Condensed interim consolidated financial statements

Converge Technology Solutions Corp.

For the three months ended March 31, 2021 and 2020
(Unaudited)

Converge Technology Solutions Corp.

Condensed Interim Consolidated Statements of Financial Position
(expressed in thousands of Canadian dollars, except share amounts)
(unaudited)

	Note	March 31, 2021	December 31, 2020
Assets			
Current assets			
Cash		**$ 68,432**	$ 64,767
Restricted cash	13	**49,671**	-
Trade and other receivables		**345,239**	364,308
Inventories		**51,710**	37,868
Prepaid expenses and other assets		**10,397**	10,376
		525,449	477,319
Long-term assets			
Property, equipment, and right-of-use assets, net		**25,509**	23,558
Intangible assets, net		**113,066**	108,926
Goodwill		**121,447**	110,068
Other non-current assets		**2,023**	749
		$ 787,494	$ 720,620
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	12	**$ 370,030**	$ 398,003
Borrowings	5	**141,316**	133,281
Other financial liabilities	7	**19,952**	22,125
Deferred revenue and other liabilities		**20,885**	17,376
Income taxes payable		**1,461**	764
		553,644	571,549
Long-term liabilities			
Other financial liabilities	7	**30,403**	28,858
Borrowings	5	**895**	5,882
Deferred tax liability		**14,527**	12,584
		$ 599,469	$ 618,873
Shareholders' equity			
Common shares	6	**217,907**	135,354
Exchange rights		**5,115**	4,853
Foreign exchange translation reserve		**614**	817
Deficit		**(35,611)**	(39,277)
		188,025	101,747
		$ 787,494	$ 720,620

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

On behalf of the Board:

"Signed"
Director - Shaun Maine

"Signed"
Director - Brian Phillips

Converge Technology Solutions Corp.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(expressed in thousands of Canadian dollars, except share amounts)
(unaudited)

For the three months ended March 31,	Notes		**2021**		2020
Revenues					
Product		**$**	**252,507**	$	190,383
Service			**57,695**		51,142
Total revenue	9		**310,202**		241,525
Cost of sales			**242,405**		186,690
Gross profit			**67,797**		54,835
Selling, general and administrative expenses			**49,643**		45,204
Income before the following			**18,154**		9,631
Depreciation and amortization			**6,488**		5,401
Finance expense, net	5,7		**2,420**		5,499
Special charges	11		**3,051**		1,939
Other expenses (income)			**1,093**		(1,619)
Income (loss) before income taxes			**5,102**		(1,589)
Income tax expense (recovery)			**1,436**		(173)
Net Income (loss)		**$**	**3,666**	$	(1,416)
Other comprehensive income (loss)					
Item that may be reclassified subsequently to income:					
Exchange loss on translation of foreign operations			**203**		1,699
			203		1,699
Comprehensive income (loss)		**$**	**3,463**	$	(3,115)
Net income (loss) per share - basic		**$**	**0.02**	$	(0.02)
Net income (loss) per share - diluted		**$**	**0.02**	$	(0.02)
Weighted average number of shares outstanding – basic			**159,794**		87,409
Weighted average number of shares outstanding – diluted			**164,290**		87,409

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Converge Technology Solutions Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(expressed in thousands of Canadian dollars, except share amounts)
(unaudited)

