Interim Condensed Consolidated Financial Statements

Pivot Technology Solutions, Inc.

For the Three and Nine Months Ended
September 30, 2016 and 2015

(Unaudited)

(Expressed in Thousands of U.S. Dollars)

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in thousands of U.S. dollars]

	September 30, 2016	December 31, 2015
	[unaudited]	
ASSETS		
Current		
Cash and cash equivalents	**7,537**	7,978
Accounts receivable	**238,342**	266,285
Income taxes recoverable	**851**	-
Inventories	**65,668**	83,321
Other current assets	**32,150**	34,151
Total current assets	**344,548**	**391,735**
Property, plant and equipment, net	**7,273**	7,866
Goodwill (note 4)	**28,395**	29,733
Intangible assets, net (note 4)	**34,681**	43,955
Deferred income taxes (note 11)	**18,816**	15,982
Other non-current assets	**13,408**	11,379
Total assets	**447,121**	**500,650**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	**23,529**	33,195
Accounts payable and accrued liabilities	**221,283**	254,168
Income taxes payable	**-**	500
Deferred revenue and customer deposits	**37,310**	38,434
Other financial liabilities (note 6)	**122,064**	123,373
Total current liabilities	**404,186**	**449,670**
Other non-current liabilities	**14,542**	11,960
Total liabilities	**418,728**	**461,630**
Shareholders' equity		
Share capital (note 8)	**88,150**	88,096
Warrants and options (note 8)	**-**	2,015
Contributed capital	**2,279**	103
Treasury stock	**(80)**	-
Accumulated deficit	**(61,956)**	(51,194)
Total shareholders' equity	**28,393**	**39,020**
Total liabilities and shareholders' equity	**447,121**	**500,650**

See accompanying notes

On behalf of the Board:

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

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET AND COMPREHENSIVE LOSS

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

[unaudited]

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenues				
Product sales	**327,528**	372,957	**950,413**	942,787
Service revenues	**35,537**	37,057	**114,751**	116,466
Other revenues	**2,408**	4,503	**6,804**	9,519
	365,473	**414,517**	**1,071,968**	**1,068,772**
Cost of sales	**322,616**	373,866	**944,472**	950,623
Gross profit	**42,857**	**40,651**	**127,496**	**118,149**
Expenses				
Selling and administrative	**36,540**	34,320	**110,605**	100,589
Depreciation and amortization	**2,345**	3,409	**8,203**	9,694
Interest expense	**1,173**	1,789	**3,358**	5,457
Change in fair value of liabilities (note 12)	**(488)**	930	**217**	1,768
Impairment (note 4)	**950**	-	**4,788**	-
Transaction costs	**347**	289	**702**	431
Loss of control (note 10)	**7,249**	-	**7,249**	-
Other expense	**88**	2,624	**1,101**	2,737
	48,204	**43,361**	**136,223**	**120,676**
Loss before income taxes	**(5,347)**	(2,710)	**(8,727)**	(2,527)
Recovery of (provision for) income taxes (note 11)	**(2,108)**	(104)	**(1,518)**	523
Net and comprehensive loss for the period	**(3,239)**	**(2,606)**	**(7,209)**	**(3,050)**
Net loss per share (note 8)**:**				
Net loss available to common shareholders:				
Net and comprehensive loss for the period	**(3,239)**	(2,606)	**(7,209)**	(3,050)
Deduct preferred dividends declared	**-**	-	**-**	(461)
Net loss available to common shareholders	**(3,239)**	(2,606)	**(7,209)**	(3,511)
Basic	**$ (0.02)**	$ (0.02)	**$ (0.04)**	$ (0.02)
Diluted	**$ (0.02)**	$ (0.02)	**$ (0.04)**	$ (0.02)

See accompanying notes

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of U.S. dollars]

[unaudited]

