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

SOFTCHOICE CORPORATION

Three-month and six-month periods ended
June 30, 2011 and 2010
(Unaudited)

SOFTCHOICE CORPORATION

Interim Consolidated Statements of Financial Position
(In thousands of U.S. dollars)
(Unaudited)

	June 30, 2011	December 31, 2010
Assets		
Cash	$ 42,510	$ 35,752
Trade and other receivables (note 10)	226,632	224,168
Inventory	1,417	881
Deferred costs	7,888	7,082
Prepaid expenses and other assets	3,388	2,881
Total current assets	281,835	270,764
Restricted cash (note 9)	500	500
Long-term accounts receivable	1,118	2,771
Property and equipment	6,332	5,748
Goodwill	11,586	11,383
Intangible assets	39,052	41,155
Deferred tax assets (note 17)	19,458	19,023
Total non-current assets	78,046	80,580
Total assets	$ 359,881	$ 351,344
Liabilities and Shareholders' Equity		
Trade and other payables	$ 207,824	$ 217,888
Provisions	712	98
Loans and borrowings (note 11)	3,957	3,961
Deferred lease inducements	286	193
Deferred revenue	2,989	1,899
Income taxes payable	3,860	2,320
Total current liabilities	219,628	226,359
Deferred lease inducements	717	217
Loans and borrowings (note 11)	6,284	8,271
Total non-current liabilities	7,001	8,488
Total liabilities	226,629	234,847
Capital stock (note 12)	26,503	26,016
Contributed surplus	2,625	2,054
Retained earnings	105,677	89,569
Accumulated other comprehensive loss	(1,553)	(1,142)
Total shareholders' equity	133,252	116,497
Total liabilities and shareholders' equity	$ 359,881	$ 351,344

Related party transactions (note 14)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SOFTCHOICE CORPORATION

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

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Net sales	$ 252,946	$ 233,326	$ 502,664	$ 434,886
Cost of sales	197,434	186,393	403,238	351,505
Gross profit	55,512	46,933	99,426	83,381
Expenses:				
Selling and marketing (note 4)	26,367	22,427	52,999	45,376
Administrative (note 4)	11,579	10,738	21,912	19,619
Other income (note 5)	–	(7)	(78)	(707)
Other expenses (note 6)	–	–	–	42
	37,946	33,158	74,833	64,330
Results from operating activities	17,566	13,775	24,593	19,051
Finance costs (note 7)	1,033	3,574	2,080	2,800
Finance income (note 8)	(373)	(126)	(1,639)	(132)
Net finance cost	660	3,448	441	2,668
Earnings before income taxes	16,906	10,327	24,152	16,383
Income tax expense (note 17)	5,958	4,128	8,044	5,796
Net earnings for the period	10,948	6,199	16,108	10,587
Other comprehensive income:				
Foreign currency translation adjustments	(57)	916	(411)	95
Total comprehensive income	$ 10,891	$ 7,115	$ 15,697	$ 10,682
Net earnings per common share:				
Basic (note 13)	$ 0.55	$ 0.31	$ 0.81	$ 0.54
Diluted (note 13)	0.55	0.31	0.81	0.53

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SOFTCHOICE CORPORATION

Interim Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)
(Unaudited)

Six-month period ended June 30, 2011	Number of shares	Share capital	Contributed surplus	Cumulative translation account	Retained earnings	Total shareholders' equity
Balance, January 1, 2011	19,780,039	$ 26,016	$ 2,054	$ (1,142)	$ 89,569	$ 116,497
Total comprehensive income for the period:						
Profit or loss	–	–	–	–	16,108	16,108
Other comprehensive income:						
Foreign currency translation adjustment	–	–	–	(411)	–	(411)
Total comprehensive income for the period	–	–	–	(411)	16,108	15,697
Transactions with shareholders recorded directly in equity:						
Contributions by and distributions to owners:						
Share options exercised	1,250	26	(6)	–	–	20
Share-based payment transactions	–	–	1,038	–	–	1,038
Transfer from contributed surplus (note 12)	52,573	461	(461)	–	–	–
	53,823	487	571	–	–	1,058
Balance, June 30, 2011	19,833,862	$ 26,503	$ 2,625	$ (1,553)	$ 105,677	$ 133,252

