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PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Company Registration Number SC242550

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

PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2011

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PROSOURCE.IT (UK) LTD
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 JUNE 2011

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	Paul & Williamsons Investment House 6 Union Row Aberdeen AB10 1DQ

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2011

The directors present their report and the financial statements of the group for the year ended 30 June 2011.

Principal activities and business review

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

Against the backdrop of the ongoing global economic malaise and the accompanying uncertainty, prosource continued to flourish with Group revenues up 40%. Increased market share and a strong Oil and Gas sector have both contributed to this performance.

The UK business increased by 21.5% over the previous year, whilst our US business more than doubled, posting revenues of \$12.5m in only its third full year of trading. In those 3 years, our US business has grown from a zero revenue start-up to contributing third of overall Group revenues.

To support this growth, we have had to recruit at the rate of two new starts per week.

Our Calgary business remains in a fledgling state, although revenues increased to \$686k and it reached full year profitability for the first time.

2010-2011 was also a year of internal change delivered via a light touch restructuring programme, designed to meet the challenges of the 900% organic growth we have achieved in the 8 years since the company was formed as a result of the merger of promac and Outsource IT.

This programme of restructuring will continue into 2011/2012 as we strive to extend our track record of year-on-year quarterly growth, having achieved this now in all of the 32 quarters that the company has traded.

Our focus for the next 12 months will be to maintain our unique selling points and quality of service as we continue to grow and to extend our range of services and geographies to meet the needs of our corporate customer base.

In support of this, we are investing in our Services Portfolio and extending our footprint into the Middle East and South East Asia.

On the back of 40% growth in the past 12 months and 900% in 8 years, further compound growth becomes incrementally more challenging, but our order book and business pipeline remain strong and we are forecasting double digit growth for the year ending June 30, 2012.

Results and dividends

The profit for the year, after taxation, amounted to £2,465,719. 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.

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 30 JUNE 2011

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 2011

Donations

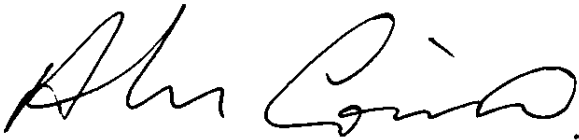
During the year the company made the following contributions:

	2011 £	2010 £
Charitable	<u>21,483</u>	<u>-</u>

Auditor

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 27th MARCH 2012

PROSOURCE.IT (UK) LTD
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROSOURCE.IT (UK) LTD
YEAR ENDED 30 JUNE 2011

We have audited the group and parent company financial statements ("the financial statements") of Prosource.IT (UK) Ltd for the year ended 30 June 2011 on pages 7 to 25. 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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 2011

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

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

29/3/12
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PROSOURCE.IT (UK) LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2011

	Note	2011 £	2010 £
Group turnover	2	24,510,619	17,577,558
Cost of sales		(18,797,146)	(13,369,068)
Gross profit		<u>5,713,473</u>	<u>4,208,490</u>
Administrative expenses		(2,195,937)	(2,382,394)
Operating profit	3	<u>3,517,536</u>	<u>1,826,096</u>
Interest receivable		185	622
Interest payable and similar charges	6	(1,868)	(1,000)
Profit on ordinary activities before taxation		<u>3,515,853</u>	<u>1,825,718</u>
Tax on profit on ordinary activities	7	(851,312)	(381,722)
Profit on ordinary activities after taxation		<u>2,664,541</u>	<u>1,443,996</u>
Minority interests		(198,822)	(117,010)
Profit attributable to members of the parent company	8	<u>2,465,719</u>	<u>1,326,986</u>
Profit for the financial year		<u><u>2,465,719</u></u>	<u><u>1,326,986</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 25 form part of these financial statements.

