Consolidated Financial Statements

Pivot Technology Solutions, Inc.

December 31, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pivot Technology Solutions, Inc.

We have audited the accompanying consolidated financial statements of Pivot Technology Solutions, Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pivot Technology Solutions, Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

April 22, 2016

Pivot Technology Solutions, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
[in thousands of U.S. dollars]

As at December 31,	2015	2014
ASSETS		
Current		
Cash and cash equivalents	7,978	8,527
Accounts receivable (note 4)	266,285	265,158
Income taxes recoverable	-	258
Inventories	83,321	51,705
Other current assets	29,464	27,172
Total current assets	387,048	352,820
Property, plant and equipment, net (note 5)	7,866	6,685
Goodwill (note 6)	29,733	29,733
Intangible assets (note 7)	43,955	52,966
Deferred income taxes (note 13)	15,982	15,984
Other non-current assets	11,379	15,594
Total assets	495,963	473,782
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	33,195	43,921
Accounts payable and accrued liabilities (note 8)	254,168	219,439
Income taxes payable	500	-
Deferred revenue and customer deposits	33,747	27,156
Other financial liabilities (note 9)	123,373	126,533
Total current liabilities	444,983	417,049
Other financial liabilities (note 9)	-	5,000
Other non-current liabilities	11,960	14,495
Total liabilities	456,943	436,544
Shareholders' equity		
Share capital (note 11)	88,096	86,125
Warrants and options (note 11)	2,015	3,082
Contributed capital	103	21
Accumulated deficit	(51,194)	(51,990)
Total shareholders' equity	39,020	37,238
Total liabilities and shareholders' equity	495,963	473,782

See accompanying notes

On behalf of the Board:

"John Anderson"

John Anderson
Director

"John Sculley"

John Sculley
Director

Pivot Technology Solutions, Inc.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

[in thousands of U.S. dollars]

For the years ended December 31,	2015	2014
Revenue		
Product sales	1,315,479	1,198,411
Service revenue	159,751	150,362
Other revenue	13,730	10,456
	1,488,960	1,359,229
Cost of sales	1,318,553	1,199,871
Gross profit	170,407	159,358
Operating expenses		
Selling and administrative	138,959	125,925
Depreciation and amortization	13,141	12,067
Interest expense	6,780	6,777
Change in fair value of liabilities (note 15)	1,479	5,965
Transaction costs	660	246
Other (income) expense (note 9)	2,933	(256)
	163,952	150,724
Income before income taxes	6,455	8,634
Provision for income taxes (note 13)	3,286	4,378
Net income and comprehensive income for the year	3,169	4,256
Net income per share (note 11):		
Net income available to common shareholders:		
Net income and comprehensive income for the year	3,169	4,256
Deduct preferred dividends declared	(461)	(2,727)
Net income available to common shareholders	2,708	1,529
Basic	$ 0.02	$ 0.01
Diluted	$ 0.02	$ 0.01

See accompanying notes

Pivot Technology Solutions, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
[in thousands of U.S. dollars]

	Share Capital Preferred	Share Capital Common	Share Capital Total	Contributed Capital	Warrants /Options	Accumulated Deficit	Total
Balance, December 31, 2013	51,791	34,334	86,125	-	3,103	(53,519)	35,709
Preferred share conversion to common shares	(3,711)	3,711	-	-	-	-	-
Preferred share dividends declared (note 11)	-	-	-	-	-	(2,727)	(2,727)
Warrants expired and unexercised (note 11)	-	-	-	21	(21)	-	-
Net income and comprehensive income for the year	-	-	-	-	-	4,256	4,256
Balance, December 31, 2014	48,080	38,045	86,125	21	3,082	(51,990)	37,238
Options exercised	-	1,971	1,971	-	(985)	-	986
Preferred share conversion to common shares	(48,080)	48,080	-	-	-	-	-
Preferred share dividends declared (note 11)	-	-	-	-	-	(461)	(461)
Common share dividends declared (note 11)	-	-	-	-	-	(1,912)	(1,912)
Warrants expired and unexercised (note 11)	-	-	-	82	(82)	-	-
Net income and comprehensive income for the year	-	-	-	-	-	3,169	3,169
Balance, December 31, 2015	-	88,096	88,096	103	2,015	(51,194)	39,020

See accompanying notes

Pivot Technology Solutions, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands of U.S. dollars]

For the years ended December 31,	2015	2014
OPERATING ACTIVITIES		
Net income and comprehensive income for the year	3,169	4,256
Add (deduct) items not involving cash		
Depreciation and amortization	13,141	12,067
Provision for receivables	106	240
Loss on disposal of property, plant and equipment	373	12
Deferred income taxes (note 13)	2	(2,976)
Amortization of loan fees (note 9)	572	672
Non cash loss on derecognition	2,553	-
Change in fair value of liabilities (note 15)	1,479	5,965
Changes in non-cash working capital balances (note 17)	4,666	(64,503)
Cash provided by (used in) operating activities	26,061	(44,267)
INVESTING ACTIVITIES		
Payments made on contingent/fixed consideration	(5,500)	(10,850)
Proceeds from sale of property, plant and equipment	128	13
Capital expenditures	(4,681)	(2,471)
Other intangible assets	(1,131)	(1,461)
Cash used in investing activities	(11,184)	(14,769)
FINANCING ACTIVITIES		
Net change in debt facilities	(4,210)	13,900
Net change in flooring arrangements	1,112	1,076
Change in bank overdraft	(10,726)	33,079
Issuance of common shares, net of cost	986	-
Common share dividends paid	(1,912)	-
Preferred share dividends paid	(676)	(2,512)
Cash provided by (used in) financing activities	(15,426)	45,543
Net decrease in cash and cash equivalents during the year	(549)	(13,493)
Cash and cash equivalents, beginning of year	8,527	22,020
Cash and cash equivalents, end of year	7,978	8,527

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 TSX Venture Exchange 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. (formerly known as ACS Acquisition Holdings Inc.), Pivot Research Ltd., Pivot Shared Services Ltd., ACS (US) Inc. ("ACS"), New ProSys Corp. ("ProSys"), Pivot Solutions North America, Inc., (formerly known as Sigma Technology Solutions, Inc.) ("Sigma") and ARC Acquisition (US), Inc. ("ARC").

The consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 were authorized for issue in accordance with a resolution of the Company's Board of Directors on April 22, 2016.

The Company's strategy is to acquire and integrate technology solution providers, primarily in North America. The businesses acquired to date design, sell and support integrated computer hardware, software and networking products for business database, network and network security systems. The Company primarily serves customers throughout the United States of America ("U.S.").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value.

Certain reclassifications have been made to the comparative consolidated financial statements from the consolidated financial statements previously presented, to conform to the presentation of the current year consolidated financial statements in accordance with IFRS.

Management has determined that the Company's operations have similar economic characteristics, and are similar in the nature of products and services, production processes, types and classes of customer, methods of distribution and regulatory environment and as such have aggregated its operating units into a single reportable segment. The Company undertakes its operations in the U.S. and has no significant assets located or revenues generated outside the U.S. Therefore, no segment reporting is included in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2015 and 2014.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-company balances, transactions, unrealized gains and losses resulting from intra-company transactions and dividends are eliminated on consolidation.

Critical judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make judgments on how to apply the Company's accounting policies and make estimates about the future. Due to the inherent uncertainty in making these critical judgments and estimates, actual outcomes could be different.

The more significant judgments and estimates, where a risk that a material adjustment to the carrying value of assets and liabilities in the next fiscal year could occur, relate to:

Revenue Recognition

Revenue recognition where, on a limited number of bundled contracts, requires an estimate of the relative fair value of separate elements. As described in the revenue recognition policy, the Company assesses the criteria for the recognition of revenue related to arrangements that have multiple components. These assessments require judgment by management to determine if there are separately identifiable components as well as how to allocate the total price among the components. Deliverables are accounted for as separately identifiable components if they can be understood without reference to the series of transactions as a whole. In concluding whether components are separately identifiable, management considers the transaction from the customer's perspective. Among other factors, management assesses whether the service or product is sold separately by the Company in the normal course of business or whether the customer could purchase the service or product separately.

Impairment

Impairment exists when the carrying amount of a cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The key assumptions used to determine the recoverable amount for the different CGUs are further explained in note 3.

Taxes

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Intangible assets, other than goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are reflected in the consolidated statements of income and comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the remaining amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income and comprehensive income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income and comprehensive income when the asset is derecognized.

The Company has no indefinite lived intangible assets.

A summary of the policies applied to the Company's intangible assets is as follows:

Type	Amortization method
Customer and vendor relationships	Straight-line basis over 10 years
Technology	Straight-line basis over 5 years
Other	Straight-line basis over 5 to 15 years

Foreign currency

Functional currency is the currency of the primary economic environment in which the reporting entity operates and is normally the currency in which the entity generates and expends cash. Each entity in the Company determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Company has determined that the functional currency of each entity in the consolidated group is U.S. dollars.

Transactions

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Translation

The assets and liabilities of foreign operations are translated into U.S. dollars at period-end exchange rates and their revenue and expense items are translated at exchange rates prevailing at the date of the transactions. The resulting exchange differences are recognized in other comprehensive income.

Financial assets and liabilities

Classification

Financial assets within the scope of IAS 39, Financial instruments: recognition and measurement, ("IAS 39") are classified as financial assets at fair value through profit or loss, loans and receivables, or available-for-sale, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial instruments, classified at fair value through profit or loss, are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset.

The Company has classified its financial instruments as follows:

Fair value through profit or loss	Loans and receivables	Other financial liabilities
• Cash and cash equivalents • Contingent consideration • Interest rate swap	• Accounts receivable	• Accounts payable and accrued liabilities • Secured borrowings • Fixed consideration

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are carried at fair value. Changes in fair value are recognized in the consolidated statements of income and comprehensive income.

Loans and receivables

Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. Receivables are reduced by provisions for estimated bad debts which are determined by reference to past experience and expectations.

Other financial liabilities

All other financial liabilities within the scope of IAS 39 are classified as other financial liabilities. Other financial liabilities are measured at amortized cost using the effective interest rate method. Debt instruments are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Transaction costs related to the long-term debt instruments are included in the value of the instruments and amortized using the effective interest rate method.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or when the Company transfers its rights to receive cash flows from the asset and the associated risks and rewards to a third party.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Determination of fair value

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. The fair value of instruments that are quoted in active markets is determined using the quoted prices. The Company uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with original maturities of three months or less.

The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventories, which consist primarily of finished goods, is generally determined by the purchase cost on a first-in, first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Repair and maintenance costs are recognized in the consolidated statements of income and comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 to 5 years
Furniture and fixtures	5 to 7 years
Leasehold improvements	Shorter of the estimated life of the asset or the lease term

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income and comprehensive income when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Revenue

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.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding sales tax, estimated discounts, rebates and estimated returns.

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

Revenue is recognized when the significant risks and rewards of ownership of the goods has passed to the buyer, usually on delivery to the customer.

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.

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. 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 assumes the risks and rewards of the rendering of the service or if it is simply acting as an agent or broker. 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 (multiple components), the revenue recognition criteria are applied to the separately identifiable components. A component is considered to be separately identifiable if the product or service delivered has stand-alone value to that customer and the fair value associated with the product or service can be measured reliably. The amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole.

Vendor rebates

The Company receives funds from vendors for price protection, product rebates, marketing, promotions and other competitive pricing programs. The Company accounts for these rebates and other incentives received from its vendors, relating to the purchase of inventories, as a reduction of cost of sales and inventories.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recognized and carried at their original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as being remote.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of income and comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an operating expense in the consolidated statements of income and comprehensive income on a straight-line basis over the lease term.

Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the consolidated statements of financial position date.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Pension plan

The Company operates a defined contribution pension plan for certain of its employees. Contributions are recognized as an expense in the consolidated statements of income and comprehensive income as they become payable in accordance with the terms of the plan.

Impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each date of the consolidated statements of financial position. If indication of impairment exists, the asset's recoverable amount is estimated. In addition, goodwill and other indefinite-lived intangibles are tested for impairment annually on October 1.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the CGU on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of the issuance of the Company's 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.

IFRS 9 Financial Instruments: Classification and Measurement

International Financial Reporting Standard 9, *Financial Instruments* ("IFRS 9"), as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

Property, Plant and Equipment ("IAS 16"), and Intangible Assets ("IAS 38")

In May 2014, the IASB issued amendments to IAS 16 and IAS 38 prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. The Company is currently assessing the impact of this standard on its consolidated financial statements.

3. GOODWILL IMPAIRMENT

The Company performed its annual test for goodwill impairment in the fourth quarters of 2015 and 2014 in accordance with its policy described in note 2. The recoverable amount exceeded the carrying value for both 2015 and 2014. The valuation techniques, significant assumptions and sensitivities applied in the goodwill impairment test are described below. The selection and application of valuation techniques and the determination of significant assumptions requires judgment.

The recoverable amount for each CGU was determined using a fair value less costs to sell ('market') approach.

The market approach assumes that companies operating in the same industry will share similar characteristics and that Company values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate fair value. Under the market approach, fair value is calculated based on earnings multiples of benchmark companies comparable to the businesses in each CGU. Data for the benchmark companies was obtained from publicly available information, and ranged between 5.4 and 7.5 times earnings.

(unless otherwise noted all amounts are in thousands of U.S. dollars)

The revenue and operating margin assumptions used were based on the individual CGU's internal forecast for the next fiscal year. In arriving at the forecast, the Company considered past experience and inflation as well as industry and market trends. The forecast also took into account the expected impact from new product initiatives, customer retention and efficiency initiatives. The Company has used earnings multiples for its CGUs similar to the range for benchmark companies.

The recoverable amount for each CGU as at December 31, 2015 and 2014 was in excess of its carrying value.

4. ACCOUNTS RECEIVABLE

	2015	2014
Trade accounts receivable		
Current	165,100	174,372
One to three months	78,681	80,591
Over three months	6,426	4,484
	250,207	259,447
Other receivables	16,527	6,183
	266,734	265,630
Less allowance for doubtful accounts	449	472
As at December 31,	266,285	265,158

The continuity of the allowance for doubtful accounts is as follows:

Provision for doubtful accounts	2015	2014
Balance at the beginning of year	472	381
Provision for doubtful accounts	106	240
Write off bad debts	(129)	(149)
Recoveries	-	-
As at December 31,	449	472

(unless otherwise noted all amounts are in thousands of U.S. dollars)

5. PROPERTY, PLANT AND EQUIPMENT, NET

	Leasehold improvements	Furniture and fixtures	Computer and other equipment	Total
Cost				
As at December 30, 2013	2,248	1,556	6,297	10,101
Additions	667	112	1,692	2,471
Disposals	(2)	(17)	(281)	(300)
As at December 31, 2014	2,913	1,651	7,708	12,272
Additions	2,072	564	2,045	4,681
Transfer to intangibles	11	(434)	(251)	(674)
Disposals	(224)	(36)	(1,982)	(2,242)
As at December 31, 2015	4,772	1,745	7,520	14,037
Accumulated depreciation				
As at December 30, 2013	531	594	2,582	3,707
Depreciation	380	166	1,609	2,155
Disposals	(2)	(10)	(263)	(275)
As at December 31, 2014	909	750	3,928	5,587
Depreciation	598	210	1,754	2,562
Transfer to intangibles	16	(216)	(37)	(237)
Disposals	(45)	(33)	(1,663)	(1,741)
As at December 31, 2015	1,478	711	3,982	6,171
Net book value				
December 31, 2015	3,294	1,034	3,538	7,866
December 31, 2014	2,004	901	3,780	6,685

The Company has no outstanding purchase commitments to purchase property, plant and equipment as at December 31, 2015 and 2014.

The Company has no significant fully depreciated property, plant and equipment that is still in use.

6. GOODWILL

Cost and net book value	
As at December 30, 2013	29,733
Impairment (note 3)	-
As at December 31, 2014	29,733
Impairment (note 3)	-
As at December 31, 2015	29,733

(unless otherwise noted all amounts are in thousands of U.S. dollars)

The Company has four CGUs, all of which include goodwill. The carrying value of goodwill for the CGUs is identified separately in the table below:

	2015	2014
ACS	15,026	15,026
ProSys	6,916	6,916
ARC	1,338	1,338
Sigma	6,453	6,453
As at December 31,	29,733	29,733

7. INTANGIBLE ASSETS

	Customer and vendor relationships	Purchased technology	Internally developed technology	Other	Total
Cost					
As at December 30, 2013	76,300	9,000	1,686	610	87,596
Additions	-	-	1,067	394	1,461
As at December 31, 2014	76,300	9,000	2,753	1,004	89,057
Additions	-	-	1,125	6	1,131
Transfer from PP&E	610	-	-	64	674
Disposals	-	(4,000)	-	-	(4,000)
As at December 31, 2015	76,910	5,000	3,878	1,074	86,862
Accumulated amortization					
As at December 30, 2013	20,663	5,399	-	117	26,179
Amortization	7,662	1,794	367	89	9,912
As at December 31, 2014	28,325	7,193	367	206	36,091
Amortization	7,791	1,807	916	65	10,579
Transfer from PP&E	169	-	-	68	237
Disposals	-	(4,000)	-	-	(4,000)
As at December 31, 2015	36,285	5,000	1,283	339	42,907
Net book value					
December 31, 2015	40,625	-	2,595	735	43,955
December 31, 2014	47,975	1,807	2,386	798	52,966

(unless otherwise noted all amounts are in thousands of U.S. dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Accounts payable	227,240	192,203
Accrued liabilities	26,928	27,236
As at December 31,	254,168	219,439

A subsidiary of the Company has a secured flooring agreement with IBM Global Finance ("IBM") which provides short-term financing. Certain vendors send invoices directly for payment and IBM bills the Company monthly for vendor invoices received. After 60 days, the Company incurs interest on the outstanding balance at LIBOR plus 4.5%. The Company is required to maintain certain financial ratios and was in compliance at December 31, 2015 and 2014. $13,710 and $11,157 was due to IBM at December 31, 2015 and 2014, respectively. This amount is included in accounts payable in the consolidated statements of financial position.