Six-month period ended June 30, 2010	Number of shares	Share capital	Contributed surplus	Cumulative translation account	Retained earnings	Total shareholders' equity
Balance, January 1, 2010	19,759,189	$ 25,842	$ 983	$ –	$ 69,504	$ 96,329
Total comprehensive income for the period:						
Profit or loss	–	–	–	–	10,587	10,587
Other comprehensive income:						
Foreign currency translation adjustment	–	–	–	95	–	95
Total comprehensive income for the period	–	–	–	95	10,587	10,682
Transactions with shareholders recorded directly in equity:						
Contributions by and distributions to owners:						
Share options exercised	19,600	97	–	–	–	97
Share-based payment transactions	–	–	467	–	–	467
Transfer from contributed surplus (note 12)	–	62	(62)	–	–	–
	19,600	159	405	–	–	564
Balance, June 30, 2010	19,778,789	$ 26,001	$ 1,388	$ 95	$ 80,091	$ 107,575

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SOFTCHOICE CORPORATION

Interim Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)
(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Cash provided by (used in):				
Operating activities:				
Earnings for the period	$ 10,948	$ 6,199	$ 16,108	$ 10,587
Adjustments for:				
Depreciation of property and equipment	1,047	664	1,729	1,441
Share-based compensation	676	322	1,038	467
Income taxes expense	5,958	4,128	8,044	5,796
Amortization of intangible assets	1,180	1,585	2,777	3,420
Unrealized foreign currency gain	(262)	1,682	(1,307)	172
Amortization of contract related assets	370	329	727	660
Interest expense on financial liabilities	486	662	1,008	1,362
Loss on disposal of property and equipment	–	–	–	42
	9,455	9,372	14,016	13,360
Change in non-cash operating working capital (note 16)	(17,141)	2,253	(11,126)	12,995
Interest paid	(479)	(617)	(1,001)	(1,317)
	2,783	17,207	17,997	35,625
Income tax paid	(3,988)	(2,544)	(6,972)	(5,980)
	(1,205)	14,663	11,025	29,645
Financing activities:				
Repayment of loans and borrowings	(1,142)	(369)	(2,418)	(1,876)
Proceeds from issuance of common shares	10	–	10	97
	(1,132)	(369)	(2,408)	(1,779)
Investing activities:				
Purchase of property and equipment	(839)	(254)	(1,417)	(513)
Purchase of intangible assets	(541)	(277)	(1,015)	(425)
	(1,380)	(531)	(2,432)	(938)
Net increase (decrease) in cash during the period	(3,717)	13,763	6,185	26,928
Cash, beginning of period	46,096	32,245	35,752	18,601
Effect of exchange rate changes on cash	131	(526)	573	(47)
Cash, end of period	$ 42,510	$ 45,482	$ 42,510	$ 45,482

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

1. Nature of operations:

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 information technology ("IT") hardware, software and services to small, medium and large businesses and public sector institutions.

The Company's United States operations are carried on by a subsidiary ("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 consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Company").

The Company's registered office is located at 173 Dufferin Street, Suite 200, Toronto, Ontario.

2. Significant accounting policies

(a) Statement of compliance:

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. These accounting policies are disclosed in note 2 of the Company's 2011 first quarter interim consolidated financial statements.

The Company's transition date to International Financial Reporting Standards ("IFRS") is January 1, 2010. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 3.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 9, 2011, the date the Audit Committee approved the interim consolidated financial statements for issue. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

2. Significant accounting policies (continued):

These interim consolidated financial statements should be read in conjunction with the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and with the IFRS accounting policies and transition disclosures as described in notes 2 and 3 of the Company's 2011 first quarter interim consolidated financial statements.

(b) Basis of presentation:

The consolidated financial statements include the accounts of the Company. Intercompany transactions and balances are eliminated on consolidation.

The consolidated financial statements have been prepared mainly under the historical cost convention. Other measurement bases used are described in the applicable notes. The Company's financial year corresponds to the calendar year. The consolidated financial statements are prepared in thousands of U.S. dollars.

