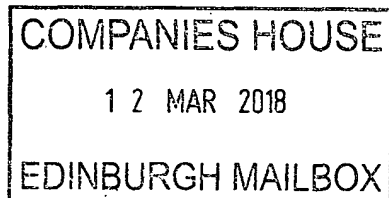


Company Registration No. SC242550 (Scotland)

PROSOURCE.IT (UK) LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2017



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 2017

The directors present the strategic report for the year ended 30 June 2017.

Principal Activities and Business Review

For our 3rd consecutive financial year, our customer base in the Oil & Gas sector has had to endure challenging operating conditions as the oil price has remained under pressure, with many now accepting that the oil price is likely to be "lower forever". This pressure has impacted the wider economies in two of our major operating locations, Aberdeen & Houston and prosource has not been immune to that wider impact. However, we continue to benefit from high customer retention and the predicted modest Group growth that we forecast has been achieved.

Pent-up demand translated into increased project activity at several of our customers and that combined with a slew of M&A activity and some new customers all contributed to Group growth of just over 10% on a constant currency basis. As a result of our overseas operations and the exchange rate benefits as a result of BREXIT, our accounts show a slightly higher annual growth of just over 14%.

Once again, Group pre-tax profits were maintained at just over 10% as we continued to keep close control on our cost base to ensure we remain competitive during this period of prolonged challenge.

During fiscally testing times, it can be easy to focus on the company's commercial aspects at the expense of other activities. So, we would like to thank our staff for another year of safe performance with no harm to people or the environment. Working safely is fundamental to our Operating Procedures and requires constant vigilance and effort.

We are privileged to maintain our ongoing sponsorship of the Gathimba Edwards Foundation, a fantastic charity that is literally changing the lives and life chances of the neediest children in Africa. For more information, see www.prosource.it/gathimba-edwards-foundation.

More than a year on from the BREXIT vote, we have not experienced and nor do we expect to experience any material impact on the company, other than the general uncertainty that clouds the business world and economy in the UK. Being UK based with a cost base denominated in Pounds, prosource is in a competitive position to deliver into Europe as and when project activity demands and the ongoing devaluation of the Pound against the US Dollar has delivered improved Group revenues and profits as 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

Looking forward over the next 12 months, our current project delivery orderbook continues through financial year 2017/18 and we are witnessing increased demand from some key new customers. As such, we enter the year with a degree of confidence and an expectation of further revenue growth of magnitude 10%, despite the ongoing Oil & Gas sector difficulties and the impact that has had on our customers and the wider local economies.

On behalf of the board



A Cowie

Director

28/2/2018

PROSOURCE.IT (UK) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present their annual report and financial statements for the year ended 30 June 2017.

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 £1,951,439.

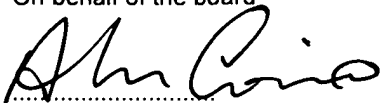
Auditor

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.

On behalf of the board



A Cowie

Director

28/2/2018

PROSOURCE.IT (UK) LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

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

Opinion

We have audited the financial statements of Prosource.IT (UK) Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement Of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

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
08/03/18

PROSOURCE.IT (UK) LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

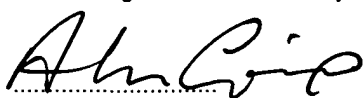
	Notes	2017 £	2016 £
Turnover	3	44,010,418	38,491,904
Cost of sales		(32,122,204)	(27,267,513)
Gross profit		11,888,214	11,224,391
Administrative expenses		(5,928,914)	(6,754,518)
Other operating income		8,171	21,169
Operating profit	6	5,967,471	4,491,042
Interest receivable and similar income	8	836	1,318
Interest payable and similar expenses	9	(45,763)	(45,655)
Profit on ordinary activities before taxation		5,922,544	4,446,705
Taxation	10	(1,440,760)	(1,051,377)
Profit for the financial year	24	4,481,784	3,395,328
Other comprehensive income net of taxation			
Currency translation differences		260,662	(120,051)
Total comprehensive income for the year		4,742,446	3,275,277
Profit for the financial year is attributable to:			
- Owners of the parent company		4,222,829	3,259,740
- Non-controlling interests		258,955	135,588
		4,481,784	3,395,328
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		4,436,216	3,146,437
- Non-controlling interests		306,230	128,840
		4,742,446	3,275,277

