

PRGX UK Ltd

Company number: 01478123

Report and Financial Statements

Year ended 31 December 2016

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PRGX UK LTD

Report and financial statements for the year ended 31 December 2016

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Director

R Stewart

Secretary

T Field

Registered office

731 Capability Green, Luton, Bedfordshire LU1 3LU

Company number

01478123

Auditors

BDO LLP, Mortlock House, Station Road, Histon, Cambridge, CB24 9NP

PRGX UK LTD

Strategic Report for the year ended 31 December 2016

The director presents his strategic report together with the audited financial statements for the year ended 31 December 2016.

Principal activities

PRGX UK Ltd ("PRGX" or the "Company") specialises in providing recovery audit, source-to-pay performance improvement, contract compliance and risk management services to clients in transaction intensive industries such as retail, manufacturing and oil & gas.

Trading review

Turnover for the year increased by £0.3m (2.1%) to £13.4m (2015: £13.2m). Gross profit has increased by £0.9m (21.0%) to £5.5m (2015: £4.5m). The Company reported an operating loss for the year of £2.5m (2015: loss of £0.5m). The director considers turnover, gross profit and operating profit to be the key performance indicators.

Net assets as at the balance sheet date are £0.9m (2015: £3.5m). The Company has net current liabilities of £0.7m (2015: net current assets of £2.0m), which includes £0.9m of cash at bank. As part of a group, the Company can borrow from other group companies as required on a short term basis. The Company reviews its cashflow on a regular basis to ensure it can meet its cash requirements.

The increase in turnover in 2016 was primarily due to a number of new clients and additional revenue generated from existing clients. This impacted favourably on gross profit. The Company's operating loss increased principally as a result of adverse exchange rate movements resulting in a net expense for the year of £2.5m (2015: £0.2m). The Company continues to pursue its ongoing growth strategy to expand its recovery audit services business to enterprises other than retailers and to increase the supply of adjacent services to both existing audit clients and new clients. In line with its focus on delivering value and operating efficiently, the Company has identified and is executing on these near-term initiatives:

1. Continue to focus on consistent delivery excellence through standard processes, methodologies and tools;
2. Accelerate the implementation of a global shared service delivery model centred on regional and global shared service centres;
3. Leverage state of the market technologies to drive faster processing and deeper analytics with the massive amount of data received from clients. Technologies enabling large data manipulation and unstructured data analysis are evolving at a very rapid rate. The Company plans to remain at the forefront of these technologies and maintain the most secure and trusted infrastructure environment in its industry.

Future developments

The Company plans to achieve revenue growth and higher profitability through the following strategy:

1. Grow and improve its core recovery audit business by introducing innovative concepts and audit processes including rolling out enhanced audit tools;
2. Differentiate its service offerings and capabilities through meaningful and sustainable innovation such as audit acceleration and global audit best practice programs;
3. Create adjacent service offerings including Software as a Service ("SaaS") solutions; and
4. Expand into new high potential industries and geographies.

Principal risks and uncertainties

Technology and intellectual property rights

The Company's operations could be materially and adversely affected if it is not able to protect its proprietary software, audit techniques and methodologies, and other proprietary intellectual property rights. It relies on a combination of trade secret and copyright laws, nondisclosure and other contractual arrangements and technical measures to protect its proprietary rights. Additionally, to protect its confidential and trade secret information, the Company generally enters into nondisclosure agreements with its employees, consultants, clients and potential clients. The Company also limits access to, and distribution of, its proprietary information.

PRGX UK LTD

Strategic Report for the year ended 31 December 2016 (continued)

Data Security risk

The Company receives processes, stores and transmits, often electronically, the confidential data of clients and others. Unauthorized access to its computer systems or stored data could result in the theft or improper disclosure of confidential information, the deletion or modification of records or could cause interruptions in its operations. Despite implemented security measures, its facilities, systems and procedures may be vulnerable to security breaches, acts of vandalism, software viruses, misplaced or lost data, programming and/or human errors or other similar events which may disrupt the delivery of services or expose the confidential information of clients and others.

Operational risk

An interruption of data processing services caused by damage or destruction of the Company's facilities or a failure of its data processing equipment could result in a loss of clients, difficulties in obtaining new clients and a reduction in revenue. In addition, it also may be liable to third parties or clients because of such interruption. These risks would increase with longer service interruptions. Despite any disaster recovery and business continuity plans and precautions the Company has implemented (including insurance) to protect against the effects of service delivery interruptions, such interruptions could result in a material adverse effect on its business, results of operations and financial condition.