		Common shares		Warrants		Contributed surplus	Exchange rights	Foreign exchange transaction reserve	Deficit	Total
	Notes	#	$	#	$	$	$	$	$	$
Balance, December 31, 2019		**81,257,474**	**20,612**	**4,040,925**	**243**	**307**	**6,773**	**69**	**(37,881)**	**(9,877)**
Warrants exercised		3,991,030	2,563	(3,948,055)	(237)	-	-	-	-	2,326
Exercise of exchange rights		1,500,000	960	-	-	-	(960)	-	-	-
Shares issued from treasury for public offering		6,361,315	7,294	-	-	-	-	-	-	7,294
Share repurchase commitment under normal course issuer bid		(964,500)	-	-	-	-	-	-	-	-
Net loss and comprehensive loss		-	-	-	-	-	-	(1,699)	(1,416)	(3,115)
Balance, March 31, 2020		**92,145,319**	**31,429**	**92,870**	**6**	**307**	**5,813**	**(1,630)**	**(39,297)**	**(3,372)**
Balance, December 31, 2020		**143,580,081**	**135,354**	**-**	**-**	**-**	**4,853**	**817**	**(39,277)**	**101,747**
Issuance of exchange rights		-	-	-	-	-	1,875	-	-	1,875
Exercise of exchange rights		2,217,850	1,613	-	-	-	(1,613)	-	-	-
Shares issued from treasury for public offering	6	17,825,000	80,940	-	-	-	-	-	-	80,940
Net income and comprehensive income		-	-	-	-	-	-	(203)	3,666	3,463
Balance, March 31, 2021		**163,622,931**	**217,907**	**-**	**-**	**-**	**5,115**	**614**	**(35,611)**	**188,025**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Converge Technology Solutions Corp.

Condensed Interim Consolidated Statements of Cash Flows
(expressed in thousands of Canadian dollars, except share amounts)
(unaudited)

For the three months ended March 31,	Notes		2021		2020
Cash flows from operating activities					
Net income (loss)		$	**3,666**	$	(1,416)
Adjustments to reconcile net income (loss) to net cash from operating activities					
Depreciation and amortization			**7,240**		6,779
Finance expense, net	5,7		**2,420**		5,499
Change in fair value of contingent consideration	7		**597**		-
Income tax expense (recovery)			**1,436**		(173)
			15,359		10,689
Changes in non-cash working capital items					
Trade and other receivables			**22,796**		(7,403)
Inventories			**(12,167)**		(19,735)
Prepaid expenses and other assets			**(565)**		3,115
Trade and other payables			**(35,139)**		38,926
Income taxes payable			**496**		(794)
Other financial liabilities			**-**		246
Deferred revenue and customer deposits			**3,680**		4,234
Cash from (used in) operating activities			**(5,540)**		29,278
Cash flows from investing activities					
Purchase of property and equipment			**(1,765)**		(356)
Proceeds on disposal of property and equipment			**89**		-
Repayment of contingent consideration	7		**(3,420)**		-
Repayment of deferred consideration	7		**(3,205)**		(4,117)
Business combinations, net of cash acquired	4		**(10,194)**		(6,699)
Cash used in investing activities			**(18,495)**		(11,172)
Cash flows from financing activities					
Transfers to restricted cash			**(49,671)**		(250)
Interest paid			**(2,460)**		(4,432)
Payments of lease liabilities			**(2,285)**		(2,527)
Proceeds from issuance of common shares and warrants	6		**80,940**		9,653
Repurchase of common shares			**-**		(1,246)
Repayment of notes payable	7		**(2,691)**		-
Net proceeds from (repayment of) borrowings	5		**4,242**		(12,392)
Cash from (used in) financing activities			**28,075**		(11,194)
Net change in cash during the period			**4,040**		6,912
Effect of foreign exchange on cash			**(375)**		(753)
Cash, beginning of period			**64,767**		20,590
Cash, end of period		$	**68,432**	$	26,749

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Notes to the condensed interim consolidated financial statements

(expressed in thousands of Canadian dollars, except share amounts)
(Unaudited)

For the three months ended March 31, 2021 and 2020

1. Nature of business

Converge Technology Solutions Corp. and subsidiaries (the "Company" or "Converge") are a North American Hybrid IT solution provider focused on delivering advanced analytics, cloud, cybersecurity, and managed services offerings as well as the provision of hardware and software products and solutions to clients across various industries and organizations.

The Company was incorporated on November 29, 2016. The Company's registered head office is located 85 Rue Victoria, Gatineau, Quebec, J8X 2A3.