Presentation of the unaudited interim consolidated statements of financial position differentiates between current and non-current assets and liabilities. The unaudited interim consolidated statements of income are presented using the functional classification for expenses.

Comparative figures for 2010 have been reclassified to conform to the current period's presentation.

(c) Use of estimates and measurement uncertainty:

The preparation of financial statements prepared in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of net sales and expenses throughout the period. Actual results could differ from those estimates. Management must also make estimates and judgments about future results of operations in assessing recoverability of assets and the value of liabilities.

2. Significant accounting policies (continued):

Areas requiring the use of estimates and assumptions that have the most significant effect on the amounts recognized in the interim consolidated financial statements include the determination of the allowance for doubtful accounts and the sales return provision; impairment of goodwill and other intangible assets; valuation allowance for future income tax assets; fair value of stock-based transactions; the determination of relative selling prices for multiple element revenue arrangements; and the anticipated achievement levels under the Company's marketing development fund programs.

3. Explanation of transition to IFRS:

IFRS 1, First-time Adoption of International Financial Reporting Standards, sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities charged to retained earnings unless certain exemptions are applied. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The first date at which the Company has applied IFRS is January 1, 2010 (the "Transition Date"). IFRS 1 provides certain optional exemptions for the first time IFRS adopters.

(a) IFRS optional exemptions:

(i) Business combinations:

IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. The Company has elected to apply the requirements of IFRS 3 prospectively from the Transition Date.

3. Explanation of transition to IFRS (continued):

(ii) Borrowing costs:

IFRS 1 permits an entity to elect to use the prospective transitional provisions in IAS 23, Borrowing Costs, for prospective application, with an effective date being the later of January 1, 2009 or the IFRS transition date. The Company has elected prospective application as of the Transition Date. Management does not expect this election to have a material impact on the Company.

(iii) Fair value or revaluation as deemed cost:

Under IFRS 1, an entity may elect to measure an item of property, plant and equipment at the date of transition to IFRS at: (a) its fair value and fair value becomes deemed cost for subsequent amortization; or (b) a previous GAAP revaluation before the date of transition to IFRS as deemed cost. The Company has elected to use the Canadian GAAP carrying value as deemed cost on transition to IFRS.

(b) Reconciliation of Canadian GAAP to IFRS:

Restated financial statements:

The accounting policies set out in note 2 of the Company's 2011 first quarter interim consolidated financial statements have been applied in preparing these interim consolidated financial statements, including comparatives, and in the preparation of an opening IFRS statement of financial position at January 1, 2010.

In preparing the comparative 2010 consolidated financial statements, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

(In thousands of U.S. dollars, except per share information)

3. Explanation of transition to IFRS (continued):

Reconciliation of consolidated statement of financial position and equity as of June 30, 2010:

	Notes	Previous Canadian GAAP	IFRS adjustments	IFRS reclassification	IFRS
Assets					
Cash		$ 45,482	$ –	$ –	$ 45,482
Trade and other receivables		202,225	–	–	202,225
Inventories		1,755	–	–	1,755
Deferred costs		742	–	–	742
Prepaid and other assets	c	5,533	–	(2,401)	3,132
Future income taxes	d	2,926	–	(2,926)	–
Total current assets		258,663	–	(5,327)	253,336
Restricted cash		500	–	–	500
Long-term accounts receivable		974	–	–	974
Deferred costs		148	–	–	148
Property and equipment		5,872	–	–	5,872
Goodwill		10,982	–	–	10,982
Intangible assets	c	41,746	–	1,921	43,667
Deferred tax assets	b, d	16,198	57	2,926	19,181
Total non-current assets		76,420	57	4,847	81,324
		$ 335,083	$ 57	$ (480)	$ 334,660
Liabilities					
Trade and other payables	b, e	$ 205,430	$ 222	$ (80)	$ 205,572
Provisions	e	–	–	80	80
Current portion of deferred lease inducements		199	–	–	199
Current portion of loans and borrowings	c	4,104	–	(134)	3,970
Deferred revenue		2,780	–	–	2,780
Income taxes payable		3,787	–	–	3,787
Total current liabilities		216,300	222	(134)	216,388
Deferred lease inducements		266	–	–	266
Deferred revenue		158	–	–	158
Loans and borrowings	c	10,619	–	(346)	10,273
Total non-current liabilities		11,043	–	(346)	10,697
Total liabilities		227,343	222	(480)	227,085
Shareholders' Equity					
Capital stock		26,001	–	–	26,001
Contributed surplus	b	1,191	197	–	1,388
Retained earnings	a, b	75,183	4,908	–	80,091
Accumulated other comprehensive income (loss)	a	5,365	(5,270)	–	95
Total shareholders' equity		107,740	(165)	–	107,575
Total liabilities and shareholders' equity		$ 335,083	$ 57	$ (480)	$ 334,660

