

PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Company Registration Number SC242550

RSM Tenon Limited
Accountants and Business Advisers
160 Dundee Street
Edinburgh
EH11 1DQ

WEDNESDAY



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PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

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PROSOURCE.IT (UK) LTD
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 JUNE 2009

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	RSM Tenon Audit Limited 160 Dundee Street Edinburgh EH11 1DQ
Accountants	RSM Tenon Limited Accountants and Business Advisers 160 Dundee Street Edinburgh EH11 1DQ
Bankers	Clydesdale Bank plc 1 Queens Cross Aberdeen AB15 4XU
Solicitors	Paull & Williamsons Investment House 6 Union Row Aberdeen AB10 1DQ

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2009

The directors present their report and the financial statements of the group for the year ended 30 June 2009.

Principal activities and business review

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

Trading conditions during the deepest recession of a generation were challenging, but our business continued to grow with a Group headline of 22% growth, of which 8% was UK organic growth and 14% was new business contributed from our US division.

A combination of extended customer decision making and curtailed customer projects (both as a result of the recession) contributed to reduced resource utilisation rates during Q1 of 2009. The company made a conscious decision to retain staff through both Q1 and Q2 and avoid any redundancies. This decision and the investment have subsequently paid off, but it has had the impact of reducing our net margin.

Despite the recession and an Oil & Gas sector depressed by \$35 a barrel oil and softer gas prices, Prosource has maintained a strong project order book and seen increased uptake of its competitive fixed price services by customers seeking to reduce costs but maintain infrastructure and operations activities. There were two new significant customers secured during the year with additional revenue streams from existing customers also contributing to the increase in revenues. The results show a further 4 4 successive quarters of year-on-year growth, bringing us to 24 consecutive quarters since the company was formed as a result of the merger of Promac and Outsource IT in June 2003.

In line with our revenue growth, our workforce increased by approximately 20% and we are actively recruiting to meet the demands of our customers as the country pulls out of recession.

Despite the general gloom in the marketplace, Prosource enjoyed several highlights during the year including industry recognition when it was judged an Ernst & Young Entrepreneur of the Year Regional Winner and listed in the Sunday Times Best Small Companies To Work For in 2009, being ranked 2nd in Scotland and 6th in the IT sector.

In addition, the year one success of our US business has been very encouraging and prospects over the coming year remain very positive. In the 1st full 12 months of operation, the US business not only repaid the initial investment, but contributed \$2.6M of revenue and \$400K of net profit.

Having proven the exportability of our business model, we have opened for business in Calgary and anticipate a minor contribution to our 2009-2010 revenues.

The current economic indicators suggest that the economy as a whole will improve over the next 12 months and we are already seeing a pick up in demand, fuelled by pent up demand and the release of Windows 7. Utilisation rates are back to upper quartile and we are recruiting to meet demand. We are anticipating double digit growth for the next 12 months and expect net profit margins to recover to historic norms.

Results and dividends

The profit for the year, after taxation, amounted to £1,058,580. Particulars of dividends paid are detailed in note 9 to the financial statements.

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 30 JUNE 2009

Financial instruments

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

Directors' responsibilities

The directors are responsible for preparing 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 company and the group and of the profit or loss of the group for that year. In preparing those 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 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 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 group'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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

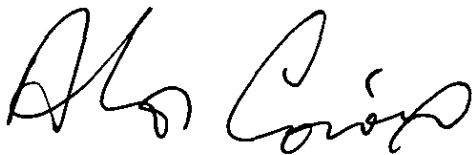
PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 30 JUNE 2009

Auditor

Our auditors have changed their name to RSM Tenon Audit Limited and have signed the audit report in their new name.

A resolution to reappoint RSM Tenon Audit Limited as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

Signed on behalf of the directors



A Cowie

Director

Approved by the directors on 16/3/10

PROSOURCE.IT (UK) LTD
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROSOURCE.IT (UK) LTD
YEAR ENDED 30 JUNE 2009

We have audited the group and parent company financial statements ("the financial statements") of Prosource.IT (UK) Ltd for the year ended 30 June 2009 on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 30 June 2009 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

PROSOURCE.IT (UK) LTD

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

YEAR ENDED 30 JUNE 2009

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.



