

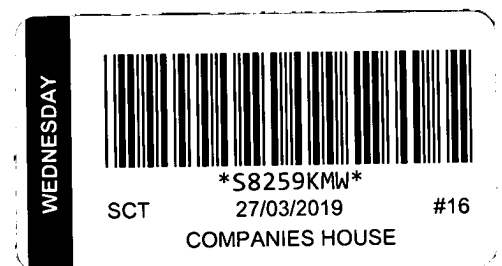
Company Registration No. SC242550 (Scotland)

PROSOURCE.IT (UK) LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2018

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EDINBURGH

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PROSOURCE.IT (UK) LTD

COMPANY INFORMATION

Directors	Mr C I Adams Mr A Cowie Mr S C Mackie Mr S C Proctor Mr S R P Houston Mr D A Balsamo
Secretary	Mr S C Mackie Ms 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 Paull LLP 1 Union Wynd Aberdeen AB10 1SL

PROSOURCE.IT (UK) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present the strategic report for the year ended 30 June 2018.

Principal Activities and Business Review

After three consecutive years of low oil prices and challenging operating conditions for our customer base in the Oil & Gas sector, 2017-18 benefitted from a modest and gradual oil price recovery with a resultant increase in confidence feeding through to a general economic upturn in two of our major operating locations, Aberdeen & Houston and the release of some pent-up demand, leading to investment in infrastructure upgrades and further M&A activity.

This additional activity along with two major new customers contributed to material growth of 15% (in constant currency) for the Group, which achieved record revenue of £50.6M. Also helping were Sterling's ongoing weakness against the Dollar and additional revenue from a small acquisition. Breaking through £50M revenue for the first time was a fitting milestone for the company to achieve as it celebrated the 15th anniversary of its creation via the merger of promac aberdeen and Outsource IT in June 2003.

The company also benefited from the reduction in US Corporation Tax at the beginning of 2018, which reduced its US tax bill. Unfortunately, this was somewhat offset by the impact of Hurricane Harvey in August & September 2017 which so horrendously devastated so many parts of Houston and caused untold misery to many of our staff and customers. The downtime and other associated costs for that period are estimated to have reduced our US profit by a low six-figure sum.

Group pre-tax operating profit margin improved slightly to 14.8% as we continued to manage our cost base to maintain our competitive edge.

We are very grateful to our staff for another year of safe performance with no harm to people or the environment. This requires ongoing dedication and diligence and can't be taken for granted and we thank them for their focus and performance. A commitment to a safe operating environment underpins everything we do.

We remain honoured to continue our support and sponsorship of the Gathimba Edwards Foundation, an incredible charity that supports the lives, development and life chances of the neediest children in Africa.

As BREXIT grows nearer, we remain unscathed from any direct impact and do not expect any direct impact, even from a disorderly conclusion, other than the general uncertainty that clouds the business world and the ramifications on general investment and the UK economy.

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 is managed by invoicing in the base currency of the companies.

Future Developments

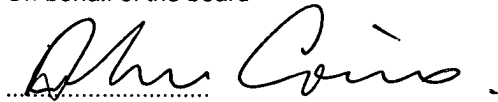
We enter the new financial year with anticipation and more confidence than we have for four or five years. Our order book is at its strongest for half a decade and we have some exciting new customer prospects that we are optimistic will contribute to another record year for the Group, with growth once again expected to be in the mid-teen percentages.

PROSOURCE.IT (UK) LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

On behalf of the board



Mr A Cowie
Director

Date: 26/3/19

PROSOURCE.IT (UK) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present their annual report and financial statements for the year ended 30 June 2018.

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:

Mr C I Adams
Mr A Cowie
Mr S C Mackie
Mr S C Proctor
Mr S R P Houston
Mr D A Balsamo

(Appointed 16 January 2019)

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £4,915,747. The directors do not recommend payment of a further dividend.

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.

Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director 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



Mr A Cowie
Director

Date: 26/3/19

PROSOURCE.IT (UK) LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

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;
- 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 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the 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 the parent company's affairs as at 30 June 2018 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 and parent company 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 their 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 4, 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.

Use of our 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

22/03/19

PROSOURCE.IT (UK) LTD

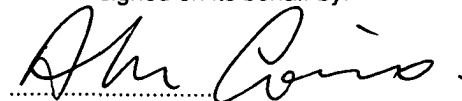
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 £	2017 £
Turnover	3	50,609,122	44,010,418
Cost of sales		(37,189,437)	(32,122,204)
Gross profit		13,419,685	11,888,214
Administrative expenses		(5,891,585)	(5,928,914)
Other operating income		2,942	8,171
Operating profit	6	7,531,042	5,967,471
Interest receivable and similar income	8	815	836
Interest payable and similar expenses	9	(31,564)	(45,763)
Profit before taxation		7,500,293	5,922,544
Tax on profit	10	(1,674,855)	(1,440,760)
Profit for the financial year		5,825,438	4,481,784
Other comprehensive income net of taxation			
Currency translation differences		2,597	260,662
Total comprehensive income for the year		5,828,035	4,742,446
Profit for the financial year is attributable to:			
- Owners of the parent company		5,452,195	4,222,829
- Non-controlling interests		373,243	258,955
		5,825,438	4,481,784
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		5,448,680	4,436,216
- Non-controlling interests		379,355	306,230
		5,828,035	4,742,446

PROSOURCE.IT (UK) LTD**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2018**

	Notes	£	2018 £	£	2017 £
Fixed assets					
Goodwill	12		98,407		1,552
Tangible assets	13		51,393		28,936
			<u>149,800</u>		<u>30,488</u>
Current assets					
Debtors	17	14,385,852		12,345,582	
Cash at bank and in hand		928,221		321,613	
		<u>15,314,073</u>		<u>12,667,195</u>	
Creditors: amounts falling due within one year	18	(6,985,751)		(5,962,794)	
Net current assets			<u>8,328,322</u>		<u>6,704,401</u>
Total assets less current liabilities			<u>8,478,122</u>		<u>6,734,889</u>
Provisions for liabilities	20		(13,735)		(12,842)
Net assets			<u><u>8,464,387</u></u>		<u><u>6,722,047</u></u>
Capital and reserves					
Called up share capital	22		11,639		11,574
Share premium account	24		2,224,956		1,425,648
Capital redemption reserve	24		1,434		1,434
Other reserves	24		131,362		168,685
Profit and loss reserves	24		5,518,984		4,686,732
Equity attributable to owners of the parent company			<u>7,888,375</u>		<u>6,294,073</u>
Non-controlling interests			<u>576,012</u>		<u>427,974</u>
			<u><u>8,464,387</u></u>		<u><u>6,722,047</u></u>

The financial statements were approved by the board of directors and authorised for issue on 26/3/19 and are signed on its behalf by:



Mr A Cowie
Director

PROSOURCE.IT (UK) LTD**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2018**

	Notes	£	2018 £	£	2017 £
Fixed assets					
Tangible assets	13		42,896		27,622
Investments	14		594,418		10,906
			<u>637,314</u>		<u>38,528</u>
Current assets					
Debtors	17	10,707,729		9,646,122	
Cash at bank and in hand		530,935		51,863	
		<u>11,238,664</u>		<u>9,697,985</u>	
Creditors: amounts falling due within one year	18	(5,884,269)		(5,222,468)	
Net current assets			<u>5,354,395</u>		<u>4,475,517</u>
Total assets less current liabilities			<u>5,991,709</u>		<u>4,514,045</u>
Provisions for liabilities	20		-		(3,962)
Net assets			<u><u>5,991,709</u></u>		<u><u>4,510,083</u></u>
Capital and reserves					
Called up share capital	22		11,639		11,574
Share premium account	24		2,224,956		1,425,648
Capital redemption reserve	24		1,434		1,434
Other reserves	24		36,092		52,037
Profit and loss reserves	24		3,717,588		3,019,390
Total equity			<u><u>5,991,709</u></u>		<u><u>4,510,083</u></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 £5,348,434 (2017 - £3,746,208 profit).