Economic risk

Economic conditions which have impacted the UK retail industry may have a negative impact on the Company's revenues. Since the Company generally audits its clients' purchases several years in arrears, it cannot easily determine if the full impact of changes in economic conditions on its business and revenues has been experienced. Revenues continue to be impacted either positively or adversely by the general retail environment.

Competition risk

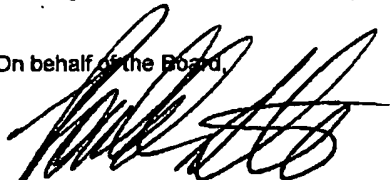
The recovery audit business is highly competitive, with other recovery audit firms and other providers of recovery audit services. In addition, many of the Company's clients have developed their own internal recovery audit capabilities. As a result of competition among the providers of recovery audit services and the availability of certain recovery audit services from clients' internal audit departments, the Company's recovery audit services business is subject to price pressure. Such price pressure could cause profit margins to decline and have a material adverse effect on its business, financial condition, and results of operations.

Financial instruments

The Board regularly reviews the Company's financial requirements and associated risks. Company operations are financed from operating cashflows. The Company has a positive cash balance of £0.9m (2015: £0.7m), no overdraft at the year end and did not utilise any such facility during the year. The Company does not use complicated or derivative financial instruments for trading purposes. Additional working capital support can be provided by the parent company as necessary.

The Company's exchange rate exposure arises principally from balances with overseas group companies including its US parent which are denominated in foreign currency. The Company does not use forward exchange contracts to reduce its exposure to the uncertainty of exchange rate movements.

On behalf of the Board,



Ronald Stewart
Director

Date: 27 September 2017

PRGX UK LTD

Report of the director for the year ended 31 December 2016

The director presents his report together with the audited financial statements for the year ended 31 December 2016.

Results and dividends

The statement of comprehensive income is set out on page 7 and shows a loss after tax for the year of £2.5m (2015: loss after tax of £0.6m). The director does not recommend the payment of a dividend (2015: nil).

Branches outside the UK

The Company operates a branch in the Republic of Ireland and the results for the branch are included within the Company's loss for the year.

Employment of disabled persons

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the group. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

Political donations and political expenditure

The Company neither made political donations nor incurred political expenditure during either the current or prior year.

Directors

The sole director of the Company during the year and subsequently was Ronald Stewart.

Director's responsibilities

The director is responsible for preparing the strategic report, the report of the director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the director is 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

PRGX UK LTD

Report of the director for the year ended 31 December 2016 (continued)

Director's responsibilities (continued)

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The Company's business activities, together with factors likely to affect its future development, financial position, performance and working capital are set out in the trading review section of the strategic report on page 1. In addition, the Company's financial risk management policies and its exposures to currency, price and liquidity risk are discussed in the principal risks and uncertainties section of the strategic report.

The Company has net current liabilities of £707,799, including a net debt owed to group companies of £3,397,941. The director has prepared a five year forecast which demonstrates that the director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, the Company has been given a letter of support from its parent company valid for one year from the date of signature of these accounts. Thus the director continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditors

The director has taken all the steps that he ought to have taken to make himself aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board,



Ronald Stewart
Director

Date: 27 September 2017

PRGX UK LTD

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRGX UK LTD

We have audited the financial statements of PRGX UK Ltd for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of director's responsibilities, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

PRGX UK LTD

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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

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

BDO LLP

*Piers Harrison (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Cambridge
United Kingdom*

Date: *28 September 2017*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PRGX UK LTD

Statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	5	13,424,958	13,153,833
Cost of sales		(7,972,658)	(8,646,360)
		<hr/>	<hr/>
Gross profit		5,452,300	4,507,473
Administrative expenses		(8,354,199)	(5,753,451)
Other operating income		364,899	704,529
		<hr/>	<hr/>
Operating loss	6	(2,537,000)	(541,449)
		<hr/>	<hr/>
Loss before taxation		(2,537,000)	(541,449)
Taxation on loss	10	(11,223)	(25,721)
		<hr/>	<hr/>
Total comprehensive loss for the year		(2,548,223)	(567,170)
		<hr/>	<hr/>

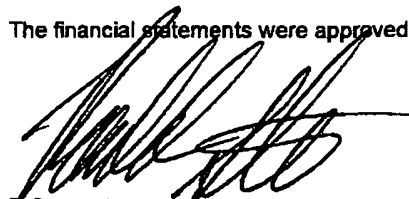
All amounts relate to continuing activities.