The Company has the following wholly owned subsidiaries as at March 31, 2021:

Corus Commercial Finance, LLC, Corus Group, LLC Corus Managed Services, LLC, Corus Careers, LLC OHC International, LLC, Corus 360 Limited ("Corus")	Lighthouse Computer Services, Inc., Acumetrics Business Intelligence Inc. ("Lighthouse")
Northern Micro Inc. ("Northern Micro")	10084182 Canada Inc. o/a Becker-Carroll
Key Information Systems, Inc. ("KeyInfo")	BlueChip Tek, Inc. ("BlueChip Tek")
Converge Acquisition, LLC	SIS Holding Company, LLC, Software Information Systems, LLC ("SIS")
Converge Canada Finance Corp.	Converge Technology Partners Inc.
Converge NE Commercial Finance, LLC	Converge West Commercial Finance, LLC
Nordisk Systems, Inc. ("Nordisk")	Essextec Acquisition, LLC, Essex Technology Group, Inc., Essex Commercial Finance LLC ("Essex")
Datatrend Technologies, Inc. ("Datatrend")	VSS Holdings, LLC, VSS, LLC, Information Insights, LLC ("VSS")
Solutions P.C.D. Inc, P.C.D. Consultation Inc. ("PCD")	Unique Digital, Inc. ("Unique Digital")
Workgroup Connections, Inc. ("Workgroup")	Vivvo Application Studios ("Vivvo")
Vicom Computer Services, Inc. ("Vicom")	CarpeDatum LLC ("CarpeDatum")
Accudata Systems LLC ("Accudata")	

2. Basis of preparation

The unaudited condensed interim consolidated financial statements (the "financial statements") were prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2020, except as disclosed below. These condensed interim consolidated financial statements have been prepared in compliance with IAS 34 – *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020. The comparative condensed interim consolidated financial statements have been reclassified from the statements previously presented to conform to the presentation of the current condensed interim consolidated financial statements.

The timely preparation of the condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements, and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed interim consolidated financial statements.

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19," has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The Company cautions that it is impossible to fully anticipate or quantify the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including shelter in place directives, which, if extended, may impact the economies in which the Company now, or may in the future, operate, key markets into which the Company sells and markets through which the Company's key suppliers source their products. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods including the use of estimates and judgments which are subject to significant uncertainty. The Company continues to actively monitor the situation and will continue to respond as the impact of the COVID-19 pandemic evolves.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 11, 2021.

3. New standards, amendments and interpretations

The following new accounting standards have been issued but not yet adopted by the Company as at March 31, 2021:

Amendments to IAS 1 In January 2020, IASB issued Classification of Liabilities as "Current" or "Non-current", which amends IAS 1.

The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

(expressed in thousands of Canadian dollars, except share amounts)

4. Business combinations

Acquisitions completed during the three months ended March 31, 2021

The following table details the allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition for each of the Company's acquisitions completed during the three months ended March 31, 2021:

	CarpeDatum [a]	Accudata [b]	Total
March 31, 2021	**$**	**$**	**$**
Consideration paid in cash	1,609	13,924	15,533
Contingent consideration	2,197	6,076	8,273
Common shares	1,875	-	1,875
Total purchase price	**5,681**	**20,000**	**25,681**
Cash	425	4,873	5,298
Trade and other receivables	910	6,232	7,142
Prepaid expenses and other current assets	-	362	362
Property and equipment	-	998	998
Right-of-use-asset	-	2,388	2,388
Intangible assets	2,693	7,498	10,191
Trade and other payables	(1,058)	(6,755)	(7,813)
Deferred revenue	-	(45)	(45)
Deferred tax liability	(700)	(1,952)	(2,652)
Lease liability	-	(2,388)	(2,388)
Goodwill	**3,411**	**8,789**	**12,200**

Goodwill arising on the acquisitions reflects the benefits attributable to synergies, revenue growth, future market development and the estimated fair value of an assembled workforce. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets. This goodwill is not deductible for income tax purposes.

[a] CarpeDatum

On January 6, 2021, the Company acquired all of the issued and outstanding shares of CarpeDatum LLC, ("CarpeDatum"), a Colorado-based analytics consulting organization.

