Interim Condensed Consolidated Financial Statements

Pivot Technology Solutions, Inc.

For the Three Months Ended
March 31, 2018 and 2017

(Unaudited)

(Expressed in Thousands of U.S. Dollars)

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in thousands of U.S. dollars]

	March 31, 2018	December 31, 2017
	[unaudited]	
ASSETS		
Current		
Cash and cash equivalents	**3,983**	5,248
Accounts receivable	**274,979**	292,502
Income taxes recoverable	**106**	-
Inventories	**57,668**	95,020
Deferred contract costs	**22,469**	22,800
Other current assets	**3,778**	3,142
Total current assets	**362,983**	**418,712**
Property, plant and equipment, net	**6,526**	6,823
Goodwill	**45,331**	45,404
Intangible assets	**31,108**	33,395
Deferred income taxes (note 9)	**11,189**	11,132
Deferred contract assets	**11,204**	11,155
Other non-current assets	**835**	1,262
Total assets	**469,176**	**527,883**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	**15,235**	23,049
Accounts payable and accrued liabilities (note 4)	**261,548**	300,377
Income taxes payable	**-**	315
Deferred revenue and customer deposits	**7,838**	7,990
Deferred contract revenue	**25,307**	25,642
Other financial liabilities (note 5)	**128,924**	136,897
Total current liabilities	**438,852**	**494,270**
Other financial liabilities (note 5)	**2,461**	2,443
Deferred tax liabilities	**752**	696
Deferred contract revenue	**12,109**	12,108
Other non-current liabilities	**832**	842
Total liabilities	**455,006**	**510,359**
Shareholders' equity		
Share capital (note 6)	**85,642**	85,523
Contributed surplus	**2,764**	2,735
Foreign exchange translation reserve	**58**	37
Accumulated deficit	**(77,343)**	(73,615)
Equity attributable to owners of the parent	**11,121**	**14,680**
Non-controlling interest	**3,049**	2,844
Total shareholders' equity	**14,170**	**17,524**
Total liabilities and shareholders' equity	**469,176**	**527,883**

See accompanying notes

On behalf of the Board:

"John Anderson"	*"Kevin Shank"*
John Anderson	**Kevin Shank**
Director	President, CEO and Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[in thousands of U.S. dollars except per share amounts]

For the three months ended March 31,	**2018**	2017
Revenue (note 10)	**369,266**	322,423
Cost of sales	**329,967**	288,297
Gross profit	**39,299**	34,126
Employee compensation and benefits	**29,595**	28,204
Other selling, general and administrative expenses	**8,206**	7,472
Income (loss) before the following:	**1,498**	(1,550)
Depreciation and amortization	**2,849**	2,811
Finance expense	**1,313**	1,082
Change in fair value of liabilities (note 12)	**40**	(107)
Other expense (income), net (note 11)	**(99)**	784
Loss before income taxes	**(2,605)**	(6,120)
Recovery of income taxes (note 9)	**(341)**	(1,933)
Loss for the period	**(2,264)**	(4,187)
Income (loss) for the period attributable to non-controlling interests	**205**	(51)
Loss for the period attributable to shareholders	**(2,469)**	(4,136)
Other comprehensive income		
Items that may be reclassified subsequently to loss for the period:		
Exchange gain on translation of foreign operations	**21**	3
	21	**3**
Total comprehensive loss	**(2,243)**	(4,184)
Total comprehensive loss attributable to shareholders	**(2,448)**	(4,133)
Loss per common share (note 6):		
Loss available to common shareholders	**(2,469)**	(4,136)
Basic	**$ (0.06)**	$ (0.10)
Diluted	**$ (0.06)**	$ (0.10)

See accompanying notes

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of U.S. dollars]

	Common Stock	**Treasury Stock**	**Contributed Surplus**	**Non-Controlling Interest**	**Foreign Currency Translation Reserve**	**Accumulated Deficit**	**Total**
Balance, December 31, 2016	86,983	-	2,416	2,275	2	(62,585)	**29,091**
Share based compensation	-	-	124	-	-	-	**124**
Share repurchases	(228)	-	-	-	-	-	**(228)**
Common share dividends declared (note 6)	-	-	-	-	-	(1,245)	**(1,245)**
Repurchase of treasury shares	-	(77)	-	-	-	-	**(77)**
Gain on translation of foreign operations	-	-	-	-	3	-	**3**
Loss for the period	-	-	-	(51)	-	(4,136)	**(4,187)**
Balance, March 31, 2017	**86,755**	**(77)**	**2,540**	**2,224**	**5**	**(67,966)**	**23,481**
Balance, December 31, 2017	**85,523**	**-**	**2,735**	**2,844**	**37**	**(73,615)**	**17,524**
Share based compensation	-	-	120	-	-	-	**120**
Cash settlement of RSUs	-	-	(56)	-	-	-	**(56)**
Options exercised	119	-	(35)	-	-	-	**84**
Common share dividends declared (note 6)	-	-	-	-	-	(1,259)	**(1,259)**
Gain on translation of foreign operations	-	-	-	-	21	-	**21**
Income (loss) for the period	-	-	-	205	-	(2,469)	**(2,264)**
Balance, March 31, 2018	**85,642**	**-**	**2,764**	**3,049**	**58**	**(77,343)**	**14,170**

