Interim Condensed Consolidated Financial Statements

Pivot Technology Solutions, Inc.

For the Three and Nine Months Ended
September 30, 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]

	September 30, 2018 *[unaudited]*	December 31, 2017
ASSETS		
Current		
Cash and cash equivalents	**7,414**	5,248
Accounts receivable	**227,937**	292,502
Income taxes recoverable	**1,884**	-
Inventories	**53,631**	95,020
Deferred contract costs	**20,373**	22,800
Other current assets	**3,954**	3,142
Total current assets	**315,193**	418,712
Property, plant and equipment, net	**6,824**	6,823
Goodwill	**45,331**	45,404
Intangible assets	**27,032**	33,395
Deferred income taxes (note 7)	**11,325**	11,132
Long-term deferred contract costs	**9,815**	11,155
Other non-current assets	**787**	1,262
Total assets	**416,307**	527,883
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	**14,577**	23,049
Accounts payable and accrued liabilities	**229,735**	300,377
Income taxes payable	**364**	315
Deferred revenue and customer deposits	**18,211**	7,990
Deferred contract revenue	**25,196**	25,642
Other financial liabilities (note 3)	**104,938**	136,897
Total current liabilities	**393,021**	494,270
Other financial liabilities (note 3)	**2,616**	2,443
Deferred tax liabilities	**753**	696
Deferred contract revenue	**10,641**	12,108
Other non-current liabilities	**943**	842
Total liabilities	**407,974**	510,359
Shareholders' equity		
Share capital (note 4)	**83,817**	84,411
Contributed surplus	**3,399**	3,847
Foreign exchange translation reserve	**57**	37
Accumulated deficit	**(82,375)**	(73,615)
Equity attributable to owners of the parent	**4,898**	14,680
Non-controlling interest	**3,435**	2,844
Total shareholders' equity	**8,333**	17,524
Total liabilities and shareholders' equity	**416,307**	527,883

See accompanying notes

On behalf of the Board:

"Lazane Smith"

Lazane Smith
Audit Committee Chair and Director

"Kevin Shank"

Kevin Shank
President, CEO and Director

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Revenue (note 8)	**321,389**	389,077	**1,071,998**	1,112,234
Cost of sales	**280,654**	346,280	**951,359**	992,361
Gross profit	**40,735**	42,797	**120,639**	119,873
Employee compensation and benefits	**28,527**	29,521	**86,544**	86,679
Other selling, general and administrative expenses	**8,043**	6,025	**23,328**	20,201
Income before the following:	**4,165**	7,251	**10,767**	12,993
Depreciation and amortization	**2,863**	2,837	**8,573**	8,414
Finance expense	**1,528**	1,639	**4,614**	4,000
Change in fair value of liabilities (note 10)	**226**	80	**423**	6
Other expense (note 9)	**1,801**	2,452	**1,294**	3,882
Income (loss) before income taxes	**(2,253)**	243	**(4,137)**	(3,309)
Provision for (recovery of) income taxes (note 7)	**220**	1,056	**335**	(267)
Loss for the period	**(2,473)**	(813)	**(4,472)**	(3,042)
Income for the period attributable to non-controlling interests	**335**	154	**591**	31
Loss for the period attributable to shareholders	**(2,808)**	(967)	**(5,063)**	(3,073)
Other comprehensive income				
Items that may be reclassified subsequently to loss for the period:				
Exchange gain on translation of foreign operations	**23**	55	**20**	59
Total comprehensive loss	**(2,450)**	(758)	**(4,452)**	(2,983)
Total comprehensive loss attributable to shareholders	**(2,785)**	(912)	**(5,043)**	(3,014)
Loss per common share (note 4)**:**				
Loss available to common shareholders	**(2,808)**	(967)	**(5,063)**	(3,073)
Basic	**$ (0.07)**	$ (0.02)	**$ (0.13)**	$ (0.08)
Diluted	**$ (0.07)**	$ (0.02)	**$ (0.13)**	$ (0.08)