The notes on pages 10 to 24 form part of these financial statements

PRGX UK LTD
Statement of financial position at 31 December 2016

Company number 01478123	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	11		1,176,403		1,399,759
Tangible assets	13		443,330		421,367
			<u>1,619,733</u>		<u>1,821,126</u>
Current assets					
Debtors	14	11,860,477		10,581,208	
Cash at bank and in hand		934,465		702,175	
		<u>12,794,942</u>		<u>11,283,383</u>	
Creditors: amounts falling due within one year	15	<u>(13,122,513)</u>		<u>(9,236,498)</u>	
Net current (liabilities) / assets			<u>(327,571)</u>		<u>2,046,885</u>
Total assets less current liabilities			<u>1,292,162</u>		<u>3,868,011</u>
Provisions for liabilities	16		<u>(380,228)</u>		<u>(407,854)</u>
Net assets			<u>911,934</u>		<u>3,460,157</u>
Capital and reserves					
Called up share capital	17		210		210
Share premium			17,609,646		17,609,646
Capital contribution reserve			8,256,335		8,256,335
Profit and loss account			<u>(24,954,257)</u>		<u>(22,406,034)</u>
Shareholder's funds			<u>911,934</u>		<u>3,460,157</u>

The financial statements were approved by the director and authorised for issue on 27 September 2017.



R Stewart
Director

The notes on pages 10 to 24 form part of these financial statements.

PRGX UK LTD

Statement of changes in equity at 31 December 2016

	Called up share capital	Share premium	Capital contribution reserve	Profit and loss account	Total
	£	£	£	£	£
Balance at 1 January 2015	210	17,609,646	8,256,335	(21,838,864)	4,027,327
Loss for the year	-	-	-	(567,170)	(567,170)
Balance at 31 December 2015	210	17,609,646	8,256,335	(22,406,034)	3,460,157
Balance at 1 January 2016	210	17,609,646	8,256,335	(22,406,034)	3,460,157
Loss for the year	-	-	-	(2,548,223)	(2,548,223)
Balance at 31 December 2016	210	17,609,646	8,256,335	(24,954,257)	911,934

The director considers that the capital contribution reserve is distributable.

The notes on pages 10 to 24 form part of these financial statements.

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016

1 General Information

The Company provides recovery audit, procure-to-pay performance improvement, contract compliance and risk management services to clients in transaction intensive industries.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 731 Capability Green, Luton, Bedfordshire.

2 Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

3 Summary of Significant Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through the statement of comprehensive income.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

The financial statements have been prepared on a going concern basis.

The Company has net current liabilities of £707,799, including a net debt owed to group companies of £3,397,941. The director has prepared a five year forecast which demonstrates that the director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, the Company has been given a letter of support from its parent company valid for one year from the date of signature of these accounts. Thus the director continues to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, PRGX Global Inc., includes the Company's cash flows in its own consolidated financial statements.

(d) Consolidated Financial Statements

The Company is exempt from preparing consolidated financial statements, as it is wholly owned by the ultimate parent company, as permitted by S400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group. Details of the consolidated financial statements of the ultimate parent company are disclosed in note 19.

(e) Foreign currency

The Company's functional and presentation currency is sterling.

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

3 Accounting policies (*continued*)

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign branches and from translating the profit and loss account at an average rate are taken to reserves.

All other differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, which, to the extent that they are used to finance or provide a hedge against foreign equity investments, are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

(f) Revenue recognition

Revenue is stated net of applicable sales taxes and is derived from the following sources:

- The provision of recovery audit services - revenue is recognised when a customer has secured a recovery from its supplier and notified the company of receiving benefit from such recovery;
- The provision of web based spend analysis and procurement software tools to customers - revenue is recognised rateably over the term of the contract;
- The provision of advisory services - revenue is recognised on a percentage of completion basis;
- The provision of scores for the Chartered Institute of Procurement & Supply (CIPS) Sustainability Index – revenue is recognised evenly over 12 months commencing from the date when the scores are published; and
- The provision of scores for Supplier Information Management (SIM) – revenue is recognised in full immediately upon publication of the score.

(g) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension plan.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Pension costs

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payment obligations. Contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The plan assets are held separately from the Company in an independently administered fund.