The financial statements were approved by the board of directors and authorised for issue on 26/3/19 and are signed on its behalf by:



Mr A Cowie
Director

PROSOURCE.IT (UK) LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	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 2016	11,572	2,737,274	1,408	155,956	262,601	3,168,811	250,830	3,419,641
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	-	-	-	-	260,662	260,662	-	260,662
Amounts attributable to non-controlling interests	-	-	-	-	(47,275)	(47,275)	47,275	-
Total comprehensive income for the year								
Issue of share capital	22	28	-	-	4,436,216	4,436,216	306,230	4,742,446
Dividends	11	-	36,845	-	-	36,873	-	36,873
Redemption of shares	-	(26)	-	26	(1,818,677)	(1,818,677)	(132,762)	(1,951,439)
Reduction of shares	-	-	(1,805,139)	-	1,723,748	(81,391)	-	(81,391)
Transfers	-	-	-	-	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

	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 2018:								
Profit for the year	-	-	-	-	5,452,195	5,452,195	373,243	5,825,438
Other comprehensive income net of taxation:								
Currency translation differences	-	-	-	-	2,597	2,597	-	2,597
Amounts attributable to non-controlling interests	-	-	-	-	(6,112)	(6,112)	6,112	-
Total comprehensive income for the year	-	-	-	-	5,448,680	5,448,680	379,355	5,828,035
Issue of share capital	22 65	111,927	-	-	-	111,992	-	111,992
Dividends	11	-	-	-	(4,680,530)	(4,680,530)	(235,217)	(4,915,747)
Transfers	-	-	-	(64,102)	64,102	-	-	-
Other movements	-	687,381	-	26,779	-	714,160	3,900	718,060
Balance at 30 June 2018	11,639	2,224,956	1,434	131,362	5,518,984	7,888,375	576,012	8,464,387

PROSOURCE.IT (UK) LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 July 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		28	36,845	-	-	-	36,873
Dividends	11	-	-	-	-	(1,829,651)	(1,829,651)
Redemption of shares		(26)	-	26	-	-	-
Reduction of shares		-	(1,805,139)	-	-	1,723,748	(81,391)
Transfers		-	-	-	(82,844)	82,844	-
Other movements		-	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
Year ended 30 June 2018:							
Profit and total comprehensive income for the year		-	-	-	-	5,348,434	5,348,434
Issue of share capital	22	65	111,927	-	-	-	111,992
Dividends	11	-	-	-	-	(4,679,128)	(4,679,128)
Transfers		-	-	-	(28,892)	28,892	-
Other movements		-	687,381	-	12,947	-	700,328
Balance at 30 June 2018		11,639	2,224,956	1,434	36,092	3,717,588	5,991,709

PROSOURCE.IT (UK) LTD

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	27	6,585,210		2,866,299	
Interest paid		(31,564)		(45,763)	
Income taxes paid		(1,710,963)		(954,545)	
Net cash inflow from operating activities		4,842,683		1,865,991	
Investing activities					
Purchase of business		(71,327)		-	
Purchase of tangible fixed assets		(42,158)		(32,399)	
Proceeds on disposal of tangible fixed assets		(2,813)		-	
Interest received		815		836	
Net cash used in investing activities		(115,483)		(31,563)	
Financing activities					
Proceeds from issue of shares		111,992		36,873	
Redemption of shares		-		(81,391)	
Dividends paid to equity shareholders		(3,993,149)		(1,818,677)	
Dividends paid to non-controlling interests		(235,217)		(132,762)	
Net cash used in financing activities		(4,116,374)		(1,995,957)	
Net increase/(decrease) in cash and cash equivalents		610,826		(161,529)	
Cash and cash equivalents at beginning of year		321,613		436,389	
Effect of foreign exchange rates		(4,218)		46,753	
Cash and cash equivalents at end of year		928,221		321,613	

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

Company information

Prosource.IT (UK) LTD ("the company") is a private company limited by shares and is registered and incorporated in Scotland. The registered office is 1 Hilldowntree Business Centre, Banchory Devenick, Aberdeen, AB125YL.