PROSOURCE.IT (UK) LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Goodwill	13		1,552		1,693
Other intangible assets	13		-		72
Total intangible assets			1,552		1,765
Tangible assets	14		28,936		33,998
			30,488		35,763
Current assets					
Debtors	17	12,345,582		8,261,889	
Cash at bank and in hand		321,613		436,389	
		12,667,195		8,698,278	
Creditors: amounts falling due within one year	18	(5,962,794)		(5,314,400)	
Net current assets			6,704,401		3,383,878
Total assets less current liabilities			6,734,889		3,419,641
Provisions for liabilities	20		(12,842)		-
Net assets			6,722,047		3,419,641
Capital and reserves					
Called up share capital	23		11,574		11,572
Share premium account	24		1,425,648		2,737,274
Other reserves	24		168,685		155,956
Capital redemption reserve	24		1,434		1,408
Profit and loss reserves	24		4,686,732		262,601
Equity attributable to owners of the parent company			6,294,073		3,168,811
Non-controlling interests			427,974		250,830
			6,722,047		3,419,641

The financial statements were approved by the board of directors and authorised for issue on 28/2/2018 and are signed on its behalf by:



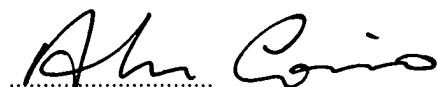
A Cowie
Director

PROSOURCE.IT (UK) LTD**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Notes	2017 £	£	2016 £	£
Fixed assets					
Intangible assets	13	-		72	
Tangible assets	14	27,622		12,953	
Investments	15	10,906		10,906	
		<u>38,528</u>		<u>23,931</u>	
Current assets					
Debtors	17	9,646,122		6,472,195	
Cash at bank and in hand		51,863		107,515	
		<u>9,697,985</u>		<u>6,579,710</u>	
Creditors: amounts falling due within one year	18	(5,222,468)		(4,504,802)	
Net current assets		<u>4,475,517</u>		<u>2,074,908</u>	
Total assets less current liabilities		<u>4,514,045</u>		<u>2,098,839</u>	
Provisions for liabilities	20	(3,962)		-	
Net assets		<u>4,510,083</u>		<u>2,098,839</u>	
Capital and reserves					
Called up share capital	23	11,574		11,572	
Share premium account	24	1,425,648		2,737,274	
Other reserves	24	52,037		52,344	
Capital redemption reserve	24	1,434		1,408	
Profit and loss reserves	24	3,019,390		(703,759)	
Total equity		<u>4,510,083</u>		<u>2,098,839</u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £3,746,208 (2016 - £3,149,742 profit).

The financial statements were approved by the board of directors and authorised for issue on 28/2/2018 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 2017

	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 2015	11,486	2,201,315	1,324	150,996	1,270,611	3,635,732	254,612	3,890,344
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	-	-	-	-	(120,051)	(120,051)	-	(120,051)
Amounts attributable to non-controlling interests	-	-	-	-	6,748	6,748	(6,748)	-
Total comprehensive income for the year								
Issue of share capital	23	170	106,800	-	3,146,437	3,146,437	128,840	3,275,277
Dividends	11	-	-	-	-	106,970	-	106,970
Redemption of shares	23	(84)	-	84	(4,048,664)	(4,048,664)	(137,062)	(4,185,726)
Reduction of shares	23	-	-	-	(182,219)	(182,219)	-	(182,219)
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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

	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 2017:								
Profit for the year	-	-	-	-	4,222,829	4,222,829	258,955	4,481,784
Other comprehensive income net of taxation:								
Currency translation differences on overseas subsidiaries	-	-	-	-	260,662	260,662	-	260,662
Amounts attributable to non-controlling interests	-	-	-	-	(47,275)	(47,275)	47,275	-
Total comprehensive income for the year	-	-	-	-	4,436,216	4,436,216	306,230	4,742,446
Issue of share capital	23	28	36,845	-	-	36,873	-	36,873
Dividends	11	-	-	-	(1,818,677)	(1,818,677)	(132,762)	(1,951,439)
Redemption of shares	23	(26)	-	26	-	(81,391)	-	(81,391)
Reduction of shares	23	-	-	-	-	-	-	-
Capital reduction	-	-	(1,805,139)	-	1,805,139	-	-	-
Transfers	-	-	-	-	(82,844)	82,844	-	-
Other movements	-	456,668	-	95,573	-	552,241	3,676	555,917
Balance at 30 June 2017	11,574	1,425,648	1,434	168,685	4,686,732	6,294,073	427,974	6,722,047

