

Interim Condensed Consolidated Financial Statements

Pivot Technology Solutions, Inc.

For the Three and Six Months Ended
June 30, 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]

	June 30, 2015	December 31, 2014
ASSETS		
Current		
Cash and cash equivalents	11,638	8,527
Accounts receivable	261,587	265,158
Income taxes recoverable	785	258
Inventories	71,830	51,705
Other current assets	27,250	27,172
Total current assets	373,090	352,820
Property, plant and equipment, net	8,143	6,685
Goodwill	29,733	29,733
Intangible assets, net	48,359	52,966
Deferred income taxes (note 8)	16,140	15,984
Other non-current assets	14,420	15,594
Total assets	489,885	473,782
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	29,138	43,921
Accounts payable and accrued liabilities	253,147	219,439
Deferred revenue and customer deposits	27,551	27,156
Other financial liabilities (note 5)	126,791	126,533
Total current liabilities	436,627	417,049
Other financial liabilities (note 5)	3,500	5,000
Other non-current liabilities	13,392	14,495
Total liabilities	453,519	436,544
Shareholders' equity		
Share capital (note 6)	86,191	86,125
Warrants and options (note 6)	2,967	3,082
Contributed capital	103	21
Accumulated deficit	(52,895)	(51,990)
Total shareholders' equity	36,366	37,238
Total liabilities and shareholders' equity	489,885	473,782

See accompanying notes

On behalf of the Board:

"John Anderson"

"John Sculley"

John Anderson
Director

John Sculley
Director

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

[unaudited]

[in thousands of U.S. dollars]

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenues				
Product sales	314,196	263,682	569,830	547,376
Service revenues	40,785	36,619	79,409	70,153
Other revenues	2,901	2,407	5,016	4,506
	357,882	302,708	654,255	622,035
Cost of sales	312,580	264,508	576,757	548,372
Gross profit	45,302	38,200	77,498	73,663
Operating expenses (income)				
Selling and administrative	35,382	30,518	66,269	59,775
Depreciation and amortization	3,200	2,882	6,285	5,747
Interest expense	1,831	1,760	3,668	3,087
Change in fair value of liabilities (note 9)	113	1,274	838	5,033
Transaction costs	125	192	142	192
Other expense (income)	112	40	113	(116)
	40,763	36,666	77,315	73,718
Income (loss) before income taxes	4,539	1,534	183	(55)
Provision for (recovery of) income taxes (note 8)	1,876	583	627	(37)
Net and comprehensive income (loss) for the period	2,663	951	(444)	(18)
Net income (loss) per share (note 6):				
Net income (loss) available to common shareholders:				
Net and comprehensive income (loss) for the period	2,663	951	(444)	(18)
Deduct preferred dividends declared	-	(693)	(461)	(1,389)
Net income (loss) available to common shareholders	2,663	258	(905)	(1,407)
Basic	\$ 0.02	\$ 0.00	\$ (0.01)	\$ (0.01)
Diluted	\$ 0.02	\$ 0.00	\$ (0.01)	\$ (0.01)

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	(2,233)	2,233	-	-	-	-	-
Preferred share dividends declared (note 6)	-	-	-	-	-	(1,389)	(1,389)
Net and comprehensive loss for the period	-	-	-	-	-	(18)	(18)
Balance, June 30, 2014	49,558	36,567	86,125	-	3,103	(54,926)	34,302
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 warrants	-	66	66	-	(33)	-	33
Warrants expired and unexercised	-	-	-	82	(82)	-	-
Preferred share dividends declared (note 6)	-	-	-	-	-	(461)	(461)
Net and comprehensive loss for the period	-	-	-	-	-	(444)	(444)
Balance, June 30, 2015	-	86,191	86,191	103	2,967	(52,895)	36,366

See accompanying notes

Pivot Technology Solutions, Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[unaudited]

[in thousands of U.S. dollars]

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
OPERATING ACTIVITIES				
Net and comprehensive income (loss) for the period	2,663	951	(444)	(18)
Add (deduct) items not involving cash				
Depreciation and amortization	3,200	2,882	6,285	5,747
Loss on disposals of property, plant and equipment	168	-	167	-
Provision for receivables	66	50	66	50
Deferred income taxes (note 8)	(508)	113	(156)	(1,498)
Amortization of loan fees	194	163	372	326
Change in fair value of liabilities (note 9)	113	1,274	838	5,033
Changes in non-cash working capital balances (note 10)	(5,625)	9,227	16,792	(27,034)
Cash provided by (used in) operating activities	271	14,660	23,920	(17,394)
INVESTING ACTIVITIES				
Proceeds from sales of property, plant and equipment	49	-	50	-
Payments made on contingent consideration	-	(5,100)	-	(5,100)
Capital expenditures	(270)	(216)	(2,811)	(594)
Intangible assets	(292)	(302)	(542)	(551)
Cash used in investing activities	(513)	(5,618)	(3,303)	(6,245)
FINANCING ACTIVITIES				
Net change in debt facilities	(1,742)	(7,924)	(2,080)	13,272
Change in bank overdraft	4,922	6,234	(14,783)	5,710
Preferred share dividends paid	(91)	(704)	(676)	(1,159)
Issuance of shares, net of cost	33	-	33	-
Cash provided by (used in) financing activities	3,122	(2,394)	(17,506)	(17,823)
Net increase (decrease) in cash and cash equivalents during the period	2,880	6,648	3,111	(5,816)
Cash and cash equivalents, beginning of period	8,758	9,556	8,527	22,020
Cash and cash equivalents, end of period	11,638	16,204	11,638	16,204

See accompanying notes

Pivot Technology Solutions, Inc.