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.

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 2018 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 2018

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 where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset 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
Purchased Goodwill	Straight line over 15 years
Goodwill	Straight line over 20 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, 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.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies (Continued)

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.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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 and deposits held at call with banks.

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.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies (Continued)

Other financial assets

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

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 2018

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 2018

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

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

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.

3 Turnover and other revenue

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

	2018 £	2017 £
Turnover analysed by class of business		
Provision of IT outsourcing services	50,609,122	44,010,418

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

3 Turnover and other revenue (Continued)

	2018 £	2017 £
Other revenue		
Interest income	815	836
	<u> </u>	<u> </u>
	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	35,761,077	30,706,818
Europe	379,156	291,130
North America	13,694,771	12,547,140
South America	30,512	193,405
Middle East	467,841	271,847
Rest of world	275,765	78
	<u> </u>	<u> </u>
	50,609,122	44,010,418
	<u> </u>	<u> </u>

4 Employees

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Administrative staff	32	32	23	23
Operational staff	186	190	111	119
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	218	222	134	142
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	15,358,803	14,139,462	8,007,782	8,204,224
Social security costs	987,401	1,387,395	953,000	930,456
Pension costs	623,053	567,354	430,624	407,313
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	16,969,257	16,094,211	9,391,406	9,541,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

5 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	1,596,430	1,608,301
Company pension contributions to defined contribution schemes	62,624	40,107
	<u>1,659,054</u>	<u>1,648,408</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2017 - 4).

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

	2018 £	2017 £
Remuneration for qualifying services	781,676	769,335
Amounts receivable under long term incentive schemes	10,000	6,258
	<u>791,676</u>	<u>775,593</u>

6 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(75,897)	(27,843)
Depreciation of owned tangible fixed assets	24,282	37,461
Loss on disposal of tangible fixed assets	5,047	-
Amortisation of intangible assets	3,920	213
Share-based payments	30,210	99,249
Operating lease charges	258,861	269,066
	<u>246,423</u>	<u>387,146</u>

7 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	19,800	19,000
	<u>19,800</u>	<u>19,000</u>
For other services		
Taxation compliance services	3,250	2,975
Other taxation services	-	14,650
All other non-audit services	6,900	5,950
	<u>10,150</u>	<u>23,575</u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

8 Interest receivable and similar income

	2018	2017
	£	£
Interest income		
Interest on bank deposits	377	836
Other interest income	438	-
	<u>815</u>	<u>836</u>
Total income	<u>815</u>	<u>836</u>

9 Interest payable and similar expenses

	2018	2017
	£	£
Interest on US factoring arrangements	18,303	44,320
Interest on UK invoice finance arrangements	13,261	1,443
	<u>31,564</u>	<u>45,763</u>
Total finance costs	<u>31,564</u>	<u>45,763</u>

10 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	972,593	818,219
Adjustments in respect of prior periods	-	(80,611)
	<u>972,593</u>	<u>737,608</u>
Total UK current tax	<u>972,593</u>	<u>737,608</u>
Foreign current tax on profits for the current period	702,375	714,161
	<u>1,674,968</u>	<u>1,451,769</u>
Total current tax	<u>1,674,968</u>	<u>1,451,769</u>
Deferred tax		
Origination and reversal of timing differences	(440)	(11,399)
Changes in tax rates	-	390
Other adjustments	327	-
	<u>(113)</u>	<u>(11,009)</u>
Total deferred tax	<u>(113)</u>	<u>(11,009)</u>
Total tax charge for the year	<u>1,674,855</u>	<u>1,440,760</u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

