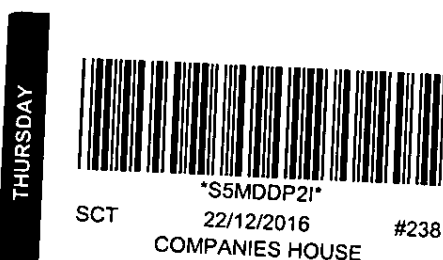
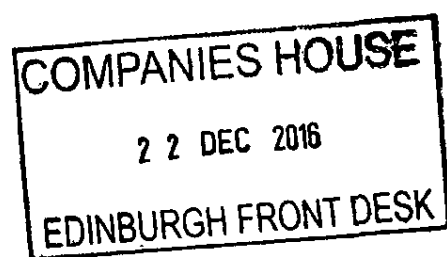


Company Registration No. SC242550 (Scotland)

PROSOURCE.IT (UK) LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016



PROSOURCE.IT (UK) LTD

COMPANY INFORMATION

Directors	C Adams A Cowie S Mackie S Proctor S Houston
Secretary	S Mackie M Cowie
Company number	SC242550
Registered office	1 Hilldowntree Business Centre Banchory Devenick Aberdeen AB12 5YL
Auditor	RSM UK Audit LLP Chartered Accountants First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Bankers	Clydesdale Bank plc 1 Queens Cross Aberdeen AB15 4XU
Solicitors	Burness Paul 1 Union Wynd Aberdeen AB10 1SL

PROSOURCE.IT (UK) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The directors present the strategic report for the year ended 30 June 2016.

Principal Activities and Business Review

The past 12 months continued to be a time of challenge for all those in the Oil & Gas sector, including those companies providing services to the sector. Prosource took early action in 2014 and 2015 to position itself for these challenging times and sought to cement its relationships with its customers by demonstrating value for money, innovation and excellent quality, even during times of high pressure and challenge.

As we entered the last fiscal year, we forecast a slight revenue contraction as a result of reductions in discretionary spend by our customers. On a constant currency basis we managed to limit group contraction to sub 5% and with the benefit of the relative devaluation of the Pound against the Dollar, this was limited to 3.2%. On a brighter note, we managed to achieve modest year on year growth in our home market in the UK as we continued to add extra services and new customers to offset the reduced spend over a number of our O&G customers.

The cost management activities undertaken early in the downturn cycle continued to underpin the Group profitability which allowed us to maintain Group pre-tax profits at just over 10%.

In times like these, it is more important than ever to get the basics right and to ensure the safety of our staff and the people we come into contact with and we thank our staff for another year of high compliance. Remaining focussed on Health, Safety & Compliance is the foundation of all our activity.

A further highlight of our year is our ongoing relationship with the Gathimba Edwards Foundation and we are proud to remain 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.

BREXIT is not expected to have a material impact on the company. Prosource has a history of providing services to locations in Europe and the devaluation of the Pound against the Euro in the months ahead will provide competitive advantage. Similarly, the continuing devaluation of the Pound against the US Dollar will result in higher Group revenues and profits when the US contribution is converted to Pounds

Financial risk management objectives and policies

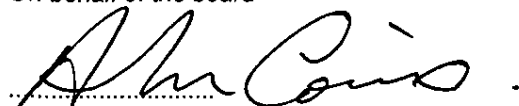
The financial risk management objectives of the group are to mitigate the risks facing the group as much as possible.

The main financial risks facing the group are credit risk, cashflow 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.

Future Developments

As we look towards 2017, there is no immediate likelihood of any material increase in the Oil Price and thus we are not forecasting any material increase in discretionary spend across the O&G sector. However, a combination of newly won projects with long term customers and some exciting opportunities with new non O&G customers does provide us with a degree of qualified optimism that the year ahead could witness further modest Group level growth

On behalf of the board



A Cowie

Director

14/12/2016

PROSOURCE.IT (UK) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The directors present their annual report and financial statements for the year ended 30 June 2016.

