

Interim Consolidated Financial Statements  
(Expressed in U.S. dollars)

## **SOFTCHOICE CORPORATION**

Three-month and six-month periods ended  
June 30, 2010 and 2009  
(Unaudited)

# SOFTCHOICE CORPORATION

Interim Consolidated Balance Sheets  
(In thousands of U.S. dollars)  
(Unaudited)

	June 30, 2010	December 31, 2009
<b>Assets</b>		
Current assets:		
Cash	\$ 45,482	\$ 18,601
Accounts receivable, net of allowance for doubtful accounts of \$4,782 (December 31, 2009 - \$3,967)	202,225	185,278
Inventory	2,497	1,151
Prepaid expenses and other assets	5,533	5,367
Future income taxes	2,926	2,270
	<u>258,663</u>	<u>212,667</u>
Restricted cash	500	500
Property and equipment	5,872	6,894
Goodwill (note 2)	10,982	11,063
Intangible assets (note 2)	41,746	44,866
Long-term accounts receivable	974	303
Deferred costs	148	1,676
Future income taxes	16,198	16,220
	<u>\$ 335,083</u>	<u>\$ 294,189</u>
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 205,430	\$ 173,676
Current portion of term debt (note 3)	4,104	4,104
Current portion of deferred revenue	2,780	3,309
Income taxes payable	3,787	3,288
	<u>216,101</u>	<u>184,377</u>
Deferred lease inducements	465	480
Deferred revenue	158	303
Term debt (note 3)	10,619	12,671
Shareholder's equity:		
Capital stock (note 4)	26,001	25,842
Contributed surplus (note 5)	1,191	983
Retained earnings	75,183	64,263
Accumulated other comprehensive income	5,365	5,270
	<u>107,740</u>	<u>96,358</u>
	<u>\$ 335,083</u>	<u>\$ 294,189</u>

See accompanying notes to interim consolidated financial statements.

# SOFTCHOICE CORPORATION

Interim Consolidated Statements of Earnings and Retained Earnings  
(In thousands of U.S. dollars, except per share information)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Revenue:				
Software	\$ 188,588	\$ 176,799	\$ 362,321	\$ 305,792
Hardware	105,671	87,183	205,658	166,760
Agency fees	16,953	15,290	25,977	25,079
	<u>311,212</u>	<u>279,272</u>	<u>593,956</u>	<u>497,631</u>
Cost of sales	<u>264,075</u>	<u>237,962</u>	<u>510,374</u>	<u>425,665</u>
Gross profit	47,137	41,310	83,582	71,966
Expenses:				
Salaries and benefits	22,663	17,622	44,225	37,677
Selling, general and administrative	8,077	8,052	15,622	16,390
Amortization of property and equipment	664	707	1,441	1,427
Amortization of intangible assets (note 2)	1,585	2,011	3,420	3,953
	<u>32,989</u>	<u>28,392</u>	<u>64,708</u>	<u>59,447</u>
Operating income	14,148	12,918	18,874	12,519
Other expenses (income):				
Foreign exchange loss (gain)	2,596	(6,165)	564	(4,549)
Interest expense	644	1,138	1,317	1,972
Other expense	363	363	230	674
	<u>3,603</u>	<u>(4,664)</u>	<u>2,111</u>	<u>(1,903)</u>
Earnings before income taxes	10,545	17,582	16,763	14,422
Income taxes (recovery):				
Current	4,571	4,590	6,493	3,653
Future	(414)	350	(650)	516
	<u>4,157</u>	<u>4,940</u>	<u>5,843</u>	<u>4,169</u>
Net earnings	6,388	12,642	10,920	10,253
Retained earnings, beginning of period	68,795	39,611	64,263	42,000
Retained earnings, end of period	<u>\$ 75,183</u>	<u>\$ 52,253</u>	<u>\$ 75,183</u>	<u>\$ 52,253</u>
Net earnings per share (note 6):				
Basic	\$ 0.32	\$ 0.72	\$ 0.55	\$ 0.59
Diluted	0.32	0.72	0.55	0.58
Weighted average number of shares outstanding:				
Basic	19,778,789	17,496,807	19,776,459	17,496,807
Diluted	19,827,713	17,562,876	19,863,827	17,562,876

See accompanying notes to interim consolidated financial statements.

