

8758673

Company Registration No. SC242550 (Scotland)


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

**COMPANIES HOUSE**  
**EDINBURGH**

**27 MAR 2019**

**FRONT DESK**

FRIDAY WEDNESDAY



\*S8254008\*

SPE 27/03/2019 #118  
COMPANIES HOUSE

\*A8568R1L\*

A11 10/05/2019 #406  
COMPANIES HOUSE

WED

SCT 27/03/2019 #16  
COMPANIES HOUSE

643

## **PROSOURCE.IT (UK) LTD**

### **COMPANY INFORMATION**

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

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# **PROSOURCE.IT (UK) LTD**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2018**

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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.

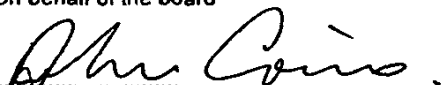
**PROSOURCE.IT (UK) LTD**

**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2018**

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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

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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**

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*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**

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### **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)**

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### **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  
23/03/19



# PROSOURCE.IT (UK) LTD

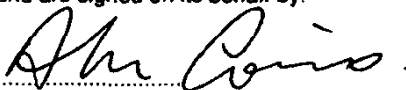
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

|   | Notes | 2018<br>£         | 2017<br>£         |
|---|-------|-------------------|-------------------|
| Turnover  | 3     | 50,609,122        | 44,010,418        |
| Cost of sales   |       | (37,189,437)      | (32,122,204)      |
| <b>Gross profit</b>   |       | <b>13,419,685</b> | <b>11,888,214</b> |
| Administrative expenses                                     |       | (5,891,585)       | (5,928,914)       |
| Other operating income                                      |       | 2,942             | 8,171             |
| <b>Operating profit</b>                                     | 6     | <b>7,531,042</b>  | <b>5,967,471</b>  |
| Interest receivable and similar income                      | 8     | 815               | 836               |
| Interest payable and similar expenses                       | 9     | (31,564)          | (45,763)          |
| <b>Profit before taxation</b>                               |       | <b>7,500,293</b>  | <b>5,922,544</b>  |
| Tax on profit   | 10    | (1,674,855)       | (1,440,760)       |
| <b>Profit for the financial year</b>                        |       | <b>5,825,438</b>  | <b>4,481,784</b>  |
| <b>Other comprehensive income net of taxation</b>           |       |                   |                   |
| Currency translation differences                            |       | 2,597             | 260,662           |
| <b>Total comprehensive income for the year</b>              |       | <b>5,828,035</b>  | <b>4,742,446</b>  |
| 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           |
|   |       | <b>5,825,438</b>  | <b>4,481,784</b>  |
| 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           |
|   |       | <b>5,828,035</b>  | <b>4,742,446</b>  |

