Interim Condensed Consolidated Financial Statements

Pivot Technology Solutions, Inc.

For the Three Months Ended
March 31, 2015 and 2014

(Unaudited)

(Expressed in Thousands of U.S. Dollars)

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[unaudited]

[in thousands of U.S. dollars]

	March 31, 2015	December 31, 2014
ASSETS		
Current		
Cash and cash equivalents	**8,758**	8,527
Accounts receivable	**221,530**	265,158
Income taxes recoverable	**2,838**	258
Inventories	**62,413**	51,705
Other current assets	**29,345**	27,172
Total current assets	**324,884**	**352,820**
Property, plant and equipment, net	**8,670**	6,685
Goodwill	**29,733**	29,733
Intangible assets , net	**50,687**	52,966
Deferred income taxes (note 8)	**15,632**	15,984
Other non-current assets	**15,121**	15,594
Total assets	**444,727**	**473,782**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	**24,216**	43,921
Accounts payable and accrued liabilities	**214,161**	219,439
Deferred revenue and customer deposits	**26,892**	27,156
Other financial liabilities (note 5)	**127,670**	126,533
Total current liabilities	**392,939**	**417,049**
Other financial liabilities (note 5)	**4,250**	5,000
Other non-current liabilities	**13,868**	14,495
Total liabilities	**411,057**	**436,544**
Shareholders' equity		
Share capital (note 6)	**86,125**	86,125
Warrants and options (note 6)	**3,082**	3,082
Contributed capital	**21**	21
Accumulated deficit	**(55,558)**	(51,990)
Total shareholders' equity	**33,670**	**37,238**
Total liabilities and shareholders' equity	**444,727**	**473,782**

See accompanying notes

On behalf of the Board:

"John Anderson"	*"John Sculley"*
John Anderson	**John Sculley**
Director	Director

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[unaudited]

[in thousands of U.S. dollars]

For the three months ended March 31,	2015	2014
Revenues		
Product sales	**255,634**	283,694
Service revenues	**38,624**	33,534
Other revenues	**2,115**	2,099
	296,373	**319,327**
Cost of sales	**264,177**	283,864
Gross profit	**32,196**	**35,463**
Operating expenses (income)		
Selling and administrative	**30,887**	29,257
Depreciation and amortization	**3,085**	2,865
Interest expense (note 9)	**1,837**	1,327
Change in fair value of liabilities (note 10)	**725**	3,759
Transaction costs (note 11)	**17**	-
Other expense (income)	**1**	(156)
	36,552	**37,052**
Loss before income taxes	**(4,356)**	(1,589)
Recovery of income taxes (note 8)	**(1,249)**	(620)
Net and comprehensive loss for the period	**(3,107)**	**(969)**
Net loss per share (note 6)**:**		
Net loss available to common shareholders:		
Net and comprehensive loss for the period	**(3,107)**	(969)
Deduct preferred dividends declared	**(461)**	(696)
Net loss available to common shareholders	**(3,568)**	(1,665)
Basic	**$ (0.03)**	$ (0.02)
Diluted	**$ (0.03)**	$ (0.02)

See accompanying notes

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of U.S. dollars]

	Share Capital			Contributed	Warrants/	Accumulated	
	Preferred	**Common**	**Total**	**Capital**	**Options**	**Deficit**	**Total**
Balance, December 31, 2013	**51,791**	**34,334**	**86,125**	**-**	**3,103**	**(53,519)**	**35,709**
Preferred share conversion to common shares	(96)	96	**-**	-	-	-	**-**
Preferred share dividends declared (note 6)	-	-	**-**	-	-	(696)	**(696)**
Net and comprehensive loss for the period	-	-	**-**	-	-	(969)	**(969)**
Balance, March 31, 2014	**51,695**	**34,430**	**86,125**	**-**	**3,103**	**(55,184)**	**34,044**
Balance, December 31, 2014	**48,080**	**38,045**	**86,125**	**21**	**3,082**	**(51,990)**	**37,238**
Preferred share conversion to common shares	(48,080)	48,080	**-**	-	-	-	**-**
Preferred share dividends declared (note 6)	-	-	**-**	-	-	(461)	**(461)**
Net and comprehensive loss for the period	-	-	**-**	-	-	(3,107)	**(3,107)**
Balance, March 31, 2015	**-**	**86,125**	**86,125**	**21**	**3,082**	**(55,558)**	**33,670**