David Holt, Senior Statutory Auditor
For and on behalf of



RSM Tenon Audit Limited
Statutory Auditor
160 Dundee Street
Edinburgh
EH11 1DQ

Date:- 22/3/10.....

PROSOURCE.IT (UK) LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2009

	Note	2009 £	2008 £
Group turnover	2	14,784,997	12,124,342
Cost of sales		(11,266,292)	(8,734,974)
Gross profit		<u>3,518,705</u>	<u>3,389,368</u>
Administrative expenses		(2,053,785)	(728,277)
Operating profit	3	<u>1,464,920</u>	<u>2,661,091</u>
Interest receivable		4,979	14,178
Interest payable and similar charges	6	(4,371)	—
Profit on ordinary activities before taxation		<u>1,465,528</u>	<u>2,675,269</u>
Tax on profit on ordinary activities	7	(389,651)	(792,583)
Profit on ordinary activities after taxation		<u>1,075,877</u>	<u>1,882,686</u>
Minority interests		(17,297)	—
Profit attributable to members of the parent company	8	<u>1,058,580</u>	<u>1,882,686</u>
Profit for the financial year		<u><u>1,058,580</u></u>	<u><u>1,882,686</u></u>

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 408 of the Companies Act 2006
not to publish its own Profit and Loss Account.

The notes on pages 11 to 24 form part of these financial statements.

PROSOURCE.IT (UK) LTD

GROUP BALANCE SHEET

30 JUNE 2009

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	10	2,680	—
Tangible assets	11	9,490	10,287
		<u>12,170</u>	<u>10,287</u>
Current assets			
Debtors	13	3,589,754	2,619,751
Cash at bank		136,276	265,458
		<u>3,726,030</u>	<u>2,885,209</u>
Creditors: Amounts falling due within one year	15	<u>(2,468,269)</u>	<u>(1,813,921)</u>
Net current assets		1,257,761	1,071,288
Total assets less current liabilities		<u>1,269,931</u>	<u>1,081,575</u>
Minority interests		17,508	211
		<u>1,252,423</u>	<u>1,081,364</u>
Capital and reserves			
Called-up share capital	19	10,312	10,000
Share premium account	20	172,948	—
Share options reserve	20	25,940	17,384
Profit and loss account	20	1,043,223	1,053,980
Shareholders' funds	21	<u>1,252,423</u>	<u>1,081,364</u>

These financial statements were approved by the directors and authorised for issue on 16/03/10, and are signed on their behalf by:


A Cowie
Director

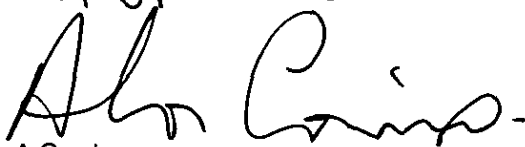
PROSOURCE.IT (UK) LTD

Registered Number SC242550

BALANCE SHEET**30 JUNE 2009**

	Note	2009 £	£	2008 £	£
Fixed assets					
Tangible assets	11		9,490		10,287
Investments	12		3,886		1,954
			<u>13,376</u>		<u>12,241</u>
Current assets					
Debtors	13	3,353,072		2,619,540	
Cash at bank		-		265,458	
			<u>3,353,072</u>	<u>2,884,998</u>	
Creditors: Amounts falling due within one year	15	<u>(2,299,405)</u>		<u>(1,815,875)</u>	
Net current assets			1,053,667		1,069,123
Total assets less current liabilities			<u>1,067,043</u>		<u>1,081,364</u>
Capital and reserves					
Called-up share capital	19		10,312		10,000
Share premium account	20		172,948		-
Share options reserve	20		25,940		17,384
Profit and loss account	20		857,843		1,053,980
Shareholders' funds			<u>1,067,043</u>		<u>1,081,364</u>

These financial statements were approved by the directors and authorised for issue on 16/03/10 and are signed on their behalf by:



A Cowie
Director

The notes on pages 11 to 24 form part of these financial statements.