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

|  | Notes | £                 | 2018<br>£               | £                 | 2017<br>£               |
|--|-------|-------------------|-------------------------|-------------------|-------------------------|
| <b>Fixed assets</b>  |       |                   |                         |                   |                         |
| Goodwill   | 12    |                   | 98,407                  |                   | 1,552                   |
| Tangible assets  | 13    |                   | 51,393                  |                   | 28,936                  |
|  |       |                   | <u>149,800</u>          |                   | <u>30,488</u>           |
| <b>Current assets</b>                                      |       |                   |                         |                   |                         |
| 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> |                         |
| <b>Creditors: amounts falling due within one year</b>      | 18    | (6,985,751)       |                         | (5,962,794)       |                         |
| <b>Net current assets</b>                                  |       |                   | <u>8,328,322</u>        |                   | <u>6,704,401</u>        |
| <b>Total assets less current liabilities</b>               |       |                   | <u>8,478,122</u>        |                   | <u>6,734,889</u>        |
| <b>Provisions for liabilities</b>                          | 20    |                   | (13,735)                |                   | (12,842)                |
| <b>Net assets</b>  |       |                   | <u><u>8,464,387</u></u> |                   | <u><u>6,722,047</u></u> |
| <b>Capital and reserves</b>                                |       |                   |                         |                   |                         |
| 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               |
| <b>Equity attributable to owners of the parent company</b> |       |                   | <u>7,888,375</u>        |                   | <u>6,294,073</u>        |
| <b>Non-controlling interests</b>                           |       |                   | <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<br>£        | £                | 2017<br>£        |
|---|-------|-------------------|------------------|------------------|------------------|
| <b>Fixed assets</b>                                   |       |                   |                  |                  |                  |
| Tangible assets                                       | 13    |                   | 42,896           |                  | 27,622           |
| Investments   | 14    |                   | 594,418          |                  | 10,906           |
|   |       |                   | <u>637,314</u>   |                  | <u>38,528</u>    |
| <b>Current assets</b>                                 |       |                   |                  |                  |                  |
| 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> |                  |
| <b>Creditors: amounts falling due within one year</b> | 18    | (5,884,269)       |                  | (5,222,468)      |                  |
| <b>Net current assets</b>                             |       |                   | <u>5,354,395</u> |                  | <u>4,475,517</u> |
| <b>Total assets less current liabilities</b>          |       |                   | <u>5,991,709</u> |                  | <u>4,514,045</u> |
| <b>Provisions for liabilities</b>                     | 20    |                   | -                |                  | (3,962)          |
| <b>Net assets</b>                                     |       |                   | <u>5,991,709</u> |                  | <u>4,510,083</u> |
| <b>Capital and reserves</b>                           |       |                   |                  |                  |                  |
| 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        |
| <b>Total equity</b>                                   |       |                   | <u>5,991,709</u> |                  | <u>4,510,083</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   | £             | £                     | £                          | £              | £                        | £                          | £                        | £           |
| <b>Balance at 1 July 2016</b>                     | 11,572        | 2,737,274             | 1,408                      | 155,956        | 262,601                  | 3,168,811                  | 250,830                  | 3,419,641   |
| <b>Year ended 30 June 2017:</b>                   |               |                       |                            |                |                          |                            |                          |             |
| 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           | -             | -                     | -                          | -              | 4,436,216                | 4,436,216                  | 306,230                  | 4,742,446   |
| Issue of share capital                            | 22            | 28                    | 36,845                     | -              | -                        | 36,873                     | -                        | 36,873      |
| Dividends   | 11            | -                     | -                          | -              | (1,818,677)              | (1,818,677)                | (132,762)                | (1,951,439) |
| Redemption of shares                              | -             | (26)                  | -                          | 26             | -                        | -                          | -                        | -           |
| Reduction of shares                               | -             | -                     | (1,805,139)                | -              | 1,723,748                | (81,391)                   | -                        | (81,391)    |
| Transfers   | -             | -                     | -                          | -              | (82,844)                 | 82,844                     | -                        | -           |
| Other movements                                   | -             | -                     | 456,668                    | -              | 95,573                   | 552,241                    | 3,676                    | 555,917     |
| <b>Balance at 30 June 2017</b>                    | 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   | £             | £                     | £                          | £              | £                        | £                          | £                        | £                |
| <b>Year ended 30 June 2018:</b>                   |               |                       |                            |                |                          |                            |                          |                  |
| 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<br>65      | 111,927               | -                          | -              | -                        | 111,992                    | -                        | 111,992          |
| Dividends   | 11<br>-       | -                     | -                          | -              | (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          |
| <b>Balance at 30 June 2018</b>                    | <b>11,639</b> | <b>2,224,956</b>      | <b>1,434</b>               | <b>131,362</b> | <b>5,518,984</b>         | <b>7,888,375</b>           | <b>576,012</b>           | <b>8,464,387</b> |