# SOFTCHOICE CORPORATION

Interim Consolidated Statements of Comprehensive Income  
(In thousands of U.S. dollars)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net earnings	\$ 6,388	\$ 12,642	\$ 10,920	\$ 10,253
Other comprehensive income:				
Foreign currency translation adjustment	916	(4,278)	95	(2,795)
<b>Total comprehensive income</b>	<b>\$ 7,304</b>	<b>\$ 8,364</b>	<b>\$ 11,015</b>	<b>\$ 7,458</b>

Interim Consolidated Statements of Accumulated Other Comprehensive Income  
(In thousands of U.S. dollars)  
(Unaudited)

Balance, December 31, 2009	\$ 5,270	\$ 13,116
Foreign currency translation adjustment	95	(2,795)
<b>Balance, June 30, 2010</b>	<b>\$ 5,365</b>	<b>\$ 10,321</b>

See accompanying notes to interim consolidated financial statements.

# SOFTCHOICE CORPORATION

Interim Consolidated Statements of Cash Flows  
(In thousands of U.S. dollars, except per share information)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Cash provide by (used in):				
Operating activities:				
Net earnings	\$ 6,388	\$ 12,642	\$ 10,920	\$ 10,253
Items not involving cash:				
Amortization of property and equipment	664	707	1,441	1,427
Stock-based compensation	213	(1,275)	270	(1,552)
Future income taxes	(414)	350	(650)	516
Amortization of intangible assets	1,585	2,011	3,420	3,953
Unrealized foreign currency loss (gain)	1,732	(4,425)	222	(2,521)
Amortization of capitalized loan fees	324	299	654	481
Loss (gain) on disposal of property and equipment	—	—	43	(2)
Change in non-cash operating working capital (note 10)	4,170	29,847	13,325	24,717
	14,662	40,156	29,645	37,272
Financing activities:				
Repayment of bank indebtedness	—	(19,765)	—	(40,317)
Increase in bank indebtedness	—	—	—	3,180
Repayment of long-term debt	—	—	—	(13,688)
Increase in term debt	657	(1,587)	176	19,601
Repayment of term debt	(1,026)	(1,026)	(2,052)	(1,687)
Proceeds from issuance of common shares	—	—	97	—
	(369)	(22,378)	(1,779)	(32,911)
Investing activities:				
Purchase of property and equipment	(254)	(455)	(513)	(852)
Purchase of intangible assets	(277)	(286)	(425)	(397)
Proceeds on disposal of property and equipment	—	25	—	29
	(531)	(716)	(938)	(1,220)
Effect of exchange rate changes on cash	(525)	75	(47)	40
Increase in cash	13,237	17,137	26,881	3,181
Cash, beginning of period	32,245	142	18,601	14,098
Cash, end of period	\$ 45,482	\$ 17,279	\$ 45,482	\$ 17,279
Supplemental cash flow information:				
Interest paid	\$ 617	\$ 1,138	\$ 1,317	\$ 1,972
Income taxes paid	2,526	—	5,922	2,522
Income taxes received	—	177	—	—

See accompanying notes to interim consolidated financial statements.

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

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Softchoice Corporation (the "Company") was formed on May 15, 2002, pursuant to an amalgamation with Ukraine Enterprise Corporation. The Company was incorporated under the Canada Business Corporations Act. The Company is a North American business-to-business direct marketer of technology products.

The Company's United States operations are carried on by Softchoice Corporation ("Softchoice U.S."), a corporation incorporated under the laws of the State of New York. On December 10, 2007, the Company incorporated a wholly owned subsidiary, Softchoice Holdings Corporation ("Holdco"). Holdco is incorporated under the laws of the State of Delaware. The Company transferred its ownership in Softchoice U.S. into Holdco in exchange for the common shares of Holdco. Holdco is not an operating company. Softchoice U.S. has also issued preferred shares, which are entirely owned by the Company.