	Share Capital			Treasury	Contributed	Warrants/	Accumulated	
	Preferred	Common	Total	Stock	Capital	Options	Deficit	Total
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	**-**	-	-	-	-	**-**
Exercise of broker compensation options	-	486	**486**	-	-	(243)	-	**243**
Broker compensation options expired and unexercised	-	-	**-**	-	82	(82)	-	**-**
Common share dividends declared (note 8)	-	-	**-**	-	-	-	(957)	**(957)**
Preferred share dividends declared (note 8)	-	-	**-**	-	-	-	(461)	**(461)**
Net and comprehensive loss for the period	-	-	**-**	-	-	-	(3,050)	**(3,050)**
Balance, September 30, 2015	**-**	**86,611**	**86,611**	-	**103**	**2,757**	**(56,458)**	**33,013**
Balance, December 31, 2015	**-**	**88,096**	**88,096**	-	**103**	**2,015**	**(51,194)**	**39,020**
Share-based compensation (note 9)	-	-	**-**	-	549	-	-	**549**
Share repurchases (note 8)	-	(725)	**(725)**	-	-	-	-	**(725)**
Repurchase of treasury shares	-	-	**-**	(80)	-	-	-	**(80)**
Exercise of broker compensation options	-	779	**779**	-	-	(388)	-	**391**
Broker compensation options expired and unexercised	-	-	**-**	-	1,627	(1,627)	-	**-**
Common share dividends declared (note 8)	-	-	**-**	-	-	-	(3,553)	**(3,553)**
Net and comprehensive loss for the period	-	-	**-**	-	-	-	(7,209)	**(7,209)**
Balance, September 30, 2016	**-**	**88,150**	**88,150**	**(80)**	**2,279**	**-**	**(61,956)**	**28,393**

See accompanying notes

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands of U.S. dollars]

[unaudited]

	Three months ended September 30, 2016	Three months ended September 30, 2015	**Nine months ended September 30, 2016**	Nine months ended September 30, 2015
OPERATING ACTIVITIES				
Net and comprehensive loss for the period	**(3,239)**	(2,606)	**(7,209)**	(3,050)
Add (deduct) items not involving cash				
Depreciation and amortization	**2,345**	3,409	**8,203**	9,694
Share-based compensation (note 9)	**143**	-	**549**	-
Impairment (note 4)	**950**	-	**4,788**	-
Loss on disposals of property, plant and equipment	**-**	32	**14**	199
Provision for receivables	**149**	20	**164**	86
Deferred income taxes (note 11)	**(2,335)**	306	**(2,834)**	150
Amortization of loan fees	**78**	129	**226**	501
Non cash loss on derecognition	**-**	2,553	**-**	2,553
Non cash loss of control (note 10)	**2,398**	-	**2,398**	-
Change in fair value of liabilities (note 12)	**(488)**	930	**217**	1,768
Changes in non-cash working capital balances (note 13)	**35,546**	(7,420)	**31,170**	2,835
Cash provided by (used in) operating activities	**35,547**	(2,647)	**37,686**	14,736
INVESTING ACTIVITIES				
Proceeds from sales of property, plant and equipment	**-**	-	**3**	50
Payments made on contingent/fixed consideration	**-**	(1,500)	**-**	(1,500)
Capital expenditures	**(811)**	(1,075)	**(1,760)**	(3,886)
Intangible assets	**(149)**	(366)	**(375)**	(908)
Cash used in investing activities	**(960)**	(2,941)	**(2,132)**	(6,244)
FINANCING ACTIVITIES				
Net change in debt facilities	**(30,133)**	26,240	**(1,526)**	24,160
Net change in flooring arrangements	**(12,880)**	(2,635)	**(20,836)**	3,902
Change in bank overdraft	**(1,516)**	(16,365)	**(9,666)**	(31,148)
Issuance of common shares, net of cost	**-**	210	**391**	243
Common share dividends paid	**(1,292)**	(957)	**(3,553)**	(957)
Preferred share dividends paid	**-**	-	**-**	(676)
Common share repurchases	**-**	-	**(725)**	-
Repurchase of treasury shares	**(80)**	-	**(80)**	-
Cash provided by (used in) financing activities	**(45,901)**	6,493	**(35,995)**	(4,476)
Net increase (decrease) in cash and cash equivalents during the period	**(11,314)**	905	**(441)**	4,016
Cash and cash equivalents, beginning of period	**18,851**	11,638	**7,978**	8,527
Cash and cash equivalents, end of period	**7,537**	12,543	**7,537**	12,543

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 (TSX-V) and trades under the symbol "PTG". The registered office is located at 40 King Street, Suite 4400, Toronto, Ontario.