On August 26, 2014, another subsidiary executed a purchase finance agreement with Macquarie Equipment Finance ("Macquarie") that allows up to $10,000 in unsecured advances on purchases from approved suppliers. Interest of LIBOR plus 0.7%, (for 30 day advances) or LIBOR plus 1.06% (for 45 day advances) will be applied. $7,073 and $8,515 was due to Macquarie at December 31, 2015 and 2014, respectively. This amount is included in accounts payable in the consolidated statements of financial position. On March 24, 2015, the agreement with Macquarie was amended to allow up to $15,000 on 60 day unsecured advances from approve suppliers. Interest of LIBOR plus 1.58% will be applied.

9. OTHER FINANCIAL LIABILITIES

	2015	2014
Current		
Secured borrowings	121,386	120,525
Fixed consideration	-	4,992
Interest rate swap	1,987	1,016
	123,373	126,533
Non-current		
Secured borrowings	-	5,000
	-	5,000
As at December 31,	123,373	131,533

Secured borrowings

On November 13, 2013 ("PNC Closing Date"), Pivot Technology Solutions Ltd., a wholly owned subsidiary of the Company, along with certain of its subsidiaries, ACS, ProSys and Sigma (collectively the "PNC Borrowing Group"), entered into an agreement with PNC Bank ("PNC") for the provision of $185,000 of senior secured asset-based credit facilities ("PNC Credit Facility"). The PNC Credit Facility originally consisted of a $10,000 term loan ("PNC Term Loan") and a senior secured revolving credit facility ("PNC Revolving Credit Facility") that allowed the PNC Borrowing Group to draw up to $175,000, subject to borrowing base limitations, a portion of which could be used for letters of credit or swing line loans.

The PNC Term Loan principal was due in four consecutive quarterly instalments of $500 commencing on January 1, 2014, ten consecutive quarterly instalments of $750 commencing on January 1, 2015, followed by a final payment of $500 plus all unpaid principal, accrued and unpaid interest and all unpaid fees and expenses on August 13, 2017. Unless a new credit facility was arranged by PNC, a 2% premium applied to any portion of the PNC Term Loan that was prepaid on or before the one-year anniversary of the PNC Closing Date and a 1% premium applied to any prepayment after the first anniversary of the PNC Closing Date and on or before the third anniversary of the PNC Closing Date.

The PNC Revolving Credit Facility provided for a borrowing rate of Prime plus 1% to 1.5% or LIBOR plus 2% to 2.5% per annum, based on average quarterly undrawn availability, at the Company's election. The PNC Term Loan bore interest at Prime plus 9% or LIBOR plus 10% per annum at the Company's election. The PNC Revolving Credit Facility contained an unused commitment fee of 0.375% per annum.

Nil and $117,525 was outstanding under the PNC Revolving Credit Facility as at December 31, 2015 and 2014, respectively. The PNC Term Loan had outstanding balances of nil and $8,000 as at December 31, 2015 and 2014, respectively. A 1% fee of $58 was charged for the termination of the PNC Term Loan prior to the third anniversary of the PNC Closing Date.

The PNC Borrowing Group was able to use up to $10,000 of its available borrowing under the PNC Credit Facility for letters of credit which were charged a fronting fee of 0.25% and bore interest at Prime plus 1.5%. The PNC Borrowing Group could also use up to $17,500 of its available borrowing under the PNC Credit Facility for swing loans which charged a fee of Prime plus 1.5% per annum. A letter of credit for $250 was outstanding under the PNC Credit Facility at December 31, 2015 and 2014. The balance outstanding on the swing loan held under the PNC Revolving Credit Facility was nil at December 31, 2015 and 2014.

Under the terms of the PNC Credit Facility, the PNC Borrowing Group was subject to certain restrictive covenants. The Company was in compliance with these covenants as at December 31, 2014.

On September 21, 2015, the Company entered into a credit agreement with certain institutional lenders, represented by JPMorgan Chase Bank, N.A. ("JPMC"), that provides for a $200,000 secured asset-based revolving credit facility, subject to borrowing base limitations, a portion of which could be used for letters of credit or swing line loans ("JPMC ABL Credit Facility"). The JPMC ABL Credit Facility is scheduled to expire on September 21, 2020. Any advances under the credit agreement will 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 the Administrative Agent, for an interest period of one month plus 1.50% to 1.75%, at the Company's election. Under the terms of the JPMC Credit Facility, the Company is subject to certain restrictive covenants. The covenants require that the Company maintain a Fixed Charge Ratio ("FCR") of at least 1.1 to 1 on a trailing twelve month basis, triggered in the event that availability is less than 12.5% of the revolving commitment until such time that availability has been greater than 12.5% of the revolving commitment for 30 consecutive days. Additional negative covenants place restrictions on additional indebtedness, liens, fundamental changes to the Company's legal structure, investments, asset sales, sale and leaseback transactions, swap agreements, restricted payments, transactions with affiliates, restrictive agreements, amendment of material documents, and distribution of loan proceeds amongst the Company's subsidiaries. The Company was in compliance with all applicable covenants at December 31, 2015 and December 31, 2014.

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 JPMC ABL Credit Facility by up to an additional $75,000. The lenders under the JPMC ABL 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. On January 14, 2016, the agreement was amended, increasing the overall facility to $225,000 (note 20).