PROSOURCE.IT (UK) LTD
GROUP CASH FLOW CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2009

		2009		2008	
	Note	£	£	£	£
Net cash inflow from operating activities	22		1,585,464		2,536,989
Returns on investments and Servicing of finance					
Interest received		4,979		14,178	
Interest paid		(4,371)		—	
Net cash inflow from returns on investments and servicing of finance			608		14,178
Taxation			(1,170,046)		(433,052)
Capital expenditure					
Payments to acquire intangible fixed assets		(2,821)		—	
Payments to acquire tangible fixed assets		(7,254)		(5,057)	
Acquisition of investments		—		(1,954)	
Net cash outflow from capital expenditure			(10,075)		(7,011)
Equity dividends paid			(1,068,513)		(1,926,412)
Cash (outflow)/inflow before financing			(662,562)		184,692
Financing					
Issue of equity share capital		312		—	
Share premium on issue of equity share capital		172,948		—	
Net cash inflow from financing			173,260		—
(Decrease)/increase in cash	22		(489,302)		184,692

The notes on pages 11 to 24 form part of these financial statements.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

1. Accounting policies *(continued)*

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 the sums involved are insignificant.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit. Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account.

Share-based payments

The group 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.

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 group after deducting all of its liabilities.

Investments

Investments are stated at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

1. Accounting policies (continued)

Employee benefit trusts

Trusts have been established for the benefit of company employees and certain of their dependants. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

Where monies held in a trust are determined by the company on the basis of employees' past services to the business and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the profit and loss account in the period to which they relate.

2. Turnover

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

An analysis of turnover is given below:

	2009	2008
	£	£
United Kingdom	13,156,695	12,124,342
United States of America	1,628,302	-
	<u>14,784,997</u>	<u>12,124,342</u>

3. Operating profit

Operating profit is stated after charging/(crediting):

	2009	2008
	£	£
Equity-settled share-based payments	8,556	6,038
Amortisation	141	-
Depreciation of owned fixed assets	8,051	8,443
Auditor's remuneration	7,700	7,000
Operating lease costs:		
-Property	150,888	122,435
-Equipment	-	518
Net profit on foreign currency translation	<u>(19,299)</u>	<u>-</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

4. Particulars of employees

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

	2009	2008
	No	No
Number of administrative staff	6	6
Number of commercial staff	2	2
Number of operational staff	107	84
	<u>115</u>	<u>92</u>

The aggregate payroll costs of the above were:

	2009	2008
	£	£
Wages and salaries	6,532,350	3,750,544
Social security costs	583,703	421,481
Other pension costs	191,890	127,625
	<u>7,307,943</u>	<u>4,299,650</u>

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2009	2008
	£	£
Remuneration receivable	1,248,639	224,235
Value of company pension contributions to money purchase schemes	12,819	8,448
	<u>1,261,458</u>	<u>232,683</u>

Remuneration of highest paid director:

	2009	2008
	£	£
Total remuneration (excluding pension contributions)	<u>420,299</u>	<u>64,693</u>

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

	2009	2008
	No	No
Money purchase schemes	<u>4</u>	<u>4</u>

6. Interest payable and similar charges

	2009	2008
	£	£
Interest payable on bank borrowing	<u>4,371</u>	<u>-</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2009 £	2008 £
UK taxation		
UK Corporation tax	348,825	792,244
Under/(over) provision in prior year	-	339
	<u>348,825</u>	<u>792,583</u>
Foreign tax		
Current tax on income for the year	40,826	-
	<u>389,651</u>	<u>792,583</u>

(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 28% (2008 - 28%).