(In thousands of U.S. dollars, except per share information)

3. Explanation of transition to IFRS (continued):

Reconciliation of consolidated statement of comprehensive income for the three-month period ended June 30, 2010:

	Notes	Previous Canadian GAAP	IFRS adjustments	IFRS reclassification	IFRS
Net Sales		$ 233,326	$ –	$ –	$ 233,326
Cost of sales	h	186,189	–	204	186,393
Gross profit		47,137	–	(204)	46,933
Expenses:					
Selling and marketing	f	–	–	22,427	22,427
Administrative	b, f	–	218	10,520	10,738
Other income	g	–	–	(7)	(7)
Other expenses	g	–	–	–	–
Salaries and benefits	f	22,663	–	(22,663)	–
Selling, general and administrative	f	8,077	–	(8,077)	–
Amortization of property and equipment	f	664	–	(664)	–
Amortization of intangible assets	f	1,585	–	(1,585)	–
		32,989	218	(49)	33,158
Results from operating activities		14,148	(218)	(155)	13,775
Foreign currency exchange (gain) loss	h	2,596	–	(2,596)	–
Interest expense	i	644	–	(644)	–
Other expense	i	363	–	(363)	–
Finance costs	i	–	–	3,574	3,574
Finance income	j	–	–	(126)	(126)
Net finance costs		3,603	–	(155)	3,448
Earnings (loss) before income taxes		10,545	(218)	–	10,327
Current		4,571	–	–	4,571
Future (recovery)	b	(414)	(29)	–	(443)
Income tax expense		4,157	(29)	–	4,128
Net earnings (loss) for the year		6,388	(189)	–	6,199
Other comprehensive income:					
Foreign currency translation adjustment		916	–	–	916
Total comprehensive income (loss)		$ 7,304	$ (189)	$ –	$ 7,115

(In thousands of U.S. dollars, except per share information)

3. Explanation of transition to IFRS (continued):

Reconciliation of consolidated statement of comprehensive income for the six-month ended June 30, 2010:

	Notes	Previous Canadian GAAP	IFRS adjustments	IFRS reclassification	IFRS
Net Sales		$ 434,886	$ –	$ –	$ 434,886
Cost of sales	h	351,304	–	201	351,505
Gross profit		83,582	–	(201)	83,381
Expenses:					
Selling and marketing	f	–	–	45,376	45,376
Administrative	b, f	–	380	19,239	19,619
Other income	g	–	–	(707)	(707)
Other expenses	g	–	–	42	42
Salaries and benefits	f	44,225	–	(44,225)	–
Selling, general and administrative	f	15,622	–	(15,622)	–
Amortization of property and equipment	f	1,441	–	(1,441)	–
Amortization of intangible assets	f	3,420	–	(3,420)	–
		64,708	380	(758)	64,330
Results from operating activities		18,874	(380)	557	19,051
Foreign currency exchange (gain) loss	h	564	–	(564)	–
Interest expense	i	1,317	–	(1,317)	–
Other expense	i	230	–	(230)	–
Finance costs	i	–	–	2,800	2,800
Finance income	j	–	–	(132)	(132)
Net finance costs		2,111	–	557	2,668
Earnings (loss) before income taxes		16,763	(380)	–	16,383
Current		6,493	–	–	6,493
Future (recovery)	b	(650)	(47)	–	(697)
Income tax expense		5,843	(47)	–	5,796
Net earnings (loss) for the year		10,920	(333)	–	10,587
Other comprehensive income:					
Foreign currency translation adjustment		95	–	–	95
Total comprehensive income (loss)		$ 11,015	$ (333)	$ –	$ 10,682