See accompanying notes

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands of U.S. dollars]

For the three month periods ended March 31,	2018	2017
OPERATING ACTIVITIES		
Loss for the period	**(2,264)**	(4,187)
Add (deduct) items not involving cash		
Depreciation and amortization	**2,849**	2,811
Share based compensation (note 7)	**120**	124
Loss on disposal of property, plant and equipment	**14**	-
Provision for receivables	**38**	-
Deferred income taxes (note 9)	**18**	574
Amortization of loan fees (note 5)	**81**	80
Change in fair value of liabilities (note 12)	**40**	(107)
Changes in non-cash working capital balances (note 13)	**15,347**	52,714
Cash provided by operating activities	**16,243**	52,009
INVESTING ACTIVITIES		
Payments made on contingent consideration	**(100)**	-
Proceeds from sale of property, plant and equipment	**-**	2
Capital expenditures	**(370)**	(707)
Other intangible assets	**(1)**	(2)
Cash used in investing activities	**(471)**	(707)
FINANCING ACTIVITIES		
Net change in debt facilities	**(7,888)**	(47,635)
Net change in flooring arrangements	**(116)**	(1,151)
Net change in bank overdraft	**(7,814)**	(1,374)
Stock options exercised	**84**	-
Cash settlement of RSUs	**(56)**	-
Common share dividends paid	**(1,259)**	(1,245)
Common share repurchases	**-**	(228)
Treasury share repurchases	**-**	(77)
Cash used in financing activities	**(17,049)**	(51,710)
Net decrease in cash and cash equivalents during the period	**(1,277)**	(408)
Cash and cash equivalents, beginning of period	**5,248**	8,153
Effect of foreign exchange fluctuations on cash held	**12**	(80)
Cash and cash equivalents, end of period	**3,983**	7,665

See accompanying notes

1. CORPORATE INFORMATION

Pivot Technology Solutions, Inc. ("Pivot" or the "Company") is located in Ontario, Canada, and is publicly listed on the Toronto Stock Exchange ("TSX") and trades under the symbol "PTG".

The Company has the following wholly owned subsidiaries: Pivot Acquisition Corporation ("PAC"); ACS Holdings (Canada) Inc.; Pivot Technology Solutions, Ltd., ("PTSL"); Pivot Research Ltd.; Pivot Shared Services Ltd. ("PSSL"); Pivot of the Americas S.A. de C.V. ("POTA"); ACS (US) Inc. ("ACS"); New ProSys Corp. ("ProSys"), Sigma Technology Solutions, Inc. ("Sigma"), ARC Acquisition (US), Inc. ("ARC"), Smart-Edge.com, Inc. ("Smart Edge"), TeraMach Technologies Inc. and its subsidiaries, 1955714 Ontario Inc., Infoptic Technology Inc., and TeraMach Systems Inc. (collectively, "TeraMach"). In addition, the Company has a 46.4% owned consolidated affiliate, ProSys Information Systems, Inc. ("Old ProSys") and a 40% owned consolidated affiliate, Applied Computer Solutions, Inc. ("Applied").

The unaudited interim condensed consolidated financial statements of the Company for the three month periods ended March 31, 2018 and 2017 were authorized for issue in accordance with a resolution of the Company's Board of Directors on May 14, 2018.

The Company seeks to create shareholder value by providing mission critical IT products and services to the world's leading companies. The Company's operating strategy is designed to help clients contain IT operations and maintenance costs, while maximizing the value of their IT assets. To fuel this strategy, the Company maintains multi-vendor hardware, software and cloud solutions that it resells, and then leverages its own resources and expertise to offer end-to-end services. By employing this strategy, the Company can provide a single point of contact and accountability, and a consistent delivery of customized and specialized IT services and lifecycle product support across any platform.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

Certain amounts have been reclassified from the unaudited interim condensed consolidated financial statements previously presented to conform to the presentation of these unaudited interim condensed consolidated financial statements in accordance with IFRS.

The unaudited interim condensed consolidated financial statements are presented in U.S. dollars and all dollar values are rounded to the nearest thousand ($000), except where otherwise noted.

The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amended accounting pronouncements adopted in 2018

The Company adopted new amendments to the following accounting standards effective for our interim and annual consolidated financial statements commencing January 1, 2018. These changes did not have a material impact on our financial results.

- IFRS 2, Share based payment
- IFRIC 22, Foreign currency transactions and advance consideration

New Accounting Standards

Pivot applied, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require assessment and potential restatement of previous financial statements, where transition adjustments exist. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Pivot adopted IFRS 15 using the modified retrospective method of adoption. There was no quantitative impact from the adoption of IFRS 15.