Principal activities

The principal activity of the company and group continued to be that of the provision of IT consultancy services.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

C Adams
A Cowie
S Mackie
S Proctor
S Houston

Results and dividends

The results for the year are set out on page 6.

During the year, ordinary dividends were paid amounting to £4,185,726. At the date which the dividends were declared the company had insufficient distributable reserves to match the full dividend, however the group had sufficient distributable reserves. The directors acknowledge this position as it was always the intention of the directors to carry out a capital reduction exercise to create sufficient distributable reserves. This was completed post year end.

Disabled persons

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.

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.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

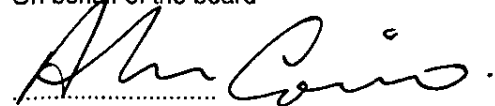
Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

PROSOURCE.IT (UK) LTD

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

On behalf of the board



A Cowie

Director

14/12/16

PROSOURCE.IT (UK) LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

The directors are responsible for preparing the Strategic Report and 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company 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 company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROSOURCE.IT (UK) LTD

We have audited the group and parent company financial statements (the "financial statements") on pages 6 to 34. 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), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 more fully explained in the Directors' Responsibilities Statement set out on page 4, 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 the parent company's affairs as at 30 June 2016 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 matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

RSM UK Audit LLP

Claire Monaghan (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG
22/12/16

PROSOURCE.IT (UK) LTD

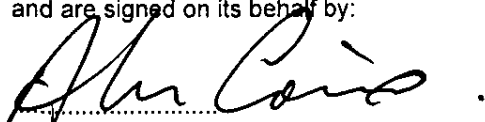
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £	2015 £
Turnover	3	38,491,904	39,753,107
Cost of sales		(28,008,873)	(29,889,469)
Gross profit		10,483,031	9,863,638
Administrative expenses		(6,013,158)	(5,661,878)
Other operating income		21,169	6,693
Operating profit	4	4,491,042	4,208,453
Interest receivable and similar income	8	1,318	1,568
Interest payable and similar charges	9	(45,655)	(70,207)
Profit on ordinary activities before taxation		4,446,705	4,139,814
Taxation	10	(1,051,377)	(1,049,016)
Profit for the financial year	25	3,395,328	3,090,798
Other comprehensive income net of taxation			
Currency translation differences		(120,051)	(84,190)
Total comprehensive income for the year		3,275,277	3,006,608
Profit for the financial year is attributable to:			
- Owners of the parent company		3,259,740	2,906,804
- Non-controlling interests		135,588	183,994
		3,395,328	3,090,798
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		3,146,437	2,799,531
- Non-controlling interests		128,840	207,077
		3,275,277	3,006,608

PROSOURCE.IT (UK) LTD**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2016**

	Notes	2016 £	£	2015 £	£
Fixed assets					
Goodwill	13		1,693		1,834
Other intangible assets	13		72		607,738
Total intangible assets			1,765		609,572
Tangible assets	14		33,998		70,309
			35,763		679,881
Current assets					
Debtors	17	8,261,889		9,063,009	
Cash at bank and in hand		436,389		434,296	
		8,698,278		9,497,305	
Creditors: amounts falling due within one year	18	(5,314,400)		(6,286,842)	
Net current assets			3,383,878		3,210,463
Total assets less current liabilities			3,419,641		3,890,344
Capital and reserves					
Called up share capital	24		11,572		11,486
Share premium account	25		2,737,274		2,201,315
Other reserves	25		155,956		150,996
Capital redemption reserve	25		1,408		1,324
Profit and loss reserves	25		262,601		1,270,611
Equity attributable to owners of the parent company			3,168,811		3,635,732
Non-controlling interests			250,830		254,612
			3,419,641		3,890,344