# PROSOURCE.IT (UK) LTD

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

|  | Notes | Share capital<br>£ | Share premium<br>account<br>£ | Capital redemption<br>reserve<br>£ | Other reserves<br>£ | Profit and loss<br>reserves<br>£ | Total<br>£  |
|--|-------|--------------------|-------------------------------|------------------------------------|---------------------|----------------------------------|-------------|
| <b>Balance at 1 July 2016</b>                      |       | 11,572             | 2,737,274                     | 1,408                              | 52,344              | (703,759)                        | 2,098,839   |
| <b>Year ended 30 June 2017:</b>                    |       |                    |                               |                                    |                     |                                  |             |
| Profit and total comprehensive income for the year |       | -                  | -                             | -                                  | -                   | 3,746,208                        | 3,746,208   |
| Issue of share capital                             | 11    | 28                 | 36,845                        | -                                  | -                   | -                                | 36,873      |
| Dividends  |       | (26)               | -                             | 26                                 | -                   | (1,829,651)                      | (1,829,651) |
| Redemption of shares                               |       | -                  | (1,805,139)                   | -                                  | -                   | 1,723,748                        | (81,391)    |
| Reduction of shares                                |       | -                  | -                             | -                                  | (82,844)            | 82,844                           | -           |
| Transfers  |       | -                  | 456,668                       | -                                  | 82,537              | -                                | 539,205     |
| Other movements                                    |       | -                  | -                             | -                                  | -                   | -                                | -           |
| <b>Balance at 30 June 2017</b>                     |       | 11,574             | 1,425,848                     | 1,434                              | 52,037              | 3,019,390                        | 4,510,083   |
| <b>Year ended 30 June 2018:</b>                    |       |                    |                               |                                    |                     |                                  |             |
| Profit and total comprehensive income for the year | 22    | -                  | -                             | -                                  | -                   | 5,348,434                        | 5,348,434   |
| Issue of share capital                             | 11    | 65                 | 111,927                       | -                                  | -                   | -                                | 111,992     |
| Dividends  |       | -                  | -                             | -                                  | -                   | (4,679,128)                      | (4,679,128) |
| Transfers  |       | -                  | -                             | -                                  | (28,892)            | 28,892                           | -           |
| Other movements                                    |       | -                  | 687,381                       | -                                  | 12,947              | -                                | 700,328     |
| <b>Balance at 30 June 2018</b>                     |       | 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<br>£          | £ | 2017<br>£          | £ |
|---|-------|--------------------|---|--------------------|---|
| <b>Cash flows from operating activities</b>                 |       |                    |   |                    |   |
| 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)          |   |
| <b>Net cash inflow from operating activities</b>            |       | <b>4,842,683</b>   |   | <b>1,865,991</b>   |   |
| <b>Investing activities</b>                                 |       |                    |   |                    |   |
| 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                |   |
| <b>Net cash used in investing activities</b>                |       | <b>(115,483)</b>   |   | <b>(31,563)</b>    |   |
| <b>Financing activities</b>                                 |       |                    |   |                    |   |
| 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)          |   |
| <b>Net cash used in financing activities</b>                |       | <b>(4,116,374)</b> |   | <b>(1,995,957)</b> |   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       | <b>610,826</b>     |   | <b>(161,529)</b>   |   |
| Cash and cash equivalents at beginning of year              |       | 321,613            |   | 436,389            |   |
| Effect of foreign exchange rates                            |       | (4,218)            |   | 46,753             |   |
| <b>Cash and cash equivalents at end of year</b>             |       | <b>928,221</b>     |   | <b>321,613</b>     |   |

# PROSOURCE.IT (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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### 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

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### 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 |
|------------------|---------------------------------|

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

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### 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

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#### 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

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#### 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

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### 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<br>£  | 2017<br>£  |
|---|------------|------------|
| <b>Turnover analysed by class of business</b> |            |            |
| 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<br>£         | 2017<br>£         |
|--|-------------------|-------------------|
| Other revenue                            |                   |                   |
| Interest income                          | 815               | 836               |
|  | <u>815</u>        | <u>836</u>        |
|  | 2018<br>£         | 2017<br>£         |
| 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>50,609,122</u> | <u>44,010,418</u> |

### 4 Employees

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

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

Their aggregate remuneration comprised:

|                       | Group<br>2018<br>£ | 2017<br>£         | Company<br>2018<br>£ | 2017<br>£        |
|-----------------------|--------------------|-------------------|----------------------|------------------|
| 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>16,969,257</u>  | <u>16,094,211</u> | <u>9,391,406</u>     | <u>9,541,993</u> |

# PROSOURCE.IT (UK) LTD

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

### 5 Directors' remuneration

|   | 2018<br>£        | 2017<br>£        |
|---|------------------|------------------|
| 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<br>£      | 2017<br>£      |
|--|----------------|----------------|
| 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<br>£      | 2017<br>£      |
|---|----------------|----------------|
| 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>377,946</u> |

### 7 Auditor's remuneration

|  | 2018<br>£     | 2017<br>£     |
|--|---------------|---------------|
| Fees payable to the company's auditor and its associates   |               |               |
| <b>For audit services</b>                                  |               |               |
| Audit of the financial statements of the group and company | 19,800        | 19,000        |
| <b>For other services</b>                                  |               |               |
| 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**