In connection with the JPMC ABL Credit Facility, the Company incurred finance costs which have been capitalized and are being amortized over the life of the credit agreement. As at December 31, 2015, $122,816 was outstanding under the JPMC ABL Credit Facility and the Company was in compliance with the required covenants. The outstanding balance is shown net of deferred loan costs of $1,430, at December 31, 2015, in current other financial liabilities in the consolidated statements of financial position.

This credit facility replaces the PNC Credit Facility that was entered into on November 13, 2013, which was terminated, at the Company's election, in connection with its entering into the new credit facility.

As a result of the transactions described above, the Company incurred a loss on the derecognition of the PNC Credit Facility. This loss, recorded to other expense, consisted of (1) $2,553 for the write-off of deferred costs associated with the repayment of the PNC Credit Facility and (2) a $58 termination fee required to prepay the Company's PNC Term Loan.

Fixed consideration

On July 1, 2012, the Company acquired substantially all of the net operating assets of Sigma Solutions, LP ("Old Sigma"). As part of the asset purchase agreement with the partners of Old Sigma, contingent consideration had been agreed. The consideration was dependent on a measure of operating profit before tax of the business acquired from Old Sigma during the three consecutive 12-month periods ending July 1, 2015. The purchase agreement was amended on May 7, 2014, whereby the remaining undiscounted consideration was fixed at $7,500, payable in increments of $3,500 and $4,000 on October 31, 2014 and October 31, 2015, respectively. The agreement was further amended on October 28, 2014, whereby the first increment of the fixed consideration was payable in the amounts of $2,000 on October 31, 2014, with the remaining $1,500 to accrue interest at 8% per annum, and to be paid on or before April 30, 2015. If any of the $1,500 remained unpaid after April 30, 2015, it was to bear interest at 15% per annum. On April 27, 2015, the agreement was further amended, whereby the final $1,500 first increment payment was payable on or before July 31, 2015 with the unpaid balance accruing interest from the amendment date until the earlier of the payment date or July 31, 2015, at the rate of 8% per annum. If any of the $1,500 remained unpaid after July 31, 2015, it would bear interest at 15% per annum. The $1,500 was paid on July 31, 2015. The fair value at the acquisition date was estimated to be $5,719. The final installment of $4,000 was paid on October 30, 2015. The present value of the consideration was determined to be $4,992 as at December 31, 2014. The Company recorded a charge of $508 and $2,112 related to the change in present value of the consideration during 2015 and 2014, respectively. Payments of $5,500 and $2,000 were made during 2015 and 2014, respectively.

Interest rate swap

On April 3, 2014, the Company entered into an interest rate forward swap agreement ("Swap") with PNC to mitigate the risk of fluctuating interest rates. Under the terms of the Swap, the interest rate varied between 4.655% and 5.155% on $50,000 of the amount outstanding under the PNC Credit Facility. This range of rates is in effect from April 7, 2016 through November 13, 2018. As part of the Novation Agreement noted below, the interest rate will now vary between 4.305% and 4.555% on $50,000 of the amount outstanding under the JPMC ABL Credit Facility. The changes in the fair value of this instrument were recorded as a change in fair value of liabilities in the consolidated statements of income and comprehensive income. As at December 31, 2015 and 2014, the net present value of the Swap was determined to be $1,987 and $1,016, respectively, which represents the cost that would be incurred by the Company to exit the Swap, due to fluctuations in future interest rate expectations.

On September 21, 2015, in connection with the commencement of the new JPMC ABL Credit Facility, the Company novated the Swap and transferred to JPMC of all the rights, liabilities, duties and obligations of the Interest Rate Swap Provider (PNC). The transactions between the Company and JPMC will be subject to the same terms and with the same provisions as set forth in the Interest Rate Swap Agreement but with the modifications as set forth in the Novation Agreement.

(unless otherwise noted all amounts are in thousands of U.S. dollars)

10. OBLIGATIONS UNDER LEASES

The Company leases its facilities and certain equipment under non-cancellable long-term operating leases. It is expected that in the normal course of business these leases will expire and be renewed.

Future commitments under non-cancellable operating leases are as follows:

As at December 31, 2015	Related parties (note 19)	Unrelated parties	Total
Years ending December 31,			
2016	1,442	3,604	5,046
2017	1,288	3,221	4,509
2018	327	3,112	3,439
2019	-	1,907	1,907
2020	-	1,655	1,655
Thereafter	-	4,391	4,391
	3,057	17,890	20,947

Rent expense amounted to $6,341 and $4,890 for 2015 and 2014, respectively.

11. SHARE CAPITAL

As at December 31, 2015, the issued share capital amounted to $88,096. 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 year ended December 31, 2015 were as follows:

	Series A preferred #	Common shares #
As at January 1, 2015	60,163,380	107,623,246
Cancellation of shares	-	(135,000)
Options exercised	-	3,250,000
Preferred shares converted to common shares	(60,163,380)	60,163,380
As at December 31, 2015	-	170,901,626

Note: Share amounts are not rounded

Series A Preferred Shares

The holders of Series A Preferred Shares were entitled to receive, on a monthly basis, in cash, out of any funds legally available therefore, a fixed cumulative preferential dividend at the rate of 6% per annum, when declared by the Board of Directors. The holders of the Series A Preferred Shares were permitted to require the Company to redeem the Series A Preferred Shares for cash at a price per share that is equal to C$0.48 following the completion of any transaction where the Company had raised C$75,000 in capital. The Series A Preferred Shares carried an optional conversion right where each Series A Preferred Share could, at the option of the holders, be converted into one common share of the Company. The Series A Preferred Shares also carried a conversion right, whereby at any time after June 30, 2013, the Company was permitted to require the holders to convert the Series A Preferred Shares into common shares of the Company. On March 16, 2015, the Company converted all of the outstanding Series A Preferred Shares into common shares.

