Consolidated Financial Statements

Converge Technology Solutions Corp.

For the years ended December 31, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Converge Technology Solutions Corp.

Opinion

We have audited the consolidated financial statements of Converge Technology Solutions Corp. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Laura Sluce.

/s/ Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

April 1, 2020
Toronto, Canada

Converge Technology Solutions Corp.

Consolidated statements of financial position

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

As at	Note	December 31, 2019	December 31, 2018
Assets			
Current assets			
Cash		**$ 20,590**	$ 10,482
Restricted cash	11	**7,848**	4,240
Trade and other receivables	6,22	**220,138**	129,979
Inventories		**23,376**	12,392
Prepaid expenses and other assets		**15,232**	5,758
		287,184	162,851
Long-term assets			
Property, equipment, and right-of-use assets, net	7	**27,428**	7,357
Intangible assets, net	8	**92,047**	46,033
Goodwill	9	**80,271**	32,614
Other non-current assets	10	**1,954**	7,443
		$ 488,884	$ 256,298
Liabilities			
Current liabilities			
Trade and other payables		**$ 248,218**	$ 136,208
Borrowings	11	**142,123**	75,993
Other financial liabilities	16	**35,734**	19,487
Convertible debenture	13	**5,114**	-
Debentures	12	**3,629**	-
Deferred revenue and other liabilities		**9,737**	4,632
Income taxes payable		**660**	390
		445,215	236,710
Long-term liabilities			
Other financial liabilities	16	**33,111**	7,864
Borrowings	11	**14,573**	4,382
Convertible debenture	13	-	4,966
Debentures	12	-	3,151
Deferred tax liability	15	**5,862**	3,729
		$ 498,761	$ 260,802
Shareholders' deficiency			
Common shares	14	**20,612**	17,826
Warrants	14	**243**	493
Contributed surplus	14	**307**	319
Exchange rights	5,14	**6,773**	-
Foreign exchange translation reserve		**69**	(715)
Deficit	14	**(37,881)**	(22,427)
		(9,877)	(4,504)
		$ 488,884	$ 256,298

Contingencies *(note 19)*

Subsequent events (*note 24)*

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

On behalf of the Board:

"Signed"
Director - Shaun Maine

"Signed"
Director - Brian Phillips

Converge Technology Solutions Corp.

Consolidated statements of loss and comprehensive loss

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

For the years ended December 31,	Notes		2019		2018
Revenues	23	$	**687,796**	$	459,193
Cost of sales	23		**526,211**		369,224
Gross profit			**161,585**		89,969
Selling, general and administrative expenses	17		**136,949**		75,655
Income before the following			**24,636**		14,314
Depreciation and amortization	7,8		**13,057**		5,100
Finance expense, net	11,12,13		**16,026**		7,549
Change in fair value of contingent consideration	16		**1,299**		7,447
Transaction costs	5,16		**6,292**		7,748
Reverse take-over costs	4		**-**		2,282
Other expenses (income)			**719**		(224)
Loss before income taxes			**(12,757)**		(15,588)
Income tax (recovery) expense	15		**(1,917)**		2,648
Net loss		$	**(10,840)**	$	(18,236)
Other comprehensive (income) loss					
Item that may be reclassified subsequently to income:					
Exchange (gain) loss on translation of foreign operations			**(784)**		691
			(784)		691
Comprehensive loss		$	**(10,056)**	$	(18,927)
Net loss per share - basic		$	**(0.14)**	$	(0.28)
Net loss per share - diluted		$	**(0.14)**	$	(0.28)
Weighted average number of shares outstanding - basic (in 000's)			**77,411**		64,336
Weighted average number of shares outstanding - diluted (in 000's)			**77,411**		64,336

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

Converge Technology Solutions Corp.