## 1. Significant accounting policies:

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and reflect all adjustments consisting only of normal adjustments, which in the opinion of management are necessary for a fair presentation of the results of the interim periods presented. These interim consolidated financial statements do not include all disclosures normally included in annual audited financial statements prepared in accordance with GAAP. These interim consolidated financial statements have been prepared following accounting principles consistent with those used in the annual audited consolidated financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2009. The results of the operations for the interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

### (a) Changes in accounting estimates:

#### Deferred revenue:

Deferred revenue includes unearned revenue on sales of professional services to customers where performance is not yet complete and maintenance contracts where the contract start date is not yet in effect. Historically, deferred revenue also included unearned revenue on sales to customers where extended payment terms beyond 180 days were granted.

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

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## 1. Significant accounting policies (continued):

Effective January 1, 2010, the Company determined that for most sales with extended payment terms, sufficient evidence exists to conclude that the fee is fixed and determinable, and as such, the Company will recognize revenue in such cases when appropriate based on the Company's revenue recognition policy.

### (b) Recently adopted accounting pronouncements:

Multiple deliverable revenue arrangements:

In December 2009, The Canadian Institute of Chartered Accountants ("CICA") issued Emerging Issues Committee ("EIC") 175, Multiple Deliverable Revenue Arrangements ("EIC-175"), replacing EIC-142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (i) exclude from the application of the updated guidance those arrangements that would be accounted for in accordance with Financial Accounting Standards Board's Statement of Position 97-2, Software Revenue Recognition, as amended by Accounting Standards Update 2009-14; (ii) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (iii) require in situations where a vendor does not have vendor-specific objective evidence or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (iv) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (v) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC-175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. The Company adopted EIC-175 effective January 1, 2010.

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

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## 1. Significant accounting policies (continued):

The Company's revenue arrangements may contain multiple elements; however, to date revenue from multiple elements has not been significant. Accordingly, the adoption of EIC-175 did not have a material impact on the Company's interim consolidated financial statements. The Company is still required to determine the appropriate accounting under EIC-175, including whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes.

In the past, for arrangements involving multiple elements, the Company allocated revenue to each component of the arrangement using the residual value method, based on vendor-specific objective evidence of the fair value of the undelivered elements. EIC-175 has eliminated the use of the residual value method, and therefore, effective January 1, 2010, the Company has allocated revenue using the relative selling price method of the separate units of accounting. The multiple elements in an arrangement typically might include one or more of the following: hardware, software, maintenance, installation, and/or other professional service offerings as described in note 2 of the Company's annual financial statements for 2009. The Company allocates the arrangement fee, in a multiple element transaction, to the separate elements based on their relative selling prices, as indicated by vendor-specific objective evidence or third-party evidence of selling price, and if both are not available, estimated selling prices are used. The allocated portion of the arrangement which is undelivered is then deferred.

In some instances, a group of contracts or agreements with the same customer may be so closely related that they are, in effect, part of a single multiple element arrangement and, therefore, the Company will allocate the corresponding revenue among the various components, as described above.

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

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## 1. Significant accounting policies (continued):

### (c) Recently issued accounting pronouncements:

#### (i) Business combinations:

In January 2009, the CICA issued Handbook Section 1582, Business Combinations ("Section 1582"), replacing Section 1581, Business Combinations. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This new standard will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted.

#### (ii) Consolidated financial statements:

In January 2009, the CICA published Section 1601, Consolidated Financial Statements ("Section 1601"), and Section 1602, Non-Controlling Interests ("Section 1602"), which together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011 and should be adopted at the same time as Section 1582. Early adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of these new sections on its interim consolidated financial statements.