See accompanying notes

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[unaudited]

[in thousands of U.S. dollars]

For the three months ended March 31,	**2015**	2014
OPERATING ACTIVITIES		
Net and comprehensive loss for the period	**(3,107)**	(969)
Add (deduct) items not involving cash		
Depreciation and amortization	**3,085**	2,865
Gain on disposals of property, plant and equipment	**(1)**	-
Deferred income taxes (note 8)	**352**	(1,611)
Amortization of loan fees	**178**	163
Change in fair value of liabilities (note 10)	**725**	3,759
Changes in non-cash working capital balances (note 12)	**22,417**	(36,261)
Cash provided by (used in) operating activities	**23,649**	(32,054)
INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	**4**	-
Capital expenditures	**(2,544)**	(378)
Intangible assets	**(250)**	(249)
Cash used in investing activities	**(2,790)**	(627)
FINANCING ACTIVITIES		
Net change in debt facilities	**(338)**	21,196
Change in bank overdraft	**(19,705)**	(524)
Preferred share dividends paid	**(585)**	(455)
Cash provided by (used in) financing activities	**(20,628)**	20,217
Net increase (decrease) in cash and cash equivalents during the period	**231**	(12,464)
Cash and cash equivalents, beginning of period	**8,527**	22,020
Cash and cash equivalents, end of period	**8,758**	9,556

See accompanying notes

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

1. CORPORATE INFORMATION

Pivot Acquisition Corp. ("Pivot Acquisition") completed a reverse takeover ("RTO") of Pivot Technology Solutions, Inc. ("Pivot" or the "Company"), on March 25, 2013. The Company is publicly listed on the TSX Venture Exchange and trades under the symbol "PTG". It was classified as a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange Inc. and, accordingly, had no significant assets other than cash and no commercial operations.

Pivot Acquisition was incorporated under the Business Corporations Act (Ontario) on September 8, 2010, and domiciled in Ontario, Canada. The registered office is located at 40 King Street, Suite 4400, Toronto, Ontario.

The Company has the following wholly owned subsidiaries: 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"), Sigma Technology Solutions, Inc. ("Sigma") and ARC Acquisition (US), Inc. ("ARC").

The unaudited interim condensed consolidated financial statements of the Company for the three-month periods ended March 31, 2015 and 2014 were authorized for issue in accordance with a resolution of the Company's Board of Directors on May 27, 2015.

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. 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").

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

The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

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.

Management has determined that the Company operates as a single operating segment, and the Company undertakes its operations in the U.S. Therefore, no segment reporting is included in these unaudited interim condensed consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies and methods of computation are followed in the unaudited interim condensed consolidated financial statements as compared with the Company's most recent audited consolidated financial statements, including the notes, for the year ended December 31, 2014.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of 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 unaudited interim condensed 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 currently effective for annual periods beginning on or after January 1, 2017. In April 2015, the IASB proposed a one-year deferral of the effective date of the standard. The Company is in the process of reviewing the standard to determine the impact on the unaudited interim condensed consolidated financial statements.

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

IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38, Intangible Assets, 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 has not yet begun the process of evaluating the impact of this standard on its unaudited interim condensed consolidated financial statements.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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%. $10,491 and $11,157 were due to IBM as at March 31, 2015 and December 31, 2014, respectively. The Company is required to maintain certain financial ratios and was in compliance as at March 31, 2015 and December 31, 2014. This amount is included in accounts payable and accrued liabilities in the unaudited interim condensed consolidated statements of financial position.