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., ("PTSL"), Pivot Research Ltd., Pivot Shared Services Ltd., Pivot of the Americas, ACS (US) Inc. ("ACS"), New ProSys Corp. ("ProSys"), Sigma Technology Solutions, Inc. ("Sigma"), ARC Acquisition (US), Inc. ("ARC"), Pivot Technology Solutions Hong Kong, Ltd. and Pivot Technology Solutions Singapore PTE Ltd.

The unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2016 and 2015 were authorized for issue in accordance with a resolution of the Company's Board of Directors on November 28, 2016.

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

2. BASIS OF PREPARATION

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

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, 2015.

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, 2015, with the exception of the following which was applied upon the granting of stock options during the three month period ended June 30, 2016:

Share-based payments

The Company has a share-based payment plan under which the Company issues stock options. Stock options generally vest over a two-year vesting period with either 33% or 50% of the options vested and exercisable immediately and the remainder vested and exercisable in equal annual installments over the remaining two years. The Company applies a fair value method of accounting to each installment of stock options granted to directors, officers, employees and consultants.

The grant date fair value of stock options granted to directors, officers, employees and consultants is recognized as share-based compensation expense, with a corresponding increase to contributed capital, over the period that the directors, officers, employees and consultants become unconditionally entitled to the stock options. The expense is adjusted to reflect the estimated number of options expected to vest at the end of the vesting period. Compensation cost is recognized so that each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. No compensation expense is recognized for options that are forfeited and have not met the service requirement for vesting. When options are exercised, the proceeds, as well as the related amount in contributed capital, are credited to share capital. The Company uses the Black-Scholes option pricing model to determine fair value of stock options at the grant date. Measurement inputs include the price of shares on the measurement date, exercise price of the option, expected volatility, expected life of the option, expected dividends and the risk-free interest rate.

Standards issued but not yet effective

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

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 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 unaudited interim condensed consolidated financial statements.

IFRS 16, Leases

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

4. IMPAIRMENT

On June 1, 2016, the Company was informed by GTS Technology Solutions, Inc. formerly known as Austin Ribbon & Computer Supplies, Inc. ("GTS"), that it intended to terminate its distribution, licensing and administrative services agreements with Pivot. The termination of the agreements indicates the Company will experience significant decreases in expected future revenues and gross profit, due to a lower volumes of sales. As such, the Company reviewed its business forecast, and performed an interim impairment test on the ARC cash generating unit ("ARC CGU"). The Company concluded that the recoverable amount based on a value in use impairment test was less than the carrying amount of the ARC CGU and accordingly, recorded an impairment charge of $3,838, consisting of a write off of goodwill of $1,338, and a reduction to other intangibles of $2,500 during the three month period ended June 30, 2016. An additional impairment charge of $950 was recorded during the three month period ended September 30, 2016. The impact of the impairment charges net of tax was $614 and $3,095 for the three and nine months ended September 30, 2016, respectively. The recoverable amount was determined based on the value in use approach using a discounted cash flow model.

The significant key assumptions include forecasted cash flows based on financial plans prepared by management covering a three year period taking into consideration the minimum liquidity requirements of the Company. The discounted cash flow model was established using a discount rate of 11%, a pre-tax discount rate of 34%, and a terminal growth rate of 3%.

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

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A subsidiary of the Company entered into a secured flooring agreement with IBM Global Finance ("IBM") on August 10, 2011, which provides short-term financing. The IBM secured flooring agreement allows up to $15,000 in advances on purchases from approved vendors. Approved 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%. Nil and $13,710 were due to IBM as at September 30, 2016 and December 31, 2015, respectively. The Company is required to maintain certain financial ratios, and was in not in compliance as at September 30, 2016. The Company was in compliance with all required financial ratios as at December 31, 2015. 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 ("Macquarie") that allowed 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. Macquarie advised during Q2 2016 that it would no longer (for an unstated period of time) provide financing in respect of new invoices issued to the Company under the facility, as Macquarie is now focusing on credit facilities over $50,000. Macquarie has indicated that it does not propose to terminate the facility as it may choose to provide financing under the existing agreement in the future. Nil and $7,073 was outstanding under the Macquarie purchase finance agreement as at September 30, 2016 and December 31, 2015. This amount is included in accounts payable and accrued liabilities in the unaudited interim condensed consolidated statements of financial position.