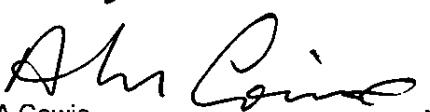
PROSOURCE.IT (UK) LTD
GROUP BALANCE SHEET

30 JUNE 2011

	Note	2011 £	£	2010 £	£
Fixed assets					
Intangible assets	10		2,398		2,539
Tangible assets	11		18,049		10,307
			<u>20,447</u>		<u>12,846</u>
Current assets					
Debtors	13	5,221,253		4,152,217	
Cash at bank		302,559		44,373	
		<u>5,523,812</u>		<u>4,196,590</u>	
Creditors: Amounts falling due within one year	14	<u>(3,384,038)</u>		<u>(3,294,028)</u>	
Net current assets			2,139,774		902,562
Total assets less current liabilities			<u>2,160,221</u>		<u>915,408</u>
Capital and reserves					
Called-up share capital	19		10,260		10,250
Share premium account	20		40,213		143
Share options reserve	20		47,483		36,704
Capital redemption reserve	20		158		130
Profit and loss account	20		1,888,326		778,095
Shareholders' funds	21		<u>1,986,440</u>		<u>825,322</u>
Minority interests			<u>173,781</u>		<u>90,086</u>
			<u>2,160,221</u>		<u>915,408</u>

These financial statements were approved by the directors and authorised for issue on ~~27th MARCH~~ and are signed on their behalf by:

2012


A Cowie
Director

PROSOURCE.IT (UK) LTD
Registered Number SC242550

BALANCE SHEET

30 JUNE 2011

	Note	2011 £	£	2010 £	£
Fixed assets					
Tangible assets	11		16,452		9,428
Investments	12		3,886		3,886
			<u>20,338</u>		<u>13,314</u>
Current assets					
Debtors	13	4,061,216		3,413,708	
Cash at bank		152,892		—	
		<u>4,214,108</u>		<u>3,413,708</u>	
Creditors: Amounts falling due within one year	14	<u>(2,906,957)</u>		<u>(2,930,221)</u>	
Net current assets			1,307,151		483,487
Total assets less current liabilities			<u>1,327,489</u>		<u>496,801</u>
Capital and reserves					
Called-up share capital	19		10,260		10,250
Share premium account	20		40,213		143
Share options reserve	20		47,483		36,704
Capital redemption reserve	20		158		130
Profit and loss account	20		1,229,375		449,574
Shareholders' funds			<u>1,327,489</u>		<u>496,801</u>

These financial statements were approved by the directors and authorised for issue on ~~23rd March~~ 2012 and are signed on their behalf by:

2012

A Cowie
Director

PROSOURCE.IT (UK) LTD
GROUP CASH FLOW CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2011

	Note	2011 £	£	2010 £	£
Net cash inflow from operating activities	22		2,546,769		2,143,956
Returns on investments and Servicing of finance					
Interest received		185		622	
Interest paid		(1,868)		(1,000)	
Dividends paid to minority interest		(129,254)		(73,974)	
Net cash outflow from returns on investments and servicing of finance			(130,937)		(74,352)
Taxation			(776,536)		(228,231)
Capital expenditure					
Payments to acquire tangible fixed assets		(19,758)		(9,159)	
Net cash outflow from capital expenditure			(19,758)		(9,159)
Equity dividends paid			(1,121,159)		(1,724,697)
Cash inflow before financing			498,379		107,517
Financing					
Share premium on issue of equity share capital		40,098		47,263	
Premium on purchase of own equity shares		(49,691)		(117,162)	
Net cash outflow from financing			(9,593)		(69,899)
Increase in cash	22		488,786		37,618

The notes on pages 11 to 25 form part of these financial statements.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2011

1. Accounting policies *(continued)*

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.

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.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2011

1. Accounting policies (continued)

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.

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:

	2011	2010
	£	£
United Kingdom	16,559,128	13,656,205
North America	7,951,491	3,921,353
	<u>24,510,619</u>	<u>17,577,558</u>

3. Operating profit

Operating profit is stated after charging:

	2011	2010
	£	£
Equity-settled share-based payments	10,779	10,764
Amortisation	141	141
Depreciation of owned fixed assets	12,016	8,342
Auditor's remuneration	13,500	9,000
Operating lease costs:		
-Property	180,083	130,808
Net loss on foreign currency translation	<u>5,408</u>	<u>-</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2011

4. Particulars of employees

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

	2011	2010
	No	No
Number of administrative staff	12	6
Number of commercial staff	5	2
Number of operational staff	163	114
	<u>180</u>	<u>122</u>

The aggregate payroll costs of the above were:

	2011	2010
	£	£
Wages and salaries	8,937,207	6,842,924
Social security costs	801,228	593,878
Other pension costs	384,255	236,451
	<u>10,122,690</u>	<u>7,673,253</u>