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

### **9 Interest payable and similar expenses**

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

### **10 Taxation**

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



# 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<br>£ | 2017<br>£ |
|--|-----------|-----------|
| 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)     | (583)     |
| 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

|            | 2018<br>£ | 2017<br>£ |
|------------|-----------|-----------|
| Company    |           |           |
| Final paid | 4,679,128 | 1,829,651 |

|            | 2018<br>£ | 2017<br>£ |
|------------|-----------|-----------|
| Group      |           |           |
| 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**

| <b>Group</b>                       | <b>Goodwill</b> | <b>Software</b> | <b>Purchased<br/>Goodwill</b> | <b>Total</b>          |
|------------------------------------|-----------------|-----------------|-------------------------------|-----------------------|
|                                    | <b>£</b>        | <b>£</b>        | <b>£</b>                      | <b>£</b>              |
| <b>Cost</b>                        |                 |                 |                               |                       |
| 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               |
| <b>Amortisation and impairment</b> |                 |                 |                               |                       |
| 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               |
| <b>Carrying amount</b>             |                 |                 |                               |                       |
| At 30 June 2018                    | 98,407          | -               | -                             | 98,407                |
| At 30 June 2017                    | 1,552           | -               | -                             | 1,552                 |
| <b>Company</b>                     |                 |                 |                               | <b>Software<br/>£</b> |
| <b>Cost</b>                        |                 |                 |                               |                       |
| At 1 July 2017                     |                 |                 |                               | 39,255                |
| Disposals                          |                 |                 |                               | (39,255)              |
| At 30 June 2018                    |                 |                 |                               | -                     |
| <b>Amortisation and impairment</b> |                 |                 |                               |                       |
| At 1 July 2017                     |                 |                 |                               | 39,255                |
| Disposals                          |                 |                 |                               | (39,255)              |
| At 30 June 2018                    |                 |                 |                               | -                     |
| <b>Carrying amount</b>             |                 |                 |                               |                       |
| 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**

| <b>Group</b>                       | <b>Office Equipment</b> |
|------------------------------------|-------------------------|
|                                    | <b>£</b>                |
| <b>Cost</b>                        |                         |
| At 1 July 2017                     | 205,790                 |
| Additions                          | 42,158                  |
| Disposals                          | (109,870)               |
| Exchange adjustments               | 26,638                  |
| At 30 June 2018                    | 164,716                 |
| <b>Depreciation and impairment</b> |                         |
| 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                 |
| <b>Carrying amount</b>             |                         |
| At 30 June 2018                    | 51,393                  |
| At 30 June 2017                    | 28,936                  |
| <b>Company</b>                     | <b>Office Equipment</b> |
|                                    | <b>£</b>                |
| <b>Cost</b>                        |                         |
| At 1 July 2017                     | 128,310                 |
| Additions                          | 35,686                  |
| Disposals                          | (54,838)                |
| At 30 June 2018                    | 109,158                 |
| <b>Depreciation and impairment</b> |                         |
| 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                  |
| <b>Carrying amount</b>             |                         |
| 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<br>2018<br>£ | 2017<br>£ | Company<br>2018<br>£ | 2017<br>£ |
|-----------------------------|-------|--------------------|-----------|----------------------|-----------|
| 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<br>group<br>undertakings<br>£ |
|--------------------------|---|
| <b>Cost or valuation</b> |   |
| At 1 July 2017           | 10,906                                  |
| Additions                | 583,512                                 |
| At 30 June 2018          | 594,418                                 |
| <b>Carrying amount</b>   |   |
| 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<br>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<br>£ | Adjustments<br>£ | Fair Value<br>£ |
|--|-----------------|------------------|-----------------|
| 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>583,513</u>  |
| The consideration was satisfied by:  |                 |                  | £               |
| Cash   |                 |                  | 463,513         |
| Deferred consideration   |                 |                  | <u>120,000</u>  |
|  |                 |                  | <u>583,513</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>49,580</u>   |