Consolidated statements of changes in shareholders' deficiency

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

	Notes	Common shares #	Common shares $	Warrants #	Warrants $	Contributed surplus $	Exchange rights $	Foreign exchange transaction reserve $	Deficit $	Total $
Balance, December 31, 2017		**48,956,773**	**1**	**-**	**-**	**-**	**-**	**(24)**	**(4,191)**	**(4,214)**
Issuance of common shares and warrants		10,652,055	3,424	10,652,055	586	-	-	-	-	4,010
Private placement - issuance of common shares, net of transaction costs		6,918,756	5,254	186,690	52	-	-	-	-	5,306
Broker warrants excercised		-	-	353,745	21	-	-	-	-	21
Shares issued on exercise of warrants		3,331,000	1,850	(3,331,000)	(184)	-	-	-	-	1,666
Shares issued on qualifying transaction		1,328,125	1,063	46,875	18	12	-	-	-	1,093
Shares issued on conversion of common shares derivative liability		3,896,450	6,234	-	-	-	-	-	-	6,234
Equity portion - convertible debenture		-	-	-	-	307	-	-	-	307
Net loss and comprehensive loss		-	-	-	-	-	-	(691)	(18,236)	(18,927)
Balance, December 31, 2018		**75,083,159**	**17,826**	**7,908,365**	**493**	**319**	**-**	**(715)**	**(22,427)**	**(4,504)**
Common shares issued pursuant to business acquisition, included as a derivative liability		**600,000**								
Balance, December 31, 2018		**75,683,159**	**17,826**	**7,908,365**	**493**	**319**	**-**	**(715)**	**(22,427)**	**(4,504)**
Balance, December 31, 2018		**75,683,159**	**17,826**	**7,908,365**	**493**	**319**	-	**(715)**	**(22,427)**	**(4,504)**
Warrants excercised		3,867,440	2,445	(3,867,440)	(250)	-	-	-	-	2,195
Shares issued from treasury		160,000	102	-	-	-	-	-	-	102
Qualifying transaction options excercised		46,875	56	-	-	(12)	-	-	-	44
Expiry of the right to repurchase shares	16	-	244	-	-	-	-	-	-	244
Issuance of exchange rights	5	-	-	-	-	-	7,733	-	-	7,733
Exercise of exchange rights	5	1,500,000	960	-	-	-	(960)	-	-	-
Share repurchase commitment under normal course issuer bid	14	-	(1,021)	-	-	-	-	-	(4,614)	(5,635)
Net loss and comprehensive loss		-	-	-	-	-	-	784	(10,840)	(10,056)
Balance, December 31, 2019		**81,257,474**	**20,612**	**4,040,925**	**243**	**307**	**6,773**	**69**	**(37,881)**	**(9,877)**

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

Converge Technology Solutions Corp.

Consolidated statements of cash flows

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

For the years ended December 31,	Notes		2019		2018
Cash flows from operating activities					
Net loss		**$**	**(10,840)**	$	(18,236)
Adjustments to reconcile net loss to net cash from operating activities					
Depreciation and amortization	7,8		**17,887**		6,956
Finance expense, net	11,12,13		**16,026**		7,549
Change in fair value of contingent consideration	16		**1,299**		7,447
Income tax expense (recovery)	15		**(1,917)**		2,648
			22,455		6,364
Changes in non-cash working capital items					
Trade and other receivables			**(20,334)**		(82,033)
Inventories			**(7,733)**		(1,229)
Prepaid expenses and other assets			**(6,432)**		(4,983)
Trade and other payables			**45,416**		80,784
Other financial liabilities			**(5,998)**		(691)
Deferred revenue and customer deposits			**(563)**		2,856
Cash from operating activities			**26,811**		1,068
Cash flows used in investing activities					
Purchase of property and equipment	7		**(1,802)**		(2,141)
Issuance of promissory note	10		**-**		(5,250)
Proceeds on disposal of property and equipment	7		**28**		71
Adjustment to intangible assets	8		**80**		(135)
Repayment of contingent consideration	16		**(2,500)**		(3,000)
Repayment of deferred consideration	16		**(3,463)**		(5,149)
Repayment of promissory notes	16		**(3,917)**		(1,250)
Business combinations, net of cash acquired	5		**(55,194)**		(26,207)
Cash used in investing activities			**(66,768)**		(43,061)
Cash flows from financing activities					
Transfers to restricted cash	11		**(2,879)**		(1,890)
Interest paid			**(12,109)**		(6,133)
Income tax installments paid			**(2,581)**		(2,280)
Payments of lease liabilities			**(6,937)**		(521)
Proceeds from issuance of common shares and warrants	14		**2,341**		12,228
Proceeds from issuance of convertible debenture	14		**-**		5,250
Repayment of notes payable	16		**(324)**		-
Repayment of borrowings	11		**(822,542)**		(221,001)
Proceeds from borrowings	11		**897,441**		259,349
Cash from financing activities			**52,410**		45,002
Net change in cash during the year			**12,453**		3,009
Effect of foreign exchange on cash			**(2,345)**		(313)
Cash, beginning of year			**10,482**		7,786
Cash, end of year		**$**	**20,590**	$	10,482