Annual bonus plans

The Company operates performance linked annual bonus plans for certain of its employees. The costs are recognised as an expense in the period in which the service is received.

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

3 Accounting policies (*continued*)

Share based incentives

PRGX Global Inc. issues equity-settled share-based awards to certain employees of the Company. Equity-settled share-based option awards are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based options are expensed on a straight-line basis over the vesting period as a recharge from the ultimate parent company, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The fair value of all time-vested options is estimated as of the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The fair value of market condition options (also known as path-dependent options) may be estimated as of their date of grant using more complex option valuation models such as binomial lattice and Monte Carlo simulations. The Company uses the Monte Carlo simulation method for its valuations of market condition options.

The Company estimates the fair value of awards of performance-based restricted share units as being equal to the market value of the common stock on the date of the award. The fair value so determined is amortized over the vesting period of the award based on the group's estimate of the shares that will eventually vest.

(h) Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

(i) Intangible assets

Goodwill

Purchased goodwill is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the income statement over the director's estimate of its useful economic life. Where a reliable estimate of its useful economic life cannot be made, it is amortised over five years. Current goodwill assets are being amortised over 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Where the trade and assets of a subsidiary are transferred to the Company, such that the subsidiary ceases to trade, the carrying value of the investment previously recorded is transferred to goodwill in full.

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

3 Accounting policies (*continued*)

Software development costs

Software development costs are charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are capitalised, shown in intangible assets and amortised over a period not exceeding three years commencing in the year the company starts to sell or use the related software.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

At the end of each year, the balance of deferred development expenditure is reviewed in light of the latest available information (e.g. actual sales compared with estimates) and, where the circumstances which justified the deferral in the first instance (the criteria stated above) no longer apply or are considered doubtful, the amount of the balance which is considered to be irrecoverable is written off immediately.

(j) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Computer equipment, furniture and fittings

Computer equipment, including computer software which is integral to the equipment, and furniture and fittings are stated at cost less accumulated depreciation.

Leasehold improvements

Improvements to leasehold properties are capitalised and stated at cost less accumulated depreciation.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Computer equipment	- over 3-5 years
Furniture and fittings	- over 5 years
Leasehold improvements	- over the lesser of 10 years or the remaining lease term

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

3 Accounting policies (continued)

(k) Leased assets

All leases that the Company has entered into are operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

(l) Share capital and financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

(m) Cash at bank and in hand

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

(n) Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical judgements in applying the entity's accounting policies

In preparing these financial statements, the Company has made the following judgements:

- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether the charge to the Company made by the group relating to share based payments is the appropriate expense to be recognised in the financial statements in relation to the share options and restricted stock units granted to the Company's staff. The decision that the cost is appropriate has resulted in the Company recognising the charge as the cost of the share based payments in the statement of comprehensive income.

(ii) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

Recoverability and useful economic life of goodwill

The Company reviews both whether goodwill is impaired and the estimated useful economic life of goodwill whenever there is an indication that the carrying value may not be recoverable. Where an indication of impairment is identified the estimation of the recoverable value requires estimation of future cash flow from the assets and also the selection of the appropriate discount rates in order to calculate the net present value of those cash flows. See note 11 for the carrying amount of goodwill and note 3 for the useful economic life of existing goodwill assets.

Recoverability of software development costs

The Company reviews capitalised software development costs annually for impairment. Where an indication of impairment is identified the estimation of the recoverable value requires estimation of future cash flow from the assets and also the selection of the appropriate discount rates in order to calculate the net present value of those cash flows. They are amended when necessary to reflect current estimates. See note 11 for the carrying amount of software development costs and note 3 for the useful economic lives for each class of assets.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of the individual debts and historical experience. See note 15 for the net carrying value of debtors and associated impairment provision.

Paybacks to clients

The Company recognises revenue in line with the policy as stated in note 3 (f) above. However, where the client does not make the full expected recovery, revenue previously recognised is written back. Management makes a provision for the estimated value of the write back. When calculating the provision, management considers factors including the current rate of payback, the time lag taken for clients to make full recovery and historical experience. See note 16 for the value of the provision.