PROSOURCE.IT (UK) LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
Balance at 1 July 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	23 170	106,800	-	-	-	106,970
Dividends	11 -	-	-	-	(4,048,664)	(4,048,664)
Redemption of shares	23 (84)	-	84	-	-	-
Reduction of shares	23 -	-	-	-	(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
Year ended 30 June 2017:						
Profit and total comprehensive income for the year	-	-	-	-	3,746,208	3,746,208
Issue of share capital	23 28	36,845	-	-	-	36,873
Dividends	11 -	-	-	-	(1,829,651)	(1,829,651)
Redemption of shares	23 (26)	-	26	-	-	-
Reduction of shares	23 -	-	-	-	(81,391)	(81,391)
Capital reduction	-	(1,805,139)	-	-	1,805,139	-
Transfers	-	-	-	(82,844)	82,844	-
Other	-	456,668	-	82,537	-	539,205
Balance at 30 June 2017	11,574	1,425,648	1,434	52,037	3,019,390	4,510,083

PROSOURCE.IT (UK) LTD

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	27	2,866,299		5,084,948	
Interest paid		(45,763)		(45,655)	
Income taxes paid		(954,545)		(766,667)	
Net cash inflow from operating activities		1,865,991		4,272,626	
Investing activities					
Purchase of tangible fixed assets		(32,399)		(12,229)	
Proceeds on disposal of tangible fixed assets		-		83	
Interest received		836		1,318	
Net cash used in investing activities		(31,563)		(10,828)	
Financing activities					
Proceeds from issue of shares		36,873		106,970	
Redemption of shares		(81,391)		(182,219)	
Dividends paid to equity shareholders		(1,818,677)		(4,048,664)	
Dividends paid to non-controlling interests		(132,762)		(137,062)	
Net cash used in financing activities		(1,995,957)		(4,260,975)	
Net (decrease)/increase in cash and cash equivalents		(161,529)		823	
Cash and cash equivalents at beginning of year		436,389		434,296	
Effect of foreign exchange rates		46,753		1,270	
Cash and cash equivalents at end of year		321,613		436,389	

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

Company information

Prosource.IT (UK) Ltd is a private 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, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

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.

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 2017 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. As a result the directors are satisfied that it is appropriate to adopt the going concern basis of accounting.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies (Continued)

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.

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
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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, net of depreciation and any impairment losses.

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

Office Equipment	Straight line over 3 to 5 years
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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.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies (Continued)

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.

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 are basic financial instruments and include cash in hand, deposits held at call with banks 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.

Other financial assets

Other financial assets, including trade investments, are measured at fair value, which is normally the transaction price.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets 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.

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 creditors, bank loans and loans from fellow group companies 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies (Continued)

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.

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.

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.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies (Continued)

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to expenditure 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.

Foreign exchange

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 £.

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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Share-based payments

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.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

3 Turnover and other revenue

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

	2017 £	2016 £
Turnover analysed by class of business		
Provision of IT outsourcing services	44,010,418	38,491,904
Other revenue		
Interest income	836	1,318
Turnover analysed by geographical market		
	2017 £	2016 £
United Kingdom	30,706,818	26,627,639
Europe	291,130	304,043
North America	12,547,140	11,276,146
South America	193,405	-
Middle East	271,847	277,051
Rest of world	78	7,025
	44,010,418	38,491,904

4 Employees

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

	Group 2017 Number	2016 Number	Company 2017 Number	2016 Number
Administrative staff	32	30	23	22
Operational staff	190	206	119	131
	222	236	142	153

Their aggregate remuneration comprised:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Wages and salaries	14,139,462	14,382,325	8,204,224	8,022,445
Social security costs	1,387,395	1,562,179	930,456	1,510,983
Pension costs	567,354	583,763	407,313	434,187
	16,094,211	16,528,267	9,541,993	9,967,615

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

5 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	1,608,301	1,062,567
Company pension contributions to defined contribution schemes	40,107	38,635
	<u>1,648,408</u>	<u>1,101,202</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2016 - 4).

