>1,834</u>	<u>595,499</u>	<u>597,333</u>
At 30 June 2014	<u>1,975</u>	<u>644,828</u>	<u>646,803</u>

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11. Tangible fixed assets

Group	Office equipment £	Software £	Total £
Cost			
At 1 July 2014	239,225	39,255	278,480
Additions	15,701	-	15,701
Disposals	(69,852)	-	(69,852)
At 30 June 2015	<u>185,074</u>	<u>39,255</u>	<u>224,329</u>
Depreciation			
At 1 July 2014	130,594	13,931	144,525
Charge for the year	52,442	13,085	65,527
On disposals	(68,271)	-	(68,271)
At 30 June 2015	<u>114,765</u>	<u>27,016</u>	<u>141,781</u>
Net book value			
At 30 June 2015	<u>70,309</u>	<u>12,239</u>	<u>82,548</u>
At 30 June 2014	<u>108,631</u>	<u>25,324</u>	<u>133,955</u>
Company			
	Office equipment £	Software £	Total £
Cost			
At 1 July 2014	147,972	39,255	187,227
Additions	13,616	-	13,616
Disposals	(57,920)	-	(57,920)
At 30 June 2015	<u>103,668</u>	<u>39,255</u>	<u>142,923</u>
Depreciation			
At 1 July 2014	107,673	13,931	121,604
Charge for the year	29,356	13,085	42,441
On disposals	(57,882)	-	(57,882)
At 30 June 2015	<u>79,147</u>	<u>27,016</u>	<u>106,163</u>
Net book value			
At 30 June 2015	<u>24,521</u>	<u>12,239</u>	<u>36,760</u>
At 30 June 2014	<u>40,299</u>	<u>25,324</u>	<u>65,623</u>

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12. Investments

Company	Subsidiary undertakings £
Cost	
At 1 July 2014 and at 30 June 2015	14,741
Provisions for diminution in value	
At 1 July 2014	-
Impairment in year	3,835
At 30 June 2015	<u>3,835</u>
Net book value	
At 30 June 2015	10,906
At 30 June 2014	<u>14,741</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
Prosource.IT Ltd	Dubai	Ordinary shares	100%	IT consultancy services

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13. Debtors

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	4,549,265	5,418,777	2,996,154	3,462,060
Amounts owed by group undertakings (note 17)	-	-	645,049	1,224,626
Corporation tax	-	-	94,949	-
Other debtors	1,022,244	960,490	893,457	947,351
Prepayments and accrued income	3,491,500	2,800,701	3,317,084	2,658,439
	<u>9,063,009</u>	<u>9,179,968</u>	<u>7,946,693</u>	<u>8,292,476</u>

14. Creditors: Amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Invoice discounting facility	1,207,645	1,043,138	1,207,645	1,043,138
Trade creditors	746,631	863,110	562,351	716,046
Amounts owed to group undertakings	-	-	279	2,991
Corporation tax	16,664	505,420	-	179,002
Other taxation and social security	2,747,864	2,486,179	2,727,542	2,438,511
Other creditors	447,968	234,934	68,889	55,947
Accruals and deferred income	974,003	1,014,976	881,635	963,088
	<u>6,140,775</u>	<u>6,147,757</u>	<u>5,448,341</u>	<u>5,398,723</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 £50,142 (2014: £55,947).

Included in other taxation and social security is a provision for a £1,891,600 (2014: £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.

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15. 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.

82,700 share options are outstanding at the year end, with a weighted average exercise price (WAEP) of £22.49.

	2015		2014	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	83,039.00	14.37	86,059.00	14.47
Granted during the year	34,400.00	30.36	0.00	0.00
Forfeited during the year	(27,497.00)	9.25	(3,020.00)	17.24
Exercised during the year	(7,242.00)	16.99	0.00	0.00
Outstanding at the end of the year	<u>82,700.00</u>	<u>22.49</u>	<u>83,039.00</u>	<u>14.37</u>
Exercisable at the end of the year	<u>82,700.00</u>	<u>22.49</u>	<u>83,039.00</u>	<u>14.37</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.