The financial statements were approved by the board of directors and authorised for issue on 14/12/2016 and are signed on its behalf by:



A Cowie
Director

PROSOURCE.IT (UK) LTD**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2016**

	Notes	2016 £	£	2015 £	£
Fixed assets					
Intangible assets	13		72		12,239
Tangible assets	14		12,953		24,521
Investments	15		10,906		10,906
			<u>23,931</u>		<u>47,666</u>
Current assets					
Debtors	17	6,472,195		7,946,693	
Cash at bank and in hand		107,515		178,246	
		<u>6,579,710</u>		<u>8,124,939</u>	
Creditors: amounts falling due within one year	18	<u>(4,504,802)</u>		<u>(5,594,408)</u>	
Net current assets			<u>2,074,908</u>		<u>2,530,531</u>
Total assets less current liabilities			<u><u>2,098,839</u></u>		<u><u>2,578,197</u></u>
Capital and reserves					
Called up share capital	24		11,572		11,486
Share premium account	25		2,737,274		2,201,315
Other reserves	25		52,344		63,126
Capital redemption reserve	25		1,408		1,324
Profit and loss reserves	25		(703,759)		300,946
Total equity			<u><u>2,098,839</u></u>		<u><u>2,578,197</u></u>

The financial statements were approved by the board of directors and authorised for issue on 14/12/2016 and are signed on its behalf by:



A Cowie
Director

PROSOURCE.IT (UK) LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss reserves	Total controlling interest	Non-controlling interest	Total
Notes	£	£	£	£	£	£	£	£
Balance at 1 July 2014	11,479	1,756,830	1,324	83,765	2,195,978	4,049,376	297,543	4,346,919
Year ended 30 June 2015:								
Profit for the year	-	-	-	-	2,906,804	2,906,804	183,994	3,090,798
Other comprehensive income net of taxation:								
Currency translation differences	-	-	-	-	(84,190)	(84,190)	-	(84,190)
Amounts attributable to non-controlling interests	-	-	-	-	(23,083)	(23,083)	23,083	-
Total comprehensive income for the year								
Issue of share capital	24	112	240,576	-	2,799,531	2,799,531	207,077	3,006,608
Dividends	11	-	-	-	-	240,688	-	240,688
Redemption of shares	24	(105)	-	-	(3,744,840)	(3,744,840)	(274,792)	(4,019,632)
Reduction of shares	24	-	(194,695)	-	-	(194,695)	-	(194,695)
Transfers	-	-	-	(19,942)	19,942	-	-	-
Other movements	-	398,604	-	87,173	-	485,777	24,784	510,561
Balance at 30 June 2015	11,486	2,201,315	1,324	150,996	1,270,611	3,635,732	254,612	3,890,344

PROSOURCE.IT (UK) LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss reserves	Total controlling interest	Non-controlling interest	Total
Notes	£	£	£	£	£	£	£	£
Year ended 30 June 2016:								
Profit for the year	-	-	-	-	3,259,740	3,259,740	135,588	3,395,328
Other comprehensive income net of taxation:								
Currency translation differences on overseas subsidiaries	-	-	-	-	(120,051)	(120,051)	-	(120,051)
Amounts attributable to non-controlling interests	-	-	-	-	6,748	6,748	(6,748)	-
Total comprehensive income for the year	-	-	-	-	3,146,437	3,146,437	128,840	3,275,277
Issue of share capital	24	170	106,800	-	-	106,970	-	106,970
Dividends	11	-	-	-	(4,048,664)	(4,048,664)	(137,062)	(4,185,726)
Redemption of shares	24	(84)	-	84	-	(182,219)	-	(182,219)
Reduction of shares	24	-	-	-	(76,436)	(76,436)	-	-
Transfers	-	-	-	-	76,436	-	-	-
Other movements	-	429,159	-	81,396	-	510,555	4,440	514,995
Balance at 30 June 2016	11,572	2,737,274	1,408	155,956	262,601	3,168,811	250,830	3,419,641