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

	2017 £	2016 £
Remuneration for qualifying services	873,641	542,445
Amounts receivable under long term incentive schemes	6,258	(16,855)
	<u>879,899</u>	<u>525,590</u>

6 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(27,843)	(50,494)
Depreciation of owned tangible fixed assets	37,461	48,540
(Profit) on disposal of tangible fixed assets	-	(83)
Amortisation of intangible assets	213	12,308
Impairment of intangible assets	-	595,499
Share-based payments	99,249	85,836
Operating lease rentals	269,066	252,579
	<u>378,143</u>	<u>933,185</u>

7 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	19,000	18,700
For other services		
Taxation compliance services	2,975	2,975
Other taxation services	14,650	11,232
All other non-audit services	5,950	7,600
	<u>23,575</u>	<u>21,807</u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

8 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	836	1,318

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	836	1,318
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9 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	44,320	39,480
Interest on invoice finance arrangements	1,443	6,175
	45,763	45,655

10 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	818,219	646,574
Adjustments in respect of prior periods	(80,611)	-
Total UK current tax	737,608	646,574
Foreign current tax on profits for the current period	714,161	411,823
Total current tax	1,451,769	1,058,397
Deferred tax		
Origination and reversal of timing differences	(11,399)	(7,020)
Changes in tax rates	390	-
Total deferred tax	(11,009)	(7,020)
Total tax charge	1,440,760	1,051,377

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

10 Taxation (Continued)

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

	2017 £	2016 £
Profit before taxation	5,922,544	4,446,705
Expected tax charge based on the standard rate of corporation tax in the UK of 19.75% (2016: 20.00%)	1,169,702	889,341
Tax effect of expenses that are not deductible in determining taxable profit	(506,537)	755,022
Tax effect of income not taxable in determining taxable profit	545,045	(746,894)
Unutilised tax losses carried forward	-	165
Adjustments in respect of prior years	(80,611)	-
Other permanent differences	(10,141)	(4,023)
Effect of overseas tax rates	323,350	190,160
	635	780
Adjustment opening deferred tax to average rate	(683)	-
Deferred tax not recognised	-	(33,174)
Taxation charge for the year	1,440,760	1,051,377

11 Dividends

	2017 £	2016 £
Final paid	1,951,439	4,185,726

12 Impairments

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

	2017 £	2016 £
In respect of:		
Intangible assets	-	595,499
Recognised in:		
Administrative expenses	-	595,499

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

12 Impairments (Continued)

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

13 Intangible fixed assets

Group	Goodwill	Software	Purchased Goodwill	Total
	£	£	£	£
Cost				
At 1 July 2016 and 30 June 2017	2,821	39,255	766,466	808,542
Amortisation and impairment				
At 1 July 2016	1,128	39,183	766,466	806,777
Amortisation charged for the year	141	72	-	213
At 30 June 2017	1,269	39,255	766,466	806,990
Carrying amount				
At 30 June 2017	1,552	-	-	1,552
At 30 June 2016	1,693	72	-	1,765
Company				Software
				£
Cost				
At 1 July 2016 and 30 June 2017				39,255
Amortisation and impairment				
At 1 July 2016				39,183
Amortisation charged for the year				72
At 30 June 2017				39,255
Carrying amount				
At 30 June 2017				-
At 30 June 2016				72

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

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

14 Tangible fixed assets

Group	Office Equipment
	£
Cost	
At 1 July 2016	190,163
Additions	32,399
Disposals	(16,772)
At 30 June 2017	205,790
Depreciation and impairment	
At 1 July 2016	156,165
Depreciation charged in the year	37,461
Eliminated in respect of disposals	(16,772)
At 30 June 2017	176,854
Carrying amount	
At 30 June 2017	28,936
At 30 June 2016	33,998
Company	Office Equipment
	£
Cost	
At 1 July 2016	108,757
Additions	29,014
Disposals	(9,461)
At 30 June 2017	128,310
Depreciation and impairment	
At 1 July 2016	95,804
Depreciation charged in the year	14,345
Eliminated in respect of disposals	(9,461)
At 30 June 2017	100,688
Carrying amount	
At 30 June 2017	27,622
At 30 June 2016	12,953