# **PROSOURCE.IT (UK) LTD**

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

### **17 Debtors**

|   | Group<br>2018     | 2017              | Company<br>2018   | 2017             |
|---|-------------------|-------------------|-------------------|------------------|
|   | £                 | £                 | £                 | £                |
| <b>Amounts falling due within one year:</b> |                   |                   |                   |                  |
| 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<br>2018    | 2017             | Company<br>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<br>2018<br>£ | 2017<br>£ | Company<br>2018<br>£ | 2017<br>£ |
|---|--------------------|-----------|----------------------|-----------|
| <b>Carrying amount of financial assets</b>      |                    |           |                      |           |
| Debt instruments measured at amortised cost     | 8,974,012          | 9,200,738 | n/a                  | n/a       |
| <b>Carrying amount of financial liabilities</b> |                    |           |                      |           |
| 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

|                                   | Liabilities<br>2018<br>£ | Liabilities<br>2017<br>£ | Assets<br>2018<br>£         | Assets<br>2017<br>£           |
|-----------------------------------|--------------------------|--------------------------|-----------------------------|-------------------------------|
| <b>Group</b>                      |                          |                          |                             |                               |
| ACAs                              | -                        | 3,962                    | -                           | -                             |
| Timing differences                | 13,735                   | 8,880                    | 76,033                      | 71,148                        |
|                                   | <u>13,735</u>            | <u>12,842</u>            | <u>76,033</u>               | <u>71,148</u>                 |
|                                   |                          |                          |                             |                               |
|                                   | Liabilities<br>2018<br>£ | Liabilities<br>2017<br>£ | Assets<br>2018<br>£         | Assets<br>2017<br>£           |
| <b>Company</b>                    |                          |                          |                             |                               |
| ACAs                              | -                        | 3,962                    | -                           | -                             |
| Timing differences                | -                        | -                        | -                           | 7,885                         |
|                                   | <u>-</u>                 | <u>3,962</u>             | <u>-</u>                    | <u>7,885</u>                  |
|                                   |                          |                          |                             |                               |
|                                   |                          |                          | <b>Group<br/>2018<br/>£</b> | <b>Company<br/>2018<br/>£</b> |
| <b>Movements in the year:</b>     |                          |                          |                             |                               |
| 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 |                          |                          | <u>(62,298)</u>             | <u>-</u>                      |

## 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  |
|  | 11,639            | 11,574 |

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<br>shares<br>Number |
|----------------------------|------------------------------|
| At 1 July 2017             | 1,157,458                    |
| Issue of fully paid shares | 6,440                        |
| At 30 June 2018            | 1,163,898                    |

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<br>Number          | 2017<br>Number | 2018<br>£                       | 2017<br>£    |
| 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<br>2018<br>£ | 2017<br>£ | Company<br>2018<br>£ | 2017<br>£ |
|---|--------------------|-----------|----------------------|-----------|
| Expenses recognised in the year                                 |                    |           |                      |           |
| Arising from equity settled share based<br>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<br>2018<br>£ | 2017<br>£      | Company<br>2018<br>£ | 2017<br>£      |
|----------------------------|--------------------|----------------|----------------------|----------------|
| 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<br>£        | 2017<br>£        |
|------------------------|------------------|------------------|
| 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<br>£                | 2017<br>£      | 2018<br>£         | 2017<br>£        |
| <b>Group</b>                  |                          |                |                   |                  |
| Subsidiaries not wholly owned | <u>614,694</u>           | <u>641,709</u> | <u>682,518</u>    | <u>2,027,338</u> |
| <b>Company</b>                |                          |                |                   |                  |
| Subsidiaries not wholly owned | <u>614,694</u>           | <u>641,709</u> | <u>682,518</u>    | <u>2,027,338</u> |
|                               | <b>Management charge</b> |                | <b>Dividends</b>  |                  |
|                               | 2018<br>£                | 2017<br>£      | 2018<br>£         | 2017<br>£        |
| <b>Group</b>                  |                          |                |                   |                  |
| Subsidiaries not wholly owned | <u>166,287</u>           | <u>234,922</u> | <u>1,216,845</u>  | <u>417,335</u>   |
| <b>Company</b>                |                          |                |                   |                  |
| 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:

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

The following amounts were outstanding at the reporting end date:

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

### **27 Cash generated from group operations**

|   | <b>2018</b>       | <b>2017</b>       |
|---|-------------------|-------------------|
|   | <b>£</b>          | <b>£</b>          |
| 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           |
| <b>Movements in working capital:</b>                                    |                   |                   |
| (Increase) in debtors   | (2,006,698)       | (4,059,842)       |
| Increase in creditors   | 997,407           | 162,179           |
|   | <u>          </u> | <u>          </u> |
| <b>Cash generated from operations</b>                                   | <b>6,585,210</b>  | <b>2,866,299</b>  |
|   | <u>          </u> | <u>          </u> |