The Company generates revenue from distributing storage devices and systems as well as computer products and peripherals. The Company also provides value-added services such as design, integration, installation, maintenance and other consulting services, consolidated with a variety of storage and computer hardware and software products.

The Company assesses its revenue arrangements in order to determine if it is acting as a principal or agent. In arrangements where the Company is acting as agent, revenue is recorded net of the related costs.

The following specific recognition criteria must also be met before revenue is recognized:

Product sales

Sales of products to customers generally include one performance obligation. Pivot has concluded that the revenue from sale of products should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product. Therefore, the adoption of IFRS 15 did not have an impact on the timing or amount of revenue recognition.

Service revenue

Revenue is recognized when receivable under a contract following delivery of a service or in line with the stage of the work completed. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated hours for each contract.

At the time the Company enters into contracts with third-party service providers or vendors, the Company determines whether it acts as a principal in the transaction and controls the service prior to its transfer to the customer or if it is simply acting as an agent or broker. Where the Company is not the primary obligor for the maintenance contracts performed by third parties, these arrangements do not meet the criteria for gross revenue presentation and, accordingly, are recorded on a net basis. Revenue on maintenance contracts performed by internal resources is recognized on a gross basis rateably over the term of the maintenance period.

When a single sales transaction requires the delivery of more than one product or service, the revenue recognition criteria are applied to the separately identifiable performance obligations within the contract. A performance obligation is considered to be separately identifiable if the product or service delivered is capable of being distinct on its own and is distinct within the context of the contract. The amount recognized as revenue is based on the relative stand-alone selling price of each separately identifiable performance obligation in the contract.

As required for the unaudited interim condensed consolidated financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 10 for the disclosure on disaggregated revenue.

IFRS 9 Financial Instruments: Classification and Measurement (IFRS 9)

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Previously under IAS 39, the Company's financial assets and financial liabilities included cash and cash equivalents, accounts receivable, bank overdraft, accounts payable and accrued liabilities, secured borrowings, contingent consideration liabilities, and interest rate swap liability. Except for the contingent consideration and interest rate swap which were recorded at fair value through profit or loss, all other instruments were measured at amortized cost under IAS 39. Under IFRS 9, the Company has classified cash and cash equivalents and accounts receivable based on the business model and contractual cash flow characteristics of the instruments, which remained unchanged and continues to be held at amortized cost. Similarly, the classification and measurement of each of the financial liabilities have not changed. There was no transitional impact as a result of the adoption of the new classification and measurement requirements.

The Company has previously used the incurred loss approach in the accounting for impairment losses for financial assets held at amortized cost. Upon transition to IFRS 9, the Company is using a forward-looking expected credit loss approach. For its accounts receivables and any contract assets, the Company has applied the simplified approach and has calculated lifetime expected credit losses based on the Company's historical credit loss experience and consideration for forward-looking factors specific to the debtors and the economic environment. Cash equivalents held at amortized cost are considered to be low credit risk investments and any expected credit loss is determined based on the 12-month expected credit loss approach. There was no transitional impact as a result of the adoption of the new impairment requirements.

As the Company does not currently use hedge accounting, there was no impact from that perspective.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of the issuance of the Company's unaudited interim condensed consolidated financial statements are listed below. This listing is of standards issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 12 Income tax consequences of payments on instruments classified as equity (Amendments to IAS 12)

IAS 12, "Income Taxes" ("IAS 12") requires a company to recognize the tax consequences of dividends in profit or loss in some circumstances.

The amendments to IAS 12 clarify that a company accounts for all income tax consequences of dividends in the same way, regardless of how the tax arises, and are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company has not yet determined the impact on its consolidated financial statements.

IFRS 16 Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019 and is to be applied retrospectively. The Company has not yet determined the impact on its consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"), to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its consolidated financial statements.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A subsidiary of the Company entered into a secured flooring agreement with IBM Global Finance ("IBM") on August 10, 2011, which provides short-term financing. The agreement allows for up to $2,500 in advances on purchases from approved vendors, which maximum advance amount may be changed by IBM in its discretion. Approved vendors send invoices directly to IBM for payment and IBM bills the Company monthly for vendor invoices received. Currently, the Company incurs interest on the outstanding balance at LIBOR plus 4.5% after a free financing period of 60 days, but the interest rate and free financing period may be changed in IBM's discretion. $532 and $648 were outstanding under the IBM secured flooring agreement as at March 31, 2018 and December 31, 2017, respectively. The agreement does not impose any financial covenants on the Company. This amount is included in accounts payable and accrued liabilities in the unaudited interim condensed consolidated statements of financial position.