	2009 £	2008 £
Profit on ordinary activities before taxation	<u>1,465,528</u>	<u>2,675,269</u>
Profit on ordinary activities by rate of tax	410,348	749,076
Effects of:		
Expenses not deductible for tax purposes	5,830	2,293
Capital allowances for year in excess of depreciation	3,751	522
Effect of different foreign tax rates	(27,586)	-
Tax chargeable at higher/(lower) rates	-	40,353
Adjustments to tax charge in respect of previous periods	(2,692)	339
Total current tax (note 7(a))	<u>389,651</u>	<u>792,583</u>

8. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £872,376 (2008 - £1,882,686).

9. Dividends

Equity dividends

	2009 £	2008 £
Paid during the year		
Equity dividends on ordinary shares type 'A'	692,110	1,240,974
Equity dividends on ordinary shares type 'B'	350,179	685,438
Equity dividends on ordinary shares type 'C'	26,224	-
	<u>1,068,513</u>	<u>1,926,412</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

10. Intangible fixed assets

Group	Goodwill £
Cost	
Additions	2,821
At 30 June 2009	<u>2,821</u>
Amortisation	
Charge for the year	141
At 30 June 2009	<u>141</u>
Net book value	
At 30 June 2009	<u>2,680</u>
At 30 June 2008	<u>-</u>

11. Tangible fixed assets

Group	Plant & Machinery £
Cost	
At 1 July 2008	42,550
Additions	7,254
Disposals	(2,503)
At 30 June 2009	<u>47,301</u>
Depreciation	
At 1 July 2008	32,263
Charge for the year	8,051
On disposals	(2,503)
At 30 June 2009	<u>37,811</u>
Net book value	
At 30 June 2009	<u>9,490</u>
At 30 June 2008	<u>10,287</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

11. Tangible fixed assets (continued)

Company	Plant & Machinery £
Cost	
At 1 July 2008	42,550
Additions	7,254
Disposals	(2,503)
At 30 June 2009	<u>47,301</u>
Depreciation	
At 1 July 2008	32,263
Charge for the year	8,051
On disposals	(2,503)
At 30 June 2009	<u>37,811</u>
Net book value	
At 30 June 2009	<u>9,490</u>
At 30 June 2008	<u>10,287</u>

12. Investments

Company	Subsidiary undertaking s £
Cost	
At 1 July 2008	1,954
Additions	1,932
At 30 June 2009	<u>3,886</u>
Net book value	
At 30 June 2009	<u>3,886</u>
At 30 June 2008	<u>1,954</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings				
All held by the company:				
Prosource.IT Inc	USA	Ordinary shares	93%	IT consultancy services
Prosource.IT (Canada)	Canada	Ordinary shares	100%	IT consultancy services

On 17 June 2008 the company purchased 93% of a newly incorporated US company, Prosource.IT Inc. This company commenced trading in the US subsequent to 30 June 2008.

On 3 March 2009 the company purchased 100% of a Canadian company, Prosource.IT (Canada). The company was effectively dormant at the year end.

13. Debtors

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	3,376,376	2,555,284	2,985,310	2,555,284
Amounts owed by group undertakings	–	–	152,413	–
Corporation tax repayable	–	–	6,478	–
Other debtors	6,257	24,734	1,750	24,523
Directors' current accounts (note 17)	90,000	–	90,000	–
Deferred taxation (Note 14)	22,500	–	22,500	–
Prepayments and accrued income	94,621	39,733	94,621	39,733
	<u>3,589,754</u>	<u>2,619,751</u>	<u>3,353,072</u>	<u>2,619,540</u>

14. Deferred taxation

The movement in the deferred taxation asset during the year was:

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Provision for year	22,500	–	22,500	–
Asset carried forward	<u>22,500</u>	<u>–</u>	<u>22,500</u>	<u>–</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

14. Deferred taxation (continued)

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2009		2008	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Other timing differences	<u>22,500</u>	<u>-</u>	<u>-</u>	<u>-</u>

The company's asset for deferred taxation consists of the tax effect of timing differences in respect of:

Company	2009		2008	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Other timing differences	<u>22,500</u>	<u>-</u>	<u>-</u>	<u>-</u>

15. Creditors: Amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank overdraft	360,120	-	360,120	-
Trade creditors	373,193	261,151	238,678	261,151
Corporation tax	34,349	792,244	-	792,244
Other taxation and social security	472,027	530,136	472,027	530,136
Other creditors	1,489	18,683	1,489	20,637
Accruals and deferred income	<u>1,227,091</u>	<u>211,707</u>	<u>1,227,091</u>	<u>211,707</u>
	<u>2,468,269</u>	<u>1,813,921</u>	<u>2,299,405</u>	<u>1,815,875</u>

16. Share-based payments

Equity-settled 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 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.

