

PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007



Company Registration Number SC242550

Tenon Limited
Accountants and Business Advisers
39 Queen's Road
Aberdeen
AB15 4ZN

PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

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PROSOURCE.IT (UK) LTD
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 JUNE 2007

The board of directors	Craig Adams Alan Cowie Stephen Mackie Stewart Proctor
Company secretary	Stephen Mackie
Business address	1 Hilldowntree Business Centre Banchory Devenick Aberdeen AB12 5YL
Registered office	1 Hilldowntree Business Centre Banchory Devenick Aberdeen AB12 5YL
Auditor	Tenon Audit Limited Registered Auditor 39 Queen's Road Aberdeen AB15 4ZN
Accountants	Tenon Limited Accountants and Business Advisers 39 Queen's Road Aberdeen AB15 4ZN
Bankers	Clydesdale Bank plc 1 Queens Cross Aberdeen AB15 4XU
Solicitors	Paul & Williamsons Investment House 6 Union Row Aberdeen AB10 1DQ

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 30 JUNE 2007

The directors present their report and the financial statements of the company for the year ended 30 June 2007

Principal activities and business review

The principal activity of the company during the year was the supply of IT personnel and computer consultancy services

Trading conditions during the year were favourable and the company took advantage of cyclical project activity to increase turnover by 51%. On a like for like basis, profit increased by 35% with gross margins slipping as a result of increased pass through expenses which diluted the margin, plus additional investment in core corporate services and staff training and a net increase in staff costs over and above the rate rise recovered from our customers

The year witnessed a further 4 successive quarters of growth, bringing us to a total of 16 consecutive quarters of continuous growth since the company was formed as a result of the merger of Promac and Outsource IT in June 2003

A major project at one of our customers contributed £1.4m (or 20%) of the year's growth. This activity is set to spill into 2007/2008, contributing an anticipated £0.5m to the 2007/2008 turnover before the project completes. This leaves the company with a £0.9m gap to bridge if it is to match its turnover in 2006/2007.

Elsewhere, organic growth contributed the remaining 31% increase in turnover with indications that this organic growth will continue for the next 12 months.

Long term sales campaigns with two other large organisations are also coming to fruition and there is a strong expectation that the combination of new customers and continued organic growth with our existing customers will not only bridge the £0.9m gap, but deliver growth in the magnitude of an additional £1m, delivering a 2007/2008 turnover in the region of £13m.

Results and dividends

The profit for the year, after taxation, amounted to £1,007,316. Particulars of dividends paid are detailed in note 9 to the financial statements.

Financial risk management objectives and policies

The company makes little use of financial instruments other than an operational bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

Directors

The directors who served the company during the year were as follows:

Craig Adams
Alan Cowie
Stephen Mackie
Stewart Proctor
Ian Bruce

Ian Bruce resigned as a director on 12 February 2007.

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 30 JUNE 2007

Directors' responsibilities

The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently

make judgements and estimates that are reasonable and prudent

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware

there is no relevant audit information of which the company's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

Tenon Audit Limited was appointed as auditor during the year.

A resolution to re-appoint Tenon Audit Limited as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors

A Cowie

Director

Approved by the directors on


20th Feb 2008

PROSOURCE.IT (UK) LTD
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROSOURCE.IT (UK) LTD
YEAR ENDED 30 JUNE 2007

We have audited the financial statements of Prosource IT (UK) Ltd on pages 6 to 22 for the year ended 30 June 2007. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

PROSOURCE.IT (UK) LTD

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

YEAR ENDED 30 JUNE 2007

Opinion

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Directors' Report is consistent with the financial statements

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor
39 Queen's Road
Aberdeen
AB15 4ZN

Date

13/3/08

The notes on pages 10 to 20 form part of these financial statements

PROSOURCE.IT (UK) LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2007

		2007	2006 (restated)
	Note	£	£
Turnover	2	10,928,902	7,246,707
Cost of sales		(7,884,636)	(4,821,881)
Gross profit		<u>3,044,266</u>	<u>2,424,826</u>
Administrative expenses		(1,616,019)	(556,800)
Other operating income	3	–	187
Operating profit	4	<u>1,428,247</u>	<u>1,868,213</u>
Interest receivable		13,848	9,414
Interest payable and similar charges	7	(4,091)	–
Profit on ordinary activities before taxation		<u>1,438,004</u>	<u>1,877,627</u>
Tax on profit on ordinary activities	8	(430,688)	(570,445)
Profit for the financial year		<u><u>1,007,316</u></u>	<u><u>1,307,182</u></u>