On August 26, 2014, another subsidiary executed a purchase finance agreement with Macquarie Equipment Finance that allows up to $10,000 in unsecured advances on purchases from approved suppliers. On March 24, 2015, the agreement with Macquarie was amended to allow up to $15,000 on 60 day unsecured advances from approved suppliers. Interest of LIBOR plus 1.58% will be applied. $12,862 and $8,515 was outstanding under the Macquarie purchase finance agreement as at March 31, 2015 and December 31, 2014, respectively. This amount is included in accounts payable and accrued liabilities in the unaudited interim condensed consolidated statements of financial position.

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

5. OTHER FINANCIAL LIABILITIES

	March 31, 2015	December 31, 2014
Current		
Secured borrowings	**120,937**	120,525
Fixed consideration	**5,144**	4,992
Interest rate swap	**1,589**	1,016
	127,670	126,533
Non-current		
Secured borrowings	**4,250**	5,000
	4,250	5,000
	131,920	131,533

Secured borrowings

On November 13, 2013 ("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 ("ABL Credit Facility"). The ABL Credit Facility originally consisted of a $10,000 term loan ("ABL Term Loan") and a senior secured revolving credit facility ("ABL Revolving Credit Facility") that allows the PNC Borrowing Group to draw up to $175,000, subject to borrowing base limitations, a portion of which may be used for letters of credit or swing line loans. Financing fees of $228 and $229, related to amendment fees, were incurred during the three months ended March 31, 2015 and the year ended December 31, 2014, respectively, which are being amortized over the term of the ABL Revolving Credit Facility.

The ABL Term Loan principal is due in four consecutive quarterly installments of $500 commencing on January 1, 2014, ten consecutive quarterly installments 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 is arranged by PNC, a 2% premium applies to any portion of the ABL Term Loan that is prepaid on or before the one-year anniversary of the Closing Date and a 1% premium applies to any prepayment after the first anniversary of the Closing Date and on or before the third anniversary of the Closing Date. The ABL Term Loan may be prepaid without premium or penalty after the third anniversary of the Closing Date.

The ABL Revolving Credit Facility provides 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 ABL Term Loan bears interest at Prime plus 9% or LIBOR plus 10% per annum at the

Company's election. The ABL Revolving Credit Facility contains an unused commitment fee of 0.375% per annum.

As at March 31, 2015 and December 31, 2014, $117,937 and $117,525 were outstanding under the ABL Revolving Credit Facility, respectively. The ABL Term Loan had an outstanding balance of $7,250 and $8,000 as at March 31, 2015 and December 31, 2014, respectively.

The PNC Borrowing Group had available borrowings under the ABL Credit Facility of $25,893 and $56,805 as at March 31, 2015 and December 31, 2014, respectively, after giving effect to the borrowing base limitations, swing loans and letters of credit issued. The PNC Borrowing Group can use up to $10,000 of its available borrowing under the ABL Credit Facility for letters of credit which are charged a fronting fee of 0.25% and currently bear interest at Prime plus 1.5%. The PNC Borrowing Group can also use up to $17,500 of its available borrowing under the ABL Credit Facility for swing loans which are currently charged a fee of Prime plus 1.5% per annum. As at March 31, 2015 and December 31, 2014, a $250 letter of credit was outstanding under the ABL Credit Facility. As at March 31, 2015 and December 31, 2014, $4,831 and nil of swing loans held under the ABL Revolving Credit Facility were outstanding, respectively.

Under the terms of the ABL Credit Facility, the PNC Borrowing Group is subject to certain restrictive covenants. The covenants require that the PNC Borrowing Group maintain a Fixed Charge Coverage Ratio ("FCCR") of at least 1.20 to 1.0 and a Senior Leverage Ratio ("SLR") of 4.50 to 1.0. Additional restrictive covenants require that distributions from the PNC Borrowing Group to the Company be restricted to the payment of dividends in respect of the Series A Preferred Shares, and to operating expenses incurred by the Company in the ordinary course of business. The covenants also place restrictions on investments, additional indebtedness, distributions (including distributions by the Company's subsidiaries to the Company), capital expenditures and leases. The credit agreement was amended on August 22, 2014, whereby the FCCR was increased to 1.20 to 1.00 for the quarters ended September 30, 2014 through March 31, 2015, and 1.15 to 1.00 for each quarter thereafter. An additional amendment on December 31, 2014 increased the SLR to 5.00 to 1.00 for the quarter ended December 31, 2014. The credit agreement was further amended on March 31, 2015, whereby the FCCR for March 31, 2015 was reduced to 0.95 to 1.00, increasing to 1.15 to 1.00 for subsequent quarters, and the SLR was fixed at 4.50 to 1.00 until the Term Loan is paid in full. The Company was in compliance with these covenants as at March 31, 2015 and December 31, 2014.