3. Explanation of transition to IFRS (continued):

(c) Notes to reconciliations:

The significant differences between Canadian GAAP and the IFRS policies adopted on transition by the Company are as follows:

(i) IFRS adjustments:

(a) Foreign currency translation adjustment:

Opening currency translation adjustment ("CTA") balance:

Retrospective application of IFRS would require the Company to determine cumulative translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary was acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. The Company has chosen to apply this exemption and has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the Transition Date, January 1, 2010. The CTA balance as at the Transition Date of $5,270 was recognized as an adjustment to retained earnings.

(b) Share-based payments:

The Company applied IFRS 2, Share-based payments, to awards that were unvested as of January 1, 2010. The effect of prospective application required that the Company account for outstanding cash-settled share-based payment arrangements, specifically the 2009 bridge LTIP and the SARs, by using the fair value to adjust for the related liability. Under previous Canadian GAAP, the liability was recorded by reference to the intrinsic value.

In addition to the impact of the fair value method of accounting on share-based payments, under IFRS, where the grant date occurs after the service period begins, an entity should estimate the grant date fair value of the equity instrument for purposes of recognizing the services received during the period between service commencement date and the grant date.

3. Explanation of transition to IFRS (continued):

In accordance with previous Canadian GAAP, the recognition of compensation expense did not occur prior to the grant date. Therefore, the Company adjusted compensation expense related to the PSO Plan to reflect an earlier service commencement date under IFRS. Deferred tax assets include an adjustment related to the change in treatment of the share-based payments.

(ii) Presentation reclassifications:

(c) Contract related assets:

On transition to IFRS, contract related assets are presented as non-current intangible assets. The Company has also netted a portion of its deferred charges against the carrying value of its loans and borrowings. These assets were recorded previously in prepaid and other assets under Canadian GAAP. The related amortization is recorded in finance costs.

(d) Deferred tax classification:

Under IFRS, all deferred tax balances are classified as non-current, regardless of the classification of the underlying assets or liabilities, or the expected reversal date of the temporary difference.

(e) Provisions:

IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), requires separate disclosure of provisions on the face of the statement of financial position. Provisions that will be utilized within one year are classified as current liabilities. Canadian GAAP did not require separate disclosure; therefore upon transition, all provisions were reclassified from trade and other payables.

3. Explanation of transition to IFRS (continued):

(f) Expenses by function:

Previous Canadian GAAP permitted the presentation of comprehensive income using classification based on a mixture of both nature and function. Under IFRS, the hybrid presentation is prohibited. The Company has chosen to aggregate expenses by function as it is believed to provide more relevant and reliable information for users. Accordingly, depreciation and amortization is no longer presented as a separate line item on the statement of income but is included in selling and marketing and administrative expenses.

(g) Other operating income and expenses:

Under IFRS, other operating income and expenses include items which are related to the operation of the business, such as the extinguishment of a liability, sales tax refunds or penalties and gains or losses on the sale of operating assets.

(h) Foreign exchange gain (loss):

Under IFRS, foreign exchange gains and losses arising from investing and financing activities, such as exchange gains and losses on foreign currency borrowings, which are incidental to the Company's principal activities, are included in finance income or costs. Previously, foreign exchange gains and losses were disclosed separately under Canadian GAAP.

(i) Finance costs:

As a result of our transition to IFRS, finance costs are disclosed separately. These costs include interest expense on financial liabilities, accretion of contract related assets, and net foreign exchange losses on financing activities.

(j) Finance income:

Under IFRS, finance income includes net foreign exchange gains on financing activities and interest income on loans and receivables.

(In thousands of U.S. dollars, except per share information)

3. Explanation of transition to IFRS (continued):

(d) Material adjustments to the interim consolidated statements of cash flows:

Consistent with the Company's accounting policy choice under IAS 7, Statement of Cash Flows, interest paid and income taxes paid have moved into the body of the interim consolidated statements of cash flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the interim consolidated statements of cash flows presented under IFRS and the interim consolidated statements of cash flows presented under previous Canadian GAAP.