10 Taxation (Continued)

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

	2018 £	2017 £
Profit before taxation	7,500,293	5,922,544
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	1,425,056	1,169,702
Tax effect of expenses that are not deductible in determining taxable profit	(274,770)	(506,537)
Tax effect of income not taxable in determining taxable profit	295,379	545,045
Adjustments in respect of prior years	-	(80,611)
Other permanent differences	(22,548)	(10,141)
Effect of overseas tax rates	249,033	323,350
Other short term timing differences	2,168	635
Adjustment opening deferred tax to average rate	(462)	(683)
Deferred tax not recognised	894	-
Adjustment closing deferred tax to average rate	105	-
Taxation charge for the year	1,674,855	1,440,760

11 Dividends

Company	2018 £	2017 £
Final paid	4,679,128	1,829,651
Group	2018 £	2017 £
Final paid	4,915,747	1,951,439

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

12 Intangible fixed assets

Group	Goodwill	Software	Purchased Goodwill	Total
	£	£	£	£
Cost				
At 1 July 2017	2,821	39,255	766,466	808,542
Additions - separately acquired	100,775	-	-	100,775
Disposals	-	(39,255)	-	(39,255)
At 30 June 2018	103,596	-	766,466	870,062
Amortisation and impairment				
At 1 July 2017	1,269	39,255	766,466	806,990
Amortisation charged for the year	3,920	-	-	3,920
Disposals	-	(39,255)	-	(39,255)
At 30 June 2018	5,189	-	766,466	771,655
Carrying amount				
At 30 June 2018	98,407	-	-	98,407
At 30 June 2017	1,552	-	-	1,552
Company				Software
				£
Cost				
At 1 July 2017				39,255
Disposals				(39,255)
At 30 June 2018				-
Amortisation and impairment				
At 1 July 2017				39,255
Disposals				(39,255)
At 30 June 2018				-
Carrying amount				
At 30 June 2018				-
At 30 June 2017				-

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 2018

13 Tangible fixed assets

Group	Office Equipment
	£
Cost	
At 1 July 2017	205,790
Additions	42,158
Disposals	(109,870)
Exchange adjustments	26,638
At 30 June 2018	164,716
Depreciation and impairment	
At 1 July 2017	176,854
Depreciation charged in the year	24,282
Eliminated in respect of disposals	(107,636)
Exchange adjustments	19,823
At 30 June 2018	113,323
Carrying amount	
At 30 June 2018	51,393
At 30 June 2017	28,936
Company	Office Equipment
	£
Cost	
At 1 July 2017	128,310
Additions	35,686
Disposals	(54,838)
At 30 June 2018	109,158
Depreciation and impairment	
At 1 July 2017	100,688
Depreciation charged in the year	19,704
Eliminated in respect of disposals	(54,130)
At 30 June 2018	66,262
Carrying amount	
At 30 June 2018	42,896
At 30 June 2017	27,622

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

14 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	15	-	-	594,418	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 2017	10,906
Additions	583,512
At 30 June 2018	594,418
Carrying amount	
At 30 June 2018	594,418
At 30 June 2017	10,906

15 Subsidiaries

Details of the company's subsidiaries at 30 June 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Prosource.IT (Dubai)	a)	IT consultancy services	Ordinary shares	100.00
Prosource.IT (Canada)	b)	IT consultancy services	Ordinary shares	100.00
Prosource.IT (US)	c)	IT consultancy services	Ordinary shares	78.00
Opensteam Consulting Ltd	d)	IT consultancy services	Ordinary shares	100.00

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

15 Subsidiaries (Continued)

Registered offices:

- a) Unit No.2608, Mazaya Business Avenue AA1, Plot No: JLTE-PH2-AA1, Jumeirah Lakes Towers, Dubai
- b) 210 239 Midpark Way SE, Calgary, Alberta, T2X 1M2
- c) 820 Gessner Road, Suite 1540, Houston, Texas, 77024
- d) Office 10, 1st Floor Holburn Gate, 330 High Holburn, London, WC1V 7QT

Openstream Consulting Ltd (08758673) has claimed exemption from audit of their individual accounts under section 479 of the Companies Act 2006.