All of the activities of the company are classed as continuing

The notes on pages 10 to 20 form part of these financial statements

PROSOURCE.IT (UK) LTD
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 JUNE 2007

	2007	2006 <i>(restated)</i>
	£	£
Profit for the financial year		
Attributable to the shareholders	1,007,316	1,307,182
Total recognised gains and losses relating to the year	1,007,316	1,307,182
Prior year adjustment (see note 14)	(5,538)	—
Total gains and losses recognised since the last annual report	<u>1,001,778</u>	<u>1,307,182</u>

The notes on pages 10 to 20 form part of these financial statements

PROSOURCE.IT (UK) LTD

BALANCE SHEET

30 JUNE 2007

		2007		2006 (restated)	
	Note	£	£	£	£
Fixed assets					
Tangible assets	10		13,673		9,563
Investments	11		—		—
			<u>13,673</u>		<u>9,563</u>
Current assets					
Debtors	12	2,751,976		1,959,662	
Cash at bank		78,601		59,707	
		<u>2,830,577</u>		<u>2,019,369</u>	
Creditors: Amounts falling due within one year	13	<u>(1,725,198)</u>		<u>(1,253,031)</u>	
Net current assets			<u>1,105,379</u>		<u>766,338</u>
Total assets less current liabilities			<u>1,119,052</u>		<u>775,901</u>
Capital and reserves					
Called up share capital	17		10,000		10,000
Share options reserve	18		11,346		5,538
Profit and loss account	19		1,097,706		760,363
Shareholders' funds	20		<u>1,119,052</u>		<u>775,901</u>

These financial statements were approved by the directors and authorised for issue on 2012/8, and are signed on their behalf by

A Cowie

Director



The notes on pages 10 to 20 form part of these financial statements

PROSOURCE.IT (UK) LTD
CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2007

		2007		2006	
	Note	£	£	£	£
Net cash inflow from operating activities	21		1,259,271		601,910
Returns on investments and Servicing of finance					
Interest received		13,848		9,414	
Interest paid		<u>(4,091)</u>		<u>—</u>	
Net cash inflow from returns on investments and servicing of finance			9,757		9,414
Taxation			(568,953)		—
Capital expenditure					
Payments to acquire tangible fixed assets		<u>(11,208)</u>		<u>(7,458)</u>	
Net cash outflow from capital expenditure			(11,208)		(7,458)
Acquisitions and disposals					
Equity dividends paid			(669,973)		(1,059,000)
Increase/(decrease) in cash	21		<u>18,894</u>		<u>(455,134)</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standard

FRS 20 'Share based payment (IFRS 2)'

FRS 20 'Share Based Payment (IFRS 2)' requires the recognition of equity settled share based payments at fair value at the date of the grant and the recognition of liabilities for cash settled share based payments at the current fair value at each balance sheet date. Prior to the adoption of FRS 20, the company did not recognise the financial effect of share based payments until such payments were settled.

In accordance with the transitional provisions of FRS 20, the Standard has been applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 July 2006.

For year ended 30 June 2006, the change in accounting policy has resulted in a net decrease in the profit and loss account of £5,538. The balance sheet at 30 June 2006 has been restated to reflect the recognition of a share options reserve of £5,538.

For the year ended 30 June 2007 the change in accounting policy has resulted in a net charge to the profit and loss account of £5,808. At 30 June 2007, the share options reserve amounted to £11,346.

Turnover

Turnover represents the invoiced value of employee placement services supplied by the company, net of value added tax.

Fixed assets

Tangible fixed assets are stated at cost, being purchase price, less depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Plant & Machinery	33% Straight Line
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Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

1 Accounting policies *(continued)*

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

No deferred tax asset is included in these financial statements as its recoverability at this stage is relatively uncertain.

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 company'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.

The implementation of FRS20 on share based payments has resulted in the recording of a prior year adjustment. This is described further in note 14.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below.