PROSOURCE.IT (UK) LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 July 2014		11,479	1,756,830	1,324	83,765	1,480,245	3,333,643
Year ended 30 June 2015:							
Profit and total comprehensive income for the year		-	-	-	-	2,545,599	2,545,599
Issue of share capital	24	112	240,576	-	-	-	240,688
Dividends	11	-	-	-	-	(3,744,840)	(3,744,840)
Redemption of shares	24	(105)	-	-	-	-	(105)
Reduction of shares	24	-	(194,695)	-	-	-	(194,695)
Transfers		-	-	-	(19,942)	19,942	-
Other		-	398,604	-	(697)	-	397,907
Balance at 30 June 2015		11,486	2,201,315	1,324	63,126	300,946	2,578,197
Year ended 30 June 2016:							
Profit and total comprehensive income for the year		-	-	-	-	3,149,742	3,149,742
Issue of share capital	24	170	106,800	-	-	-	106,970
Dividends	11	-	-	-	-	(4,048,664)	(4,048,664)
Redemption of shares	24	(84)	-	84	-	-	-
Reduction of shares	24	-	-	-	-	(182,219)	(182,219)
Transfers		-	-	-	(76,436)	76,436	-
Other		-	429,159	-	65,654	-	494,813
Balance at 30 June 2016		11,572	2,737,274	1,408	52,344	(703,759)	2,098,839

PROSOURCE.IT (UK) LTD

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from operations	29	6,008,061		4,810,254	
Interest paid		(45,655)		(70,207)	
Income taxes paid		(766,667)		(1,570,448)	
Net cash inflow from operating activities		5,195,739		3,169,599	
Investing activities					
Purchase of tangible fixed assets		(12,229)		(15,701)	
Proceeds on disposal of tangible fixed assets		83		-	
Interest received		1,318		1,568	
Net cash used in investing activities		(10,828)		(14,133)	
Financing activities					
Proceeds from issue of shares		536,129		639,292	
Redemption of shares		(182,219)		(194,801)	
Repayment of borrowings		(1,351,002)		164,507	
Dividends paid to equity shareholders		(4,048,664)		(3,744,840)	
Dividends paid to non-controlling interests		(137,062)		(274,792)	
Net cash used in financing activities		(5,182,818)		(3,410,634)	
Net increase/(decrease) in cash and cash equivalents		2,093		(255,168)	
Cash and cash equivalents at beginning of year		434,296		689,464	
Cash and cash equivalents at end of year		436,389		434,296	

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

Company information

Prosource.IT (UK) Ltd is a company limited by shares incorporated in Scotland. The registered office is 1 Hilldowntree Business Centre, Banchory Devenick, Aberdeen, AB12 5YL.

The group consists of Prosource.IT (UK) Ltd and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

First time adoption of FRS 102

These group and company financial statements for the year ended 30 June 2016 are the first financial statements of Prosource.IT (UK) Ltd and the group prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The group and company financial statements for the year ended 30 June 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in retained earnings at the transition date and are detailed in note 30.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies (Continued)

Reduced disclosures

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £3,149,742 (2015 - £2,545,599 profit).

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 2016 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 2016 include a provision of £1.74m in respect of disputed PAYE liabilities. APN notices were issued during the year 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.

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

Dividend income

Dividend income is recognised when the shareholders' rights to receive payment is established.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies (Continued)

Intangible fixed assets - 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.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	Straight line over 3 years
----------	----------------------------

Amortisation is revised prospectively if there is a significant change in the useful life or residual value.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Office Equipment	Straight line over 3 to 5 years
------------------	---------------------------------

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies (Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity Instruments

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies (Continued)

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

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.

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.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies (Continued)

Foreign exchange

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.