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	-	-	370	-	-	-	**370**
Share repurchases	(1,576)	-	-	-	-	-	**(1,576)**
Common share dividends declared (note 4)	-	-	-	-	-	(3,727)	**(3,727)**
Stock options exercised	431	-	(130)	-	-	-	**301**
Gain on translation of foreign operations	-	-	-	-	61	-	**61**
Non-controlling interest	-	-	-	140	-	-	**140**
Income (loss) for the period	-	-	-	31	-	(3,073)	**(3,042)**
Balance, September 30, 2017	**85,838**	**-**	**2,656**	**2,446**	**63**	**(69,385)**	**21,618**
Balance, December 31, 2017	**85,523**	**-**	**2,735**	**2,844**	**37**	**(73,615)**	**17,524**
Share-based compensation	-	-	341	-	-	-	**341**
Share repurchases	(2,042)	-	614	-	-	-	**(1,428)**
Cash settlement of RSUs	-	-	(56)	-	-	-	**(56)**
Shares issued in vesting of RSUs	114	-	(170)	-	-	-	**(56)**
Options exercised	222	-	(65)	-	-	-	**157**
Common share dividends declared (note 4)	-	-	-	-	-	(3,697)	**(3,697)**
Gain on translation of foreign operations	-	-	-	-	20	-	**20**
Income (loss) for the period	-	-	-	591	-	(5,063)	**(4,472)**
Balance, September 30, 2018	**83,817**	**-**	**3,399**	**3,435**	**57**	**(82,375)**	**8,333**

See accompanying notes

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands of U.S. dollars]

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
OPERATING ACTIVITIES				
Loss for the period	**(2,473)**	(813)	**(4,472)**	(3,042)
Add (deduct) items not involving cash				
Depreciation and amortization	**2,863**	2,837	**8,573**	8,414
Share-based compensation (note 5)	**102**	140	**341**	370
Loss on disposal of property, plant and equipment	**18**	14	**44**	23
Provision for (recovery of) receivables	**175**	(83)	**189**	(488)
Deferred income taxes (note 7)	**(1)**	(354)	**(116)**	71
Amortization of loan fees	**81**	84	**243**	239
Change in fair value of liabilities (note 10)	**226**	80	**423**	6
Changes in non-cash working capital balances (note 11)	**64,027**	5,433	**45,674**	7,583
Cash provided by operating activities	**65,018**	7,338	**50,899**	13,176
INVESTING ACTIVITIES				
Payments made on contingent consideration	**(100)**	-	**(300)**	-
Business combinations	**-**	300	**-**	300
Proceeds from sale of property, plant and equipment	**41**	-	**41**	2
Capital expenditures	**(347)**	(143)	**(2,371)**	(1,843)
Other intangible assets	**(11)**	(2)	**(12)**	(2)
Cash provided by (used in) investing activities	**(417)**	155	**(2,642)**	(1,543)
FINANCING ACTIVITIES				
Net change in debt facilities	**(55,914)**	(9,612)	**(32,066)**	(8,228)
Net change in flooring arrangements	**(104)**	(384)	**(468)**	(1,295)
Net change in bank overdraft	**(3,732)**	(217)	**(8,472)**	407
Stock options exercised	**-**	164	**157**	301
Cash settlement of RSUs	**-**	-	**(56)**	-
Shares repurchased for tax withholdings on vesting of RSUs	**(56)**	-	**(56)**	-
Common share dividends paid	**(1,207)**	(1,288)	**(3,697)**	(3,727)
Common share repurchases	**(465)**	(233)	**(1,428)**	(1,576)
Cash used in financing activities	**(61,478)**	(11,570)	**(46,086)**	(14,118)
Net increase (decrease) in cash and cash equivalents during the period	**3,123**	(4,077)	**2,171**	(2,485)
Cash and cash equivalents, beginning of period	**4,284**	9,658	**5,248**	8,153
Effect of foreign exchange fluctuations on cash held	**7**	129	**(5)**	42
Cash and cash equivalents, end of period	**7,414**	5,710	**7,414**	5,710

See accompanying notes

1. CORPORATE INFORMATION

Pivot Technology Solutions, Inc. ("Pivot" or the "Company") is located in Ontario, Canada, 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"), and Pivot Solutions International (UK) Ltd. ("Pivot UK")

The Company also has the following partially owned subsidiaries: Pivot Services International Singapore Pte Ltd. ("Pivot Singapore") and Pivot Services Limited - Hong Kong ("Pivot HK"). The Company has a 94% ownership in each of these subsidiaries.

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 and nine-month periods ended September 30, 2018 and 2017 were authorized for issue in accordance with a resolution of the Company's Board of Directors on November 12, 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 has 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.