	2007	2006
	£	£
United Kingdom	10,928,902	7,246,707

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

3. Other operating income

	2007	2006
	£	£
Inland revenue interest received	<u>—</u>	<u>187</u>

4. Operating profit

Operating profit is stated after charging

	2007	2006 (restated)
	£	£
Equity settled share based payments	5,808	3,592
Depreciation of owned fixed assets	7,098	7,714
Auditors remuneration	<u>8,420</u>	<u>6,750</u>

5. Particulars of employees

The average number of staff employed by the company during the financial year amounted to

	2007	2006
	No	No
Number of administrative staff	7	7
Number of commercial staff	2	3
Number of workforce staff	72	58
	<u>81</u>	<u>68</u>

The aggregate payroll costs of the above were

	2007	2006
	£	£
Wages and salaries	4,038,740	2,292,203
Social security costs	453,645	251,542
Other pension costs	79,228	66,880
Equity settled share based payments	5,808	3,592
	<u>4,583,229</u>	<u>2,614,217</u>

6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2007	2006
	£	£
Emoluments receivable	1,211,575	339,734
Value of company pension contributions to money purchase schemes	9,570	4,867
	<u>1,221,145</u>	<u>344,601</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

6 Directors' emoluments (continued)

Emoluments of highest paid director.

	2007	2006
	£	£
Total emoluments (excluding pension contributions)	<u>362,127</u>	<u>—</u>

The number of directors on whose behalf the company made pension contributions was as follows

	2007	2006
	No	No
Money purchase schemes	<u>5</u>	<u>5</u>

7 Interest payable and similar charges

	2007	2006
	£	£
Interest payable on bank borrowing	<u>4,091</u>	<u>—</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007	2006
	£	£
In respect of the year		
UK Corporation tax	432,713	570,978
Over/under provision in prior year	(2,025)	
	<u>430,688</u>	<u>570,978</u>
Deferred tax		
Origination and reversal of timing differences		(533)
Tax on profit on ordinary activities	<u>430,688</u>	<u>570,445</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

8. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 30%)

	2007	2006 (restated)
	£	£
Profit on ordinary activities before taxation	1,438,004	1,877,627
Profit on ordinary activities by rate of tax	431,401	563,288
Effects of		
Expenses not deductible for tax purposes	2,729	6,909
Capital allowances for period in excess of depreciation	5	781
Tax chargeable at lower rates	(1,422)	
Adjustments to tax charge in respect of previous periods	(2,025)	
Total current tax (note 8(a))	430,688	570,978

9 Dividends

Equity dividends

	2007	2006
	£	£
Paid during the year		
Equity dividends on ordinary shares type 'A'	448,900	701,843
Equity dividends on ordinary shares type 'B'	221,073	357,157
	669,973	1,059,000

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

10 Tangible fixed assets

	Plant & Machinery
	£
Cost	
At 1 July 2006	26,285
Additions	11,208
At 30 June 2007	<u>37,493</u>
Depreciation	
At 1 July 2006	16,722
Charge for the year	7,098
At 30 June 2007	<u>23,820</u>
Net book value	
At 30 June 2007	<u>13,673</u>
At 30 June 2006	<u>9,563</u>

11. Investments

Fixed Asset Investments

	£
Cost	
At 1 July 2006	779,968
Strike off of subsidiary undertakings	<u>(779,968)</u>
At 30 June 2007	<u> </u>
Amounts written off	
At 1 July 2006	779,968
Written off in prior years written back on strike off	<u>(779,968)</u>
At 30 June 2007	<u> </u>
Net book value	
At 30 June 2007	<u> </u>
At 30 June 2006	<u> </u>

The company's subsidiary undertakings Promac Aberdeen Limited and Outsource IT (Scotland) Limited have been struck off

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

12. Debtors

	2007	2006
	£	£
Trade debtors	2,737,634	1,808,637
Other debtors	–	4,955
Directors current accounts	–	129,930
Prepayments and accrued income	14,342	16,140
	<u>2,751,976</u>	<u>1,959,662</u>

13 Creditors: Amounts falling due within one year

	2007	2006
	£	£
Trade creditors	214,900	131,472
Corporation tax	432,713	570,978
PAYE and social security	220,201	79,754
VAT	338,111	284,535
Other creditors	1,489	2,953
Directors current accounts	47	–
Accruals and deferred income	517,737	183,339
	<u>1,725,198</u>	<u>1,253,031</u>

14 Share-based payments

The company has a share option scheme for all 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 a 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.