5 Turnover

All turnover is derived from continuing operations. All turnover arises in the United Kingdom and the Republic of Ireland as follows:

	2016	2015
United Kingdom	13,178,167	12,816,132
Republic of Ireland	246,791	337,701
	<u>13,424,958</u>	<u>13,153,833</u>

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

6 Operating loss

	2016 £	2015 £
The operating loss is arrived at after charging:		
Loss on disposal of fixed assets	-	2,669
Depreciation of tangible fixed assets	246,144	246,503
Amortisation of intangible fixed assets	365,177	487,469
Land and buildings – operating leases	93,607	93,616
Share based payments	33,804	41,160
Foreign exchange losses / (gains)	2,498,506	213,303
	<hr/>	<hr/>
<i>Auditor's remuneration :</i>		
Audit	45,000	45,000
Other assurance services	28,500	28,500
Tax compliance services	6,500	6,500
	<hr/>	<hr/>
	80,000	80,000
	<hr/>	<hr/>

7 Remuneration of the director

The director's remuneration is borne by another group company. The director is not accruing benefits under money purchase pension schemes (2015: £Nil).

8 Employees

The average number of employees (including the director) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Administration	29	32
Audit	141	149
	<hr/>	<hr/>
	170	181
	<hr/>	<hr/>

Staff costs (including the director) consist of :

	2016 £	2016 £
Wages and salaries	7,767,275	7,926,835
Social security costs	812,286	856,763
Other pension costs	235,948	254,024
Share option charge	33,804	41,160
	<hr/>	<hr/>
	8,849,313	9,078,782
	<hr/>	<hr/>

The pension cost for 2016 of £235,948 (2015: £254,024) relates to contributions payable to the Company's defined contribution pension scheme. At 31 December 2016, there were outstanding contributions of £34,601 (2015: £37,480).

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

9 Share-based payments

The ultimate parent company has two shareholder-approved share-based schemes for certain senior employees of the Group under which it has granted share options and performance-based restricted stock units (PBUs).

Options to purchase common shares are exercisable at a price equal to the closing quoted market price of the Company's shares on the date of grant. The options granted generally vest rateably over a period ranging from 1 to 3 years. If the options remain unexercised after a period of 7 years from the date of grant, the options expire. PBUs represent an agreement by the ultimate parent company to deliver common shares in the future pursuant to a vesting and delivery schedule. PBUs vest over a 1 to 3 year period with zero exercise price. Share options and PBUs are forfeited if the employee leaves the Group before the vesting date or if vested options are not exercised in accordance with the share option agreements upon termination.

The fair value of share options is estimated as of the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable.

The fair value of PBUs is estimated as being equal to the market value of the common stock of the parent company on the date of the award.

In respect of UK based employees there were 215,105 (2015: 200,722) share options and PBUs outstanding at 31 December 2016.

Details of the share options during the year are as follows:

	2016		2015	
	Number of share options	Weighted average exercise price (in US\$)	Number of share options	Weighted average exercise price (in US\$)
Outstanding at beginning of period	193,468	6.01	213,956	6.21
Share options forfeited	(52,525)	5.85	(20,488)	6.21
Adjustment for share options relating to employees transferred to US	(43,338)	(5.93)	-	-
Outstanding at the end of the period	97,605	6.62	193,468	6.01
Exercisable at the end of the period	74,935	6.41	151,378	5.90

No share options were issued in either the current or prior year to UK based employees.

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

9 Share based payments (continued)

No share options were exercised during the year (2015: nil). The share options outstanding at 31 December 2016 had a weighted average exercise price of US\$6.62 (2015: \$5.79). The share options had a weighted average remaining contractual life of 1.82 years (2015: 3.14 years). The weighted average share price upon exercise of exercisable options was US\$6.41 (2015: US\$5.90).

Details of the PBUs during the year are as follows:

	2016	2015
	Number of PBUs	Number of PBUs
Outstanding at beginning of period	7,254	25,759
PBUs granted	137,500	-
PBUs forfeited	(20,000)	(2,668)
PBUs exercised	(7,254)	(15,837)
	<hr/>	<hr/>
Outstanding at the end of the period	117,500	7,254
	<hr/>	<hr/>
Exercisable at the end of the period	-	-
	<hr/>	<hr/>

7,254 PBUs were exercised during the year (2015: 15,837). In 2016 137,500 PBUs were granted (2015: nil).

The aggregate share-based payment expense in respect of UK based employees for 2016 was £33,804 (2015: £41,160).