Fixed and contingent consideration

On December 30, 2010, the Company acquired substantially all of the net assets of Applied Computer Solutions ("Old ACS"). As part of the asset purchase agreement with Old ACS, contingent consideration had been agreed. The consideration was dependent on the profit before tax of the acquired business during the three consecutive 12-month periods ending December 31, 2013. The consideration was to be paid over three years and was due for final measurement and payment to the shareholders of Old ACS on May 1, 2014. On August 19, 2013, the Company reached an agreement with the shareholders of Old ACS to allow up to $4,000 of the contingent consideration liability to be deferred until June 30, 2014. All amounts unpaid after December 31, 2013 bore interest at 8% per annum. On July 23, 2014, the Company reached an agreement with the shareholders of Old ACS to allow up to $1,250 of the remaining consideration to be deferred until July 31, 2014, for consideration of $35. At the date of acquisition, the fair value of the contingent liability was determined to be $33,291. The amount was paid in full during July 2014. The Company recorded a charge of nil and $80 related to the change in fair value of the consideration for the three-month periods ended March 31, 2015 and 2014, respectively. No payments were made during each of the three-month periods ended March 31, 2015 and 2014.

On January 4, 2011, the Company acquired all of the issued and outstanding share capital of ProSys, a wholly owned subsidiary of Avnet, Inc. As part of the purchase agreement with the shareholders of ProSys, contingent consideration had been agreed. The consideration was dependent on a measure of operating profit before tax of the acquired business during the three consecutive 12-month periods ending December 31, 2013. The fair value at the acquisition date was $4,707. The Company recorded a charge of nil and $93 related to the change in fair value of the consideration for the three-month periods ended March 31, 2015 and 2014, respectively. No payments were made during each of the three-month periods ended March 31, 2015 and 2014. The final payment of $2,338 was made on May 6, 2014.

On August 12, 2011, the Company acquired substantially all of the assets and liabilities of Austin Ribbon & Computer Supplies, Inc. ("Old ARC"). As part of the asset purchase agreement with the shareholders of Old ARC, contingent consideration had been agreed. This consideration was dependent on a measure of operating profit before tax of the acquired business during the three consecutive 12-month periods ending August 12, 2014. The fair value at the acquisition date was $3,060. At the conclusion of the three year earn out period, the undiscounted consideration was determined to be fixed at $2,500, and was paid in full November 24, 2014. The Company recorded a charge of nil and $2,232 related to the change in fair value of the consideration for the three-month periods ended March 31, 2015 and 2014, respectively. No payments were made during each of the three-month periods ended March 31, 2015 and 2014.

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 is now 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 remains unpaid after July 31, 2015, it will bear interest at 15% per annum (note 14). The fair value at the acquisition date was estimated to be $5,719. The present value of the consideration was determined to be $5,144 and $4,992 as at March 31, 2015 and December 31, 2014, respectively. The Company recorded a charge of $152 and $1,354 related to the change in fair/present value of the consideration for the three-month periods ended March 31, 2015 and 2014, respectively. No payments were made during each of the three-month periods ended March 31, 2015 and 2014.

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 will vary between 4.655% and 5.155% on $50,000 of the amount outstanding under the ABL Credit Facility. This range of rates will be in effect from April 7, 2016 through November 13, 2018. Changes in the fair value of this instrument are recorded as a change in fair value of liabilities in the unaudited interim condensed consolidated statements of loss and comprehensive loss. As at March 31, 2015 and December 31, 2014, the net present value of the Swap was determined to be $1,589 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. The Swap agreement with PNC contains cross covenant restrictions, requiring that the Company be in compliance with the ABL Credit Facility.