The total consideration for the purchase of CarpeDatum was $5,681 ($4,479 US). Purchase consideration consisted of (i) $1,586 in cash; (ii) working capital adjustment of $23; (iii) $1,875 for the issuance of a right to exchange Class B membership interests for an aggregate of 367,644 common shares of the Company; and (iv) an estimated aggregate of $2,197 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

The acquisition of CarpeDatum qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of CarpeDatum have been included in the consolidated financial statements of the Company from the date of the acquisition. At March 31, 2021, the acquisition accounting for this transaction has not yet been finalized and requires the Company to complete its determination of the fair values of identifiable intangible assets.

(expressed in thousands of Canadian dollars, except share amounts)

Total transaction costs for the acquisition of CarpeDatum were $119. All transaction costs were expensed as incurred.

[b] Accudata

On February 12, 2021, the Company acquired all of the issued and outstanding shares of Accudata Systems LLC, ("Accudata"), a Texas-based IT consulting and integration firm that provides infrastructure and security solutions and services.

The total consideration for the purchase of Accudata was $20,000 ($15,735 US). Purchase consideration consisted of (i) $9,533 in cash; (ii) working capital adjustment of $4,391; and (iii) an estimated aggregate of $6,076 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

The acquisition of Accudata qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of Accudata have been included in the consolidated financial statements of the Company from the date of the acquisition. At March 31, 2021, the acquisition accounting for this transaction has not yet been finalized and requires the Company to complete its determination of the fair values of identifiable intangible assets.

Total transaction costs for the acquisition of Accudata were $550. All transaction costs were expensed as incurred.

Pro forma results of operations

The following pro forma results of operations assume Accudata was acquired by the Company on January 1, 2021:

	For the three months ended March 31, 2021
	$
Revenue	**6,231**
Net loss	**566**

The pro forma results of operations are not intended to reflect the results that would have actually occurred had the acquisition closed on January 1, 2021. Further, the pro forma results of operations are not necessarily indicative of the results that may be generated by the Company in the future or reflect future events that may occur following the acquisition in a subsequent period or periods.

(expressed in thousands of Canadian dollars, except share amounts)

Acquisitions completed during the year ended December 31, 2020

As at March 31, 2021, the acquisition accounting for Unique Digital, Workgroup, Vivvo, and Vicom have been finalized with no material changes to the fair value to the identifiable assets acquired and liabilities assumed at the date of acquisition, as disclosed consolidated financial statements for the year ended December 31, 2020.

The following table details the final allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition for each of the above acquisitions:

2020	Unique Digital $	Workgroup $	Vivvo $	Vicom $	Total $
Consideration paid in cash	9,400	364	3,302	41,883	54,949
Deferred consideration	3,679	-	-	-	3,679
Contingent consideration	980	-	1,623	-	2,603
Common shares	-	1,338	1,500	-	2,838
Total purchase price	**14,059**	**1,702**	**6,425**	**41,883**	**64,069**
Cash	3,447	243	1,482	10,126	15,298
Trade and other receivables	5,819	39	304	23,072	29,234
Inventories	339	-	-	3,818	4,157
Prepaid expenses and other current assets	21	-	168	133	322
Property and equipment	-	41	61	60	162
Right-of-use-asset	455	-	275	1,366	2,096
Intangible assets	4,881	871	1,816	17,592	25,160
Trade and other payables	(4,351)	(37)	(102)	(23,720)	(28,210)
Other financial liabilities	(1,325)	-	-	-	(1,325)
Deferred revenue	-	(35)	-	(195)	(230)
Deferred tax liability	(1,269)	(229)	(481)	(4,573)	(6,552)
Lease liability	(454)	-	(275)	(1,365)	(2,094)
Goodwill	**6,496**	**809**	**3,177**	**15,569**	**26,051**

5. Borrowings

The borrowings outstanding as at March 31, 2021 and December 31, 2020 were as follows:

Facility	Notes	March 31, 2021	December 31, 2020
Canadian lender – ABL facilities	5a	**$ 140,507**	$ 116,285
Other third party facilities	5b	**1,704**	22,878
Total		**142,211**	139,163
Current liabilities		**141,316**	133,281
Non-current liabilities		**895**	5,882
Total		**$ 142,211**	$ 139,163

a) On November 6, 2020, the Company entered into revolving credit agreements with a syndicate of Canadian lenders. These agreements, which are asset-based lending ("ABL") facilities, provide lines of credit secured by the assets of the Company, and can be drawn to a certain percentage of the eligible trade receivables and inventory balances, to a maximum of $190,000 (on March 21, 2021, the limit was increased to $190,000 from $140,000). Interest is payable monthly at the published CIBC Bank prime rate plus 0% to 2%. At March 31, 2021, the Company was in compliance with the lender's financial covenants under the ABL.

(expressed in thousands of Canadian dollars, except share amounts)

On November 5, 2020, the Company terminated its existing ABL facilities with a Canadian lender (“Old ABL Facility”). These facilities could be drawn to a certain percentage of the eligible trade receivables and inventory balances, to a maximum of $170,000. Interest was payable monthly at rates that vary from the higher of 8.75% to 9.25% or the published TD Bank prime rate plus 5.3% to 5.8%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables.

b) The Company has various credit agreements with a third party which are secured by certain long-term customer contracts which require monthly or quarterly blended payments, maturing in November 2023. On January 19, 2021, the Company repaid $19,164 to the lender, equal to the outstanding principal plus accrued interest.

The consolidated interest expense for all borrowings for the three months ended March 31, 2021 was $1,872 (three months ended March 31, 2020 – $4,220).

6. Share capital

a) Authorized

The authorized share capital of the Company consists of an unlimited number of Class A common shares (“common shares”), Class B common shares and preference shares. No Class B common shares and preference shares have been issued as at March 31, 2021 and December 31, 2020.

b) Public offering

On January 5, 2021, the Company announced that it had entered into an agreement with a syndicate of underwriters, pursuant to which the Underwriters agreed to purchase, on a bought deal basis, 10,310,000 common shares of the Company (“Offered Shares”) at a price of $4.85 per Offered Share (the “Issue Price”) for gross proceeds to the Company of $50,004 (the “Offering”), before deducting the underwriters’ fees and estimated offering expenses. On January 6, 2021, the Company announced that it amended the agreement to increase the Offered Shares to 15,500,000, for a total Offering of $75,175. The Company also granted the underwriters an option, exercisable at any time, in whole or in part, until the date that is 30 days following closing to purchase, to purchase 2,325,000 additional common shares to cover over-allotments and for market stabilization purposes. On January 15, 2021, the over-allotment option was exercised in full, increasing the aggregate gross proceeds of the Offering to $86,451. After deducting transaction costs of $5,511, the net proceeds to the Company were $80,940.

7. Other financial liabilities

Other financial liabilities as at March 31, 2021 and December 31, 2020 are comprised of the following:

	Notes	**March 31, 2021** $	December 31, 2020 $
Notes payable	**[a]**	**1,587**	4,393
Deferred consideration	**[b]**	**11,741**	15,206
Contingent consideration	**[c]**	**20,971**	15,710
Lease liability		**16,056**	15,610
Other		**-**	64
		50,355	50,983

(expressed in thousands of Canadian dollars, except share amounts)

Current liabilities	**19,952**	22,125
Non-current liabilities	**30,403**	28,858
	50,355	50,983

[a] Notes payable

As at March 31, 2021, SIS had three notes payable to third party for the purchase of equipment in aggregate of $743 (December 31, 2020 – $834). Interest on the notes payable range from 1.58% to 5.57% per annum and maturity dates are May 21, 2021, November 1, 2021, and March 16, 2024.

As at March 31, 2021, Essextec had a line of credit of $844 bearing a variable interest rate of 3.25% (December 31, 2020 –$1,172). As at March 31, 2021, Essextec had notes payable of nil (December 31, 2020 – $2,387) that bore an interest rate of 10% per annum.