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 monies paid into 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 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016 £	2015 £
Turnover analysed by class of business		
Provision of IT outsourcing services	38,491,904	39,753,107
	<u> </u>	<u> </u>
Other revenue		
Interest income	1,318	1,568
	<u> </u>	<u> </u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

3 Turnover and other revenue (Continued)

Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	26,627,639	25,107,073
Europe	304,043	64,050
North America	11,276,146	14,063,922
Canada	10	655
Middle East	277,051	512,007
Rest of world	7,015	5,400
	<u>38,491,904</u>	<u>39,753,107</u>

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(50,494)	(148,946)
Depreciation of owned tangible fixed assets	48,540	52,442
(Profit)/loss on disposal of tangible fixed assets	(83)	1,581
Amortisation of intangible assets	12,308	62,555
Impairment of intangible assets	595,499	-
Share-based payments	81,396	87,173
Operating lease charges	252,579	231,393
	<u></u>	<u></u>

5 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	<u>18,700</u>	<u>18,000</u>
For other services		
Taxation compliance services	2,975	2,850
Other taxation services	11,232	10,550
All other non-audit services	7,600	8,964
	<u>21,807</u>	<u>22,364</u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

6 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2016 Number	2015 Number
Administrative staff	30	34
Operational staff	246	272
	<u>276</u>	<u>306</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	14,382,325	17,129,957
Social security costs	1,562,179	2,250,720
Pension costs	583,763	964,290
	<u>16,528,267</u>	<u>20,344,967</u>

7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	1,062,567	1,100,428
Company pension contributions to defined contribution schemes	38,635	119,722
	<u>1,101,202</u>	<u>1,220,150</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2015 - 4).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	542,445	546,845
Amounts receivable under long term incentive schemes	(16,855)	40,905
	<u></u>	<u></u>

8 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	1,318	1,568
	<u></u>	<u></u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

8 Interest receivable and similar income (Continued)

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	1,318	1,568
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9 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	45,655	70,207

10 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	646,574	532,431
Foreign current tax on profits for the current period	411,823	516,585
Total current tax	1,058,397	1,049,016
Deferred tax		
Origination and reversal of timing differences	(7,020)	-
Total tax charge	1,051,377	1,049,016

The charge for the year can be reconciled to the profit per the income statement as follows:

	2016 £	2015 £
Profit before taxation	4,446,705	4,139,814
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.75%)	889,341	859,011
Tax effect of expenses that are not deductible in determining taxable profit	755,022	699,054
Tax effect of income not taxable in determining taxable profit	(746,894)	(645,254)
Tax effect of utilisation of tax losses not previously recognised	-	(21,099)
Unutilised tax losses carried forward	165	-
Other permanent differences	(4,023)	(20,556)
Effect of overseas tax rates	190,160	174,810
Deferred tax not recognised	(33,174)	2,939
Adjustment closing deferred tax to 20%	780	111
Tax expense for the year	1,051,377	1,049,016

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

11 Dividends

	2016 £	2015 £
Final paid	4,185,726	4,019,632

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2016 £	2015 £
In respect of:		
Intangible assets	595,499	-
Recognised in:		
Administrative expenses	595,499	-

The impairment of intangible assets relates to goodwill on the acquisition of a coaching business. Revenue from this business ceased during the year and therefore the directors find it appropriate to impair the goodwill to £nil.

13 Intangible fixed assets

Group	Goodwill £	Software £	Purchased Goodwill £	Total £
Cost				
At 1 July 2015 and 30 June 2016	2,821	39,255	766,466	808,542
Amortisation and impairment				
At 1 July 2015	987	27,016	170,967	198,970
Amortisation charged for the year	141	12,167	-	12,308
Impairment losses	-	-	595,499	595,499
At 30 June 2016	1,128	39,183	766,466	806,777
Carrying amount				
At 30 June 2016	1,693	72	-	1,765
At 30 June 2015	1,834	12,239	595,499	609,572

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

13 Intangible fixed assets (Continued)

Company	Software £
Cost	
At 1 July 2015 and 30 June 2016	39,255
Amortisation and impairment	
At 1 July 2015	27,016
Amortisation charged for the year	12,167
At 30 June 2016	39,183
Carrying amount	
At 30 June 2016	72
At 30 June 2015	12,239

More information on the impairment arising in the year is given in note 12.