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

5. OTHER FINANCIAL LIABILITIES

	March 31, 2018	December 31, 2017
Current		
Secured borrowings, net of deferred loan costs	**126,772**	134,579
Contingent consideration	**1,881**	1,813
Interest rate swap	**271**	505
	128,924	136,897
Non-current		
Contingent consideration	**2,461**	2,443
	2,461	2,443
	131,385	139,340

Secured borrowings

On September 21, 2015, the Company entered into a five year credit agreement with a lending group represented by JPMorgan Chase ("JPMC"), providing the Company a $200,000 senior secured asset based revolving credit facility ("JPMC Credit Facility"). The JPMC Credit Facility may be used for revolving loans, letters of credit, protective advances, over advances, and swing line loans. Advances under the JPMC Credit Facility accrue interest at rates that are equal to, based on certain conditions, either (a) JPMC's "prime rate" as announced from time to time plus 0.0% to 0.25%, or (b) LIBOR, or a comparable or successor rate that is approved by JPMC, for an interest period of one month plus 1.50% to 1.75%, at the Company's election. The effective interest rate for the three month periods ended March 31, 2018 and 2017 was 4.05% and 3.60%, respectively. The Company may also, upon the agreement of either the then existing lenders or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional $75,000. The lenders under the JPMC Credit Facility are not under any obligation to provide any such additional commitments, and any increase in commitments is subject to several conditions precedent and limitations. The JPMC Credit Facility is scheduled to expire on September 21, 2020. On January 14, 2016, the JPMC Credit Facility was amended, increasing the overall facility to $225,000. On September 30, 2016, a second amendment was completed, primarily to allow for the purchase of TeraMach which was completed on October 1, 2016. On December 9, 2016, a third amendment was completed, primarily to add TeraMach to the borrowing group. On July 20, 2017, a fourth amendment was completed, increasing the amount the Company can have outstanding in investments at any one time to $100.

In connection with the JPMC Credit Facility, the Company incurred finance costs which have been capitalized and are being amortized over the life of the credit agreement. Amounts owing under the Company's revolving credit facility were $127,593 and $135,481 as at March 31, 2018 and December 31, 2017, respectively. The outstanding balance is shown net of deferred loan costs of $821 and $902, as at March 31, 2018 and December 31, 2017, respectively, in current other financial liabilities in the unaudited interim condensed consolidated statements of financial position. Average undrawn availability on the existing, secured credit facility was $83,805 for the three month period ended March 31, 2018 and $69,762 for the year ended December 31, 2017.

Additional secured borrowings included within accounts payable and accrued liabilities in the unaudited interim condensed consolidated statements of financial position are further discussed in note 4.

Interest rate swap

The Company entered into an interest rate forward swap agreement ("Swap") with JPMC to mitigate the risk of fluctuating interest rates. The Swap contains cross covenant restrictions, requiring that the Company be in compliance with the JPMC Credit Facility.

Under the terms of the Swap, the interest rate varies between 4.305% and 4.555% on $50,000 of the amount outstanding under the JPMC Credit Facility. This range of rates is in effect from April 7, 2016 through November 13, 2018. The changes in the fair value of this instrument were recorded as a change in fair value of liabilities in the unaudited interim condensed consolidated statements of loss and comprehensive loss. Interest incurred under the Swap totaled $159 and $254 for the three months ended March 31, 2018 and 2017, respectively. As at March 31, 2018, the fair value of the Swap was determined to be $271 which represents the cost that would be incurred by the Company to exit the Swap, due to fluctuations in future interest rate expectations.

Contingent consideration

On October 1, 2016, the Company acquired all of the issued and outstanding share capital of TeraMach. As part of the asset purchase agreement with TeraMach, contingent consideration had been agreed. The payments are dependent on the business achieving certain performance targets during the four consecutive twelve-month periods ending September 30, 2020. At the date of acquisition, the fair value of the contingent liability was determined to be $3,324. As at March 31, 2018 and December 31, 2017, the fair value of the consideration was determined to be $3,490 and $3,326, respectively. The Company recorded a charge of $252 and $230 related to the change in fair value of the consideration during the three month periods ended March 31, 2018 and 2017, respectively. This charge was offset by a foreign currency translation adjustment of ($88) during the three month period ended March 31, 2018. An additional charge of $34 was recorded for foreign currency translation adjustment during the three month period ended March 31, 2017. The undiscounted value of the remaining consideration to be paid, assuming all contingencies are met, is C$7,000. Payments of the remaining consideration are required to be made within five business days of Board approval of the Company's annual financial statements. No payments were made during the three months ended March 31, 2018 and 2017.

On July 1, 2017, the Company acquired certain customer accounts, contracts, agreements and other arrangements from Cloudscapes Consulting, Inc. ("Cloudscapes"). As part of the purchase agreement with Cloudscapes, the company is obligated to pay up to $100 per quarter for 11 quarters and a bonus of $150, commencing on October 1, 2017 and ending on April 30, 2020. All payments are based on the achievement of certain gross margin targets. At the date of acquisition, the fair value of the contingent liability was determined to be $1,003. As at March 31, 2018 and December 31, 2017, the fair value of the consideration was determined to be $852 and $930. The Company recorded a charge of $22 related to the change in fair value of the consideration during the three month period ended March 31, 2018. The undiscounted value of the remaining consideration to be paid, assuming all contingencies are met, is $1,050. Payments of $100 were made during the three month period ended March 31, 2018.