5. Directors' remuneration

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

	2011	2010
	£	£
Remuneration receivable	891,065	1,457,806
Value of company pension contributions to money purchase schemes	107,341	13,247
	<u>998,406</u>	<u>1,471,053</u>

Remuneration of highest paid director:

	2011	2010
	£	£
Total remuneration (excluding pension contributions)	<u>295,414</u>	<u>493,387</u>

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

	2011	2010
	No	No
Money purchase schemes	<u>4</u>	<u>4</u>

6. Interest payable and similar charges

	2011	2010
	£	£
Interest payable on bank borrowing	<u>1,868</u>	<u>1,000</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2011

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2011 £	2010 £
UK taxation		
UK Corporation tax	588,840	329,883
Over provision in prior year	-	(2,066)
	<u>588,840</u>	<u>327,817</u>
Foreign tax		
Current tax on income for the year	262,472	53,905
	<u>851,312</u>	<u>381,722</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 27.50% (2010 - 28%).

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>2,465,719</u>	<u>1,825,718</u>
Profit on ordinary activities by rate of tax	678,073	511,201
Effects of:		
Expenses not deductible for tax purposes	16,872	7,545
Capital allowances for year in excess of depreciation	(2,428)	(614)
Effect of different foreign tax rates	158,818	(114,284)
Adjustments to tax charge in respect of previous periods	(23)	(2,066)
Tax relief on EMI exercise	-	(20,060)
Total current tax (note 7(a))	<u>851,312</u>	<u>381,722</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2011

8. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £1,950,651 (2010 - £1,193,530).

9. Dividends

Equity dividends

	2011 £	2010 £
Paid during the year		
Equity dividends on ordinary shares type 'A'	693,356	1,087,719
Equity dividends on ordinary shares type 'B'	286,585	575,832
Equity dividends on ordinary shares type 'C'	84,808	61,147
Equity dividends on ordinary shares type 'D'	56,410	—
	<u>1,121,159</u>	<u>1,724,698</u>

10. Intangible fixed assets

Group

**Goodwill
£**

Cost

At 1 July 2010 and 30 June 2011

2,821

Amortisation

At 1 July 2010

282

Charge for the year

141

At 30 June 2011

423

Net book value

At 30 June 2011

2,398

At 30 June 2010

2,539

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2011

11. Tangible fixed assets

Group	Plant & Machinery £
Cost	
At 1 July 2010	39,242
Additions	19,758
At 30 June 2011	<u>59,000</u>
Depreciation	
At 1 July 2010	28,935
Charge for the year	12,016
At 30 June 2011	<u>40,951</u>
Net book value	
At 30 June 2011	<u>18,049</u>
At 30 June 2010	<u>10,307</u>
Company	Plant & Machinery £
Cost	
At 1 July 2010	38,363
Additions	19,040
At 30 June 2011	<u>57,403</u>
Depreciation	
At 1 July 2010	28,935
Charge for the year	12,016
At 30 June 2011	<u>40,951</u>
Net book value	
At 30 June 2011	<u>16,452</u>
At 30 June 2010	<u>9,428</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2011

12. Investments

Company	Subsidiary undertakings £
Cost	
At 1 July 2010 and 30 June 2011	<u>3,886</u>
Net book value	
At 30 June 2011	<u>3,886</u>
At 30 June 2010	<u>3,886</u>

	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	78%	IT consultancy services
Prosource.IT (Canada)	Canada	Ordinary shares	100%	IT consultancy services

On 1 October 2010, the minority shareholder gained an additional 4% shareholding in Prosource.IT Inc.

13. Debtors

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade debtors	4,760,600	3,645,087	3,123,606	2,464,249
Amounts owed by group undertakings (note 17)	-	-	559,676	442,329
Other debtors	58,425	26,853	26,853	26,853
Prepayments and accrued income	402,228	480,277	351,081	480,277
	<u>5,221,253</u>	<u>4,152,217</u>	<u>4,061,216</u>	<u>3,413,708</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2011

14. Creditors: Amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank overdraft	–	230,600	–	229,767
Trade creditors	475,255	657,768	554,355	350,995
Directors' loan accounts	660,000	1,115,000	660,000	1,115,000
Corporation tax	240,116	165,340	233,323	165,340
Other taxation and social security	1,172,998	611,358	1,077,043	596,170
Other creditors	16,350	40,264	16,350	1,489
Accruals and deferred income	819,319	473,698	365,886	471,460
	<u>3,384,038</u>	<u>3,294,028</u>	<u>2,906,957</u>	<u>2,930,221</u>

The overdraft facility is secured by a floating charge over the assets and undertakings of Prosource.IT (UK) Ltd.