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

16 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
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 in group undertakings £
Cost or valuation	
At 1 July 2016 and 30 June 2017	10,906
Carrying amount	
At 30 June 2017	10,906
At 30 June 2016	10,906

16 Subsidiaries

Details of the company's subsidiaries at 30 June 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Prosource.IT (UK) Ltd	USA	IT consultancy services	Ordinary shares	78.00	
Prosource.IT (UK) Ltd	Canada	IT consultancy services	Ordinary shares	100.00	
Prosource.IT (UK) Ltd	Dubai	IT consultancy services	Ordinary shares	100.00	

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

17 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
Amounts falling due within one year:				
Trade debtors	5,967,845	4,625,846	4,381,076	3,261,288
Amounts owed by group undertakings	-	-	2,128	126,123
Other debtors	292,885	496,092	72,149	373,896
Prepayments and accrued income	6,013,704	3,092,654	5,182,884	2,703,868
	<u>12,274,434</u>	<u>8,214,592</u>	<u>9,638,237</u>	<u>6,465,175</u>
Deferred tax asset (note 20)	71,148	47,297	7,885	7,020
	<u>12,345,582</u>	<u>8,261,889</u>	<u>9,646,122</u>	<u>6,472,195</u>

18 Creditors: amounts falling due within one year

	Group 2017 £	2016 £	Company 2017 £	2016 £
Trade creditors	1,575,101	920,290	1,299,655	725,263
Amounts due to group undertakings	-	-	419,935	-
Corporation tax payable	802,209	315,994	488,299	204,945
Other taxation and social security	1,285,162	2,532,209	1,283,226	2,513,684
Invoice discounting facility	(32,360)	(32,360)	250,137	-
Other creditors	692,719	468,714	84,367	76,625
Accruals and deferred income	1,639,963	1,109,553	1,396,849	984,285
	<u>5,962,794</u>	<u>5,314,400</u>	<u>5,222,468</u>	<u>4,504,802</u>

Included in other creditors of the company is an outstanding pension liability of £46,384 (2016: £49,098) and included in other creditors of the group is an outstanding pension liability of £66,852 (2016: £66,025).

Included in other taxation and social security is a provision of £276,188 (2016: £1,741,368) for a taxation payment.

The invoice discounting facility is secured over the trade debtors of the company and the group. The bank also hold a floating charge over the assets and undertakings of the company.

19 Financial instruments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	<u>9,200,738</u>	<u>8,061,946</u>	<u>9,418,674</u>	<u>6,349,315</u>
Carrying amount of financial liabilities				
Measured at amortised cost	<u>3,875,423</u>	<u>2,466,197</u>	<u>3,450,943</u>	<u>1,786,173</u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

20 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:

	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Group				
ACAs	3,962	-	-	47,297
Timing differences	8,880	-	71,148	-
	<u>12,842</u>	<u>-</u>	<u>71,148</u>	<u>47,297</u>
	<u><u>12,842</u></u>	<u><u>-</u></u>	<u><u>71,148</u></u>	<u><u>47,297</u></u>
	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Company				
ACAs	3,962	-	-	7,020
Timing differences	-	-	7,885	-
	<u>3,962</u>	<u>-</u>	<u>7,885</u>	<u>7,020</u>
	<u><u>3,962</u></u>	<u><u>-</u></u>	<u><u>7,885</u></u>	<u><u>7,020</u></u>
			Group 2017 £	Company 2017 £
Movements in the year:				
Liability/(Asset) at 1 July 2016			(47,297)	(7,020)
Charge to profit or loss			(11,009)	3,097
Liability/(Asset) at 30 June 2017			<u>(58,306)</u>	<u>(3,923)</u>

The deferred tax asset set out above is expected to reverse within 12 months.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

21 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.

Group	Number of share options		Weighted average exercise price	
	2017 Number	2016 Number	2017 £	2016 £
Outstanding at 1 July 2016	77,186	82,700	23.17	22.49
Granted	52,540	-	13.29	-
Forfeited	(37,758)	(4,638)	34.92	14.88
Exercised	(2,843)	(876)	12.97	8.07
Outstanding at 30 June 2017	<u>89,125</u>	<u>77,186</u>	<u>15.18</u>	<u>23.17</u>
Exercisable at 30 June 2017	<u>89,125</u>	<u>77,186</u>	<u>15.18</u>	<u>23.17</u>

The weighted average share price at the date of exercise for share options exercised during the year was £13 (2016 - £8).