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

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 ("IFRS 15") and IFRS 9 Financial Instruments ("IFRS 9") 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 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 recognized 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 recognized 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 8 for the disclosure on disaggregated revenue.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") 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 receivable 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 ("IFRS 16"). The new standard will eliminate the distinction between operating and finance leases and will bring most leases onto the balance sheet for lessees. Lessees must recognize a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. Lessees are permitted to make an accounting policy election, by class of underlying asset, to apply a method like IAS 17's operating lease accounting and not recognize lease assets and lease liabilities for leases with a lease term of twelve months or less, and on a lease-by-lease basis, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value. IFRS 16 supersedes IAS 17, Leases and its related interpretations, and is effective for the period beginning on or after January 1, 2019, and is to be applied retrospectively. The Company continues to assess the impact of the new leasing standard on the Company's consolidated financial statements. The Company plans to adopt IFRS 16 using the modified retrospective approach.

International Financial Reporting Interpretations Committee ("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 when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its consolidated financial statements.

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

3. OTHER FINANCIAL LIABILITIES

	September 30, 2018	December 31, 2017
Current		
Secured borrowings, net of deferred loan costs	**102,756**	134,579
Contingent consideration	**2,131**	1,813
Interest rate swap	**51**	505
	104,938	136,897
Non-current		
Contingent consideration	**2,616**	2,443
	2,616	2,443
	107,554	139,340

Secured borrowings

In connection with the Company's $225,000 senior secured credit facility with JPMorgan Chase Bank, N.A., 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 $103,415 and $135,481 as at September 30, 2018 and December 31, 2017, respectively. The outstanding balance is shown net of deferred loan costs of $659 and $902, as at September 30, 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 $79,507 for the nine-month period ended September 30, 2018 and $69,762 for the year ended December 31, 2017**.**

Interest rate swap

The changes in the fair value of the interest rate swap 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 $95 and $203 for the three-month periods ended September 30, 2018 and 2017, respectively. Interest incurred under the Swap totaled $376 and $689 for the nine-month periods ended September 30, 2018 and 2017, respectively. As at September 30, 2018 and December 31, 2017, the fair value of the Swap was determined to be $51 and $505, respectively, 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. The changes in the

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

TeraMach contingent liability balance for the three and nine-month periods ended September 30, 2018 and 2017 were as follows:

	2018	2017
Balance as at July 1,	**3,686**	4,035
Change in fair value	**285**	278
Payments	**-**	-
Exchange rate differences	**70**	159
Balance as at September 30,	**4,041**	4,472
Balance as at January 1,	**3,326**	3,427
Change in fair value	**801**	752
Payments	**-**	-
Exchange rate differences	**(86)**	293
Balance as at September 30,	**4,041**	4,472

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 financial statements for the period ended September 30.

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. The undiscounted value of the remaining consideration to be paid, assuming all contingencies are met, is $850.

The changes in the Cloudscapes contingent liability balance for the three and nine-month periods ended September 30, 2018 and 2017 were as follows:

	2018	2017
As at July 1,	**778**	1,003
Change in fair value	**28**	10
Payments	**(100)**	-
As at September 30,	**706**	1,013
As at January 1,	**930**	-
Contingent arrangements entered into during the period	**-**	1,003
Change in fair value	**76**	10
Payments	**(300)**	-
As at September 30,	**706**	1,013

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

4. SHARE CAPITAL

As at September 30, 2018, the issued share capital amounted to $83,817. 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 nine-month period ended September 30, 2018 were as follows:

	Common shares
	#
As at January 1, 2018	40,229,930
Share repurchases	(960,600)
Options exercised	123,959
Shares issued in vesting of RSUs	78,354
As at September 30, 2018	**39,471,643**

Note: Share amounts are not rounded

As at September 30, 2017, the issued share capital amounted to $85,838. 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 nine-month period ended September 30, 2017 were as follows:

	Common shares
	#
As at January 1, 2017	41,463,333
Share repurchases	(1,294,213)
Options exercised	227,950
As at September 30, 2017	**40,397,070**

Note: Share amounts are not rounded

No preferred shares were issued or outstanding as at September 30, 2018 or December 31, 2017.

Normal course issuer bid

On March 30, 2016, the Company obtained the approval of the TSX Venture Exchange ("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 cancelled. 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.