15. 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.

65,560 share options are outstanding at the year end, with a weighted average exercise price (WAEP) of £12.60.

	2011		2010	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	71,332.00	11.33	78,118.00	9.41
Exercised during the year	(2,992.00)	7.58	(6,796.00)	6.94
Outstanding at the end of the year	<u>68,340.00</u>	<u>–</u>	<u>71,322.00</u>	<u>–</u>
Exercisable at the end of the year	<u>65,560.00</u>	<u>12.60</u>	<u>71,332.00</u>	<u>11.33</u>

In the year ended 30 June 2011, options were granted on 10 January 2011. The estimated fair value of the options granted on that date was £409.

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

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15. Share-based payments (continued)

	2011	2010
Weighted average share price - £	10.11	9.41
Weighted average exercise price - £	10.11	11.33
Expected volatility - %	53.00	53.00
Expected life - years	8.00	8.00
Risk free rate - %	2.14	4.50
Expected dividend yield - %	<u>8.00</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.

16. Commitments under operating leases

At 30 June 2011 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	2011	2010
	£	£
Operating leases which expire:		
Within 1 year	226,545	82,809
Within 2 to 5 years	<u>32,500</u>	<u>86,080</u>
	<u>259,045</u>	<u>168,889</u>

At 30 June 2011 the company had annual commitments under non-cancellable operating leases as set out below.

Company	Land and buildings	
	2011	2010
	£	£
Operating leases which expire:		
Within 1 year	138,195	62,995
Within 2 to 5 years	<u>32,500</u>	<u>86,080</u>
	<u>170,695</u>	<u>149,075</u>

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17. Related party transactions

Craig Adams, a director and shareholder of the company, is also a director of the LLP Seven Two Nine Seven LLP t/a The Moorings Bar. The company was supplied good and services totalling £469 (2010: £710) from this company during the year.

During the year Craig Adams was in receipt of loans from the company to the amount of £nil (2010: £8,872). Craig Adams also granted loans to the company of £150,000 (2010: £155,328). At the year end Craig Adams was due £nil (2010: £95,000) by the company. The highest balance due by the company during the year was £245,000 (2010: £155,328).

Alan Cowie, a director and shareholder of this company, was in receipt of loans from the company to the amount of £60,000 (2010: £90,000) during the year. Alan Cowie also granted a loan to the company of £10,000 (2010: £25,000). At the year end Alan Cowie was due £10,000 (2010: £20,000). The highest balance due to the company during the year was £60,000 (2010: £90,000) and the highest balance due from the company during the year was £20,000 (2010: £20,000).

Steve Mackie, a director and shareholder of this company, made loans to the company to the amount of £325,000 (2010: £914,788). At the year end Steve Mackie was due £325,000 (2010: £500,000) by the company. The highest balance outstanding during the year was £500,000 (2010: £600,000).

Stewart Proctor, a director and shareholder of this company, made loans to the company to the amount of £325,000 (2010: £764,788). At the year end Stewart Proctor was due £325,000 (2010: £500,000) by the company. The highest balance outstanding during the year was £600,000 (2010: £500,000).

As at 30 June 2011 Prosource.IT Inc owed £536,594 (2010: £345,784) to Prosource.IT (UK) Ltd.

As at 30 June 2011 Prosource.IT (Canada) owed £23,082 (2010: £96,545) to Prosource.IT (UK) Ltd.