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

Notes to the consolidated financial statements

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

December 31, 2019 and 2018

1. Nature of business

Converge Technology Solutions Corp. (the "Company" or "Converge") is a North American platform of regional-focused hybrid IT infrastructure firms in the United States of America ("US") and Canada, connecting services and solutions to clients.

The Company was incorporated on November 29, 2016. The Company's registered head office is located at 161 Bay Street, Suite 2325, Toronto, Ontario, M5J 2S1.

The Company has the following wholly owned subsidiaries as at December 31, 2019:

Corus Commercial Finance, LLC, Corus Group, LLC Corus Managed Services, LLC, Corus Careers, LLC OHC International, LLC, Corus 360 Limited	Lighthouse Computer Services, Inc., Acumetrics Business Intelligence Inc.
Northern Micro Inc.	10084182 Canada Inc. o/a Becker-Carroll
Key Information Systems, Inc.	BlueChip Tek, Inc.
Converge Acquisition, LLC	SIS Holding Company, LLC, Software Information Systems, LLC
Converge Canada Finance Corp.	Converge Technology Partners Inc.
Converge NE Commercial Finance, LLC	Converge West Commercial Finance, LLC
Nordisk Systems, Inc.	Essextec Acquisition, LLC, Essex Technology Group, Inc., Essex Commercial Finance LLC
Datatrend Technologies, Inc.	VSS Holdings, LLC, VSS, LLC, Information Insights, LLC

2. Basis of presentation

[a] Statement of compliance

These consolidated financial statements (the "financial statements") have been prepared by management on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all periods presented unless otherwise noted. The comparative audited consolidated financial statements have been reclassified from the statements previously presented to conform to the presentation of the current consolidated financial statements.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on April 1, 2020.

[b] Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis except for measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 - *Impairment of Assets*.

[c] Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2019 and 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-company balances, transactions, unrealized gains and losses resulting from intra-company transactions and dividends are eliminated on consolidation.

[d] Functional currency and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

[e] Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Estimates and judgments related to the Company's risk management, including credit risk, liquidity risk and market risk are discussed in note 22.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

[i] Revenue recognition

At contract inception, the Company is required to assess the goods and services promised in a contract with a customer and identify a good or service that is distinct or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Judgment is required to assess which of the identified goods or services represent separate performance obligations as well as how to allocate the transaction price among the separate performance obligations. Judgement is required when allocating the transaction price to individual performance obligations within a contract. In concluding whether components are separately identifiable, management considers the transaction from the customer's perspective. Among other factors, management assesses whether the service or product is sold separately by the Company in the normal course of business or whether the customer could purchase the service or product separately.

[ii] Depreciation of property and equipment and amortization of intangible assets

Depreciation of property and equipment and amortization of intangible assets is dependent upon estimates of useful lives and residual values, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

[iii] Convertible debentures

Separating the liability and equity components requires the Company to estimate a market rate for an equivalent non-convertible instrument and in allocating the remainder to the conversion feature that is an equity instrument.

[iv] Debentures

Separating the common shares derivative liability and the debentures liability requires the Company to estimate the underlying value of the Company, volatility rate, market rate for an equivalent debenture liability without any derivatives. The fair value of the common shares derivative liability is based on the underlying value of the equity instruments, which in turn requires estimates of the inherent value of the Company, considering value indicators including recent rounds of financing and market comparable valuation metrics.

[v] Fair value of financial instruments

When the fair value of financial assets and financial liabilities, including contingent consideration, recorded in the 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.