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

On June 19, 2017, the Company obtained regulatory approval to proceed with a 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. On June 20, 2018, the Company received regulatory approval to proceed with a third NCIB to repurchase up to 3,789,551, or approximately 10% of the Company's issued and outstanding common shares at prevailing market prices during the twelve months ending June 21, 2019. During the three and nine-month periods ended September 30, 2018, 322,500 and 960,600 common shares were acquired and subsequently cancelled under its NCIB programs, respectively.

Loss per share

Basic net loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted average dilutive effect of common share equivalents outstanding during the period applied to the Company's basic loss per share. Common share equivalents represent potentially dilutive stock options with a strike price below the average share price for the period and unvested restricted stock units ("RSUs" or "units"). Common share equivalents are excluded from the computation in periods in which they have an anti-dilutive effect. The Company had a net loss for all periods presented herein; therefore, none of the in the money stock options or unvested RSUs outstanding during each of the periods presented have been included in the computation of diluted loss per share as they were anti-dilutive.

Total potentially dilutive shares of 1,748,750 and 1,692,884 of common stock were excluded from the calculations of diluted loss per share for the nine months ended September 30, 2018 and 2017, respectively. There were a total of 418,333 and 435,000 stock options that were out of the money for the nine months ended September 30, 2018 and 2017, respectively.

Dividends declared and paid

Common share dividends declared and paid during the nine-month period ended September 30, 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
May 14, 2018	May 31, 2018	June 15, 2018	C$0.0400	C$1,596
August 14, 2018	August 31, 2018	September 14, 2018	C$0.0400	C$1,579

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 nine-month period ended September 30, 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
May 9, 2017	May 31, 2017	June 15, 2017	C$0.0400	C$1,612
August 8, 2017	August 31, 2017	September 15, 2017	C$0.0400	C$1,614

Note: Per share amounts are not rounded

5. 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 September 30, 2018 and 2017 and during the nine-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	**380,000**	**C$1.68**	435,000	C$2.47
Options forfeited	**(35,833)**	**C$1.76**	(241,666)	C$1.75
Options exercised	**(123,959)**	**C$1.60**	(227,950)	C$1.68
Options outstanding at September 30	**2,167,083**	**C$1.78**	2,127,884	C$1.78
Options exercisable at September 30	**1,510,415**	**C$1.68**	1,166,854	C$1.60

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 fair value of each option granted during the nine-month period ended September 30, 2018 is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

	August 2018
Expected volatility	54.61%
Risk free interest rate	2.13%
Dividend yield	9.52%
Forfeiture rate	5.5%
Expected life	3.50

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:

September 30, 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	1,343,750	7.72	1.60	1,343,750	7.72
1.68	380,000	4.88	1.68	-	4.88
1.73	25,000	8.23	1.73	25,000	8.23
2.47	408,333	3.75	2.47	138,332	3.75
2.61	10,000	3.92	2.61	3,333	3.92

September 30, 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	1,667,884	8.72	1.60	1,144,979	8.72
1.73	25,000	9.23	1.73	21,875	9.23
2.47	425,000	4.75	2.47	-	4.75
2.61	10,000	4.92	2.61	-	4.92

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)

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 that 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. Compensation expense for RSUs incorporate an estimate for expected forfeitures. Additional RSUs are credited to reflect dividends paid on common shares over the vesting period.

A summary of the status of the Company's RSU plan as at September 30, 2018 and 2017 and during the nine-month periods then ended is as follows:

	2018		2017	
	Number	**Weighted average grant date fair value**	**Number**	**Weighted average grant date fair value**
Units outstanding at January 1	**355,000**	**C$2.47**	-	-
Units granted	**390,000**	**C$1.68**	390,000	C$2.47
Units reinvested (dividends)	**42,030**	**C$2.22**		
Units vested	**(118,334)**	**C$2.47**	-	-
Units forfeited	**-**		-	-
Units outstanding at September 30	**668,696**	**C$1.99**	390,000	C$2.47

Note: Share and per share amounts are not rounded

116,667 RSUs vested on June 30, 2018 and were settled in shares, net of applicable taxes, and 78,354 shares were released to participants in July 2018. An additional 1,667 RSUs vested on August 8, 2018 and will be settled in shares, net of applicable taxes, (1,389 shares) in November 2018. As at September 30, 2018 and 2017, there was $805 and $630, respectively, of total unrecognized compensation cost related to unvested RSU arrangements. This expense is expected to be recognized over a weighted average period of 2.36 years.