16 Acquisitions

On 6 October 2017 the group acquired 100 percent of the issued capital of Openstream Consulting Ltd for consideration of £583,513.

	Book Value £	Adjustments £	Fair Value £
Property, plant and equipment	19,047	(19,047)	-
Trade and other receivables	30,371	(1,684)	28,687
Cash and cash equivalents	512,186	-	512,186
Trade and other payables	(7,895)	2,532	(5,363)
Tax liabilities	(49,153)	-	(49,153)
Deferred tax	(3,619)	-	(3,619)
Total identifiable net assets	<u>500,937</u>	<u>(18,199)</u>	<u>482,738</u>
Goodwill			<u>100,775</u>
Total consideration			<u><u>583,513</u></u>
The consideration was satisfied by:			£
Cash			463,513
Deferred consideration			<u>120,000</u>
			<u><u>583,513</u></u>
Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:			£
Turnover			354,778
Profit after tax			<u><u>49,580</u></u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

17 Debtors

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	8,683,007	5,967,845	5,417,429	4,381,076
Amounts owed by group undertakings	-	-	533,806	2,128
Other debtors	291,319	292,885	32,063	72,149
Prepayments and accrued income	5,335,493	6,013,704	4,724,431	5,182,884
	<u>14,309,819</u>	<u>12,274,434</u>	<u>10,707,729</u>	<u>9,638,237</u>
Deferred tax asset (note 20)	76,033	71,148	-	7,885
	<u>14,385,852</u>	<u>12,345,582</u>	<u>10,707,729</u>	<u>9,646,122</u>

18 Creditors: amounts falling due within one year

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Trade creditors	1,915,437	1,575,101	1,628,947	1,299,655
Amounts due to group undertakings	-	-	170,649	419,935
Corporation tax payable	822,865	802,209	601,428	488,299
Other taxation and social security	800,458	1,285,162	772,109	1,283,226
Invoice discounting facility	946,477	250,137	946,477	250,137
Other creditors	529,009	410,222	135,498	84,367
Accruals and deferred income	1,971,505	1,639,963	1,629,161	1,396,849
	<u>6,985,751</u>	<u>5,962,794</u>	<u>5,884,269</u>	<u>5,222,468</u>

Included in other creditors of the company is an outstanding pension liability of £45,270 (2017: £46,384) and included in other creditors of the group is an outstanding pension liability of £65,451 (2017: £66,852).

Included in other taxation and social security is a provision of £nil (2017: £276,188) 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.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

19 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	8,974,012	9,200,738	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	5,362,428	3,875,423	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

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:

Group	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
ACAs	-	3,962	-	-
Timing differences	13,735	8,880	76,033	71,148
	13,735	12,842	76,033	71,148
Company	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
ACAs	-	3,962	-	-
Timing differences	-	-	-	7,885
	-	3,962	-	7,885
Movements in the year:			Group 2018 £	Company 2018 £
Liability/(asset) at 1 July 2017			(58,306)	(3,923)
(Credit)/charge to profit or loss			(3,992)	3,923
Liability/(asset) at 30 June 2018			(62,298)	-

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

20 Deferred taxation (Continued)

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

21 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	623,053	567,354

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.

22 Share capital

	Group and company	
	2018	2017
	£	£
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
54,354 Ordinary Class 'C' shares of 1p each	544	479
53,724 Ordinary Class 'D' shares of 1p each	537	537
223,842 Ordinary Class 'E' shares of 1p each	2,238	2,238
	<u>11,639</u>	<u>11,574</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 amounts were repaid of £232,828.

During the year, the company issued 6,440 'C' Ordinary class shares which had a nominal value of £64.40 for a total consideration of £111,992.