78,118 share options are outstanding at the year end, with a weighted average exercise price (WAEP) of £9.41.

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16. Share-based payments (continued)

	2009		2008	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	97,008.00	8.41	81,413.00	6.75
Granted during the year	12,328.00	17.23	15,595.00	17.09
Exercised during the year	(31,218.00)	5.55	—	—
Outstanding at the end of the year	<u>78,118.00</u>	<u>—</u>	<u>97,008.00</u>	<u>—</u>
Exercisable at the end of the year	<u>78,118.00</u>	<u>9.41</u>	<u>97,008.00</u>	<u>8.41</u>

In the year ended 30 June 2009, options were granted on 28 April 2009. The estimated fair value of the options granted on that date was £29,312. In the year ended 30 June 2008, options were granted on 19 May 2008. The estimated fair value of the options granted on that date was £36,779.

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

	2009	2008
Weighted average share price - £	9.41	17.00
Weighted average exercise price - £	9.41	17.00
Expected volatility - %	53.00	53.00
Expected life - years	8.00	8.00
Risk free rate - %	4.50	4.50
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.

17. Commitments under operating leases

At 30 June 2009 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	2009 £	2008 £
Operating leases which expire:		
Within 1 year	93,427	86,298
Within 2 to 5 years	25,000	25,000
	<u>118,427</u>	<u>111,298</u>

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17. Commitments under operating leases (continued)

At 30 June 2009 the company had annual commitments under non-cancellable operating leases as set out below.

Company	Land and buildings	
	2009 £	2008 £
Operating leases which expire:		
Within 1 year	73,613	86,298
Within 2 to 5 years	25,000	25,000
	<u>98,613</u>	<u>111,298</u>

18. Related party transactions

Craig Adams, a director and shareholder of the company, is also a director of the company Seven Two Nine Seven LLP t/a The Moorings Bar. The company made sales of £Nil (2008: £25) to this company during the year. The company was supplied good and services totalling £Nil (2008: £1,302) from this company during the year.

Craig Adams, was in receipt of loans from the company to the amount of £Nil (2008: £30,000) during the year. At the year end Craig Adams was due £Nil (2008: £Nil) by the company. The highest balance outstanding during the year was £Nil (2008: £29,998).

Alan Cowie, a director and shareholder of this company, was in receipt of loans from the company to the amount of £90,000 (2008: £Nil) during the year. At the year end Alan Cowie was due £90,000 (2008: £Nil) to the company. The highest balance outstanding during the year was £90,000 (2008: £Nil)

Steve Mackie, a director and shareholder of this company, made loans to the company to the amount of £Nil (2008: £200,000). At the year end Steve Mackie was due £Nil (2008: £Nil) by the company. The highest balance outstanding during the year was £Nil (2008: £125,000).

Stewart Proctor, a director and shareholder of this company, made loans to the company to the amount of £Nil (2008: £200,000). At the year end Stewart Proctor was due £Nil (2008: £Nil) by the company. The highest balance outstanding during the year was £Nil (2008: £125,000).

As at 30 June 2009 Prosource.IT Inc owed £136,514 (2008: £Nil) to Prosource.IT (UK) Ltd.