4. Operating expenses:

The Company presents a functional consolidated statement of comprehensive income in which expenses are aggregated according to the function to which they relate. The Company has identified the major functions as selling and marketing and administrative activities.

			Three-month period ended June 30, 2011			Three-month period ended June 30, 2010
	Selling and marketing expense	Administrative expense	Total	Selling and marketing expense	Administrative expense	Total
Personnel expenses	$ 19,247	$ 7,529	$ 26,776	$ 16,039	$ 6,841	$ 22,880
General and administrative	5,231	3,712	8,943	4,451	3,585	8,036
Depreciation of property and equipment	753	294	1,047	423	241	664
Amortization of intangible assets	1,136	44	1,180	1,514	71	1,585
	$ 26,367	$ 11,579	$ 37,946	$ 22,427	$ 10,738	$ 33,165

(In thousands of U.S. dollars, except per share information)

4. Operating expenses (continued):

			Six-month period ended June 30, 2011			Six-month period ended June 30, 2010
	Selling and marketing expense	Administrative expense	Total	Selling and marketing expense	Administrative expense	Total
Personnel expenses	$ 38,643	$ 14,033	$ 52,676	$ 32,022	$ 12,582	$ 44,604
General and administrative	10,446	7,283	17,729	9,145	6,385	15,530
Depreciation of property and equipment	1,242	487	1,729	929	512	1,441
Amortization of intangible assets	2,668	109	2,777	3,280	140	3,420
	$ 52,999	$ 21,912	$ 74,911	$ 45,376	$ 19,619	$ 64,995

5. Other income:

During the three-month periods ended June 31, 2011 and 2010, the Company recorded sales tax refunds associated with the overpayment of state sales tax in the amount of nil and $7, respectively. During the six-month periods ended June 30, 2011 and 2010, the Company recorded sales tax refunds in the amount of $78 and $14, respectively. During the six month period ended June 30, 2010, the Company also reversed an amount of $693 related to a liability owing to one vendor. The Company assessed that the legal obligation had been extinguished and the Company was no longer liable for this amount.

6. Other expense:

During the six-month period ended June 30, 2010, the Company incurred a loss on the sale of property and equipment in the amount of $42.

(In thousands of U.S. dollars, except per share information)

7. Finance costs:

The components of finance costs include interest expense and other financing costs as follows:

	Three-month periods ended June 30, 2011	Three-month periods ended June 30, 2010
Interest expense on financial liabilities measured at amortized cost:		
Asset-backed loan ("ABL")	$ 22	$ 6
Term debt	464	656
ABL line of credit fees	162	154
Amortization of contract related assets	370	329
Interest expense on other trade payables	15	(23)
Net foreign exchange loss on financing activities	–	2,452
	$ 1,033	$ 3,574

	Six-month periods ended June 30, 2011	Six-month periods ended June 30, 2010
Interest expense on financial liabilities measured at amortized cost:		
Asset-backed loan ("ABL")	$ 100	$ 37
Term debt	908	1,325
ABL line of credit fees	322	290
Amortization of contract related assets	727	660
Interest expense on other trade payables	23	15
Net foreign exchange loss on financing activities	–	473
	$ 2,080	$ 2,800

(In thousands of U.S. dollars, except per share information)

8. Finance income:

The components of finance income include:

	Three-month periods ended June 30, 2011	Three-month periods ended June 30, 2010
Net foreign exchange gain on financing activities	$ 372	$ –
Interest income on loans and receivables	1	126
	$ 373	$ 126

	Six-month periods ended June 30, 2011	Six-month periods ended June 30, 2010
Net foreign exchange gain on financing activities	$ 1,594	$ –
Interest income on loans and receivables	45	132
	$ 1,639	$ 132

9. Cash and restricted cash:

Cash consists of cash on hand and cash balances with major financial institutions. Bank overdrafts are included in bank indebtedness. Restricted cash of $500 as at June 30, 2011 (December 31, 2010 - $500), represents funds held in trust under an escrow agreement related to a non-competition contract with a competitor.