	2015	2014
Weighted average share price - £	22.36	n/a
Weighted average exercise price - £	30.36	n/a
Expected volatility - %	30.00	n/a
Expected life - years	3.00	n/a
Risk free rate - %	2.50	n/a
Expected dividend yield - %	<u>0.00</u>	<u>n/a</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 £87,173 (2014: £22,048) in respect of share based payments.

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16. Commitments under operating leases

At 30 June 2015 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2015		2014	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	132,189	4,962	36,939	7,740
Within 1 to 5 years	104,771	-	144,965	5,120
	<u>236,960</u>	<u>4,962</u>	<u>181,904</u>	<u>12,860</u>

At 30 June 2015 the company had annual commitments under non-cancellable operating leases as set out below.

Company	2015		2014	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	97,332	4,962	19,200	7,740
Within 1 to 5 years	45,000	-	88,400	5,120
	<u>142,332</u>	<u>4,962</u>	<u>107,600</u>	<u>12,860</u>

17. 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.

As at 30 June 2015 Prosource.IT Ltd (USA) owed £645,049 (2014: £392,848) to Prosource.IT (UK) Ltd. Prosource.IT Ltd (UK) owed £nil (2014: £79,632) to Prosource.IT (USA) Ltd. During the year, Prosource.IT (UK) Ltd made sales to Prosource.IT Ltd (USA) of £1,006,200 (2014: £1,969,960) and purchases of £1,126,108 (2014: £237,563).

As at 30 June 2015 Prosource.IT Ltd (USA) owed £nil (2014: £nil) to Prosource.IT Ltd (Canada). Prosource.IT Ltd (Canada) owed £nil (2014: £49,692) to Prosource.IT Ltd (USA). During the year, Prosource.IT Ltd (Canada) made sales to and purchases from Prosource.IT Ltd (USA) of £nil (2014: £4,004) and £nil (2014: £967), respectively.

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18. Minority interest

Group	2015 £	2014 £
At 1 July 2014	297,543	210,237
Share of profit for the financial year	183,994	239,791
Equity dividends paid	(274,792)	(118,036)
Share option reserve movement	24,784	-
Foreign exchange movement	23,083	(34,449)
As at 30 June 2015	<u>254,612</u>	<u>297,543</u>

19. Share capital

Group and Company

Allotted and issued:

	2015		2014	
	No	£	No	£
660,320 Ordinary Class 'A' shares (2014: 660,320) of £0.01 each	660,320	6,603.20	660,320	6,603.20
171,658 Ordinary Class 'B' shares (2014: 171,658) of £0.01 each	171,658	1,716.58	171,658	1,716.58
47,607 Ordinary Class 'C' shares (2014: 40,884) of £0.01 each	47,607	476.07	40,884	408.84
53,724 Ordinary Class 'D' shares (2014: 53,724) of £0.01 each	53,724	537.24	53,724	537.24
215,315 Ordinary Class 'E' shares (2014: 221,271) of £0.01 each	215,315	2,153.15	221,271	2,212.71
	<u>1,148,624</u>	<u>11,486.24</u>	<u>1,147,857</u>	<u>11,478.57</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 21).

During the year the company issued 7,242 'C' Ordinary class shares and repurchased 519 'C' Ordinary class shares which had a nominal value of £5.19 for a total consideration of £16,099 during the year.

During the year the company also issued 4,027 'E' Ordinary class shares and repurchased 9,983 'E' Ordinary class shares which had a nominal value of £99.83 for a total consideration of £178,596 during the year.