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

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## 1. Significant accounting policies (continued):

(iii) International Financial Reporting Standards ("IFRS"):

In February 2008, the Canadian Accounting Standards Board announced that IFRS will be mandatory in Canada for publicly-listed companies for fiscal periods beginning on or after January 1, 2011. The Company's first annual IFRS financial statements will be for the year ending December 31, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has begun assessing the adoption of IFRS on its opening interim consolidated balance sheets and for the 2010 comparative period.

## 2. Goodwill and intangible assets:

	Goodwill	Intangible assets
Balance, December 31, 2009	\$ 11,063	\$ 44,866
Addition of computer software	–	425
Amortization	–	(3,420)
Foreign currency exchange	(81)	(125)
Balance, June 30, 2010	\$ 10,982	\$ 41,746

## 3. Bank indebtedness and term debt:

	June 30, 2010	December 31, 2009
Term debt:		
Current	\$ 4,104	\$ 4,104
Long-term	10,619	12,671
	\$ 14,723	\$ 16,775

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

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### 3. Bank indebtedness and term debt (continued):

To finance its acquisitions and the ongoing working capital requirements, the Company established two credit facilities in February 2009. The first is an asset-back loan ("ABL") that can be drawn to the lesser of CA\$115.0 million and 85% of eligible accounts receivable. There is an accordion feature to this facility in the amount of CA\$30.0 million that can be exercised at the Company's discretion and with the agreement of the term debt provider. The ABL currently incurs interest at prime rate plus 2%. The ABL has a term of three years. The ABL was provided to the Company through a lending syndicate comprising Bank of America, Bank of Montreal and Toronto Dominion Bank.

The term debt is subordinated to the ABL and was initially in the amount of \$20.5 million. This debt has a five-year term and has quarterly payments of \$1.0 million. Interest on this loan is determined based on certain financial ratios; the current rate is 16.0% per annum (2009 - 17.5%). The term debt was provided by HSBC (Canada) Inc., with 20.0% participation by the Ontario Teachers' Pension Plan. Ontario Teachers' Pension Plan is a related party by virtue of its share ownership in the Company. This loan can be repaid without penalty or termination fee after 36 months.

Both loans have certain financial covenants as conditions to continued borrowing. A fixed-charge coverage ratio is required by both loans and the term debt loan has two additional covenants including a borrowing base to outstanding principal ratio and a leverage ratio covenant. The Company was in compliance with these covenants at June 30, 2010.

As at June 30, 2010, the Company has also used \$2,310 (December 31, 2009 - \$2,488) of its available credit as security for letters of credit issued to various institutions.

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

## 4. Capital stock:

Authorized:

Unlimited common shares

Issued:

19,778,789 (December 31, 2009 - 19,759,189)  
common shares

	Shares	Amount
Balance, December 31, 2009	19,759,189	\$ 25,842
Issued for options exercised	19,600	97
Transfer from contributed surplus (note 5)	–	62
<b>Balance, June 30, 2010</b>	<b>19,778,789</b>	<b>\$ 26,001</b>

### (a) Deferred share unit plan:

The Company has established a plan to grant deferred share units ("DSUs") to its non-management directors. Each DSU represents the right to acquire one common share when the holder ceases to be a non-executive director of the Company. As at June 30, 2010, there were 125,710 DSUs outstanding (December 31, 2009 - 111,733).

The expenses for the three months and six months ended June 30, 2010 relating to DSUs granted to directors for services rendered were \$54 and \$111 (2009 - \$58 and \$109).

### (b) 2009 Bridge Long-term Incentive Plan (LTIP):

On June 12, 2009, a one-time bridge LTIP for the executives of the Company was approved, consisting of the issuance of phantom shares and phantom options, which are payable in cash.

- (i) The phantom shares were granted based on a share price of CA\$3.22 per award. The criteria for payout of these awards was based on the Company's 2009 financial performance benchmarked against a peer group of publicly traded companies and the continuing employment of the participants through the vesting period, which occurs in February 2011. The Board of Directors determined on February 11, 2010, that the financial performance condition had been met. As at June 30, 2010, there were 152,000 phantom shares outstanding of which nil were vested (December 31, 2009 - 152,000 and nil).