The amortisation charge and impairment losses are recognised within administrative expenses.

14 Tangible fixed assets

Group	Office Equipment £
Cost	
At 1 July 2015	185,074
Additions	12,229
Disposals	(7,140)
At 30 June 2016	190,163
Depreciation and impairment	
At 1 July 2015	114,765
Depreciation charged in the year	48,540
Eliminated in respect of disposals	(7,140)
At 30 June 2016	156,165
Carrying amount	
At 30 June 2016	33,998
At 30 June 2015	70,309

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

14 Tangible fixed assets (Continued)

Company	Office Equipment
	£
Cost	
At 1 July 2015	103,668
Additions	12,229
Disposals	(7,140)
At 30 June 2016	108,757
Depreciation and impairment	
At 1 July 2015	79,147
Depreciation charged in the year	23,797
Eliminated in respect of disposals	(7,140)
At 30 June 2016	95,804
Carrying amount	
At 30 June 2016	12,953
At 30 June 2015	24,521

15 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	16	-	-	10,906	10,906

Fixed asset investments not carried at market value

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Movements in fixed asset investments

Company	Shares £
Cost or valuation	
At 1 July 2015 & 30 June 2016	10,906
Carrying amount	
At 30 June 2016	10,906
At 30 June 2015	10,906

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

16 Subsidiaries

Details of the company's subsidiaries at 30 June 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
Prosource.IT Ltd	USA	IT Consultancy services	Ordinary shares	78.00
Prosource.IT Ltd	Canada	IT consultancy services	Ordinary shares	100.00
Prosource.IT Ltd	Dubai	IT consultancy services	Ordinary shares	100.00

17 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year:				
Trade debtors	4,625,846	4,549,265	3,261,288	2,996,154
Corporation tax recoverable	-	-	-	94,949
Amounts due from subsidiary undertakings	-	-	126,123	645,049
Other debtors	496,092	989,567	373,896	893,457
Prepayments and accrued income	3,092,654	3,491,500	2,703,868	3,317,084
	<u>8,214,592</u>	<u>9,030,332</u>	<u>6,465,175</u>	<u>7,946,693</u>
Deferred tax asset (note 21)	47,297	32,677	7,020	-
	<u>8,261,889</u>	<u>9,063,009</u>	<u>6,472,195</u>	<u>7,946,693</u>

18 Creditors: amounts falling due within one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Invoice discounting facility	20	-	1,207,645	-	1,207,645
Trade creditors		920,290	746,631	725,263	562,351
Amounts due to group undertakings		-	-	-	279
Corporation tax payable		315,994	16,664	204,945	-
Other taxation and social security		2,532,209	2,747,864	2,513,684	2,727,542
Other creditors		436,354	447,968	76,625	68,889
Accruals and deferred income		1,109,553	1,120,070	984,285	1,027,702
		<u>5,314,400</u>	<u>6,286,842</u>	<u>4,504,802</u>	<u>5,594,408</u>

Included in other creditors of the company is an outstanding pension liability of £49,098 (2015: £50,142) and included in other creditors of the group is an outstanding pension liability of £66,025 (2015: £66,850).

Included in other taxation and social security is a provision for a £1,741,368 (2015: £1,891,600) taxation payment.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

19 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	7,709,946	9,466,248	6,349,315	8,462,076
Equity instruments measured at cost less impairment	-	-	10,906	10,906
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount of financial liabilities				
Measured at amortised cost	2,466,197	3,522,314	1,786,173	2,866,866
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

20 Borrowings

	Group 2016 £	2015 £	Company 2016 £	2015 £
Invoice discounting facility	-	1,207,645	-	1,207,645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Payable within one year	-	1,207,645	-	1,207,645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Other loans represents the invoice discounting facility which is secured over the trade debtors of the company and the group.