10 Tax

(a) Tax expense included in the statement of comprehensive income

	2016 £'000	2015 £'000
<i>Current tax</i>		
UK corporation tax at 20.00% (2015: 20.25%)		
Foreign corporation tax charge for the year	10,562	23,373
Adjustment in respect of prior periods (foreign tax)	661	2,348
	<hr/>	<hr/>
Total current tax	11,223	25,721
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	11,223	25,721
	<hr/>	<hr/>

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

10 Tax (continued)

(b) Reconciliation of tax charge

Current tax for the year is higher (2015: higher) than the standard rate of tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	(2,537,000)	(541,449)
Standard rate of Corporation tax in the UK: at 20.00% (2015: 20.25%)	(507,400)	(109,643)
Effects of:		
Expenses not deductible for tax purposes	34,722	41,504
Income not taxable for tax purposes		(52,146)
Deferred tax not recognised	334,567	(25,858)
Share scheme deduction	(9,083)	(9,033)
Overseas tax - Ireland	10,562	23,373
Adjustments to tax charge in respect of previous periods (foreign tax)	661	2,348
Re-measurement of deferred tax - change in UK tax rate	147,194	155,176
Current tax charge for year	11,223	25,721

(c) Factors that may affect future tax charges

No deferred tax has been recognised at 31 December 2016 (2015: £Nil). A potential deferred tax asset of £1,683,314 (2015: £1,382,404) has not been recognised on accelerated capital allowances, other timing differences and trade losses carried forward at 31 December 2016 on the grounds that there is insufficient evidence that the asset will be recovered in the foreseeable future. A rate of 18% was used to calculate the deferred tax in the prior year with 18% being used in the current year which was the rate substantively enacted at the year end date.

The Budget announced by the Chancellor in March 2013 included changes to the main rate of Corporation tax for UK companies. The main rate of Corporation tax reduced from 23% to 21% on 1 April 2014 and from 1 April 2015 reduced to 20%.

The 2015 Budget confirmed that the Corporation tax rate will reduce to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. The rates of 19% and 18% were both enacted in November 2015.

(d) Deferred taxation

	Provided 2016 £	Unprovided 2016 £	Provided 2015 £	Unprovided 2015 £
Accelerated capital allowances	-	311,288	-	285,853
Trade losses	-	1,248,816	-	969,403
Other timing differences	-	123,210	-	127,148
	-	1,683,314	-	1,382,404

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

11 Intangible assets

	Goodwill £	Software £	Total £
<i>Cost</i>			
At 1 January 2016	19,874,223	1,037,601	20,911,824
Additions – internally generated software	-	156,055	156,055
Disposal	-	(14,234)	(14,234)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	19,874,223	1,179,422	21,053,645
	<hr/>	<hr/>	<hr/>
<i>Amortisation and impairment</i>			
At 1 January 2016	18,867,946	644,119	19,512,065
Charged in year	129,841	235,336	365,177
	<hr/>	<hr/>	<hr/>
At 31 December 2016	18,997,787	879,455	19,877,242
	<hr/>	<hr/>	<hr/>
	£	£	£
<i>Net book amount</i>			
At 31 December 2016	876,436	299,967	1,176,403
	<hr/>	<hr/>	<hr/>
At 31 December 2015	1,006,277	393,482	1,399,759
	<hr/>	<hr/>	<hr/>

During the year software development costs of £156,055 (2015:£ 176,604) have been capitalised and included in intangible fixed assets. Amortisation is charged once the software has been brought into use.

12 Subsidiary undertakings

The Company owns 100% of the share capital of Etesius Limited, a company registered in England and Wales.

Etesius Ltd is dormant, having ceased trading on 31 December 2011 following the transfer of trade to the Company. As a result of this transfer, the carrying value of the investment totalling £1,984,801 was transferred to goodwill. The goodwill relating to this investment has been fully amortised.

The shareholder's funds of Etesius Limited at 31 December 2016 were £130,635 (2015: £130,635).

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

13 Tangible fixed assets	Computer equipment £	Furniture & fittings £	Leasehold Improvements £	Total £
<i>Cost</i>				
At 1 January 2016	1,094,122	210,819	477,990	1,782,931
Additions	260,967	-	7,140	268,107
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,355,089	210,819	485,130	2,051,038
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2016	866,700	144,523	350,341	1,361,564
Charge for year	147,767	1,675	96,702	246,144
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,014,467	146,198	447,043	1,607,708
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book amount</i>				
At 31 December 2016	340,622	64,621	38,087	443,330
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	227,422	66,296	127,649	421,367
	<hr/>	<hr/>	<hr/>	<hr/>

14 Debtors

	2016 £	2015 £
Trade debtors	4,833,366	4,369,482
Other debtors	95,990	67,272
Prepayments and accrued income	106,312	127,668
Corporation tax	26,303	-
Amounts owed from group undertakings	6,798,506	6,016,786
	<hr/>	<hr/>
	11,860,477	10,581,208
	<hr/>	<hr/>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade debtors are stated after provisions for impairment of £338,946 (2015: £288,434).