[vi] Valuation of share-based payments and warrants

Management measures the costs for share-based payments and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate and the rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

[vii] Income taxes

The Company computes an income tax provision in each of the tax jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent that estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

[viii] Business combinations

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgement and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company determines the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

[ix] Consolidation

Judgment is required in determining the nature of its interest in another entity or arrangement. Judgment is required to assess whether the Company controls an investee, including consideration of the Company's power over the investee; whether the Company is exposed, or has rights, to variable returns from its involvement with the investee; and whether the Company has the ability to use its power to affect the investee’s returns. The Company uses judgment when reassessing whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Judgment is also required to assess whether the Company has joint control of an arrangement or significant influence over another entity.

3. Significant accounting policies

[a] Cash and restricted cash

Cash includes cash on hand and cash deposits in financial institutions and short-term deposits with an original maturity of three months or less. Restricted cash consists of cash required to be deposited as a reserve set aside for loan securitization (see note 11).

[b] Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the statements of loss and comprehensive loss.

The assets and liabilities of operations with a functional currency other than Canadian dollars are translated into Canadian dollars at period end foreign currency rates. Revenues and expenses of such operations are translated into Canadian dollars at average rates for the period. Foreign currency translation gains and losses are recognized in other comprehensive loss. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition of a foreign operation.

[c] Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on a weighted average cost basis. Net realizable value represents the estimated selling price for inventories less estimated costs necessary to make the sale.

The cost of inventories, which consists of computer equipment and software, comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of purchase comprises the purchase price, non-recoverable taxes, transport, handling, and other costs directly attributable to the acquisition of goods.

Inventory allowances are recorded in the period in which management determines the inventory to be obsolete or impaired.

The Company receives funds from vendors for product rebates and other pricing programs. The Company accounts for these rebates and other incentives received from its vendors relating to the purchase of inventories as a reduction of inventories and cost of sales when associated inventory is sold.

[d] Revenue recognition

The Company generates revenue from distributing storage devices and systems as well as computer products, software and peripherals. The Company also provides value-added services such as design, integration, installation, maintenance, analytics, hybrid cloud, infrastructure, cybersecurity solutions, and other consulting services, consolidated with a variety of storage and computer hardware and software products.

Revenue is recognized when control of the promised good or service is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company assesses its revenue arrangements in order to determine if it is acting as a principal or agent. Where the Company is not the primary obligor and does not control the good or service before being provided to the customer, these arrangements do not meet the criteria for gross revenue presentation and, accordingly, are recorded on a net basis.

When a single sales transaction requires the delivery of more than one product or service (separate performance obligations), the revenue recognition criteria are applied to the separately identifiable components. A component is considered to be separately identifiable if the product or service delivered has standalone value to that customer and the fair value associated with the product or service can be measured reliably. The amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole.

Sale of goods

The Company primarily generates revenue from the sale of products, specifically focusing on distributing storage devices and systems as well as computer products, software and peripherals.

The Company contracts with its customers for the sale of products through fixed price purchase orders. Each quantity of product is generally a performance obligation. The Company has concluded that revenue from sale of products should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product.

Service revenue

The Company also provides value-added services such as design, configuration, integration, installation, maintenance, managed services and other consulting services. The Company recognizes revenue from rendering of services over time, generally measured based on actual time and materials incurred, which is consistent to how the customer simultaneously receives and consumes the benefits provided by the Company. At the time the Company enters into contracts with third-party service providers or vendors, the Company determines whether it acts as a principal in the transaction and assumes the risks and rewards of the rendering of the service or if it is simply acting as an agent or broker. Generally, the Company acts as the agent for contracts with third-party service providers or vendors and revenue is recorded on a net basis. Revenue on third-party services is recorded when the maintenance is purchased by the customer, as there is have no significant post-delivery obligation. Periodically, amounts are received in advance of the associated service being performed, these amounts are recorded as deferred revenues.

[e] Property and equipment

The Company's property and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property and equipment includes expenditures that are directly attributable to the acquisition or construction of the asset.