21 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Assets 2016 £	Assets 2015 £
ACAs	47,297	32,677
	<u> </u>	<u> </u>
Company	Assets 2016 £	Assets 2015 £
ACAs	7,020	-
	<u> </u>	<u> </u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

21 Deferred taxation (Continued)

	Group 2016 £	Company 2016 £
Movements in the year:		
Asset at 1 July 2015	(32,677)	-
Credit to profit and loss	(14,620)	(7,020)
Liability/(Asset) at 30 June 2016	<u>(47,297)</u>	<u>(7,020)</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to accelerated capital allowances.

22 Retirement benefit schemes

	2016 £	2015 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>583,763</u>	<u>964,290</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

23 Share-based payment transactions

Equity-settled share-based payments

The company has a share option scheme for 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.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

23 Share-based payment transactions (Continued)

Group	Number of share options		Weighted average exercise price	
	2016 Number	2015 Number	2016 £	2015 £
Outstanding at 1 July 2015	82,700	83,039	22.49	14.37
Granted	-	34,400	-	30.36
Forfeited	(4,638)	(27,497)	14.88	9.25
Exercised	(876)	(7,242)	8.07	16.99
	<u>77,186</u>	<u>82,700</u>	<u>23.17</u>	<u>22.49</u>
Outstanding at 30 June 2016	77,186	82,700	23.17	22.49
	<u>77,186</u>	<u>82,700</u>	<u>23.17</u>	<u>22.49</u>
Exercisable at 30 June 2016	77,186	82,700	23.17	22.49
	<u>77,186</u>	<u>82,700</u>	<u>23.17</u>	<u>22.49</u>

The weighted average share price at the date of exercise for share options exercised during the year was £8 (2015 - £16).

The options outstanding at 30 June 2016 had an exercise price ranging from £12.97 to £30.48, and a remaining contractual life of between 1 and 6 years.

Group

The weighted average fair value of options granted during the year was £0. Fair value was measured using the Black-Scholes pricing model.

Inputs were as follows:

	2016	2015
Weighted average share price	-	22.36
Weighted average exercise price	-	30.36
Expected volatility	-	30.00
Expected life	-	3.00
Risk free rate	-	2.50
Expected dividends yields	-	-
	<u>-</u>	<u>-</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

	Group 2016 £	2015 £	Company 2016 £	2015 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	85,836	87,173	65,654	(697)
	<u>85,836</u>	<u>87,173</u>	<u>65,654</u>	<u>(697)</u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

24 Share capital

	Group and company	
	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
660,320 Ordinary Class 'A' shares of 1p each	6,603	6,603
171,658 Ordinary Class 'B' shares of 1p each	1,717	1,717
45,694 Ordinary Class 'C' shares of 1p each	457	476
53,724 Ordinary Class 'D' shares of 1p each	537	537
225,842 Ordinary Class 'E' shares of 1p each	2,258	2,153
	<u>11,572</u>	<u>11,486</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.

During the year, the company issued 876 'C' Ordinary class shares and repurchased 2,789 'C' Ordinary class shares which had a nominal value of £8.76 for a total consideration of £7,069.32 during the year.

During the year, the company also issued 16,113 'E' Ordinary class shares and repurchased 5,586 'E' Ordinary class shares which had a nominal value of £55.86 for a total consideration of £136,661.49.

25 Reserves

Share premium

The excess of consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Share Options Reserve

The cumulative share-based payment expense.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

26 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Within one year	189,823	173,507	88,598	92,692
Between two and five years	169,156	243,119	33,750	78,750
	<u>358,979</u>	<u>416,626</u>	<u>122,348</u>	<u>171,442</u>

27 Events after the reporting date

On 21 September 2016, the Company reduced their share premium account by £1,805,139 from £2,555,139 to £750,000 with the amount being credited to distributable reserves.