6. OTHER FINANCIAL LIABILITIES

	September 30, 2016	December 31, 2015
Current		
Secured borrowings	**119,860**	121,386
Interest rate swap	**2,204**	1,987
	122,064	123,373

Secured borrowings

On November 13, 2013 ("PNC Closing Date"), PTSL, along with certain of its subsidiaries, ACS, ProSys and Sigma (collectively the "PNC Borrowing Group"), entered into a revolving credit, term loan and security agreement with 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 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. The PNC Credit Facility was paid off and terminated at the Company's election on September 21, 2015. As a result of the transactions described above, the Company incurred a loss on the derecognition of the PNC Credit Facility. This loss consisted of (i) $2,553 for the write-off of deferred costs associated with the repayment of the PNC Credit Facility and (ii) a 1% fee of $58, which was required to prepay the PNC Term Loan 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.

On September 21, 2015, the Company entered into a five year credit agreement with a lending group represented by JPMC, providing the Company a $200,000 senior secured asset based revolving credit facility ("JPMC Credit Facility"). The JPMC Credit Facility may be used for revolving loans, letters of credit, protective advances, over advances, and swing line loans. Advances under the JPMC Credit Facility accrue interest at rates that are equal to, based on certain conditions, either (a) JPMC's "prime rate" as announced from time to time plus 0.0% to 0.25%, or (b) LIBOR, or a comparable or successor rate that is approved by JPMC, for an interest period of one month plus 1.50% to 1.75%, at the Company's election. The Company may also, upon the agreement of either the then existing lenders or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional $75,000. The lenders under the JPMC Credit Facility are not under any obligation to provide any such additional commitments, and any increase in commitments is subject to several conditions precedent and limitations. The JPMC Credit Facility is scheduled to expire on September 21, 2020. On January 14, 2016, the JPMC Credit Facility was amended, increasing the overall facility to $225,000. On September 30, 2016, a second amendment was completed, primarily to allow for the purchase of TeraMach which was completed on October 3, 2016.

In connection with the JPMC Credit Facility, the Company incurred finance costs which have been capitalized and are being amortized over the life of the credit agreement. Amounts owing under the Company's revolving credit facilities were $121,129 and $122,816 as at September 30, 2016 and December 31, 2015, respectively. The outstanding balance is shown net of deferred loan costs of $1,269 and $1,430, as at September 30, 2016 and December 31, 2015, respectively, in current other financial liabilities in the unaudited interim condensed consolidated statements of financial position (see note 6).

The revolving credit facilities with both PNC and JPMC required/require that the Company comply with certain covenants as defined in each of the respective agreements. Under the terms of the PNC Credit Facility, the PNC Borrowing Group was subject to certain restrictive covenants. The covenants in place at June 30, 2015 required that the PNC Borrowing Group maintain a Fixed Charge Coverage Ratio ("FCCR") of at least 1.15 to 1.0 and a Senior Leverage Ratio ("SLR") of 4.50 to 1.0. Under the terms of the JPMC Credit Facility, 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 September 30, 2016 and December 31, 2015.

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 with PNC, the interest rate was to vary between 4.655% and 5.155% on $50,000 of the amount outstanding under the PNC Credit Facility. On September 21, 2015, the Swap was novated to JPMC. Under the terms of the Swap with JPMC, the interest rate now varies between 4.305% and 4.555% on $50,000 of the amount outstanding under the JPMC Credit Facility. This range of rates is in effect from April 7, 2016 through November 13, 2018. The changes in the fair value of this instrument were recorded as a change in fair value of liabilities in the unaudited interim condensed consolidated statements of net and comprehensive loss. Interest incurred under the Swap totaled $299 and $575 for the three and nine months ended September 30, 2016, respectively. As at September 30, 2016 and December 31, 2015, the fair value of the Swap was determined to be $2,204 and $1,987, 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. The Swap agreement with JPMC contains cross covenant restrictions, requiring that the Company be in compliance with the JPMC Credit Facility.