Depreciation is recorded over the estimated useful lives as outlined below:

Computer hardware and equipment	3-10 years
Furniture and fixtures	3-10 years
Right-of-use assets	2-10 years
Leasehold improvement	Lesser of useful life or term of lease

The Company assesses an asset's residual value, useful life and depreciation method on a regular basis and if any events have indicated a change and makes adjustments if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and are recognized in the statements of loss and comprehensive loss.

[f] Intangible assets and goodwill

[i] Intangible assets

Intangible assets consist of customer relationships, trade name and trademarks, and computer software with a finite life acquired in a business combination. Intangible assets are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses. Each reporting period, the useful lives of such assets are reviewed. Costs for intangible assets acquired in a business combination represents the fair value of the asset at the time of the acquisition. Customer relationships, trade name and trademarks intangibles are amortized over a 6 to 10 year period.

[ii] Goodwill

Goodwill represents the excess of consideration over the fair value of the net identifiable assets acquired in a business combination. Goodwill is recorded at cost less accumulated impairment losses, if any. Goodwill is not amortized. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGU" or "CGUs") that benefit from the acquisition, irrespective of whether other assets or liabilities acquired are assigned to those units.

Goodwill is tested annually for impairment, or more frequently when there is an indication that goodwill may be impaired. If the recoverable amount, representing the higher of its fair value less cost to sell and its value in use, of the CGU is less than its carrying amount, any resulting impairment loss is first allocated to goodwill and subsequently to other assets on a pro rata basis for the CGU. Any goodwill impairment loss is recorded to the consolidated statements of loss and comprehensive loss in the period of impairment. Previously recognized impairment losses for goodwill are not reversed in subsequent periods.

The Company completes its annual impairment test as at December 31.

[g] Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the higher of its fair value, less cost to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

[h] Leases

The Company has adopted IFRS 16 retrospectively from January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. The comparative period continues to account for leases under IAS 17.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right of control for the use of an identified asset for a period of time in exchange for consideration. From January 1, 2019, the Company recognizes a right-of-use asset ("ROU asset") and a lease liability at the lease commencement date, which is the date the leased asset is available for use. The ROU asset primarily related to office leases and is initially measured based on the initial amount of the lease liability. The lease liabilities include the net present value of the following lease payments:

- fixed payments (including any in-substance fixed payments, less any lease incentives receivable);
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- exercise price of any purchase option if the company is reasonably certain to exercise that option; and
- payments for penalties for terminating the lease, if the lease term reflects the company exercising that option.

The ROU assets are depreciated to the earlier of the end of useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the ROU asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, which is the rate the company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Company used an incremental borrowing rate to measure the lease liabilities in the opening consolidated statements of financial position at January 1, 2019.

ROU assets are measured at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

The lease liability is classified and accounted for at the amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset unless it has been reduced to zero. Any further reduction in the lease liability is then recognized in profit or loss.

The Company has elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low value assets. The lease payments associated with those leases is recognized as an expense on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset.

When the Company acts as an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The Company assesses the lease classification of a sub-lease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the ROU asset. If this is the case, then the lease is accounted for as a net investment in finance lease. If not, then it is an operating lease. As part of this assessment the Company considers certain indicators such as whether the lease is for the major part of the economic life of the ROU asset.

[i] Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive loss or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

[j] Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise shares contingently issuable on settlement of common shares derivative liability.

[k] Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value and subsequently remeasured based on their classification as described below. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Company initially recognizes financial assets at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets as loans and receivables, fair value through profit or loss, available-for-sale financial assets or held-to-maturity financial assets.

The Company does not have assets that would be classified as available-for-sale financial assets or held-to-maturity financial assets. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loan receivables that do not meet the criteria for amortized cost are measured at fair value through profit or loss.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities.

Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Classification	
Cash	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Finance lease liability	Amortized cost
Deferred consideration	Amortized cost
Debentures	Amortized cost
Convertible debenture	Amortized cost
Borrowings	Amortized cost
Notes payable	Amortized cost
Contingent consideration	Fair value through profit or loss

Impairment of financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the present value of estimated future cash flows determined based on the instrument’s original effective interest rate are lower than the asset’s carrying amount. When an impairment has been identified, the financial asset’s carrying amount is reduced through the use of an allowance account, with changes in the carrying amount recognized in profit or loss. Subsequent recoveries of amounts previously written off are adjusted against the allowance account.