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

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 months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Share-based compensation on options	**26**	77	**155**	307
Share-based compensation on RSUs	**76**	63	**186**	63
Total share-based compensation expense	**102**	140	**341**	370

6. FINANCIAL INSTRUMENTS

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

As at September 30, 2018	**Fair value through profit or loss**	**Amortized cost**	**Non-financial**	**Total carrying amount**
Cash and cash equivalents	7,414	-	-	**7,414**
Accounts receivable	-	227,937	-	**227,937**
Inventories	-	-	53,631	**53,631**
Intangible assets	-	-	27,032	**27,032**
Goodwill	-	-	45,331	**45,331**
Deferred contract costs	-	-	30,188	**30,188**
Other non-financial assets	-	-	24,774	**24,774**
Total assets	**7,414**	**227,937**	**180,956**	**416,307**
Bank overdraft	14,577	-	-	**14,577**
Accounts payable and accrued liabilities	-	229,735	-	**229,735**
Deferred contract revenue	-	-	35,837	**35,837**
Other financial liabilities	4,798	102,756	-	**107,554**
Other non-financial liabilities	-	-	20,271	**20,271**
Total liabilities	**19,375**	**332,491**	**56,108**	**407,974**

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

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
Inventories	-	-	95,020	95,020
Intangible assets	-	-	33,395	33,395
Goodwill	-	-	45,404	45,404
Deferred contract costs	-	-	33,955	33,955
Other non-financial assets	-	-	22,359	22,359
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
Deferred contract revenue	-	-	37,750	37,750
Other financial liabilities	4,761	134,579	-	139,340
Other non-financial liabilities	-	-	9,843	9,843
Total liabilities	27,810	434,956	47,593	510,359

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 September 30, 2018 and December 31, 2017:

	Fair value as at September 30, 2018			
	Level 1	Level 2	Level 3	Total
Interest rate swap	-	51	-	**51**
Contingent consideration	-	-	4,747	**4,747**
	-	**51**	**4,747**	**4,798**

	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 $313 and $288 related to the change in fair value of the contingent consideration for the three-month periods ended September 30, 2018 and 2017, respectively. The Company recorded a charge of $877 and $762 related to the change in fair value of the contingent consideration for the nine-month periods ended September 30, 2018 and 2017, respectively.

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

7. INCOME TAXES

The Company's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Company operates in, adjusted for the main permanent differences identified. The effective tax rate for the three and nine-month periods ended September 30, 2018 was (9.59)% and (8.03)%, respectively. The effective tax rate for the three and nine-month periods ended September 30, 2017 was 434.57% and 8.07%, respectively. The difference between the effective tax rate and the standard tax rate is primarily attributable to the change in mix of income across the different jurisdictions in which the Company operates and the reduction in the United States Federal corporate income tax rate which was enacted in 2017 and effective in 2018.

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

8. REVENUE

Disaggregation of revenue

Types of goods and services:

Three month period ended September 30, 2018	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Hardware sales	72,650	3,021	127,285	31,948	7,553	(3)	**242,454**
Other sales	11,107	-	19,304	10,664	1,811	4	**42,890**
Product revenue	**83,757**	**3,021**	**146,589**	**42,612**	**9,364**	**1**	**285,344**
Pivot provided services	4,007	-	10,167	5,510	2,788	2	**22,474**
Third-party maintenance contracts	2,106	-	9,202	2,127	136	-	**13,571**
Service revenue	**6,113**	**-**	**19,369**	**7,637**	**2,924**	**2**	**36,045**
Total revenue	**89,870**	**3,021**	**165,958**	**50,249**	**12,288**	**3**	**321,389**

Nine month period ended September 30, 2018	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Hardware sales	281,552	6,654	424,562	85,307	45,617	(3)	**843,689**
Other sales	31,088	-	51,973	20,821	8,101	3	**111,986**
Product revenue	**312,640**	**6,654**	**476,535**	**106,128**	**53,718**	**-**	**955,675**
Pivot provided services	12,835	-	36,715	17,984	7,976	5	**75,515**
Third-party maintenance contracts	6,557	-	27,822	4,937	1,492	-	**40,808**
Service revenue	**19,392**	**-**	**64,537**	**22,921**	**9,468**	**5**	**116,323**
Total revenue	**332,032**	**6,654**	**541,072**	**129,049**	**63,186**	**5**	**1,071,998**