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

15 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	257,206	615,051
Corporation tax	10,562	5,275
Other taxation and social security	878,955	559,273
Accruals and deferred income	1,779,343	1,439,361
Amounts owed to group undertakings	10,196,447	6,617,538
	<u>13,122,513</u>	<u>9,236,498</u>

The provision relating to potential paybacks to clients, which was previously included within accruals and deferred income, has been shown separately in note 16 due to its materiality. Prior year values have been adjusted accordingly, with the movement in the period representing the estimate made at the period end, as described in note 4. Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16 Provisions for liabilities

	2016 £
At 1 January 2016	407,854
Charged to profit or loss	(27,626)
	<u>380,228</u>
At 31 December 2016	<u>380,228</u>

17 Share Capital

	Allotted, called up and fully paid			
	2016 Number	2016 £	2015 Number	2015 £
200 ordinary shares of £1 each	200	200	200	200
10 'A' ordinary shares of £1 each	10	10	10	10
	<u>210</u>	<u>210</u>	<u>210</u>	<u>210</u>

The 'A' ordinary shares rank *pari passu* in all respects except that they shall not entitle holders to receive notice of or to attend or vote at any general meeting, nor to participate in the profit and assets of the Company.

PRGX UK LTD

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

18 Commitments under operating leases

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016	2015
	£	£
Not later than one year	25,774	113,289
Later than one year and within five years	-	25,774
	<u>25,774</u>	<u>139,063</u>

The Company has no other off balance sheet arrangements.

19 Immediate and ultimate parent company

The immediate parent company is PRGX UK Holdings Ltd, a company registered in England and Wales.

The Company's ultimate parent company is PRGX Global Inc., incorporated in the United States of America. The largest group in which the results of the Company are consolidated is that headed by PRGX Global Inc. The consolidated accounts of this company are available to the public and may be obtained from PRGX Global Inc., 600 Galleria Parkway, Suite 100, Atlanta GA 30339, USA.

20 Related party transactions

The Company has taken advantage of the exemption conferred by FRS 102.33 not to disclose related party transactions which are with other companies that are wholly owned within the group headed by PRGX Global Inc.

21 Events after the end of the reporting period

- (i) On 23 February 2017, PRGX Global Inc. acquired substantially all of the assets of Cost & Compliance Associates LLC and Cost & Compliance Associates Ltd ("C&CA Ltd"), a commercial recovery audit and contract compliance firm with operations in the U.S.A. and U.K.

At the closing of the transaction, PRGX Global Inc. paid approximately \$10.0 million in cash. In addition, PRGX Global Inc. may be required to pay earnout consideration in cash over a period of two years, based on the performance of the acquired businesses and PRGX Global Inc.'s contract compliance business following closing. The aggregate consideration PRGX Global Inc. may be required to pay in connection with this acquisition cannot exceed \$18.0 million.

In the U.K., as of the 23 February 2017, C&CA Ltd novated its client contracts in favour of the Company, assigned its office lease and transferred its permanent employees to the Company. In addition, it has transferred its fixed assets, current assets and current liabilities to the Company. Initially these have been acquired at their carrying values. As at the time of signature of these accounts, PRGX Global Inc. is in the process of calculating a fair market value for these assets.

Consequently it is not currently possible to estimate, with reasonable accuracy, the future financial effect of this event on the Company.

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Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

21 Events after the end of the reporting period (*continued*)

- (ii) The Company renewed the lease on its Luton office from 26 February 2017 for 10 years (for which the minimum payable lease commitment at the date of renewal was £352,000) and the lease on its office in Manchester from 6 April 2017 for 5 years (for which the minimum payable lease commitment at the date of renewal was £102,330). These are both non-cancellable operating leases.
- (iii) On 26 May 2017 the Company signed a lease on new premises in London for 5 years (for which the minimum payable lease commitment at the date of signature was £147,223). This is a non-cancellable operating lease.