Income per share

Basic net income per share is based on the weighted average number of common shares outstanding during the period. Diluted income per share assumes the weighted average dilutive effect of common share equivalents outstanding during the period applied to the Company's basic income per share. Common share equivalents represent potentially dilutive stock options, warrants, and dilutive shares related to the Company's Series A Shares. Common share equivalents are excluded from the computation in periods in which they have an anti-dilutive effect. Diluted income per share for the year ended December 31, 2015 assumes, as of the beginning of the period, exercise of stock options using the treasury stock method. For the year ended December 31, 2014, the basic income per share calculated amount is the same as the fully diluted income per share amount as the effect of the conversion of all the outstanding preferred shares would be anti-dilutive as no dividends would have been declared. The computation of diluted income per share for the year ended December 31, 2014 also did not include the effect of options to purchase 7,764,514 shares, as the option exercise price exceeded the market value of the underlying stock, so the result would have been anti-dilutive.

(unless otherwise noted all amounts are in thousands of U.S. dollars)

The following table summarizes the basic and diluted income per share and the basic and diluted weighted average number of common shares outstanding:

	Year ended December 31,	
	2015	2014
Income for the period	3,169	4,256
Preferred share dividends declared	(461)	(2,727)
Income for the period available to common shareholders	2,708	1,529
Weighted average number of common shares outstanding – basic	156,170,547	104,919,473
Effect of dilutive potential common shares	440,562	-
Weighted average number of common shares outstanding – diluted	156,611,109	104,919,473
Income per share		
Basic	$0.02	$0.01
Diluted	$0.02	$0.01

Warrants and options

Broker warrants

The Company's broker warrant instruments are classified as equity and measured at fair value on the date of issue. Broker warrants are compensation warrants issued to the brokers involved in the Company's financing efforts. Fair value is calculated at the grant date using the Black-Scholes option pricing model and management's assumptions.

Subsequent to issue, broker warrants are not revalued. Warrants and broker warrants are re-classified to share capital when they are exercised or contributed capital, if expired and unexercised.

On March 11, 2013, PAC granted to its private placement agents non-transferable warrants to purchase up to an aggregate of 309,514 common shares at a price of C$0.80 per share exercisable for a period of two years. The relative fair value of the warrants were valued using the Black-Scholes option pricing model using the following fair value assumptions: dividend yield of 0%, volatility rate of 60%, expected life of two years and risk-free interest rate of 0.98%. The fair value allocated to the warrants was C$83. On March 11, 2015, the options had not been exercised, and have expired accordingly.

During 2011, PAC issued 7,455,000 broker compensation warrants in relation to the Company's Debenture issue. The options could be exercised for C$0.40 per share and expired on April 14, 2016 (note 20). The fair value allocated to the warrants was $3,000, which was recognized as an expense in fiscal 2011. The following broker options were exercised during 2015:

(unless otherwise noted all amounts are in thousands of U.S. dollars)

Date	# of Options Exercised	# of Shares Issued	Price per Share	Proceeds
May 19, 2015	100,000	100,000	C$0.40	C$40,000
September 18, 2015	300,000	300,000	C$0.40	C$120,000
September 28, 2015	400,000	400,000	C$0.40	C$160,000
October 16, 2015	500,000	500,000	C$0.40	C$200,000
October 22, 2015	700,000	700,000	C$0.40	C$280,000
November 27, 2015	450,000	450,000	C$0.40	C$180,000
December 8, 2015	800,000	800,000	C$0.40	C$320,000
Total Options Exercised	3,250,000	3,250,000		C$1,300,000

Cancellation of shares

On April 17, 2014, September 30, 2014, March 30, 2015 and September 28, 2015, respectively, 75,000, 60,000, 67,500 and 67,500 common shares were cancelled. The cancellations were related to the resignation of the Company's former CEO, which was announced on July 3, 2013. On the date of resignation, 40% (or 300,000) of the 750,000 shares previously granted to the former CEO pursuant to his service agreement with the Company had vested, and as such, 60% or 450,000 shares are required to be cancelled upon release from escrow. All 750,000 shares had been placed into escrow following the completion of the Qualifying Transaction as described in the Company's filing statement dated March 8, 2013. 60% of the shares will be cancelled as they are released from escrow, until a total of 450,000 shares are cancelled. As at December 31, 2015, 270,000 shares have been cancelled.

(unless otherwise noted all amounts are in thousands of U.S. dollars)

Dividends declared and paid

Series A Dividends declared and paid were as follows:

Declaration Date	Record Date	Distribution Date	Per share amount	Total dividend
December 10, 2013	December 24, 2013	January 3, 2014	C$0.00407671	C$266
January 13, 2014	January 27, 2014	February 3, 2014	C$0.00407671	C$266
February 11, 2014	February 24, 2014	March 3, 2014	C$0.00368219	C$240
March 10, 2014	March 25, 2014	April 3, 2014	C$0.00407671	C$266
April 9, 2014	April 25, 2014	May 2, 2014	C$0.00394521	C$247
May 12, 2014	May 26, 2014	June 3, 2014	C$0.00407671	C$255
June 10, 2014	June 24, 2014	July 3, 2014	C$0.00394521	C$246
July 10, 2014	July 24, 2014	August 5, 2014	C$0.00407671	C$254
August 12, 2014	August 25, 2014	September 3, 2014	C$0.00407671	C$254
September 9, 2014	September 23, 2014	October 3, 2014	C$0.00394521	C$247
October 9, 2014	October 24, 2014	November 4, 2014	C$0.00407671	C$250
November 6, 2014	November 21, 2014	December 3, 2014	C$0.00394521	C$242
December 10, 2014	December 22, 2014	January 5, 2015	C$0.00407671	C$250
January 13, 2015	January 26, 2015	February 3, 2015	C$0.00407671	C$245
February 11, 2015	February 23, 2015	March 4, 2015	C$0.00368219	C$221
March 6, 2015	March 15, 2015	April 3, 2015	C$0.00197260	C$115

Note: Per share amounts are not rounded

Common share dividends declared and paid were as follows:

Declaration Date	Record Date	Distribution Date	Per share amount	Total dividend
August 19, 2015	August 31, 2015	September 15, 2015	C$0.0075	C$1,259
November 20, 2015	December 2, 2015	December 15, 2015	C$0.0075	C$1,276

Note: Per share amounts are not rounded

(unless otherwise noted all amounts are in thousands of U.S. dollars)

12. CAPITAL MANAGEMENT

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and non-cash working capital financial liabilities.