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

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## 4. Capital stock (continued):

The expenses for the three months and six months ended June 30, 2010 relating to phantom shares were \$73 and \$141 (2009 - \$13 and \$13).

- (ii) The phantom options were granted based on a strike price of CA\$3.22 per award. In accordance with the terms of the plan, the value of the phantom options was determined as the difference between the average closing price of the Company's common shares on the Toronto Stock Exchange for the first ten days after the Company's 2009 annual earnings release, being CA\$8.39, and the strike price, resulting in compensation of CA\$5.17 per award. The ultimate payout of awards is conditional on the continuing employment of the participants through the vesting period, which occurs in February 2011.

The expenses for the three months and six months ended June 30, 2010 relating to phantom shares were \$115 and \$293 (2009 - \$8 and \$8).

### (c) Share appreciation rights plan:

In March 2010, the Company approved the Share Appreciation Rights ("SAR") plan (the "SAR Plan") for eligible officers and key employees of the Company. The value of a SAR unit is equivalent to the ten day volume weighted average trading price per share at the date when all conditions attached to the SAR unit are met, less the market value on the date the unit is awarded.

On March 31, 2010, the Company granted 144,000 SAR units at a grant price of CA\$9.90. The awards are subject to attaining a threshold price of CA\$12.50 following the three-year vesting period, in order for any award to be made. The Company accounts for SAR awards as a liability and compensation cost is recorded based on the intrinsic value of the award when it is considered virtually certain that the terms and conditions of the SAR Plan that govern the award will be met. For the three-month and six-month periods ended June 30, 2010, no expense relating to the SAR units has been recorded, as it is not virtually certain that the terms and conditions will be met.

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

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## 4. Capital stock (continued):

### (d) Performance stock option plan:

On February 11, 2010, the Board of Directors adopted a Performance Stock Option ("PSO") plan (the "PSO Plan") for the executives of the Company. The PSO Plan was approved by the shareholders on May 11, 2010. Under the PSO Plan, the number of options that ultimately vest is subject to the Company attaining various market share price hurdles on the third anniversary of the grant date, as established by the Board of Directors for each grant. The PSO units vest on the third anniversary of the grant date and are exercisable during a period of seven years from such grant.

On March 3, 2010, the Company granted 640,000 PSOs, with an exercise price of CA\$8.39. The fair value of the PSO units was estimated on the date of grant using the Monte Carlo Simulation model using the following assumptions: expected volatility - 65%, risk-free interest rate for the expected term of the options - 3.14%. The weighted average grant date fair value was CA\$5.36.

The estimated fair value of the PSO units is expensed on a straight-line basis over the vesting period. The related expenses for the three-month and six-month periods ended June 30, 2010 were \$163 and nil (2009 - nil and nil).

## 5. Contributed surplus:

Stock-based compensation recorded in contributed surplus during the six months ended June 30, 2010 relates to the PSO Plan and the DSU Plan as described in note 4.

For employee stock options granted to employees and directors after January 1, 2002, the Company recorded compensation expense using the fair value method. Fair values were determined using the Black-Scholes Option Pricing Model. Compensation costs are recognized over the vesting period as an increase to stock-based compensation expense and contributed surplus. When options are exercised, the proceeds received by the Company, together with the fair value amount included in contributed surplus, are credited to capital stock. The Company has not granted stock options during the three-month or six-month periods ended June 30, 2010 (December 31, 2009 - nil). The employee stock option plan was cancelled by the Board of Directors in 2006, and no compensation expense related to that plan has been recorded since that time.