(In thousands of U.S. dollars, except per share information)

10. Accounts receivable:

Accounts receivable are comprised of the following:

	June 30, 2011	December 31, 2010
Trade receivables	$ 195,919	$ 203,779
Trade receivables due from related parties	160	410
Other receivables[(i)]	30,553	19,979
	$ 226,632	$ 224,168
Long-term trade accounts receivables	$ 1,118	$ 2,771
	$ 1,118	$ 2,771

[(i)]Other receivables include vendor rebate, marketing co-op and commission receivables.

11. Loans and borrowings:

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

Terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity
Term-debt	U.S.	16.00%	January 30, 2014

	Face value	Carrying value
June 30, 2011	$ 20,513	$ 10,241
December 31, 2010	20,513	12,232

(In thousands of U.S. dollars, except per share information)

12. Capital stock:

Authorized:
Unlimited common shares, no par value.

(a) Deferred share unit plan:

On May 7, 2007, the shareholders approved the implementation of a deferred share unit ("DSU") plan and long-term incentive plan ("LTIP") for directors and key employees, respectively. The Company offers a DSU for non-executive members of the Board of Directors. Each DSU represents the right to receive one common share of the Company when the holder ceases to be a non-executive director of the Company. The cost to the Company of the DSUs granted for the three-month and six month periods ended June 30, 2011 was $50 and $119 (2010 - $54 and $111).

A summary of the number of DSUs outstanding is as follows:

	June 30, 2011	June 30, 2010	December 31, 2010
Outstanding, beginning of period	139,202	111,733	111,733
Granted	14,150	13,977	27,469
Exercised	52,573	–	–
Outstanding and exercisable, end of period	100,779	125,710	139,202

(b) 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. On March 31, 2010, the Company granted 144,000 SAR units at a grant price of Cdn. $9.90. The awards are subject to the Company's common shares attaining a threshold price of Cdn. $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 fair value of the award. Until the liability is settled, the Company re-measures the fair value of the liability at the end of each reporting period, with any changes in fair value recognized in profit or loss for the period. During the three-month and six-month periods ended June 30, 2011, the related reversal of expenses were $(30) and $(37), (2010 - $ 23 and $ 23), due to a decrease in the fair value of the award.

12. Capital stock (continued):

(c) 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. On March 3, 2010, the Company granted 640,000 PSOs, convertible into common shares, with an exercise price of $8.39. The fair value of the PSO units was estimated on the date of grant using the Monte Carlo Simulation model yielding a weighted average grant date fair value of $5.36. The related expenses for the three-month and six-month periods ended June 30, 2011 were $163 and $456, (2010 - $268 and $356).

On February 14, 2011, the Board of Directors approved a 2011 PSO grant for the executives of the Company. On June 1, 2011, the Company granted 555,000 PSOs, convertible into common shares, with an exercise price of $8.99. The fair value of the PSO units was estimated on the date of grant using the Black-Scholes model yielding a grant date fair value of $4.26. The related expenses for the three-month and six-month periods ended June 30, 2011 were $463 and $463 (2010 - nil).

(In thousands of U.S. dollars, except per share information)

13. Net earnings per common share:

Weighted average number of shares:

		Three months ended June 30,		Six months ended June 30,	
		2011	2010	2011	2010
Issued beginning of period		19,832,612	19,778,789	19,780,039	19,759,189
Effect of stock options exercised		181	–	28,421	17,270
Weighted average number of shares - basic		19,832,793	19,778,789	19,808,460	19,776,459
Dilutive effect of assumed exercise of stock options		–	48,924	–	87,368
Weighted average number of shares		19,832,793	19,827,713	19,808,460	19,863,827
Net earnings for the period	$	10,948	6,199	16,108	10,587
Earnings per share:					
Basic	$	0.55	0.31	0.81	0.54
Diluted		0.55	0.31	0.81	0.53

14. Related party transactions:

As at June 30, 2011 and 2010, included in trade accounts receivable is $160 and $96 (December 31, 2010 - $410) due from a major shareholder for product sales with payment terms of net 30 days. Total product sales to this shareholder during the three-month and six month periods ended June 30, 2011 were $238 and $428, (June 30, 2010 - $ 181 and $ 841).