Notes to the unaudited interim condensed consolidated financial statements

Three- and six-month periods ended June 30, 2015 and 2014

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

1. CORPORATE INFORMATION

Pivot Acquisition Corp. (“Pivot Acquisition”) completed a reverse takeover 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- and six-month periods ended June 30, 2015 and 2014 were authorized for issue in accordance with a resolution of the Company’s Board of Directors on August 19, 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 Financial Reporting Standards (“IFRS”), 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.

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.

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

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 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.

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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 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%. \$11,155 and \$11,157 were due to IBM as at June 30, 2015 and December 31, 2014, respectively. The Company is required to maintain certain financial ratios and was in compliance as at June 30, 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. The line was fully utilized at June 30, 2015. \$8,515 was outstanding under the Macquarie purchase finance agreement as at December 31, 2014. This amount is included in accounts payable and accrued liabilities in the unaudited interim condensed consolidated statements of financial position.

Pivot Technology Solutions, Inc.

Notes to the unaudited interim condensed consolidated financial statements

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5. OTHER FINANCIAL LIABILITIES

	June 30, 2015	December 31, 2014
Current		
Secured borrowings	119,945	120,525
Fixed consideration	5,298	4,992
Interest rate swap	1,548	1,016
	126,791	126,533
Non-current		
Secured borrowings	3,500	5,000
	3,500	5,000
	130,291	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. No financing fees related to amendment fees, were incurred during the three-months ended June 30, 2015 and 2014. Financing fees of \$228 and \$229, related to amendment fees, were incurred during the six-months ended June 30, 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

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

As at June 30, 2015 and December 31, 2014, \$116,945 and \$117,525 were outstanding under the ABL Revolving Credit Facility, respectively. The ABL Term Loan had an outstanding balance of \$6,500 and \$8,000 as at June 30, 2015 and December 31, 2014, respectively.

The PNC Borrowing Group had available borrowings under the ABL Credit Facility of \$57,283 and \$56,805 as at June 30, 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 June 30, 2015 and December 31, 2014, a \$250 letter of credit was outstanding under the ABL Credit Facility. As at June 30, 2015 and December 31, 2014, no swing loans were outstanding under the ABL Revolving Credit Facility.

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 1.15 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 June 30, 2015 and December 31, 2014.

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,

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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 present value of the consideration was determined to be \$5,298 and \$4,992 as at June 30, 2015 and December 31, 2014, respectively. The Company recorded a charge of \$154 and \$282 related to the change in present value of the consideration for the three-month periods ended June 30, 2015 and 2014, respectively. The Company recorded a charge of \$306 and \$1,636 related to the change in present value of the consideration for the six-month periods ended June 30, 2015 and 2014, respectively. No payments were made during each of the three and six month periods ended June 30, 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 income (loss) and comprehensive income (loss). As at June 30, 2015 and December 31, 2014, the net present value of the Swap was determined to be \$1,548 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.

Pivot Technology Solutions, Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

6. SHARE CAPITAL

As at June 30, 2015, the issued share capital amounted to \$86,191. 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 six-month period ended June 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)
Options exercised	-	100,000
Preferred shares converted to common shares	(60,163,380)	60,163,380
As at June 30, 2015	-	167,819,126

Note: Share amounts are not rounded

As at June 30, 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 six-month period ended June 30, 2014 were as follows:

	Series A Preferred #	Common Shares #
As at January 1, 2014	65,262,480	102,659,146
Cancellation of shares		(75,000)
Preferred shares converted to common shares	(2,983,300)	2,983,300
As at June 30, 2014	62,279,180	105,567,446

Note: Share amounts are not rounded

Pivot Technology Solutions, Inc.

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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 (loss) per share

Basic income (loss) per share is based on the weighted average number of common shares outstanding during the period. Diluted income (loss) per share assumes the weighted average dilutive effect of common share equivalents outstanding during the period applied to the Company's basic income (loss) 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 computation of diluted earnings per share for the six-month periods ended June 30, 2015 and 2014 did not include options to purchase 7,355,000 and 7,764,514 shares, respectively, as the result would have been anti-dilutive.

The following is a reconciliation of the weighted average common shares used to calculate basic net income per share to the weighted average common and potential common shares used to calculate diluted net income per share for the three-month periods ended June 30, 2015 and 2014:

For the three months ended,	June 30, 2015	June 30, 2014
Shares used in calculation – basic	167,765,280	104,627,162
Stock options and warrants	7,355,000	7,764,514
Conversion of preferred shares	-	62,279,180
Shares used in calculation – diluted	175,120,280	174,670,856

For the six-month periods ended June 30, 2015 and 2014, 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, because the Company was in a loss position. The weighted average

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numbers of common shares issued and outstanding for the six-month periods ended June 30, 2015 and 2014, were 143,304,933 and 103,678,770, respectively.