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

6. SHARE CAPITAL

As at March 31, 2018, the issued share capital amounted to $85,642. An unlimited number of both common and preferred shares, with no par value, are authorized for issuance. The changes in issued share capital for the three month period ended March 31, 2018 were as follows:

	Common shares #
As at January 1, 2018	40,229,930
Options exercised	65,625
As at March 31, 2018	**40,295,555**

Note: Share amounts are not rounded

As at March 31, 2017, the issued share capital amounted to $86,755. An unlimited number of both common and preferred shares, with no par value, are authorized for issuance. The changes in issued share capital for the three month period ended March 31, 2017 were as follows:

	Common shares #
As at January 1, 2017	41,463,333
Treasury stock repurchases	(61,900)
Share repurchases	(188,100)
As at March 31, 2017	**41,213,333**

Note: Share amounts are not rounded

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

No preferred shares were issued or outstanding as at March 31, 2018 or December 31, 2017.

Normal course issuer bid

On March 30, 2016, the Company obtained the approval of the TSX-V to implement a Normal Course Issuer Bid ("NCIB") for its common shares. On November 28, 2016, the TSX confirmed its acceptance of the Company's existing NCIB upon the Company's graduation to the TSX. Under the NCIB, the Company was allowed to acquire up to approximately 5% of the Company's issued and outstanding common shares. The NCIB for the common shares of the Company terminated on March 31, 2017. All common shares acquired under the NCIB were acquired at the market price of the securities at the time of acquisition. The common shares so acquired were canceled. During the three month period ended March 31, 2017, 250,000 common shares were acquired under the NCIB. 188,100 of these shares had been cancelled as at March 31, 2017 and 61,900 shares were held in treasury until their cancellation on April 3, 2017.

On June 19, 2017, the Company obtained the approval from the TSX to proceed with its second NCIB to repurchase up to 3,820,852, or approximately 10% of the Company's issued and outstanding common shares at prevailing market prices during the twelve months ending June 21, 2018. During the three month period ended March 31, 2018, no common shares were acquired under the NCIB.

Loss per share

Basic net loss per share is based on the weighted average number of common shares outstanding during the period. Diluted loss per share assumes the weighted average dilutive effect of common share equivalents outstanding during the period applied to the Company's basic earnings per share. Common share equivalents represent potentially dilutive stock options and warrants. Common share equivalents are excluded from the computation in periods in which they have an anti-dilutive effect. The basic loss per share calculated amount is the same as the fully diluted loss per share amount as the effect of any outstanding options or warrants would be anti-dilutive, as the Company was in a loss position. The weighted average number of common shares issued and outstanding for the periods ended March 31, 2018 and 2017 were 40,294,825 and 41,359,549, respectively. The computation of diluted earnings per share for the periods ended March 31, 2018 and 2017 did not include options to purchase 1,852,084 and 2,087,500 shares, respectively, as the result would have been anti-dilutive.

Dividends declared and paid

Common share dividends declared and paid during the three month period ended March 31, 2018 were as follows:

Declaration Date	Record Date	Distribution Date	Per share amount	Total dividend
February 20, 2018	February 28, 2018	March 15, 2018	C$0.0400	C$1,612

Note: Per share amounts are not rounded

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

Common share dividends declared and paid during the three month period ended March 31, 2017 were as follows:

Declaration Date	Record Date	Distribution Date	Per share amount	Total dividend
February 16, 2017	March 3, 2017	March 15, 2017	C$0.0400	C$1,654

Note: Per share amounts are not rounded

7. SHARE BASED PAYMENTS

The Company has adopted an incentive share option plan under which directors, officers, employees and consultants of the Company and its subsidiaries are eligible to receive stock options. The effective date of the plan was June 17, 2014. The plan was amended on May 16, 2016 and approved by shareholders on June 21, 2016. The aggregate number of common shares to be issued, upon exercise of all options granted under the plan, shall not exceed 10% of the issued common shares of the Company, at the time the options were granted. Employee options granted under the plan generally have a term of five or ten years and vest either immediately or in specified increments, which is typically two to three years. The exercise price of each option is subject to Board approval but shall not be less than the market price at the time of grant.