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

6. SHARE CAPITAL

As at March 31, 2015, the issued share capital amounted to $86,125. An unlimited number of both common and preferred shares, with no par value, are authorized for issuance. The changes in issued share capital for the three-month period ended March 31, 2015 were as follows:

	Series A Preferred #	Common Shares #
As at January 1, 2015	60,163,380	107,623,246
Cancellation of shares	-	(67,500)
Preferred shares converted to common shares	(60,163,380)	60,163,380
As at March 31, 2015	-	**167,719,126**

Note: Share amounts are not rounded

As at March 31, 2014, the issued share capital amounted to $86,125. An unlimited number of both common and preferred shares, with no par value, were authorized for issuance. The changes in issued share capital for the three-month period ended March 31, 2014 were as follows:

	Series A Preferred #	Common Shares #
As at January 1, 2014	65,262,480	102,659,146
Preferred shares converted to common shares	(132,500)	132,500
As at March 31, 2014	**65,129,980**	**102,791,646**

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.

Loss per share

Basic net loss per share is based on the weighted average number of common shares outstanding during the period. Diluted loss per share assumes the weighted average dilutive effect of common share equivalents outstanding during the period applied to the Company's basic earnings per share. Common share equivalents represent potentially dilutive stock options, 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. The basic loss per share calculated amount is the same as the fully diluted loss per share amount as the effect of any outstanding options or warrants would be anti-dilutive, as the Company was in a loss position. The weighted average number of common shares issued and outstanding for the periods ended March 31, 2015 and 2014 was 118,572,805 and 102,719,840, respectively. The computation of diluted earnings per share for the periods ended March 31, 2015 and 2014 did not include options to purchase 7,455,000 and 7,764,514 shares, respectively, as the result would have been anti-dilutive. The computation of diluted earnings per share for the period ended March 31, 2014 did not include the potential conversion of 65,129,980 Series A Preferred Shares as the result would also have been anti-dilutive.

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.

On March 11, 2013, Pivot Acquisition 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, Pivot Acquisition issued 7,455,000 broker compensation warrants in relation to the Company's Debenture issue. The options can be exercised for C$0.40 per share and expire on April 14, 2016. The fair value allocated to the warrants was $3,000, which was recognized as an expense in fiscal 2011.

Cancellation of shares

On April 17, 2014, September 30, 2014 and March 30, 2015, respectively, 75,000, 60,000 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 March 31, 2015, 202,500 shares have been cancelled.

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

Dividends declared and paid

Dividends declared and paid were as follows:

Declaration Date	Record Date	Distribution Date	Per share amount	Total dividend
April 25, 2013	April 30, 2013	May 1, 2013	C$0.00486575	C$452
April 25, 2013	May 27, 2013	June 3, 2013	C$0.00407671	C$364
June 13, 2013	June 25, 2013	July 2, 2013	C$0.00394521	C$351
July 12, 2013	July 25, 2013	August 1, 2013	C$0.00407671	C$363
August 8, 2013	August 27, 2013	September 3, 2013	C$0.00407671	C$363
September 13, 2013	September 24, 2013	October 1, 2013	C$0.00394521	C$351
October 9, 2013	October 25, 2013	November 1, 2013	C$0.00407671	C$363
November 18, 2013	November 29, 2013	December 3, 2013	C$0.00394521	C$346
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

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

7. FINANCIAL INSTRUMENTS

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

As at March 31, 2015	**Fair value through profit or loss**	**Loans and receivables**	**Other financial liabilities**	**Non-financial**	**Total carrying amount**
Cash and cash equivalents	8,758	-	-	-	8,758
Accounts receivable	-	221,530	-	-	221,530
Other non-financial assets	-	-	-	214,439	214,439
Total assets	8,758	221,530	-	214,439	444,727
Bank overdraft	24,216	-	-	-	24,216
Accounts payable and accrued liabilities	-	-	214,161	-	214,161
Other financial liabilities	1,589	-	130,331	-	131,920
Other non-financial liabilities	-	-	-	40,760	40,760
Total liabilities	25,805	-	344,492	40,760	411,057

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

The following table presents information related to the Company's financial assets and liabilities measured at fair value on a recurring basis and the level within the guidance hierarchy in which the fair value measurements fall as at March 31, 2015 and December 31, 2014:

	Fair value as at March 31, 2015			
Description	Level 1	Level 2	Level 3	Total
Interest rate swap	-	**1,589**	-	**1,589**
	-	**1,589**	-	**1,589**

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

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.