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

[l] New standards, amendments and interpretations adopted by the Company

The following new accounting standards were applied or adopted during the year ended December 31, 2019:

[i] IFRS 16 – Leases ("IFRS 16")

IFRS 16 *Leases* ("IFRS 16") sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, with certain exemptions. The standard includes two recognition exemptions for lessees – leases of "low-value" assets and short-term leases with a lease term of 12 months or less. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events such as a change in lease term. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The new standard was effective for annual periods beginning on or after January 1, 2019.

The Company has applied IFRS 16 effective January 1, 2019 using the modified retrospective approach. Under this approach, the Company has determined the effect of applying the standard on the existing leases as at January 1, 2019, the initial date of application. The comparative information has not been restated and will continue to be reported under IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. On transition, the Company used the practical expedients under the simplified approach. The Company used the Company's incremental borrowing rate for discounting the lease payments to determine its lease liability and right of use asset at the present value of the remaining lease payments. The Company also elected not to apply the provisions of the standard to short-term leases for which the lease term ends within 12 months as of the lease commencement date or where the underlying asset is of low value.

The effect of adoption of IFRS 16 as at January 1, 2019 was as follows:

	January 1, 2019 $
Assets	
Right-of-use asset (included in property and equipment)	7,209
Liabilities	
Lease liabilities (included in other liabilities)	7,209

The Company recognized a right-of-use asset related to office and building leases based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognized. The lease liability was recognized based on the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate as at January 1, 2019 was 9.2%. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period as incurred.

The Company also applied the following available practical expedients:

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application, and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

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

In addition to the office and building leases that were recognized under IFRS 16 as at January 1, 2019, office and equipment leases acquired as part of the acquisition of Software Information Systems LLC, (“SIS”), Nordisk Systems, Inc. (“Nordisk”), Essextec Acquisition, LLC (“Essextec”), Datatrend Technologies, Inc. (“Datatrend”), and VSS Holdings, LLC (“VSS”) were recognized under IFRS 16 during the year ended December 31, 2019. These leases resulted in the recognition of a right-of-use asset of $12,142 and corresponding lease liability of $12,113. During the year ended December 31, 2019, the Company also recognized an additional $4,864 of equipment and office leases as right-of-use assets and $4,915 of lease liabilities.

The carrying amounts of the Company’s right-of-use assets and lease liabilities and movements during the year were as follows:

	Right-of-use assets $	Lease liabilities $
Balance, December 31, 2018	1,150	1,389
Initial recognition as at January 1, 2019	7,209	7,209
Additions	17,006	17,028
Depreciation expense	(5,796)	-
Interest expense	-	1,346
Payments	-	(6,917)
Foreign exchange translation	(414)	(455)
Balance, December 31, 2019	19,155	19,600

[ii] IFRIC 23 – Uncertainty over Income Tax Treatment (“IFRIC 23”)

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The adoption of this interpretation did not have an impact on the consolidated financial statements.

4. Amalgamation

On August 28, 2018, Converge Technology Partners Inc. entered into an acquisition agreement with Norwick Capital Corp. (“Norwick”) and Norwick Acquisition Corp. On November 7, 2018, the Company completed the amalgamation of Norwick where Norwick acquired all of the issued and outstanding Class A common shares of the Company and the Company amalgamated with Norwick Acquisition Corp. (the “Amalgamation”). The Amalgamation was structured as a three-cornered amalgamation and, as a result, the amalgamated corporation (“Amalco”) was a wholly owned subsidiary of Norwick at the time of the completion of the Amalgamation.

The Amalgamation constitutes the qualifying transaction ("Qualifying Transaction") of the Company pursuant to Policy 2.4 of the TSX Venture Exchange Inc.,and was described in the Company's filing statement dated November 1, 2018 filed on SEDAR at www.sedar.com. Upon completion of the Qualifying Transaction, the Company’s stock symbol was changed from “NWK.P” to “CTS” and the Company’s name was changed from Norwick Capital Corp. to Converge Technology Solutions Corp.