(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 September 30, 2016	**Fair value through profit or loss**	**Loans and receivables**	**Other financial liabilities**	**Non-financial**	**Total carrying amount**
Cash and cash equivalents	7,537	-	-	-	7,537
Accounts receivable	-	238,342	-	-	238,342
Other non-financial assets	-	-	-	201,242	201,242
Total assets	7,537	238,342	-	201,242	447,121
Bank overdraft	23,529	-	-	-	23,529
Accounts payable and accrued liabilities	-	-	221,283	-	221,283
Other financial liabilities	2,204	-	119,860	-	122,064
Other non-financial liabilities	-	-	-	51,852	51,852
Total liabilities	25,733	-	341,143	51,852	418,728

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	**-**	**-**	**-**	**226,387**	**226,387**
Total assets	**7,978**	**266,285**	**-**	**226,387**	**500,650**
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	**-**	**-**	**-**	**50,894**	**50,894**
Total liabilities	**35,182**	**-**	**375,554**	**50,894**	**461,630**

(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 September 30, 2016 and December 31, 2015:

		Fair value as at September 30, 2016		
Description	Level 1	Level 2	Level 3	Total
Interest rate swap	-	**2,204**	-	**2,204**
	-	**2,204**	-	**2,204**

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

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.

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

8. SHARE CAPITAL

As at September 30, 2016, the issued share capital amounted to $88,150. An unlimited number of both common and preferred shares, with no par value, are authorized for issuance. The changes in issued share capital for the nine month period ended September 30, 2016 were as follows:

	Common Shares **#**
As at January 1, 2016	170,901,626
Share repurchases	(2,500,000)
Cancellation of shares	(180,000)
Exercise of broker compensation options	1,274,000
As at September 30, 2016	**169,495.626**

Note: Share amounts are not rounded

As at September 30, 2015, the issued share capital amounted to $86,611. 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 nine month period ended September 30, 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)
Exercise of broker compensation options	-	100,000
Preferred shares converted to common shares	(60,163,380)	60,163,380
As at September 30, 2015	-	**167,819,126**

Note: Share amounts are not rounded

Normal course issuer bid

On March 30, 2016, the Company obtained the approval of the TSX-V to implement a Normal Course Issuer Bid ("NCIB") for its common shares. 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. As at September 30, 2016, 224,000 common shares had been acquired under the NCIB. These shares were held in treasury until their cancellation on October 3, 2016 (note 15).

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

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 would be anti-dilutive, as the Company was in a loss position. The weighted average number of common shares issued and outstanding for the three month periods ended September 30, 2016 and 2015, was 169,472,773 and 167,862,577, respectively. The weighted average number of common shares issued and outstanding for the nine month periods ended September 30, 2016 and 2015, was 170,606,799 and 151,580,769, respectively.

Share repurchases

On June 15, 2016, the Company repurchased, and subsequently cancelled 2,500,000 of its common shares from a director at a price of C$0.38 per share for a total cost of C$950.

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

Warrants and options

Broker compensation options

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

Subsequent to issue, broker options were not revalued. The options were re-classified to share capital when they were exercised or contributed capital, if expired and unexercised.

On March 11, 2013, PAC granted to its private placement agents non-transferable options 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 options 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 options was C$83. On March 11, 2015, the options had not been exercised, and have expired accordingly.

In connection with the brokered private placement of debentures in 2011, PAC granted broker compensation options, entitling the agent to purchase 7% of the aggregate number of shares issuable on conversion of the debentures. Upon completion of the Qualifying Transaction on March 25, 2013, the agent was entitled to 7,455,000 broker compensation options at a price of C$0.40 per share, expiring April 14, 2016. The fair value allocated to the options was $3,000, which was recognized as an expense in fiscal 2011. On April 14, 2016, 2,931,000 broker compensation options expired.