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20. Reserves

Group	Share premium account £	Capital redemption reserve £	Share options reserve £	Profit and loss account £
Balance brought forward	1,756,830	1,324	83,765	2,351,493
Profit for the year	-	-	-	2,897,356
Equity dividends	-	-	-	(4,019,632)
Equity dividends to minority interests	-	-	-	274,792
Foreign currency translation reserve	-	-	-	(107,273)
Other movements	6,000	-	(19,942)	19,942
Dividend on part paid E shares	392,604	-	-	-
Issue of own shares	240,576	-	-	-
Purchase of own shares	(194,695)	-	-	-
Recognition of equity-settled share-based payments in the year (note 15)	-	-	87,173	-
Balance carried forward	<u>2,201,315</u>	<u>1,324</u>	<u>150,996</u>	<u>1,416,678</u>
Company	Share premium account £	Capital redemption reserve £	Share options reserve £	Profit and loss account £
Balance brought forward	1,756,830	1,324	83,765	1,635,760
Profit for the year	-	-	-	2,536,151
Equity dividends	-	-	-	(3,744,840)
Other movements	6,000	-	(19,942)	19,942
Dividend on part paid E shares	392,604	-	-	-
Issue of own shares	240,576	-	-	-
Purchase of own shares	(194,695)	-	-	-
Recognition of equity-settled share-based payments in the year (note 15)	-	-	(697)	-
Balance carried forward	<u>2,201,315</u>	<u>1,324</u>	<u>63,126</u>	<u>447,013</u>

Details of the share transactions are given in note 20 to the financial statements.

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21. Reconciliation of movements in shareholders' funds

Group	2015		2014	
	£	£	£	£
Profit for the financial year		2,897,356		2,932,362
Movements in share premium	<u>444,485</u>		<u>483,837</u>	
		444,485		483,837
Purchase of own ordinary shares	(105)		(97)	
Issue of share capital	112		-	
Equity dividends	(4,019,632)		(3,392,813)	
Equity dividends to minority interests	<u>274,792</u>		<u>118,036</u>	
		(3,744,833)		(3,274,874)
Foreign currency translation reserve		(107,273)		(68,118)
Recognition of equity-settled share-based payments in the year (note 17)		<u>87,173</u>		<u>22,048</u>
Net addition to shareholders' funds		(423,092)		95,255
Opening shareholders' funds		4,204,891		4,109,636
Closing shareholders' funds		<u>3,781,799</u>		<u>4,204,891</u>

Company	2015		2014	
	£	£	£	£
Profit for the financial year		2,536,151		2,916,710
Movements in share premium	<u>444,485</u>		<u>483,837</u>	
		444,485		483,837
Purchase of own ordinary shares	(105)		(97)	
Issue of share capital	112		-	
Equity dividends	<u>(3,744,840)</u>		<u>(3,274,777)</u>	
		(3,744,833)		(3,274,874)
Recognition of equity-settled share-based payments in the year		<u>(697)</u>		<u>22,048</u>
Net addition to shareholders' funds		(764,894)		147,721
Opening shareholders' funds		3,489,158		3,341,437
Closing shareholders' funds		<u>2,724,264</u>		<u>3,489,158</u>

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22. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2015 £	2014 £
Operating profit	4,199,005	4,621,169
Amortisation	49,470	49,391
Depreciation	65,527	64,812
Loss on sale of tangible fixed assets	1,581	-
Decrease / (Increase) in debtors	149,635	2,664,177
Increase / (Decrease) in creditors	317,268	1,319,256
Foreign exchange movements	(107,273)	(68,118)
Equity-settled share-based payments	87,173	22,048
Movement on minority interest from non-consolidation	47,867	(34,449)
Net cash inflow from operating activities	<u>4,810,253</u>	<u>8,638,286</u>

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

	2015 £	2014 £
Decrease in cash and debt in the year	(419,676)	(2,580,208)
Movement in net funds in the year	<u>(419,676)</u>	<u>(2,580,208)</u>
Net debt at 1 July 2014	(353,673)	(2,933,881)
Net debt at 30 June 2015	<u>(773,349)</u>	<u>(353,673)</u>

Analysis of changes in net debt

	At 1 July 2014 £	Cash flows £	At 30 June 2015 £
Cash:			
Cash in hand and at bank	689,465	(255,169)	434,296
Debt:			
Invoice discounting facilities	(1,043,138)	(164,507)	(1,207,645)
Net funds	<u>(353,673)</u>	<u>(419,676)</u>	<u>(773,349)</u>

23. Ultimate controlling party

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