A summary of the status of the Company's stock option plan as at March 31, 2018 and 2017 and during the three month periods then ended is as follows:

	2018		**2017**	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Options outstanding at January 1	**1,946,875**	**C$1.79**	2,162,500	C$1.63
Options granted	**-**	**-**	-	-
Options forfeited	**(29,166)**	**C$1.60**	(75,000)	C$1.60
Options exercised	**(65,625)**	**C$1.60**	-	-
Options outstanding at March 31	**1,852,084**	**C$1.80**	2,087,500	C$1.63
Options exercisable at March 31	**1,014,594**	**C$1.60**	798,967	C$1.63

Note: Share and per share amounts are not rounded

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

The range of exercise prices, the weighted average exercise prices and the weighted average remaining contractual life of the Company's options are as follows:

March 31, 2018

Options Outstanding				Options Exercisable	
Exercisable Price C$	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price C$	Number Exercisable	Weighted Average Remaining Contractual Life (Years)
1.60	1,402,084	8.22	1.60	989,594	8.22
1.73	25,000	8.73	1.73	25,000	8.73
2.47	415,000	4.25	2.47	-	4.25
2.61	10,000	4.42	2.61	-	4.42

March 31, 2017

Options Outstanding				Options Exercisable	
Exercisable Price C$	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price C$	Number Exercisable	Weighted Average Remaining Contractual Life (Years)
1.60	1,912,500	9.22	1.60	733,342	9.22
1.73	25,000	9.73	1.73	15,625	9.73
1.96	150,000	9.42	1.96	50,000	9.42

Note: Share and per share amounts are not rounded

Restricted stock units

The Company has adopted a restricted share plan that allows the Company to award RSUs to directors, officers, employees and consultants upon such conditions as the Board may establish. The effective date of the plan was June 17, 2014. The plan was amended on May 16, 2016 and approved by shareholders on June 21, 2016. Shares issued pursuant to any RSU award may be made subject to vesting conditions based upon the satisfaction of service requirements, restrictions, time periods or other conditions established by the Board. The maximum aggregate number of shares that may be issued under the restated plan pursuant to the exercise of RSUs shall not exceed 1,250,000 shares. The maximum number of common shares which may be reserved and set aside for issuance upon the grant or exercise of RSU or stock option awards under the plan is 10% of the Company's common shares issued and outstanding from time to time on a non-diluted basis. The fair value of RSUs is measured on the grant date based on the closing fair market value of the Company's common stock. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the awards, usually the vesting period which is generally one to three years for RSUs.

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

A summary of the status of the Company's RSU plan as at March 31, 2018 and during the three month period then ended is as follows:

	Number	**Weighted average grant date fair value**
Units outstanding at January 1, 2018	**355,000**	**C$2.47**
Units granted	**-**	**-**
Units vested	**-**	**-**
Units forfeited	**-**	**-**
Units outstanding at March 31, 2018	**355,000**	**C$2.47**

Note: Share and per share amounts are not rounded

As at March 31, 2018, there was $467 of total unrecognized compensation cost related to unvested RSU arrangements. This expense is expected to be recognized over a weighted average period of 2.25 years. No RSUs were issued during the three month period ended March 31, 2017 and no RSUs were outstanding as at March 31, 2017.

Share based compensation expense

Total share based compensation expense is recognized in employee compensation and benefits in the unaudited interim condensed consolidated statements of loss and comprehensive loss. A reconciliation of the share based compensation expense is provided below:

Three month periods ended March 31,	**2018**	2017
Share based compensation on options	**65**	124
Share based compensation on RSUs	**55**	-
Total share based compensation expense	**120**	124

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

8. FINANCIAL INSTRUMENTS

The following tables set out the classification of financial and non-financial assets and liabilities:

As at March 31, 2018	Fair value through profit or loss	Amortized cost	Non-financial	Total carrying amount
Cash and cash equivalents	**3,983**	**-**	**-**	**3,983**
Accounts receivable	**-**	**274,979**	**-**	**274,979**
Other non-financial assets	**-**	**-**	**190,214**	**190,214**
Total assets	**3,983**	**274,979**	**190,214**	**469,176**
Bank overdraft	**15,235**	**-**	**-**	**15,235**
Accounts payable and accrued liabilities	**-**	**261,548**	**-**	**261,548**
Other financial liabilities	**4,613**	**126,772**	**-**	**131,385**
Other non-financial liabilities	**-**	**-**	**46,838**	**46,838**
Total liabilities	**19,848**	**388,320**	**46,838**	**455,006**

As at December 31, 2017	Fair value through profit or loss	Amortized cost	Non-financial	Total carrying amount
Cash and cash equivalents	5,248	-	-	5,248
Accounts receivable	-	292,502	-	292,502
Other non-financial assets	-	-	230,133	230,133
Total assets	5,248	292,502	230,133	527,883
Bank overdraft	23,049	-	-	23,049
Accounts payable and accrued liabilities	-	300,377	-	300,377
Other financial liabilities	4,761	134,579	-	139,340
Other non-financial liabilities	-	-	47,593	47,593
Total liabilities	27,810	434,956	47,593	510,359

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

Fair values

The following tables present information related to the Company's financial assets and liabilities measured at fair value on a recurring basis and the level within the guidance hierarchy in which the fair value measurements fall as at March 31, 2018 and December 31, 2017:

	Fair value as at March 31, 2018			
	Level 1	Level 2	Level 3	Total
Interest rate swap	-	**271**	-	**271**
Contingent consideration	-	**-**	**4,342**	**4,342**
	-	**271**	**4,342**	**4,613**

	Fair value as at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Interest rate swap	-	505	-	505
Contingent consideration	-	-	4,256	4,256
	-	505	4,256	4,761

The fair value of all other financial instruments carried within the Company's unaudited interim condensed consolidated financial statements is not materially different from their carrying amount.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Derivative financial instruments are recorded in Level 2. The fair value of the Swap is calculated as the present value of the estimated future cash flows based on observable yield curves.