Reconciliation of movements during the year:

	Ordinary shares Number
At 1 July 2017	1,157,458
Issue of fully paid shares	6,440
At 30 June 2018	<u>1,163,898</u>

During the year 6,440 EMI share options were exercised resulting in the issue of 6,440 Ordinary C Shares.

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

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.

Group	Number of share options		Weighted average exercise price	
	2018 Number	2017 Number	2018 £	2017 £
Outstanding at 1 July 2017	89,125	77,186	15.18	23.17
Granted	-	52,540	-	13.29
Forfeited	(9,701)	(37,758)	16.31	34.92
Exercised	(6,440)	(2,843)	17.39	12.97
Outstanding at 30 June 2018	<u>72,984</u>	<u>89,125</u>	<u>14.50</u>	<u>15.18</u>
Exercisable at 30 June 2018	<u>72,984</u>	<u>89,125</u>	<u>14.50</u>	<u>15.18</u>

The weighted average share price at the date of exercise for share options exercised during the year was £17 (2017 - £13).

The options outstanding at 30 June 2018 had an exercise price ranging from £12.80 to £17.93, 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 2018

23 Share-based payment transactions (Continued)

Group

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

Inputs were as follows:

	2018	2017
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 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 2018 £	2017 £	Company 2018 £	2017 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	30,210	99,249	12,947	82,537

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 2018

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 2018 £	2017 £	Company 2018 £	2017 £
Within one year	154,324	190,254	82,660	96,860
Between one and five years	134,382	94,661	134,063	33,750
	<u>288,706</u>	<u>284,915</u>	<u>216,723</u>	<u>130,610</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.

	2018 £	2017 £
Aggregate compensation	<u>2,933,283</u>	<u>2,491,894</u>

Transactions with related parties

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

	Sale of goods		Purchase of goods	
	2018 £	2017 £	2018 £	2017 £
Group				
Subsidiaries not wholly owned	<u>614,694</u>	<u>641,709</u>	<u>682,518</u>	<u>2,027,338</u>

Company				
Subsidiaries not wholly owned	<u>614,694</u>	<u>641,709</u>	<u>682,518</u>	<u>2,027,338</u>

	Management charge		Dividends	
	2018 £	2017 £	2018 £	2017 £
Group				
Subsidiaries not wholly owned	<u>166,287</u>	<u>234,922</u>	<u>1,216,845</u>	<u>417,335</u>

Company				
Subsidiaries not wholly owned	<u>166,287</u>	<u>234,922</u>	<u>1,216,845</u>	<u>417,335</u>

PROSOURCE.IT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

26 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2018	2017
	£	£
Group		
Subsidiaries not wholly owned	-	380,505
	<u> </u>	<u> </u>
Company		
Subsidiaries not wholly owned	-	380,505
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2018	2017
	Balance	Balance
	£	£
Company		
Subsidiaries not wholly owned	513,458	-
	<u> </u>	<u> </u>

27 Cash generated from group operations

	2018	2017
	£	£
Profit for the year after tax	5,825,438	4,481,784
Adjustments for:		
Taxation charged	1,674,855	1,440,760
Finance costs	31,564	45,763
Investment income	(815)	(836)
Loss on disposal of tangible fixed assets	5,047	-
Amortisation and impairment of intangible assets	3,920	213
Depreciation and impairment of tangible fixed assets	24,282	37,461
Foreign exchange gains on cash equivalents	4,218	(46,753)
Equity settled share based payment expense	30,210	99,249
(Decrease) in provisions	-	(11,009)
Foreign exchange movements on translation of net assets included in OCI	2,597	260,662
Foreign exchange movement on translation of opening fixed assets	(6,815)	-
Dividends withheld on unpaid shares	-	456,668
Movements in working capital:		
(Increase) in debtors	(2,006,698)	(4,059,842)
Increase in creditors	997,407	162,179
	<u> </u>	<u> </u>
Cash generated from operations	6,585,210	2,866,299
	<u> </u>	<u> </u>