Total managed capital is as follows:

	2015	2014
Other financial liabilities (note 9)	123,373	131,533
Shareholders' equity	39,020	37,238
As at December 31,	162,393	168,771

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements and there has been no change in the Company's capital management approach during the year.

13. INCOME TAXES

Significant components of the provision for income taxes are as follows:

	2015	2014
Current tax expense	3,288	7,354
Deferred tax benefit	(2)	(2,976)
	3,286	4,378

(unless otherwise noted all amounts are in thousands of U.S. dollars)

The provision for income taxes differed from the amount computed by applying the combined federal and provincial statutory rate as follows. Any change in the applicable tax rate reflects appropriate enacted law.

	2015	2014
Expected income tax at combined statutory rate	1,625	2,172
Unrecognized temporary differences	(262)	(366)
Permanent differences	236	442
Differences in income tax rates of foreign jurisdictions	1,586	2,078
True ups/adjustments in respect to income tax of previous years	192	25
Tax credits	(85)	(227)
Part VI.1 tax	-	438
Other	(6)	(184)
Income tax expense	3,286	4,378

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset are as follows:

	2015	2014
Intangible assets	13,827	13,811
Contingent/fixed consideration	3,840	3,813
Reserves and provisions	1,469	1,133
Property, plant and equipment	(994)	(742)
Loss carryforwards	6	337
Other	(2,166)	(2,368)
	15,982	15,984

As of December 31, 2015 the Company has tax losses of $17,433 which arose in Canada that are available for off-set against future taxable profits. These losses begin to expire in 2030.

Deferred tax assets of $4,365 have not been recognized in respect of these losses as they may not be used to offset taxable profits elsewhere in the consolidated group and they have arisen in companies that have no history of profitability. As at December 31, 2015 and 2014, there are other deferred tax assets which have been recognized on the consolidated statements of financial position which total $15,982 and $15,984, respectively.

There are no significant temporary differences related to the investment in subsidiaries.

(unless otherwise noted all amounts are in thousands of U.S. dollars)

As at December 31, 2015 and 2014, there was no recognized deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The Company's tax expense includes nil and $438 related to the dividends paid to its preferred shareholders during 2015 and 2014.

14. FINANCIAL INSTRUMENTS

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

As at December 31, 2015	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Non-financial	Total carrying amount
Cash and cash equivalents	7,978	-	-	-	7,978
Accounts receivable	-	266,285	-	-	266,285
Other non-financial assets	-	-	-	221,700	221,700
Total assets	7,978	266,285	-	221,700	495,963
Bank overdraft	33,195	-	-	-	33,195
Accounts payable and accrued liabilities	-	-	254,168	-	254,168
Other financial liabilities	1,987	-	121,386	-	123,373
Other non-financial liabilities	-	-	-	46,207	46,207
Total liabilities	35,182	-	375,554	46,207	456,943

As at December 31, 2014	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Non-financial	Total carrying amount
Cash and cash equivalents	8,527	-	-	-	8,527
Accounts receivable	-	265,158	-	-	265,158
Other non-financial assets	-	-	-	200,097	200,097
Total assets	8,527	265,158	-	200,097	473,782
Bank overdraft	43,921	-	-	-	43,921
Accounts payable and accrued liabilities	-	-	219,439	-	219,439
Other financial liabilities	1,016	-	130,517	-	131,533
Other non-financial liabilities	-	-	-	41,651	41,651
Total liabilities	44,937	-	349,956	41,651	436,544

(unless otherwise noted all amounts are in thousands of U.S. dollars)

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 December 31:

	Fair value as at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Interest rate swap	-	1,987	-	1,987
	-	1,987	-	1,987

	Fair value as at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Interest rate swap	-	1,016		1,016
	-	1,016		1,016

The fair value of all other financial instruments carried within the Company's 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 in Level 3 as the amount payable was not based on observable inputs. Management estimated the fair value of contingent consideration internally based on a discounted cash flow methodology. The fair value was determined by applying a fixed 18% discount rate.

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

Credit risk

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. As at December 31, 2015, one customer represented 17% of the outstanding accounts receivable balance. As at December 31, 2014, one customer represented 23% of the outstanding receivable balance. The requirement for impairment is analyzed at each reporting date on an individual basis for major clients.

(unless otherwise noted all amounts are in thousands of U.S. dollars)

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and short-term investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Company monitors its risk to a shortage of funds by monitoring its working capital and the maturity dates of existing debt.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, based on contractual undiscounted payments.

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	33,195	-	-	-	-	33,195
Secured borrowings	122,816	-	-	-	-	122,816
Accounts payable and accrued liabilities	-	254,168	-	-	-	254,168
Interest rate swap	-	-	1,987	-	-	1,987
As at December 31, 2015	156,011	254,168	1,987	-	-	412,166

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	43,921	-	-	-	-	43,921
Secured borrowings	117,525	3,000	3,000	2,000	-	125,525
Accounts payable and accrued liabilities	-	219,439	-	-	-	219,439
Interest rate swap	-	-	1,016	-	-	1,016
Contingent consideration	-	5,500	-	-	-	5,500
As at December 31, 2014	161,446	227,939	4,016	2,000	-	395,401

In addition to the financial liabilities listed in the tables above, the Company pays interest on its secured borrowings.