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 a major shareholder. During the three-month and six month periods ended June 30, 2011 the shareholder received principal repayments of $205 and $410 (June 30, 2010 - $205 and $410) respectively, and interest repayments of $93 and $192, (June 30, 2010 - $126 and $258) respectively.

(In thousands of U.S. dollars, except per share information)

15. Operating segments:

The Company has one reportable segment in which the assets, operations and employees are located in Canada and United States. Revenue is attributed to customers based on where the products are shipped.

(a) Geographic information:

Geographic segments of revenue are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Canada	$ 95,352	$ 93,633	$ 226,878	$ 194,908
United States	157,594	139,693	275,786	239,978
	$ 252,946	$ 233,326	$ 502,664	$ 434,886

Geographic segments of goodwill are as follows:

	June 30, 2011	December 31, 2010
Canada	$ 6,651	$ 6,448
United States	4,935	4,935
	$ 11,586	$ 11,383

Geographic segments of intangible assets are as follows:

	June 30, 2011	December 31, 2010
Canada	$ 11,694	$ 11,730
United States	27,358	29,425
	$ 39,052	$ 41,155

(In thousands of U.S. dollars, except per share information)

15. Operating segments (continued):

(b) Economic dependence:

Approximately 37% and 37% of the Company's revenue for the three-month periods ended June 30, 2011 and 2010, respectively, related to products published by one software publisher, Microsoft Corporation.

16. Change in non-cash operating working capital:

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Trade and other receivables	$ 11,561	$ 19,186	$ 356	$ (17,964)
Inventories	(450)	(632)	(524)	(1,361)
Deferred cost	837	2,612	(725)	1,536
Prepaid expenses and other assets	99	(586)	(456)	(881)
Long-term accounts receivable	1,292	(504)	1,653	(671)
Trade and other payables	(31,235)	(16,202)	(13,006)	32,990
Provision	14	(1)	612	7
Deferred revenue	855	(1,615)	1,072	(652)
Deferred lease inducements	(114)	(5)	(108)	(9)
	$ (17,141)	$ 2,253	$ (11,126)	$ 12,995

17. Income tax:

The Company recorded a current income tax expense of $6,473 and a future income tax recovery of $515 in the three months ended June 30, 2011 as compared to a current tax expense of $4,571 and a future income tax recovery of $443 in the three months ended June 30, 2010. For the six months ended June 30, 2011 a current income tax expense of $8,451 and future income tax recovery of $407 was recorded as compared to a current tax expense of $6,493 and a future income tax recovery of $697 in the six months ended June 30, 2010. The future income tax recovery for the six-months ended June 30, 2011 and 2010 arose primarily from an increase in reserves that are not deductible for income tax purposes in the current period.

(In thousands of U.S. dollars, except per share information)

17. Income tax (continued):

The significant components of deferred tax assets are as follows:

	June 30, 2011	December 31, 2010
Amortization	$ 16,595	$ 16,714
Unrealized foreign exchange gains	(1,018)	(934)
Reserves	3,881	3,243
Deferred tax assets	$ 19,458	$ 19,023

18. Seasonality

The Company's sales tend to follow a quarterly seasonality pattern that is typical of many companies in the information technology ("IT") industry. In the first quarter of the year sales to the Canadian government tend to be higher as March 31 marks the fiscal year end for the federal government. A significant portion of the Company's revenue is derived from the sale of Microsoft Corporation products. Historically, the Company has benefited from the sales and marketing drive that has been generated by Microsoft sales representatives in the second quarter of the year leading up to Microsoft's fiscal year end on June 30. Sales in the third quarter of the year tend to be lower than other quarters due to the general reduction in activity resulting from summer holiday schedules. This slowdown is offset somewhat by the fiscal year end of the U.S. federal government on September 30. In the fourth quarter of the year the Company typically experiences higher sales as many customers complete their IT purchases in advance of their fiscal year end of December 31.