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. Contingent consideration payable was the only instrument recorded as Level 3 as the amount payable was not based on observable inputs. The fair value of the contingent consideration was calculated using forecasts based on financial plans prepared by management covering the periods under agreement, using a discount rate of 26.0%. The Company recorded a charge of $274 and $230 related to the change in fair value of the contingent consideration for the three month periods ended March 31, 2018 and 2017, respectively.

There have been no transfers among any levels during the period.

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

9. INCOME TAXES

Significant components of the recovery of income taxes are as follows:

Three month periods ended March 31,	**2018**	2017
Current tax benefit	**(347)**	(2,507)
Deferred tax expense	**6**	574
	(341)	(1,933)

10. REVENUE

Disaggregation of revenue

Types of goods and services:

Three month period ended March 31, 2018	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Hardware sales	106,605	1,786	133,593	26,923	32,357	3	301,267
Other sales	8,088	-	13,487	4,253	4,454	-	30,282
Product revenue	**114,693**	**1,786**	**147,080**	**31,176**	**36,811**	**3**	**331,549**
Pivot provided services	4,256	-	19,300	6,729	2,473	-	32,758
Third party maintenance contracts	1,419	-	1,285	1,146	1,109	-	4,959
Service revenue	**5,675**	**-**	**20,585**	**7,875**	**3,582**	**-**	**37,717**
Total revenue	**120,368**	**1,786**	**167,665**	**39,051**	**40,393**	**3**	**369,266**

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

Three month period ended March 31, 2017	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Hardware sales	105,875	415	93,173	28,003	29,914	57	257,437
Other sales	5,838	-	12,336	3,281	4,104	9	25,568
Product revenue	**111,713**	**415**	**105,509**	**31,284**	**34,018**	**66**	**283,005**
Pivot provided services	5,021	-	16,618	8,527	1,717	301	32,184
Third party maintenance contracts	3,447	-	1,313	1,422	1,052	-	7,234
Service revenue	**8,468**	**-**	**17,931**	**9,949**	**2,769**	**301**	**39,418**
Total revenue	**120,181**	**415**	**123,440**	**41,233**	**36,787**	**367**	**322,423**

Geographical markets:

Three month period ended March 31, 2018	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
United States	117,809	1,786	164,706	38,644	-	-	322,945
Canada	27	-	7	20	40,393	1	40,448
International	2,532	-	2,952	387	-	2	5,873
Total revenue	**120,368**	**1,786**	**167,665**	**39,051**	**40,393**	**3**	**369,266**

Three month period ended March 31, 2017	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
United States	118,292	415	121,341	41,223	-	-	281,271
Canada	-	-	85	3	36,787	301	37,176
International	1,889	-	2,014	7	-	66	3,976
Total revenue	**120,181**	**415**	**123,440**	**41,233**	**36,787**	**367**	**322,423**

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

Timing of revenue recognition:

Three month period ended March 31, 2018	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Goods transferred at a point in time	114,693	1,786	147,080	31,176	36,811	3	331,549
Services transferred at a point in time	4,256	-	12,370	6,789	2,442	-	25,857
Services transferred over time	1,419	-	8,215	1,086	1,140	-	11,860
Total revenue	**120,368**	**1,786**	**167,665**	**39,051**	**40,393**	**3**	**369,266**

Three month period ended March 31, 2017	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Goods transferred at a point in time	111,713	415	105,509	31,284	34,018	66	283,005
Services transferred at a point in time	5,022	-	8,543	8,528	1,717	301	24,111
Services transferred over time	3,446	-	9,388	1,421	1,052	-	15,307
Total revenue	**120,181**	**415**	**123,440**	**41,233**	**36,787**	**367**	**322,423**

11. OTHER EXPENSE (INCOME), NET

Three month periods ended March 31,	**2018**	**2017**
Foreign exchange (gain) loss	**(694)**	307
Other expense (income)	595	477
	(99)	784

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

12. CHANGE IN FAIR VALUE OF LIABILITIES

Three month periods ended March 31,	**2018**	2017
Contingent consideration	**274**	230
Interest rate swap	**(234)**	(337)
	40	(107)

13. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in non-cash working capital balances consist of the following:

Three month periods ended March 31,	**2018**	2017
Accounts receivable	**17,174**	59,151
Income taxes receivable/payable	**(411)**	(2,579)
Inventories	**37,359**	(15,256)
Other assets	**57**	1,853
Accounts payable and accrued liabilities	**(38,823)**	6,812
Other liabilities	**(9)**	2,733
	15,347	52,714

Interest paid and income taxes paid and classified as operating activities are as follows:

Three month periods ended March 31,	**2018**	2017
Interest paid	**1,295**	999
Income taxes paid	**59**	-

14. BUSINESS SEGMENT INFORMATION

The Company’s business activities are conducted through six segments:

ACS

The ACS segment is located in the United States and designs, sells and supports integrated computer hardware, software and networking products for business database, network and network security systems. ACS also provides comprehensive training services and offers first call support.