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

Geographical markets:

Three month period ended September 30, 2018	ACS	ARC	ProSys	Sigma	TeraMach	Shared Services	Total
United States	87,661	3,021	164,728	47,041	-	-	**302,451**
Canada	267	-	22	24	12,277	-	**12,590**
International	1,942	-	1,208	3,184	11	3	**6,348**
Total revenue	**89,870**	**3,021**	**165,958**	**50,249**	**12,288**	**3**	**321,389**

Nine month period ended September 30, 2018	ACS	ARC	ProSys	Sigma	TeraMach	Shared Services	Total
United States	325,301	6,654	535,610	122,389	-	-	**989,954**
Canada	584	-	31	71	63,158	(1)	**63,843**
International	6,147	-	5,431	6,589	28	6	**18,201**
Total revenue	**332,032**	**6,654**	**541,072**	**129,049**	**63,186**	**5**	**1,071,998**

Timing of revenue recognition:

Three month period ended September 30, 2018	ACS	ARC	ProSys	Sigma	TeraMach	Shared Services	Total
Goods transferred at a point in time	83,757	3,021	146,589	42,612	9,364	1	**285,344**
Services transferred at a point in time	4,007	-	11,940	6,058	2,788	2	**24,795**
Services transferred over time	2,106	-	7,429	1,579	136	-	**11,250**
Total revenue	**89,870**	**3,021**	**165,958**	**50,249**	**12,288**	**3**	**321,389**

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

Nine month period ended September 30, 2018	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Goods transferred at a point in time	312,640	6,654	476,535	106,128	53,718	-	**955,675**
Services transferred at a point in time	12,835	-	41,401	17,857	7,945	5	**80,043**
Services transferred over time	6,557	-	23,136	5,064	1,523	-	**36,280**
Total revenue	**332,032**	**6,654**	**541,072**	**129,049**	**63,186**	**5**	**1,071,998**

9. OTHER EXPENSE

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
Foreign exchange (gain) loss	**509**	663	**(551)**	982
Other expense	**1,292**	1,789	**1,845**	2,900
	1,801	2,452	**1,294**	3,882

10. CHANGE IN FAIR VALUE OF LIABILITIES

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
Contingent consideration	**313**	288	**877**	762
Interest rate swap	**(87)**	(208)	**(454)**	(756)
	226	80	**423**	6

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

11. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Accounts receivable	**65,955**	47,649	**64,210**	67,139
Income taxes receivable/payable	**(809)**	1,257	**(1,815)**	(3,413)
Inventories	**19,940**	(1,603)	**41,424**	(38,694)
Other assets	**3,993**	8,723	**3,417**	5,658
Accounts payable and accrued liabilities	**(23,833)**	(49,326)	**(60,196)**	(23,741)
Other liabilities	**(1,219)**	(1,267)	**(1,366)**	634
	64,027	5,433	**45,674**	7,583

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Interest paid	**1,417**	1,349	**3,931**	3,411
Income taxes paid	**1,164**	414	**1,896**	3,077

12. 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, managed services and staffing services.

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.

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

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 September 30, 2018	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Revenue	89,870	3,021	165,958	50,249	12,288	3	**321,389**
Cost of sales	78,511	2,603	147,404	41,330	10,807	(1)	**280,654**
Gross profit	**11,359**	**418**	**18,554**	**8,919**	**1,481**	**4**	**40,735**
Employee compensation and benefits	6,097	138	9,911	4,377	1,484	6,520	**28,527**
Other selling, general and administrative expenses	2,059	26	3,540	2,607	411	(600)	**8,043**
Income (loss) before the following:	**3,203**	**254**	**5,103**	**1,935**	**(414)**	**(5,916)**	**4,165**
Depreciation and amortization							**2,863**
Finance expense							**1,528**
Change in fair value of liabilities							**226**
Other expense							**1,801**
Loss before income taxes							**(2,253)**

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

Three month period ended September 30, 2017	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Revenue	144,083	974	196,413	37,447	10,070	90	389,077
Cost of sales	132,072	879	174,383	30,524	8,051	371	346,280
Gross profit	12,011	95	22,030	6,923	2,019	(281)	42,797
Employee compensation and benefits	7,343	94	11,367	4,043	1,598	5,076	29,521
Other selling, general and administrative expenses	1,675	38	3,596	1,701	319	(1,304)	6,025
Income (loss) before the following:	2,993	(37)	7,067	1,179	102	(4,053)	7,251
Depreciation and amortization							2,837
Finance expense							1,639
Change in fair value of liabilities							80
Other expense							2,452
Earnings before income taxes							243