18. Minority Interest

Group	2011	2010
	£	£
At 1 July 2010	90,086	17,508
Share of profit for the financial year	198,822	117,010
Equity dividends paid	(129,254)	(73,975)
Foreign exchange movement	(12,957)	3,883
Effect of increase in minority interest	27,084	25,660
As at 30 June 2011	<u>173,781</u>	<u>90,086</u>

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19. Share capital

Authorised share capital:

	2011 £	2010 £
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
53,724 Ordinary Class 'D' shares of £0.01 each	537.24	537.24
	<u>11,537.24</u>	<u>11,537.24</u>

Allotted, called up and fully paid:

	2011 No	£	2010 No	£
660,320 Ordinary Class 'A' shares of £0.01 each	660,320	6,603.20	660,320	6,603.20
272,938 Ordinary Class 'B' shares of £0.01 each	272,938	2,729.38	272,938	2,729.38
38,980 Ordinary Class 'C' shares (2010 - 38,014) of £0.01 each	38,980	389.80	38,014	380.14
53,724 Ordinary Class 'D' shares of £0.01 each	53,724	537.24	53,724	537.24
	<u>1,025,962</u>	<u>10,259.62</u>	<u>1,024,996</u>	<u>10,249.96</u>

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

During the year the company issued 'C' class shares which had a nominal value of £38 under existing share option schemes for proceeds of £40,098.

The company also repurchased some 'C' class shares which had a nominal value of £28 for a total consideration of £49,691 during the year.

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20. Reserves

Group	Share premium account £	Capital redemption reserve £	Share options reserve £	Profit and loss account £
Balance brought forward	143	130	36,704	778,095
Profit for the year	—	—	—	2,465,719
Equity dividends	—	—	—	(1,121,159)
Foreign currency translation reserve	—	—	—	(157,545)
Other movements				
Movement in minority interest	—	—	—	(27,093)
New equity shares subscribed	40,070	—	—	—
Purchase of own shares	—	28	—	(49,691)
Recognition of equity-settled share-based payments in the year (note 16)	—	—	10,779	—
Balance carried forward	<u>40,213</u>	<u>158</u>	<u>47,483</u>	<u>1,888,326</u>
Company	Share premium account £	Capital redemption reserve £	Share options reserve £	Profit and loss account £
Balance brought forward	143	130	36,704	449,574
Profit for the year	—	—	—	1,950,651
Equity dividends	—	—	—	(1,121,159)
Other movements				
New equity shares subscribed	40,070	—	—	—
Purchase of own shares	—	28	—	(49,691)
Recognition of equity-settled share-based payments in the year (note 16)	—	—	10,779	—
Balance carried forward	<u>40,213</u>	<u>158</u>	<u>47,483</u>	<u>1,229,375</u>

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21. Reconciliation of movements in shareholders' funds

	2011	2010
	£	£
Profit for the financial year	2,465,719	1,326,986
New equity share capital subscribed	<u>40,070</u>	<u>47,263</u>
	40,070	47,263
Purchase of own ordinary shares	(49,663)	(117,162)
Equity dividends	<u>(1,121,159)</u>	<u>(1,724,697)</u>
	(1,170,822)	(1,841,859)
Foreign currency translation reserve	(184,628)	29,745
Recognition of equity-settled share-based payments in the year (note 16)	<u>10,779</u>	<u>10,764</u>
Net addition/(reduction) to shareholders' funds	1,161,118	(427,101)
Opening shareholders' funds	<u>825,322</u>	<u>1,252,423</u>
Closing shareholders' funds	<u><u>1,986,440</u></u>	<u><u>825,322</u></u>

22. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2011	2010
	£	£
Operating profit	3,261,657	1,826,096
Amortisation	141	141
Depreciation	12,016	8,342
Increase in debtors	(1,068,894)	(599,649)
Increase in creditors	75,191	898,262
Equity-settled share-based payments	<u>10,779</u>	<u>10,764</u>
Net cash inflow from operating activities	<u><u>2,290,890</u></u>	<u><u>2,143,956</u></u>

Reconciliation of net cash flow to movement in net funds

	2011	2010
	£	£
Increase in cash in the year	<u>488,786</u>	<u>37,618</u>
Movement in net funds in the year	<u>488,786</u>	<u>37,618</u>
Net debt at 1 July 2010	(186,227)	(223,845)
Net funds at 30 June 2011	<u><u>302,559</u></u>	<u><u>(186,227)</u></u>

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

Analysis of changes in net funds

	At 1 July 2010 £	Cash flows £	At 30 June 2011 £
Net cash:			
Cash in hand and at bank	44,373	258,186	302,559
Overdrafts	(230,600)	230,600	—
Net funds	<u>(186,227)</u>	<u>488,786</u>	<u>302,559</u>

23. Ultimate controlling party

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