[b] Deferred consideration

The following table details the Company's deferred consideration outstanding as at March 31, 2021, and December 31, 2020;

	Maturity Date	Interest rate per annum	Principal $ USD	Principal $	March 31, 2021 $	December 31, 2020 $
Northern Micro	January 8, 2021	-	-	-	**-**	1,768
Nordisk	July 1, 2022	8%	1,000	1,258	**1,283**	1,328
Datatrend	September 30, 2022	7%	2,500	3,144	**3,199**	3,183
VSS	May 1, 2021	7%	500	629	**640**	637
PCD	February 6, 2023	3.7%	-	3,240	**3,057**	4,766
Unique Digital	October 1, 2023	7%	2,400	3,018	**3,562**	3,524
Total				11,289	**11,741**	15,206

During the three months ended March 31, 2021, the Company recognized interest expensed on deferred consideration of $268 (three months ended March 31, 2020 - $254).

[c] Contingent consideration

Contingent consideration is comprised of earn-out payments due to sellers of acquired companies for meeting certain EBITDA conditions over the three years following the date of acquisition. The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy and was determined based on Monte Carlo simulation using various assumptions including EBITDA forecast, a discount rate with a ranging between 12% and 27.5%, and a volatility factor ranging between 25% and 45%.

The following table details the fair values of the Company's contingent consideration outstanding as at March 31, 2021, and December 31, 2020:

(expressed in thousands of Canadian dollars, except share amounts)

	March 31, 2021	December 31, 2020
	$	$
KeyInfo	**597**	-
Lighthouse	**2,604**	6,074
VSS	**3,541**	3,584
PCD	**3,490**	3,490
Unique Digital	**927**	939
Vivvo	**1,623**	1,623
Accudata	**6,011**	-
CarpeDatum	**2,178**	-
Total	**20,971**	15,710

During the three months ended March 31, 2021, the Company recognized an expense of $597 recognized in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) (three months ended March 31, 2020 – nil).

In February 2021, the Company paid the year 2 earn-out payment owing to Lighthouse of $3,420 ($2,700 USD).

8. Fair value of financial instruments and risk management

The carrying values of cash, restricted cash, trade and other receivables, trade and other payables, lease payable, and notes payable approximate fair values due to the initial recognition at fair value near March 31, 2021, short-term nature of these items or being carried at fair value. The carrying amounts of the Company's borrowings approximate their fair values since they bear interest at rates comparable to market rates at the end of the reporting period. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the condensed interim consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety.

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

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Contingent consideration is classified as a Level 3 financial instruments. The valuation method and significant assumptions used to determine the fair value of contingent consideration has been disclosed in note 7. During the year, there were no transfers of amounts between levels.

When the fair value of financial assets and financial liabilities, including contingent consideration, recorded in the condensed interim consolidated statements of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

There have been no transfers between any levels of the fair value hierarchy during the three months ended March 31, 2021 or during fiscal 2020. There were also no changes in the purpose of any financial liability that subsequently resulted in a different classification of that liability.

Liquidity risk and going concern

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In the preparation of interim financial statements, management is required to identify when events or conditions indicate that significant doubt may exist about the Company's ability to continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, 12 months from the balance sheet date. When the Company identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

The Company's objective in managing liquidity risk is to ensure that there are sufficient committed borrowings in order to meet its liquidity requirements. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis, taking into account its anticipated cash flows from operations and its borrowing capacity. The Company's ability to continue as a going concern for the next 12 months involves significant judgment and is dependent on the availability under the Company's borrowings, the Company's ability to renew its borrowings and its ability to generate positive cash flows from operating activities. Based on current funds available and expected cash flow from operating activities, management believes that the Company has sufficient funds available to meet its liquidity requirements for the foreseeable future. However, if cash from operating activities is significantly lower than expected, if the Company incurs major unanticipated expenses, if the Company experiences a significant decrease in revenue or if the Company's borrowings are called, it may be required to seek additional capital in the form of debt or equity or a combination of both. Management's current expectations with respect to future events are based on currently available information and the actual outcomes may differ materially from those current expectations.