Nine month period ended September 30, 2018	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Revenue	332,032	6,654	541,072	129,049	63,186	5	**1,071,998**
Cost of sales	299,422	5,805	487,024	106,612	52,797	(301)	**951,359**
Gross profit	**32,610**	**849**	**54,048**	**22,437**	**10,389**	**306**	**120,639**
Employee compensation and benefits	19,154	356	30,516	13,131	5,473	17,914	**86,544**
Other selling, general and administrative expenses	4,201	40	6,836	3,075	1,284	7,892	**23,328**
Income (loss) before the following:	**9,255**	**453**	**16,696**	**6,231**	**3,632**	**(25,500)**	**10,767**
Depreciation and amortization							**8,573**
Finance expense							**4,614**
Change in fair value of liabilities							**423**
Other expense							**1,294**
Loss before income taxes							**(4,137)**

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

Nine month period ended September 30, 2017	**ACS**	**ARC**	**ProSys**	**Sigma**	**TeraMach**	**Shared Services**	**Total**
Revenue	425,504	2,755	502,204	123,072	57,996	703	1,112,234
Cost of sales	390,747	2,452	446,095	103,284	48,952	831	992,361
Gross profit	34,757	303	56,109	19,788	9,044	(128)	119,873
Employee compensation and benefits	22,539	230	31,168	12,266	5,201	15,275	86,679
Other selling, general and administrative expenses	3,445	190	7,167	3,175	979	5,245	20,201
Income (loss) before the following:	8,773	(117)	17,774	4,347	2,864	(20,648)	12,993
Depreciation and amortization							8,414
Finance expense							4,000
Change in fair value of liabilities							6
Other expense							3,882
Loss before income taxes							(3,309)

Segment assets and liabilities

	September 30, 2018	December 31, 2017
Assets		
ACS	**127,746**	185,501
ARC	**6,680**	7,273
ProSys	**195,045**	237,839
Sigma	**61,864**	70,853
TeraMach	**18,919**	24,696
Shared Services	**6,053**	1,721
	416,307	527,883
Liabilities		
ACS	**80,438**	135,673
ARC	**11,050**	11,986
ProSys	**173,877**	216,720
Sigma	**64,788**	71,462
TeraMach	**18,311**	24,715
Shared Services	**59,510**	49,803
	407,974	510,359

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

13. 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 $61,590 and $29,709 for the three-month periods ended September 30, 2018 and 2017, respectively. Total gross sales through the agent were approximately $236,821 and $130,131 for the nine months ended September 30, 2018 and 2017, respectively. Amounts due from Applied were $15,460 and $14,883 as at September 30, 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 $93,472 and $114,615 for the three-month periods ended September 30, 2018 and 2017, respectively. Total sales attributable to the activities of Old ProSys were approximately $326,791 and $263,451 for the nine-month periods ended September 30, 2018 and 2017, respectively. Amounts due from Old ProSys were $51,038 and $95,704 as at September 30, 2018 and December 31, 2017, respectively.

The contractual arrangements with Applied and Old ProSys as described above accounted in aggregate for 48.2% and 37.1% of the overall Pivot revenues for the three-month periods ended September 30, 2018 and 2017, respectively, and 52.6% and 35.4% of the overall Pivot revenues for the nine-month periods ended September 30, 2018 and 2017, respectively. The contractual arrangements with Applied may be terminated by either party on notice to the other.

ACS incurred $250 and $1,000 for the three and nine-month periods ended September 30, 2018, respectively ($375 and $1,125 for the three and nine-month periods ended September 30, 2017, respectively) for research and development provided by a related entity over which the subsidiary's president has significant influence. The Company terminated this agreement in August 2018. As part of the termination agreement, ACS incurred an additional $740 in termination costs for the three and nine months ended September 30, 2018. $615 and $375 was payable as at September 30, 2018 and December 31, 2017, respectively.

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
Compensation	**386**	328	**1,365**	1,145
Annual incentive plans	**93**	56	**450**	212
Share-based compensation	**-**	-	**53**	-
Other compensation	**1,261**	388	**1,678**	602
	1,740	772	**3,546**	1,959