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2016 £	2015 £
Aggregate compensation	<u>964,072</u>	<u>920,918</u>

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Sale of services		Purchase of services	
	2016 £	2015 £	2016 £	2015 £
Group				
Subsidiaries not wholly owned	<u>949,680</u>	<u>1,006,200</u>	<u>2,003,922</u>	<u>1,126,108</u>
Company				
Subsidiaries not wholly owned	<u>685,974</u>	<u>1,006,200</u>	<u>2,003,922</u>	<u>1,126,108</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

28 Related party transactions (Continued)

	Management charge	
	2016	2015
	£	£
Group		
Subsidiaries not wholly owned	263,706	293,706
	<u> </u>	<u> </u>
Company		
Subsidiaries not wholly owned	263,706	293,706
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	Amounts owed by related parties
	2016	2015
	Balance	Balance
	£	£
Group		
Subsidiaries not wholly owned	124,904	645,049
	<u> </u>	<u> </u>
Company		
Subsidiaries not wholly owned	126,003	645,049
	<u> </u>	<u> </u>

No guarantees have been given or received.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

29 Cash generated from group operations

	2016 £	2015 £
Profit for the year after tax	3,395,328	3,090,798
Adjustments for:		
Taxation charged	1,051,377	1,049,016
Finance costs	45,655	70,207
Investment income	(1,318)	(1,568)
(Gain)/loss on disposal of tangible fixed assets	(83)	1,619
Fair value gains and losses on foreign exchange contracts and investment properties	(120,051)	(84,190)
Amortisation and impairment of intangible assets	607,807	62,555
Depreciation and impairment of tangible fixed assets	48,540	52,442
Equity settled share based payment expense	85,836	111,957
Movements in working capital:		
Decrease in debtors	959,097	149,637
(Decrease)/increase in creditors	(64,127)	307,819
Cash generated from operations	6,008,061	4,810,292

30 Reconciliations on adoption of FRS 102

Reconciliation of equity - group

	Notes	1 July 2014 £	30 June 2015 £
Equity as reported under previous UK GAAP		4,502,434	4,036,411
Adjustments arising from transition to FRS 102:	(a)	(155,515)	(146,067)
Equity reported under FRS 102		4,346,919	3,890,344

Reconciliation of profit/ (loss) - group

	Notes	2015 £
Profit/ (loss) as reported under previous UK GAAP		3,081,350
Adjustments arising from transition to FRS 102:	(a)	9,448
Profit/ (loss) reported under FRS 102		3,090,798

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

30 Reconciliations on adoption of FRS 102 (Continued)

Notes to reconciliations on adoption of FRS 102 - group

Reconciliation of equity - company

	Notes	1 July 2014 £	30 June 2015 £
Equity as reported under previous UK GAAP		3,489,158	2,724,264
Adjustments arising from transition to FRS 102:	(a)	(155,515)	(146,067)
Equity reported under FRS 102		<u>3,333,643</u>	<u>2,578,197</u>

Reconciliation of profit/ (loss) - company

	Notes	2015 £
Profit/ (loss) as reported under previous UK GAAP		2,536,151
Adjustments arising from transition to FRS 102:	(a)	9,448
Profit/ (loss) reported under FRS 102		<u>2,545,599</u>

Notes to reconciliations on adoption of FRS 102 - company

(a) Holiday pay accrual

Under previous UK GAAP, there was no specific requirement to make provisions or accrue for holiday pay where employees have an entitlement to future compensated absences. Under FRS 102, entities must accrue for holiday pay. Therefore, at transition an accrual of £155,515 was recognised in respect of holiday pay, with an accrual of £146,067 being recognised for the year ended 30 June 2015.