ARC

The ARC segment is located in the United States. ARC is an authorized reseller of technology and provides several professional services, including enterprise services, manager services and staffing services.

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

ProSys

The ProSys segment is located in the United States and sells storage, server and IT infrastructure consulting solutions to enterprises. The Company also derives revenue from professional engineering and installation services, and services provided by third parties including maintenance, consulting, and training services.

Sigma

The Sigma segment is located in the United States and derives revenue from the sale of computer hardware and software, software licenses, professional services and maintenance and support contracts.

TeraMach

The TeraMach segment is located in Canada and offers data center, security, big data, mobility and application services. Revenues are also derived from consulting and implementation services, staffing and cloud computing services.

Shared Services

The Shared Services segment consists of the Company's head office activities, including strategic leadership, finance and information systems.

Revenues and segment profit

Three month period ended March 31, 2018	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Revenue	120,368	1,786	167,665	39,051	40,393	3	369,266
Cost of sales	109,758	1,603	151,654	33,306	33,643	3	329,967
Gross profit	10,610	183	16,011	5,745	6,750	-	39,299
Employee compensation and benefits	6,457	119	10,417	4,268	2,521	5,813	29,595
Other selling, general and administrative expenses, net	2,072	35	4,196	2,258	357	(712)	8,206
Income (loss) before the following:	2,081	29	1,398	(781)	3,872	(5,101)	1,498
Depreciation and amortization							2,849
Finance expense							1,313
Change in fair value of liabilities							40
Other income							(99)
Loss before income taxes							**(2,605)**

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

Three month period ended March 31, 2017	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Revenue	120,181	415	123,440	41,233	36,787	367	322,423
Cost of sales	111,385	353	109,569	35,018	31,710	262	288,297
Gross profit	8,796	62	13,871	6,215	5,077	105	34,126
Employee compensation and benefits	7,088	48	9,304	4,382	2,069	5,313	28,204
Other selling, general and administrative expenses, net	990	45	2,749	1,249	279	2,160	7,472
Income (loss) before the following:	718	(31)	1,818	584	2,729	(7,368)	(1,550)
Depreciation and amortization							2,811
Finance expense							1,082
Change in fair value of liabilities							(107)
Other income							784
Loss before income taxes							**(6,120)**

Segment assets and liabilities

	March 31, 2018	December 31, 2017
Assets		
ACS	**130,666**	185,501
ARC	**6,469**	7,273
ProSys	**209,365**	237,839
Sigma	**64,303**	70,853
TeraMach	**53,475**	24,696
Shared Services	**4,898**	1,721
	469,176	527,883
Liabilities		
ACS	**82,342**	135,673
ARC	**11,178**	11,986
ProSys	**190,098**	216,720
Sigma	**66,596**	71,462
TeraMach	**51,212**	24,715
Shared Services	**53,580**	49,803
	455,006	510,359

(unless otherwise noted all amounts are in thousands of U.S. dollars, except share and per share amounts)

15. RELATED PARTY DISCLOSURES

Until September 1, 2017, when the Company acquired a 40% interest in Applied, the Company was deemed to have the primary exposure to the significant risks and rewards associated with sales by Applied. The Company recognized this revenue on a gross basis. Total gross sales through the agent were approximately $84,002 and $48,266 for the three months ended March 31, 2018 and 2017, respectively. Amounts due from Applied were $14,117 and $14,883 as at March 31, 2018 and December 31, 2017, respectively.

The Company has certain contractual arrangements with Old ProSys, whose activities and results are consolidated with the Company. The Company is deemed to have primary exposure for the significant risks and rewards associated with sales by Old ProSys to its third-party customers. Total sales attributable to the activities of Old ProSys were approximately $91,198 and $57,168 for the three month periods ended March 31, 2018 and 2017, respectively. Amounts due from Old ProSys were $68,712 and $95,904 as at March 31, 2018 and December 31, 2017, respectively.

The contractual arrangements with Applied and Old ProSys as described above accounted in aggregate for 47.4% and 32.7% of the overall Pivot revenues for the three month periods ended March 31, 2018 and 2017, respectively. The contractual arrangements with Applied may be terminated by either party on notice to the other.

ACS incurred $375 for each of the three month periods ended March 31, 2018 and 2017, for research and development provided by a related entity over which the subsidiary's president has significant influence. Nil and $375 was payable as at March 31, 2018 and December 31, 2017, respectively.

The following table sets out the compensation of the key management of the Company:

Three-month periods ended March 31,	**2018**	2017
Compensation	**447**	403
Annual incentive plans	**292**	346
Share based compensation	**45**	31
Other compensation	**209**	201
	993	981