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

8. INCOME TAXES

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

Three-month periods ended March 31,	**2015**	2014
Current tax (benefit) expense	**(1,601)**	991
Deferred tax expense (benefit)	**352**	(1,611)
	(1,249)	(620)

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

9. INTEREST EXPENSE

Three-month periods ended March 31,	**2015**	2014
Secured and unsecured borrowings	**1,837**	1,327
	1,837	1,327

10. CHANGE IN FAIR VALUE OF LIABILITIES

Three-month periods ended March 31,	**2015**	2014
Contingent consideration	**-**	3,679
Interest rate swap	**573**	-
Fixed consideration	**152**	80
	725	3,759

11. TRANSACTION COSTS

Three-month periods ended March 31,	**2015**	2014
Proposed Series A preferred shares exchange offer	**17**	-
	17	-

12. CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

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

Three-month periods ended March 31,	**2015**	2014
Accounts receivable	**43,628**	(23,372)
Income taxes recoverable	**(2,580)**	358
Inventories	**(10,708)**	22,287
Other assets	**(1,878)**	10
Accounts payable and accrued liabilities	**(5,418)**	(35,209)
Other liabilities	**(627)**	(335)
	22,417	(36,261)

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

Three-month periods ended March 31,	**2015**	2014
Interest paid	**1,657**	803
Income taxes paid	**1,060**	1,315

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

13. RELATED PARTY DISCLOSURES

In addition to the asset purchase agreement with Old ACS, a subsidiary of the Company has entered into an administrative services agreement, a license agreement and a distribution agreement with Old ACS commencing with the date of the asset purchase. The administrative services agreement commits the Company to performing certain administrative functions on behalf of Old ACS. The total amount collected from Old ACS for these shared administrative services was $783 and $395 for the three-month periods ended March 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 this revenue on a gross basis. Total gross sales through the agent are approximately $17,281 and $33,435 for the three-month periods ended March 31, 2015 and 2014, respectively. The Company's effective cost to the agent in respect of this revenue was approximately $1,256 and $474 for the three-month periods ended March 31, 2015 and 2014, respectively, which is included in the Company's cost of sales.

The Company has a similar contractual arrangement with Old ARC, whereby Old ARC is an agent of the Company. Total gross sales through the agent were approximately $25,016 and $10,211 for the three-month periods ended March 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 that subsidiary's chief executive officer. The Company is obligated for repairs, maintenance, insurance and property tax on these leases. Rent paid on these leases was $302 and $361 for the three-month periods ended March 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 was nil and $28 for the three-month periods ended March 31, 2015 and 2014, respectively. This lease expired in August 2014 and was not renewed.

A subsidiary of the Company incurred nil and $190 for the three-month periods ended March 31, 2015 and 2014, respectively, for marketing services provided by related entities controlled by that subsidiary's chief executive officer and $20 and $7 in expenses for the use of aircraft owned by a related entity controlled by that subsidiary's chief executive officer for the three-month periods ended March 31, 2015 and 2014, respectively.

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

A subsidiary of the Company incurred $500 and nil for the three-month periods ended March 31, 2015 and 2014, respectively, for research and development provided by a related entity controlled by that subsidiary's president.

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

Three-month periods ended March 31,	**2015**	2014
Compensation	**439**	409
Short-term employee benefits	**9**	9
	448	418

14. SUBSEQUENT EVENTS

On April 27, 2015, the Company and the shareholders of Old Sigma agreed to amend the asset purchase agreement payment schedule. Under the terms of this amendment, the Company will now pay the final $1,500 of the first increment consideration payment 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 remains unpaid after July 31, 2015, it will bear interest at 15% per annum.