81,413 share options are outstanding at the year end, with a weighted average exercise price (WAEP) of £6.75

	2007		2006	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	71,786	5.92		–
Granted during the year	9,627	12.97	71,786	5.92
Outstanding at the end of the year	<u>81,413</u>	6.75	<u>71,786</u>	5.92

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

14. Share based payments (continued)

The share options outstanding at the end of the year have a weighted average remaining contractual life of 8 years (2006 9 years) and have the following exercise prices

Expiry date	Exercise price £	2007 No	2006 No
15 December 2014	5 55	61,286	61,286
27 April 2016	8 07	10,500	10,500
28 February 2017	12 97	9,627	
		<u>81,413</u>	<u>71,786</u>

In the year ended 30 June 2007, options were granted on 28 February. The estimated fair value of the options granted on that date was £17,638. In the year ended 30 June 2006, options were granted on the following dates: 15 December 2004 and 27 April 2006. The estimated fair values of the options granted on those dates were £47,896 and £11,905 respectively.

The fair values were calculated using the Black Scholes pricing model. The inputs into the model were as follows:

	2007	2006
Weighted average share price £	13 00	8 00
Weighted average exercise price £	13 00	8 00
Expected volatility %	53 00	53 00
Expected life years	8 00	8 00
Risk free rate %	5 01	4 89
Expected dividend yield %	<u>13 00</u>	<u>13 00</u>

Expected volatility was determined by calculating the historical volatility of the company's share price 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.

Prior Year Adjustment

The adoption of FRS20 'Share based payment (IFRS 2)' in the current year has resulted in the recording of a prior year adjustment. In the year to 2006, the implementation of FRS20 reduced retained profits by £3,592 and reduced profits in the years prior to this by £1,946 cumulatively. In the current year the charge to the profit and loss account amounted to £5,808. As the amounts charged to the profit and loss account are offset by the Share options reserve (note 19) there is no impact on reported net assets in each year.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

15. Commitments under operating leases

At 30 June 2007 the company had annual commitments under non cancellable operating leases as set out below

	2007	Other	2006	Other
	Land & buildings	Items	Land & buildings	Items
	£	£	£	£
Operating leases which expire				
Within 1 year	72,913	518		690
Within 2 to 5 years	15,000		15,000	
	<u>87,913</u>	<u>518</u>	<u>15,000</u>	<u>690</u>

16 Related party transactions

Craig Adams, a director of the company, is also a director of the company Seven Two Nine Seven LLP t/a The Moorings Bar. At the year end, the trade balance between the companies was £Nil (2006 £Nil). The company made sales of £116 (2006 £116) to this company during the year. The company was supplied good and services totalling £742 (2006 £2,015) from this company during the year.

Craig Adams, a director and shareholder of this company, was in receipt of loans from the company to the amount of £234,000 (2006 £68,200) during the year. At the year end Craig Adams was due £2 (2006 £Nil) by the company. The highest balance outstanding during year was £99,998 (2006 £68,200).

Alan Cowie, a director and shareholder of this company, was in receipt of loans from the company to the amount of £127,800 (2006 £129,930) during the year. At the year end Alan Cowie was due £Nil (2006 £129,930) to the company. The highest balance outstanding during year was £129,930 (2006 £129,930).

Steve Mackie, a director and shareholder of this company, was in receipt of loans from the company to the amount of £370,000 (2006 £Nil) during the year. At the year end Steve Mackie was due £23 (2006 £Nil) by the company. The highest balance outstanding during year was £220,000 (2006 £Nil).

Stewart Proctor, a director and shareholder of this company, was in receipt of loans from the company to the amount of £370,000 (2006 £200,000) during the year. At the year end Stewart Proctor was due £23 (2006 £Nil) by the company. The highest balance outstanding during year was £220,000 (2006 £200,000).

17 Share capital

Authorised share capital

	2007	2006
	£	£
670,000 Ordinary Class 'A' shares of £0.01 each	6,700	6,700
330,000 Ordinary Class 'B' shares of £0.01 each	3,300	3,300
100,000 Ordinary Class 'C' shares of £0.01 each	1,000	1,000
	<u>11,000</u>	<u>11,000</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

17 Share capital (continued)

Allotted, called up and fully paid.