As at 30 June 2009 Prosource.IT (Canada) owed £16,907 (2008: £Nil) to Prosource.IT (UK) Ltd

19. Share capital

Authorised share capital:

	2009 £	2008 £
670,000 Ordinary Class 'A' shares of £0.01 each	6,700.00	6,700.00
330,000 Ordinary Class 'B' shares of £0.01 each	3,300.00	3,300.00
100,000 Ordinary Class 'C' shares of £0.01 each	1,000.00	1,000.00
	<u>11,000.00</u>	<u>11,000.00</u>

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19. Share capital (continued)

Allotted, called up and fully paid:

	2009		2008	
	No	£	No	£
670,000 Ordinary Class 'A' shares of £0.01 each	670,000	6,700.00	670,000	6,700.00
330,000 Ordinary Class 'B' shares of £0.01 each	330,000	3,300.00	330,000	3,300.00
31,218 Ordinary Class 'C' shares (2008 - -) of £0.01 each	31,218	312.18	-	-
	<u>1,031,218</u>	<u>10,312.18</u>	<u>1,000,000</u>	<u>10,000.00</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.

20. Reserves

Group	Share premium account £	Share options reserve £	Profit and loss account £
Balance brought forward	-	17,384	1,053,980
Profit for the year	-	-	1,058,580
Equity dividends	-	-	(1,068,513)
Foreign currency translation reserve	-	-	(824)
Other movements	-	-	-
New equity share capital subscribed	172,948	-	-
Recognition of equity-settled share-based payments in the year (note 16)	-	8,556	-
Balance carried forward	<u>172,948</u>	<u>25,940</u>	<u>1,043,223</u>

Company	Share premium account £	Share options reserve £	Profit and loss account £
Balance brought forward	-	17,384	1,053,980
Profit for the year	-	-	872,376
Equity dividends	-	-	(1,068,513)
Other movements	-	-	-
New equity share capital subscribed	172,948	-	-
Recognition of equity-settled share-based payments in the year (note 16)	-	8,556	-
Balance carried forward	<u>172,948</u>	<u>25,940</u>	<u>857,843</u>

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21. Reconciliation of movements in shareholders' funds

	2009	2008
	£	£
Profit for the financial year	1,058,580	1,882,686
New equity share capital subscribed	312	—
Premium on new share capital subscribed	<u>172,948</u>	<u>—</u>
	173,260	—
Equity dividends	(1,068,513)	(1,926,412)
Foreign currency translation reserve	(824)	—
Recognition of equity-settled share-based payments in the year (note 16)	<u>8,556</u>	<u>6,038</u>
Net addition/(reduction) to shareholders' funds	171,059	(37,688)
Opening shareholders' funds	<u>1,081,364</u>	<u>1,119,052</u>
Closing shareholders' funds	<u>1,252,423</u>	<u>1,081,364</u>

22. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2009	2008
	£	£
Operating profit	1,464,920	2,661,091
Amortisation	141	—
Depreciation	8,051	8,443
(Increase)/decrease in debtors	(947,503)	132,225
Increase/(decrease) in creditors	1,052,123	(270,808)
Gain on foreign currency retranslation on debt	(824)	—
Equity-settled share-based payments	<u>8,556</u>	<u>6,038</u>
Net cash inflow from operating activities	<u>1,585,464</u>	<u>2,536,989</u>

Reconciliation of net cash flow to movement in net debt

	2009	2008
	£	£
(Decrease)/increase in cash in the year	(489,302)	184,692
Translation differences	824	—
Movement in net debt in the year	<u>(488,478)</u>	<u>184,692</u>
Net funds at 1 July 2008	<u>265,458</u>	<u>78,601</u>
Net debt at 30 June 2009	<u>(223,844)</u>	<u>265,458</u>

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22. Notes to the statement of cash flows (continued)

Analysis of changes in net debt

	At 1 July 2008 £	Cash flows £	Exchange movement £	At 30 June 2009 £
Net cash:				
Cash in hand and at bank	265,458	(129,182)	—	136,276
Overdrafts	—	(360,944)	824	(360,120)
Net debt	<u>265,458</u>	<u>(490,126)</u>	<u>824</u>	<u>(223,844)</u>

23. Ultimate controlling party

In the opinion of the directors, the company has no ultimate controlling party.