A total of 4,524,000 broker compensation options were exercised as follows:

Date	# of Options Exercised	# of Shares Issued	Price per Share	Proceeds
May 19, 2015	100,000	100,000	C$0.40	C$40
September 18, 2015	300,000	300,000	C$0.40	C$120
September 28, 2015	400,000	400,000	C$0.40	C$160
October 16, 2015	500,000	500,000	C$0.40	C$200
October 22, 2015	700,000	700,000	C$0.40	C$280
November 27, 2015	450,000	450,000	C$0.40	C$180
December 8, 2015	800,000	800,000	C$0.40	C$320
February 22, 2016	300,000	300,000	C$0.40	C$120
March 28, 2016	400,000	400,000	C$0.40	C$160
April 1, 2016	300,000	300,000	C$0.40	C$120
April 14, 2016	274,000	274,000	C$0.40	C$110
Total Options Exercised	4,524,000	4,524,000		C$1,810

Note: Share and per share amounts are not rounded

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

Cancellation of shares

Pursuant to terms of a service agreement with one of the Company's former CEO's, the Company cancelled 67,500 common shares each on March 30, 2015 and September 28, 2015. On March 28, 2016, 180,000 shares were cancelled, satisfying the cancellation requirements of the service agreement.

Dividends declared and paid

Series A Dividends declared and paid were as follows:

Declaration Date	Record Date	Distribution Date	Per share amount	Total dividend
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
February 4, 2016	February 29, 2016	March 15, 2016	C$0.0075	C$1,284
May 4, 2016	May 31, 2016	June 15, 2016	C$0.0100	C$1,720
August 19, 2016	August 31, 2016	September 15, 2016	C$0.0100	C$1,695

Note: Per share amounts are not rounded

9. SHARE BASED PAYMENTS

The Company has adopted an incentive share option plan under which directors, officers, employees and consultants of the Company and its subsidiaries are eligible to receive stock options. The effective date of the plan was June 17, 2014. The plan was amended on May 16, 2016 and approved by shareholders on June 21, 2016. The aggregate number of common shares to be issued, upon exercise of all options granted under the plan, shall not exceed 10% of the issued common shares of the Company, at the time the options were granted. Options granted under the plan generally have a term of ten years and vest either immediately or in specified increments, which is typically two years. The exercise price of each option is subject to Board approval but shall not be less than the market price at the time of grant. During the nine month period ended September 30, 2016, the following equity-settled stock options were granted:

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

On June 21, 2016, 7,550,000 options were granted to directors, officers, employees and consultants of the Company with an exercise price of C$0.40 and an exercise period of 10 years. 5,250,000 of the options vest in one third increments beginning on the grant date and annually for the following two years. The remaining 2,300,000 options vest over two years with half of the options vesting on the grant date and in equal increments annually thereafter. Conditions for vesting of the stock options require that those who receive the stock options continue to be employed by the Company or its subsidiaries from the grant date to the vesting date. The fair value of the common share options was C$1,284 or C$0.17 per option. As at September 30, 2016, the remaining weighted average contractual life of these stock option grants was 9.72 years.

On June 30, 2016, 400,000 options were granted to employees of the Company with an exercise price of C$0.40 and an exercise period of 10 years. One third of the options vest immediately and the remainder vest annually in equal increments over the next two years. Conditions for vesting of the stock options require that those who receive the stock options continue to be employed by the Company or its subsidiaries from the grant date to the vesting date. The fair value of the common share options was C$68 or C$0.17 per option. As at September 30, 2016, the remaining weighted average contractual life of these stock option grants was 9.74 years.

On August 31, 2016, 600,000 options were granted to an officer of the Company with an exercise price of C$0.49 and an exercise period of 10 years. One third of the options vest immediately and the remainder vest annually in equal increments over the next two years. Conditions for vesting of the stock options require that the officer who received the stock options continue to be employed by the Company from the grant date to the vesting date. The fair value of the common share options was C$138 or C$0.23 per option. As at September 30, 2016, the remaining weighted average contractual life of these stock option grants was 9.92 years.

A summary of the status of the Company's stock option plan as at September 30, 2016 and during the period then ended follow:

	Number of Options	Weighted Average Exercise Price
Options Outstanding at January 1, 2016	-	-
Options Granted	8,550,000	C$0.406
Options Outstanding at September 30, 2016	8,550,000	C$0.406
Options Exercisable at September 30, 2016	3,233,338	C$0.406

Note: Share and per share amounts are not rounded

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

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

	June 2016
Expected volatility	111.87%
Risk free interest rate	0.75%
Dividend yield	10.26%
Forfeiture rate	5.5%
Expected life	5.46

	August 2016
Expected volatility	108.31%
Risk free interest rate	0.69%
Dividend yield	8.16%
Forfeiture rate	5.5%
Expected life	5.49

Total share based compensation expense recognized in the unaudited interim condensed consolidated statements of net and comprehensive loss for the three and nine month periods ended September 30, 2016 was $143 and $549, respectively.