	2007		2006	
	No	£	No	£
Ordinary Class 'A' shares of £0.01 each	670,000	6,700	670,000	6,700
Ordinary Class 'B' shares of £0.01 each	330,000	3,300	330,000	3,300
	<u>1,000,000</u>	<u>10,000</u>	<u>1,000,000</u>	<u>10,000</u>

The 'A', 'B' and 'C' ordinary shares rank equally in all respects, except that in addition the 'C' shares do not carry voting rights and are subject to the rules of the Enterprise Management Incentive Scheme

18 Share options reserve

	2007	2006 <i>(restated)</i>
	£	£
Balance brought forward	5,538	1,946
Recognition of equity settled share based payments in the year	5,808	3,592
Balance carried forward	<u>11,346</u>	<u>5,538</u>

19 Profit and loss account

	2007	2006 <i>(restated)</i>
	£	£
Balance brought forward as previously reported	760,363	514,127
Prior year adjustment (see note 14)		(1,946)
Balance brought forward restated	760,363	512,181
Profit for the financial year	1,007,316	1,307,182
Equity dividends	(669,973)	(1,059,000)
Balance carried forward	<u>1,097,706</u>	<u>760,363</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2007

20 Reconciliation of movements in shareholders' funds

	2007		2006 (restated)	
	£	£	£	£
Profit for the financial year		1,007,316		1,307,182
Equity dividends		(669,973)		(1,059,000)
Recognition of equity settled share based payments in the year		5,808		3,592
Net addition to shareholders' funds		<u>343,151</u>		<u>251,774</u>
Opening shareholders' funds		775,901		524,127
Closing shareholders' funds		<u>1,119,052</u>		<u>775,901</u>

21 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2007	2006 (restated)
	£	£
Operating profit	1,428,247	1,868,213
Depreciation	7,098	7,714
Increase in debtors	(792,314)	(1,959,662)
Increase in creditors	610,432	682,053
Equity settled share based payments	5,808	3,592
Net cash inflow from operating activities	<u>1,259,271</u>	<u>601,910</u>

Reconciliation of net cash flow to movement in net funds

	2007	2006
	£	£
Increase/(decrease) in cash in the period	18,894	(455,134)
Movement in net funds in the period	<u>18,894</u>	<u>(455,134)</u>
Net funds at 1 July 2006	59,707	—
Net funds at 30 June 2007	<u>78,601</u>	<u>59,707</u>

Analysis of changes in net funds

	At 1 July 2006	Cash flows	At 30 June 2007
	£	£	£
Net cash			
Cash in hand and at bank	59,707	18,894	78,601
Net funds	<u>59,707</u>	<u>18,894</u>	<u>78,601</u>

22 Ultimate controlling party

In the opinion of the directors, there was no ultimate controlling party

PROSOURCE.IT (UK) LTD
MANAGEMENT INFORMATION
YEAR ENDED 30 JUNE 2007

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditor's report on pages 4 to 5**

PROSOURCE.IT (UK) LTD
DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2007

	2007		2006	
	£	£	£	£
Turnover		10,928,902		7,246,707
Cost of sales				
Purchases	—		1,289	
Direct wages	2,870,203		1,958,707	
National insurance contributions on direct labour	307,156		212,010	
Pension contributions direct labour	69,658		62,013	
Subcontract	3,940,325		2,127,425	
Travel & subsistence	697,294		460,437	
		(7,884,636)		(4,821,881)
Gross profit		3,044,266		2,424,826
Overheads				
Administrative expenses		(1,616,019)		(556,800)
		1,428,247		1,868,026
Other operating income				
Inland revenue interest received		—		187
Operating profit		1,428,247		1,868,213
Bank interest receivable		13,848		9,414
		1,442,095		1,877,627
Bank interest payable		(4,091)		—
Profit on ordinary activities		1,438,004		1,877,627

PROSOURCE.IT (UK) LTD
NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2007

	2007		2006	
	£	£	£	£
Administrative expenses				
Personnel costs				
Directors salaries	1,168,537		333,496	
Directors national insurance contributions	146,489		39,532	
Directors pension contributions	9,570		4,867	
Equity settled share based payments	5,808		3,592	
		1,330,404		381,487
Establishment expenses				
Rent, rates and water	20,801		20,948	
Insurance	70,711		49,383	
		91,512		70,331
General expenses				
Telephone	42,176		29,622	
Hire of equipment	2,849		1,798	
Printing, stationery and postage	5,656		3,041	
Staff training	31,705		1,635	
Sundry expenses	20,249		15,195	
Advertising	15,007		7,429	
Entertaining	41,151		26,826	
Legal and professional fees	8,733		485	
Accountancy fees	3,750		3,000	
Auditors remuneration	8,420		6,750	
Depreciation	7,098		7,714	
		186,794		103,495
Financial costs				
Bank charges		7,309		1,487
		<u>1,616,019</u>		<u>556,800</u>
Interest receivable				
Bank interest receivable		<u>13,848</u>		<u>9,414</u>