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 reclassified to share capital when they are exercised or contributed capital, if expired and unexercised.

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. On May 20, 2015, the broker exercised 100,000 options.

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 June 30, 2015, 202,500 shares have been cancelled.

Pivot Technology Solutions, Inc.**Notes to the unaudited interim condensed consolidated financial statements****Three- and six-month periods ended June 30, 2015 and 2014**

(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

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(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 June 30, 2015	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Non- financial	Total carrying amount
Cash and cash equivalents	11,638	-	-	-	11,638
Accounts receivable	-	261,587	-	-	261,587
Other non-financial assets	-	-	-	216,660	216,660
Total assets	11,638	261,587	-	216,660	489,885
Bank overdraft	29,138	-	-	-	29,138
Accounts payable and accrued liabilities	-	-	253,147	-	253,147
Other financial liabilities	1,548	-	128,743	-	130,291
Other non-financial liabilities	-	-	-	40,943	40,943
Total liabilities	30,686	-	381,890	40,943	453,519

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

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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 June 30, 2015 and December 31, 2014:

Fair value as at June 30, 2015				
Description	Level 1	Level 2	Level 3	Total
Interest rate swap	-	1,548	-	1,548
	-	1,548	-	1,548

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 period ended		Six-month period ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Current tax expense (benefit)	2,384	470	783	1,461
Deferred tax expense (benefit)	(508)	113	(156)	(1,498)
	1,876	583	627	(37)

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9. CHANGE IN FAIR VALUE OF LIABILITIES

	Three-month period ended		Six-month period ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Contingent consideration	-	122	-	3,801
Interest rate swap	(41)	738	532	738
Fixed consideration	154	414	306	494
	113	1,274	838	5,033

10. CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

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

	Three-month period ended		Six-month period ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Accounts receivable	(40,123)	17,677	3,505	(5,695)
Income taxes recoverable	2,053	152	(527)	510
Inventories	(9,417)	(23,783)	(20,125)	(1,496)
Other assets	2,602	(16,125)	724	(16,115)
Accounts payable and accrued liabilities	39,736	31,340	34,318	(4,170)
Other liabilities	(476)	(34)	(1,103)	(68)
	(5,625)	9,227	16,792	(27,034)

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

	Three-month period ended		Six-month period ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Interest paid	1,505	1,228	3,162	2,031
Income taxes paid	265	354	1,325	1,669

11. 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 \$1,441 and \$790 for the three-month periods ended June 30, 2015 and 2014, respectively. The total amount collected from Old ACS for these shared administrative services were \$658 and \$395 for the six-

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month periods ended June 30, 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 \$23,008 and \$18,523 for the three-month periods ended June 30, 2015 and 2014, respectively. Total gross sales through the agent are approximately \$40,697 and \$51,958 for the six-month periods ended June 30, 2015 and 2014, respectively. The Company's effective costs to the agent in respect of this revenue were approximately \$1,118 and \$720 for the three-month periods ended June 30, 2015 and 2014, respectively, which are included in the Company's cost of sales. The Company's effective costs to the agent in respect of this revenue were approximately \$2,375 and \$1,194 for the six-month periods ended June 30, 2015 and 2014, respectively, which are 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 \$24,858 and \$23,161 for the three-month periods ended June 30, 2015 and 2014, respectively. Total gross sales through the agent were approximately \$39,488 and \$44,570 for the six-month periods ended June 30, 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 \$385 and \$422 for the three-month periods ended June 30, 2015 and 2014, respectively. Rent paid on these leases was \$687 and \$783 for the six-month periods ended June 30, 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 June 30, 2015 and 2014, respectively. Rent paid on this lease was nil and \$55 for the six-month periods ended June 30, 2015 and 2014, respectively. This lease expired in August 2014 and was not renewed.

A subsidiary of the Company incurred nil and \$133 for the three-month periods ended June 30, 2015 and 2014, respectively, and nil and \$273 for the six-month periods ended June 30, 2015 and 2014, respectively, for marketing services provided by related entities controlled by that subsidiary's chief executive officer and nil and \$6 in expenses for the use of aircraft owned by a related entity

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controlled by that subsidiary's chief executive officer for the three-month periods ended June 30, 2015 and 2014, respectively (\$20 and \$13 for each of the six month periods ended June 30, 2015 and 2014).

A subsidiary of the Company incurred \$306 and nil for the three-month periods ended June 30, 2015 and 2014, respectively, and \$806 and nil for the six-month periods ended June 30, 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 period ended		Six-month period ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Compensation	574	425	1,013	834
Short-term employee benefits	9	9	18	18
	583	434	1,031	852

12. SUBSEQUENT EVENTS

On August 19, 2015, the Board declared a C\$0.0075 common share dividend, for holders of common shares on August 31, 2015. Dividends of C\$755 will be paid on September 15, 2015.