10. LOSS OF CONTROL

On June 1, 2016, the Company was informed by GTS that it intended to terminate its distribution, licensing and administrative services agreements with Pivot. During June, the Company and GTS began the separation process, and it was determined that a loss of control occurred effective July 1, 2016. As such, a charge of $7,249 was recorded during the third quarter, to account for the loss of control and deconsolidation of GTS. The charge consisted of the removal of net assets of $353, and a reserve against remaining receivables due from GTS of $6,896. The loss of control is reported as a separate line item in the unaudited interim condensed consolidated statements of net and comprehensive loss. Subsequent to the termination of the GTS Agreements, the Company has commenced a lawsuit seeking damages and other relief (see note 15).

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

11. INCOME TAXES

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Current tax expense (benefit)	**227**	(410)	**1,316**	373
Deferred tax expense (benefit)	**(2,335)**	306	**(2,834)**	150
	(2,108)	(104)	**(1,518)**	523

12. CHANGE IN FAIR VALUE OF LIABILITIES

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Interest rate swap	**(488)**	779	**217**	1,311
Fixed consideration	**-**	151	**-**	457
	(488)	930	**217**	1,768

13. CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Accounts receivable	**3,081**	(2,401)	**14,884**	1,104
Income taxes recoverable	**126**	(1,329)	**(1,313)**	(1,856)
Inventories	**15,739**	269	**13,989**	(19,856)
Other assets	**7,117**	2,663	**(826)**	3,916
Accounts payable and accrued liabilities	**9,873**	(6,136)	**1,854**	21,116
Other liabilities	**(390)**	(486)	**2,582**	(1,589)
	35,546	(7,420)	**31,170**	2,835

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Interest paid	**1,157**	1,980	**3,073**	5,142
Income taxes paid	**200**	957	**2,774**	2,282

14. RELATED PARTY DISCLOSURES

The Company is deemed to have the primary exposure to the significant risks and rewards associated with sales by Applied Computer Solutions, Inc. ("Applied") to its third-party customers, and thus the Company is the principal and Applied 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 were approximately $28,459 and $28,250 for the three months ended September 30, 2016 and 2015, respectively. Total gross sales through the agent were approximately $92,414 and $68,947 for the nine months ended September 30, 2016 and 2015, respectively. Amounts due from Applied totaled $9,365 and $8,493 as at September 30, 2016 and 2015, respectively.

The Company had similar contractual arrangements with GTS, whose activities were consolidated with those of the Company. The Company received notification from GTS that it wished to terminate the existing arrangement effective August 31, 2016. During June of 2016, the Company and GTS began the process of separation, and on July 1st, 2016, the Company was deemed to have effectively lost control over GTS. Until July 1, 2016, the Company was deemed to have the primary exposure to the significant risks and rewards associated with sales by GTS to its third-party customers. Total sales attributable to the activities of GTS were approximately $47,225 for the six months ending June 30, 2016. Total sales attributable to the activities of GTS were approximately $33,651 and $89,449 for the three and nine month periods ended September 30, 2015, respectively. Amounts due from GTS were $6,896 (which was fully reserved during the third quarter – see note 10) and $19,487 as at September 30, 2016 and 2015, respectively.

The Company has certain contractual arrangements with ProSys Information Systems, Inc., ("PISI"), whose activities and results are consolidated with the Company. The Company is deemed to have primary exposure for the significant risks and rewards associated with sales by PISI to its third-party customers. Total sales attributable to the activities of PISI were approximately $64,979 and $94,351 for the three months ended September 30, 2016 and 2015, respectively. Total sales attributable to the activities of PISI were approximately $192,128 and $197,068 for the nine months ended September 30, 2016 and 2015, respectively. Amounts due from PISI were $26,905 and $43,877 as at September 30, 2016 and 2015, respectively.