(expressed in thousands of Canadian dollars, except share amounts)

9. Segmented information

The Company's Chief Executive Office ("CEO") has been identified as the chief operation decision maker ("CODM"). The CEO evaluates the performance of the Company and allocates resources primarily based on revenue and gross profit as provided by the Company's internal management system at a consolidated level. The CEO may also consider industry trends and other externally available financial information when evaluating the performance of the Company. The Company has determined that it is a single operating segment: hybrid IT solutions. This segment engages in business activities from which it earns product and service revenues and incurs expenses.

Revenue from US operations for the three months ended March 31, 2021 was $191,867 (three months ended March 31, 2020 – $193,552). Revenue from Canadian operations for the three months ended March 31, 2021 was $118,335 (three months ended March 31, 2020 – $47,973).

The following sets forth long-lived assets attributable to Canada (the Company's country of domicile), and the United States. The two regions hold all of the Company's long-lived assets.

March 31, 2021	**Property and equipment**	**Intangible assets**	**Goodwill**	**Total**
	$	**$**	**$**	**$**
United States	**23,529**	**96,355**	**104,359**	**224,243**
Canada	**1,980**	**16,711**	**17,088**	**35,779**
	25,509	**113,066**	**121,447**	**260,022**

December 31, 2020	Property and equipment	Intangible assets	Goodwill	Total
	$	$	$	$
United States	21,486	91,586	92,980	206,052
Canada	2,072	17,340	17,088	36,500
	23,558	108,926	110,068	242,552

10. Contingencies

In the normal course of operations, the Company is party to legal claims and contingencies. Accruals are made in instances where it is probable that liabilities have been incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its financial position.

(expressed in thousands of Canadian dollars, except share amounts)

11. Special charges

The Company has presented certain costs by nature under *Special charges*, to present separately expenses of the Company that are generally non-recurring and highly variable and may differ in amount and frequency from the Company's ongoing operating costs. Special charges consist primarily of restructuring-related expenses for employee terminations, lease terminations, and restructuring of acquired companies, as well as certain legal fees or provisions related to acquired companies. From time to time, it may also include adjustments in the fair value of contingent consideration, and other such non-recurring costs related to restructuring, financing, and acquisitions. As a result, expenses previously presented as *Transaction costs - acquisitions, including retention bonuses* in the comparative period have been reclassified to conform to current presentation of the Condensed interim consolidated statements of income (loss) and comprehensive income (loss).

Special charges for the three months ended March 31, 2021 and 2020 are detailed in the following table:

	For the three months ended March 31,	
	2021	2020
Restructuring related costs	**$ 1,172**	$ 1,257
Change in fair value of contingent consideration	**597**	-
Legal and advisory costs	**196**	175
Transaction costs	**958**	507
Financing related costs	**128**	-
Special charges	**$ 3,051**	$ 1,939

12. Provisions

Provisions include accruals for legal claims, restructuring and special charges, and are measured based on the Company's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The following table details the Company's provisions, which is included in trade and other payables on the condensed interim consolidated statement of financial position, as at March 31, 2021:

	$
At December 31, 2020	**$ 3,283**
Provisions expensed	999
Utilized during the period	(2,499)
Effect of foreign exchange	(264)
At March 31, 2021	**$ 1,519**

13. Subsequent event

Acquisition of Dasher

On April 1, 2021, the Company acquired all of the issued and outstanding shares of Dasher Technologies, Inc. (“Dasher”), an IT solution provider headquartered in Silicon Valley that has architected, implemented, and managed innovative solutions that digitally transform businesses for over 20 years. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $49,671 ($39,500 USD) in cash which is presented as restricted cash on the condensed interim consolidated statement of financial position; and (ii) promissory notes in aggregate of $11,318 ($9,000 USD) in favour of the sellers due over the three years following closing of the acquisition.