(unless otherwise noted all amounts are in thousands of U.S. dollars)

Other risks

The Company is subject to risks and losses resulting from fluctuations in interest rates on its bank indebtedness, loans and borrowings. The ABL credit facility carries floating interest rates that are tied to LIBOR or the prime rate, and therefore, the Company's consolidated statements of income and comprehensive income and its cash flows will be exposed to changes in interest rates to the extent that effective hedging arrangements are not in place. The Company is currently using a Swap agreement to hedge a portion of the variable cash flows associated with the interest on the ABL credit facility. As at December 31, 2015 and 2014, the Company was a party to a Swap agreement which covers $50,000 of the indebtedness under the ABL credit facility, beginning April 7, 2016 through November 13, 2018. As discussed in note 9, the fair market value of the Swap was a loss of $1,987 and $1,016 as at December 31, 2015 and 2014, respectively, which is recorded in other financial liabilities on the consolidated statements of financial position. Changes in the fair value of the Swap agreement are recognized as a change in fair value of liabilities in the consolidated statements of income. The Company is exposed to risks due to fluctuations in the market value of the Swap agreement and changes in interest rates with respect to the portion of the ABL credit facility that is not covered by the Swap agreement. Based upon a sensitivity analysis as at December 31, 2015, a hypothetical 1.0% change in interest rates would have changed the Company's annual interest expense by approximately $360. The Company does not use derivative financial instruments for speculative or trading purposes, however, this does not preclude the adoption of specific hedging strategies in the future.

15. CHANGE IN FAIR VALUE OF LIABILITIES

	2015	2014
Contingent consideration	-	3,801
Interest rate swap	971	1,016
Fixed consideration	508	1,148
	1,479	5,965

16. EMPLOYEE SALARIES AND BENEFITS EXPENSE

	2015	2014
Cost of sales	34,521	33,629
Selling and administrative expenses	108,383	102,714
	142,904	136,343

(unless otherwise noted all amounts are in thousands of U.S. dollars)

17. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2015	2014
Accounts receivable	(1,233)	(68,674)
Income taxes recoverable	758	2,394
Inventories	(31,616)	10,049
Other assets	(1,131)	(23,091)
Accounts payable and accrued liabilities	40,423	4,577
Other liabilities	(2,535)	10,242
	4,666	(64,503)

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

	2015	2014
Interest paid	5,758	6,360
Income taxes paid	2,518	5,638

18. MAJOR CUSTOMERS

The Company had two customers that represented 21.6% and 24.7%, and 12.5% and 11.9% of gross revenues for the years ended December 31, 2015 and 2014, respectively.

19. RELATED PARTY DISCLOSURES

A subsidiary of the Company has entered into an administrative services agreement, a license agreement and a distribution agreement with Applied Computer Solutions, Inc. ("Old ACS") commencing with the date of the original asset purchase. The administrative services agreement commits the Company to performing certain administrative functions on behalf of Old ACS. Total amounts collected from Old ACS for these shared administrative services was $3,379 and $2,207 for the years ended December 31, 2015 and 2014, respectively. The license agreement permits Old ACS to license from the Company certain of the intellectual property obtained by the Company in the asset purchase. A member of key management of the Company has significant influence over Old ACS, resulting in a related party relationship.

The Company is deemed to have the primary exposure to the significant risks and rewards associated with sales by Old ACS to its third-party customers, and thus the Company is the principal and Old ACS is the agent of the Company with respect to such sales. The Company recognizes these revenues on a gross basis. Total gross sales through the agent were $100,461 and $110,396 for the years ended December 31, 2015 and 2014, respectively. The Company's effective cost to the agent in respect of these revenues was approximately $7,770 and $3,461 for the years ended December 31, 2015 and 2014, respectively, which is included in the Company's cost of sales.

(unless otherwise noted all amounts are in thousands of U.S. dollars)

The Company has a similar contractual arrangement with Austin Ribbon & Computer Supplies, Inc. ("Old ARC"), whereby Old ARC is an agent of the Company. Total gross sales through the agent are approximately $120,201 and $110,292 for the years ended December 31, 2015 and 2014, respectively.

Certain subsidiaries lease offices from related entities. One subsidiary of the Company leases two of its offices from a related entity controlled by a key member of that subsidiary's management team. The Company is obligated for repairs, maintenance, insurance and property tax on this lease. Rent paid on these leases amounts to $1,647 and $1,581 for the years ended December 31, 2015 and 2014, respectively.

Another subsidiary of the Company leased an office from an entity in which that subsidiary's president and another key management member have an ownership interest. The Company was obligated for repairs, maintenance, insurance and property tax on this lease. Rent paid on this lease amounts to nil and $66 for the years ended December 31, 2015 and 2014, respectively. This lease expired in August 2014 and was not renewed.

A subsidiary of the Company incurred nil and $352 for the years ended December 31, 2015 and 2014, respectively, for marketing services provided by related entities controlled by a key member of that subsidiary's management team and $20 and $160 in expenses for the use of aircraft owned by a related entity controlled by a key member of that subsidiary's management team for the years ended December 31, 2015 and 2014, respectively.

A subsidiary of the Company incurred $1,800 and $1,021 for the years ended December 31, 2015 and 2014, respectively, for research and development provided by a related entity controlled by that subsidiary's president.

A subsidiary of the Company incurred $263 and nil for the years ended December 31, 2015 and 2014, respectively, for sales and marketing support provided by a related entity where a Company director has significant influence.

The following table sets out the compensation of Company officers:

	2015	2014
Compensation	2,405	2,134
Short-term employee benefits	36	36
	2,441	2,170

20. SUBSEQUENT EVENTS

On January 14, 2016, the JPMC ABL Credit Facility agreement was amended, increasing the overall facility to $225,000.

On March 30, 2016, the Company obtained the approval of the TSX Venture Exchange to implement a Normal Course Issuer Bid ("NCIB") for its common shares. Under the NCIB, the Company may acquire up to approximately 5% of the Company's issued and outstanding common shares. Subject to renewal of the NCIB, the NCIB for the common shares of the Company will terminate on the earlier of March 31, 2017 and the date on which the Company has acquired the maximum number of common shares permitted under the NCIB. All common shares acquired under the NCIB will be acquired at the market price of the securities at the time of acquisition. The common shares so acquired will be cancelled.

On April 14, 2016, 2,931,000 broker compensation warrants issued in relation to the Company's Debenture issue expired unexercised.