The contractual arrangements with Applied, GTS and PISI as described above accounted in aggregate for 25.6% and 37.7% of the overall Pivot revenues for the three months ended September 30, 2016 and 2015, respectively, and 30.9% and 33.3% for the nine months ended September 30, 2016 and 2015, respectively. The contractual arrangements with Applied may be terminated by either party on notice to the other.

A former key member of management of ACS had significant influence over Applied, resulting in a related-party relationship until March 31, 2016. In addition to the asset purchase agreement with Applied, ACS entered into an administrative services agreement, a license agreement and a distribution agreement with Applied commencing with the date of the asset purchase. The administrative services agreement commits the Company to performing certain administrative functions on behalf of Applied. The total amount charged to Applied for shared administrative services in 2016 through the termination of the related-party relationship was $395 for the three months ended March 31, 2016. The total amount charged to Applied for shared administrative services was $920 and $2,361, for three and nine months ended September 30, 2015, respectively. The license agreement permits Applied to license from the Company certain of the intellectual property obtained by the Company in the asset purchase. The total amount charged for licensing fees was $575 for the three months ended March 31, 2016, and $575 and $1,725 for the three and nine months ended September 30, 2015, respectively.

ACS leases two of its offices from a related entity controlled by a former key member of the ACS management team. The Company is obligated for repairs, maintenance, insurance and property tax on these leases. Rents incurred under these leases through the termination of the related-party relationship were $407 for the three months ended March 31, 2016. Rents paid on these leases were $517 and $1,204 for the three and nine months ended September 30, 2015, respectively.

ACS incurred expenses for the use of aircraft owned by a related entity controlled by a former key member of the ACS management team through the termination of the related-party relationship on March 31, 2016. Amounts incurred were nil for the three months ended March 31, 2016, and nil and $20 in for the three and nine months ended September 30, 2015, respectively.

A subsidiary of the Company incurred $512 and $400 for the three months ended September 30, 2016 and 2015, respectively, and $1,537 and $1,206 for the nine months ended September 30, 2016 and 2015, respectively, for research and development provided by a related entity where the subsidiary's president has significant influence. No amounts were payable as at September 30, 2016 and 2015, respectively.

A subsidiary of the Company incurred expenses for sales and marketing support provided by a related entity during which time a former Company director had significant influence until May 25, 2016. Amounts incurred were $96 in 2016, until May 25, 2016, the last day of the related party relationship. Amounts incurred were $105 and $157 during the three and nine months ended September 30, 2015, respectively. $67 was owed at September 30, 2015.

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

The following table sets out the compensation of officers and directors of the Company:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Compensation	**819**	570	**2,290**	1,583
Share-based compensation	**130**	-	**274**	-
Termination benefits	**74**	-	**179**	-
Short-term employee benefits	**12**	9	**36**	27
	1,035	579	**2,779**	1,610

15. SUBSEQUENT EVENTS

On October 1, 2016, the Company completed the acquisition of TeraMach, a Canadian value added reseller. TeraMach is now a wholly-owned subsidiary of the Company. Under the terms of the Share Purchase Agreement, the all cash purchase price of up to C$14,000 for all outstanding shares of TeraMach, consisted of a C$5,000 upfront payment made at closing and C$9,000 in potential earn out payments over a period of four years, which will be financed by way of Pivot's existing borrowing facilities. All previously existing shares and options to purchase TeraMach stock were cancelled upon the completion of the acquisition. Results of operations for TeraMach will be included in the Company's consolidated financial statements from the date of acquisition.

On October 3, 2016, the Company cancelled all 224,000 (C$104) shares held in treasury stock at September 30, 2016.

On November 23, 2016, the Company commenced a lawsuit against GTS seeking damages and other relief for breaches of various contracts, statutory violations and torts against a number of parties including, but not limited to: former employees, GTS, GTS' owner and GTS' former shareholders. The Company intends to vigorously pursue this matter to recover damages incurred by Pivot in connection with the termination of its relationship with GTS. Because the Company has not formed a conclusion as to whether a favorable outcome is either probable or remote, the Company cannot express an opinion as to the likelihood of a favorable outcome or the amount or range of any possible recovery or costs associated with this matter.