The options outstanding at 30 June 2017 had an exercise price ranging from £13.29 to £36.94, and a remaining contractual life of between 1 and 10 years.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

21 Share-based payment transactions (Continued)

Group

The weighted average fair value of options granted during the year was £18.66. Fair value was measured using the Black-Scholes pricing model.

Inputs were as follows:

	2017	2016
Weighted average share price	14.39	-
Weighted average exercise price	13.29	-
Expected volatility	0.03	-
Expected life	3.00	-
Risk free rate	2.50	-
Expected dividends yields	-	-

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 2017 £	2016 £	Company 2017 £	2016 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	99,249	85,836	82,537	65,654

22 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	567,354	583,763

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.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

23 Share capital

	Group and company	
	2017	2016
	£	£
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
47,914 Ordinary Class 'C' shares of 1p each	479	457
53,724 Ordinary Class 'D' shares of 1p each	537	537
223,842 Ordinary Class 'E' shares of 1p each	2,238	2,258
	<u>11,574</u>	<u>11,572</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 2,843 'C' Ordinary class shares which had a nominal value of £28.43 for a total consideration of £36,845.28. In addition, the company repurchased 623 'C' Ordinary class shares with a nominal value of £6.23 for £19,325.46.

During the year, the company also repurchased 2,000 'E' Ordinary class shares which had a nominal value of £20.00 for a total consideration of £62,040.00.

24 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.

Other Reserves

The cumulative share-based payment expense.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

25 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		Company	
	2017	2016	2017	2016
	£	£	£	£
Within one year	190,254	189,823	96,860	88,598
Between one and five years	94,661	169,156	33,750	33,750
	<u>284,915</u>	<u>358,979</u>	<u>130,610</u>	<u>122,348</u>

26 Related party transactions

Remuneration of key management personnel

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

	2017	2016
	£	£
Aggregate compensation	<u>631,145</u>	<u>964,072</u>

Transactions with related parties

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

	Sale of services		Purchase of services	
	2017	2016	2017	2016
	£	£	£	£
Group				
Subsidiaries not wholly owned	<u>641,709</u>	<u>949,680</u>	<u>2,027,338</u>	<u>2,003,922</u>
Company				
Subsidiaries not wholly owned	<u>641,709</u>	<u>685,974</u>	<u>2,027,338</u>	<u>2,003,922</u>
	Management charge		Dividends	
	2017	2016	2017	2016
	£	£	£	£
Group				
Subsidiaries not wholly owned	<u>234,922</u>	<u>263,706</u>	<u>417,335</u>	<u>491,681</u>
Company				
Subsidiaries not wholly owned	<u>234,922</u>	<u>263,706</u>	<u>417,335</u>	<u>491,681</u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

26 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2017 £	2016 £
Group		
Subsidiaries not wholly owned	380,505	-
	<u>380,505</u>	<u>-</u>
Company		
Subsidiaries not wholly owned	380,505	-
	<u>380,505</u>	<u>-</u>

The following amounts were outstanding at the reporting end date:

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

No guarantees have been given or received.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

27 Cash generated from group operations

	2017 £	2016 £
Profit for the year after tax	4,481,784	3,395,328
Adjustments for:		
Taxation charged	1,440,760	1,051,377
Finance costs	45,763	45,655
Investment income	(836)	(1,318)
Gain on disposal of tangible fixed assets	-	(83)
Fair value gains and losses on foreign exchange contracts and investment properties	260,662	(120,051)
Amortisation and impairment of intangible assets	213	607,807
Depreciation and impairment of tangible fixed assets	37,461	48,540
Foreign exchange gains on cash equivalents	(46,753)	(1,270)
Equity settled share based payment expense	99,249	85,836
(Decrease) in provisions	(11,009)	-
Non-cash proceeds from issue of shares	456,668	429,159
Movements in working capital:		
(Increase)/decrease in debtors	(4,059,842)	815,740
Increase/(decrease) in creditors	162,179	(1,271,772)
Cash generated from operations	2,866,299	5,084,948