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

## 5. Contributed surplus (continued):

Balance, December 31, 2009	\$ 983
Stock-based compensation	270
Stock options exercised (note 4)	(62)
<b>Balance, June 30, 2010</b>	<b>\$ 1,191</b>

## 6. Weighted average number of common shares:

	Three months ended		Six months ended	
	2010	June 30, 2009	2010	June 30, 2009
Issued and outstanding, beginning of period	19,759,189	17,496,807	19,759,189	17,496,807
Net weighted average number of common shares issued during the period	19,600	-	17,270	-
Weighted average number of common shares used in computing basic earnings per share	19,778,789	17,496,807	19,776,459	17,496,807
Effect of assumed exercise of stock options	48,924	66,069	87,368	66,069
<b>Weighted average number of shares used in computing diluted earnings per share</b>	<b>19,827,713</b>	<b>17,562,876</b>	<b>19,863,827</b>	<b>17,562,876</b>

## 7. Segmented information:

The Company operates in one reportable segment. Segments are defined as components for which separate financial information is available and is regularly evaluated by the chief operating decision maker. The Company's assets, operations and employees are located in Canada and the United States. Revenue is attributed to customers based on the destination of where the products are shipped to.

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

## 7. Segmented information (continued):

Geographic information

Geographic segments of revenue are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Canada	\$ 121,109	\$ 100,327	\$ 248,942	\$ 197,848
United States	190,103	178,945	345,014	299,783
	<u>\$ 311,212</u>	<u>\$ 279,272</u>	<u>\$ 593,956</u>	<u>\$ 497,631</u>

Geographic segments of property and equipment are located as follows:

	June 30, 2010	December 31, 2009
Canada	\$ 4,539	\$ 5,170
United States	1,333	1,724
	<u>\$ 5,872</u>	<u>\$ 6,894</u>

Geographic segments of goodwill are located as follows:

	June 30, 2010	December 31, 2009
Canada	\$ 6,047	\$ 6,128
United States	4,935	4,935
	<u>\$ 10,982</u>	<u>\$ 11,063</u>

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

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## 7. Segmented information (continued):

Geographic segments of intangible assets are located as follows:

	June 30, 2010	December 31, 2009
Canada	\$ 10,211	\$ 11,217
United States	31,535	33,649
	<u>\$ 41,746</u>	<u>\$ 44,866</u>

## 8. Major suppliers:

Approximately 37% of the Company's revenue in the current quarter (Q2 2009 - 39%) and 40% year-to-date (June 30, 2009 - 36%) related to products published by one software publisher.

## 9. Related party transactions:

As at June 30, 2010, included in accounts receivable is \$96 due from a major shareholder for product sales with payment terms of net 30 days (December 31, 2009 - \$205). Total product sales to this shareholder during the three-month and six-month periods ended June 30, 2010 were \$181 and \$841 (June 30, 2009 - \$50 and \$154), respectively. This related party transaction is in the normal course of operations and has been recorded at the exchange amount, which is the amount of consideration established and agreed between the related parties.

In the course of the refinancing that occurred in the first quarter of 2009, a portion of the long-term debt outstanding was purchased by Ontario Teachers' Pension Plan ("OTPP"). During the three-month and six-month periods ended June 30, 2010, OTPP received principal repayments of \$205 and \$410 (June 30, 2009 - \$205 and \$337), respectively, and interest repayments of \$136 and \$268 (June 30, 2009 - \$173 and \$234), respectively. Refer to note 3 for a description of this transaction.

# SOFTCHOICE CORPORATION

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of U.S. dollars, unless otherwise stated)

Three-month and six-month periods ended June 30, 2010 and 2009  
(Unaudited)

## 10. Interim consolidated statement of cash flows:

The change in non-cash operating working capital is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Accounts receivable	\$ 17,581	\$ 5,416	\$ (17,964)	\$ 66,726
Inventory	131	(231)	(1,361)	(40)
Prepaid expenses and other assets	(826)	1,425	(881)	3,776
Long-term accounts receivable	(808)	(134)	(671)	213
Deferred costs	173	407	1,536	270
Accounts payable and accrued liabilities	(14,634)	19,560	32,814	(45,473)
Deferred lease inducements	(5)	(99)	(9)	(17)
Deferred revenue	532	(1,135)	(652)	(1,803)
Income taxes payable	2,026	4,638	513	1,065
	\$ 4,170	\$ 29,847	\$ 13,325	\$ 24,717

## 11. Comparative figures:

Certain 2009 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2010.