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

Under the Agreement, the following terms of the Transaction, included the following:

- Prior to the transaction, Norwick completed a consolidation of its share capital on a 3.2-to-1 basis (the "Consolidation"). The total number of Norwick common shares, stock options and warrants outstanding pre-Consolidation was 4,250,000, 150,000 and 100,000, respectively. Post-Consolidation, the total number of Norwick common shares, warrants and stock options was 1,328,125, 46,875 and 31,250, respectively.
- 70,458,584 Class A common shares and 7,861,490 common share purchase warrants of Converge were exchanged for 70,458,584 post-Consolidation common shares and 7,861,490 post-Consolidation common share purchase warrants of Norwick.

The following table represents the fair value of the share-based consideration provided and net assets acquired in the Amalgamation:

	$
Fair value of 1,328,125 common shares at $0.80 per share, 46,875 warrants and 31,250 stock options at $0.39 per share	1,093
Less: estimated fair value of the net assets of Norwick acquired	140
	953
Transaction costs:	
Transaction costs [exchange, professional and consulting fees]	1,329
Reverse take-over costs	**2,282**

The fair value of the consideration issued to acquire Norwick under reverse takeover accounting is assumed to be $1,093 calculated as 1,328,125 common shares at $0.80 per share, 46,875 warrants and 31,250 stock options with fair value of $0.39 per instrument. The fair value per share is the issue price paid for Converge's Class A common shares as part of its most recent financing in July and August 2018. The fair value of warrants and stock options was determined based on the Black-Scholes pricing model; the total fair value of the warrants and stock options is $18 and $12, respectively, using the following assumptions:

Grant date share price	$0.80
Exercise price	$0.48
Risk-free interest rate	2.10%
Expected life (years)	1.5
Expected annualized volatility	60%
Expected dividend yield	0%

5. Business combinations

Becker-Carroll

On February 2, 2018, the Company acquired all of the issued and outstanding shares of Becker-Carroll located in Ottawa, Ontario, Canada. Becker-Carroll specializes in delivering powerful blockchain solutions to its customers. The purpose of the acquisition was to enhance the Company's buying power and to provide a platform to grow in the US with local expertise.

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

The acquisition of Becker-Carroll qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of Becker-Carroll have been included in the consolidated financial statements of the Company from the date of the acquisition.

Purchase consideration transferred on acquisition consists of:

	$
Cash	300
Contingent consideration	244
Working capital adjustment	34
	578

As part of the purchase consideration for the acquisition, the Company issued 600,000 common shares to the selling shareholders of Becker-Carroll. The Company has the right to repurchase the number of common shares for nil consideration equivalent to the amount of short-fall in certain gross margin and net income targets over the 12 months following the date of acquisition. Therefore, the number of common shares issued as part of consideration for the acquisition is variable, resulting in their being classified as a derivative liability. The fair value of the contingent consideration was $244 as at the date of acquisition and nil as at December 31, 2019, as the share repurchase option has expired in 2019 (2018 - $244).

The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

	Fair value recognized on acquisition **$**
Cash	117
Trade and other receivables	114
Property and equipment	5
Goodwill	506
Trade and other payables	(164)
Purchase consideration transferred	**578**

Goodwill arising on the acquisition 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.

The net cash outflow related to the acquisition of Becker-Carroll was $183.

Total transaction costs for the acquisition of Becker-Carroll were $23. All transaction costs were expensed as incurred.

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

Key Information Systems, Inc.

On April 3, 2018, the Company acquired all of the issued and outstanding shares of Key Information Systems, Inc. ("KeyInfo") located in Agoura Hills, California, USA.

KeyInfo is an infrastructure technology company that simplifies complex technology challenges, from IBM iSeries to the most advanced networking and hybrid cloud solutions. The purpose of the acquisition was to enhance the Company's buying power, and to provide a platform to grow in the US with local expertise.

The acquisition of KeyInfo qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of KeyInfo have been included in the consolidated financial statements of the Company from the date of the acquisition.

The total consideration for the purchase of KeyInfo was $12,328 ($9,552 USD). Purchase consideration consisted of $2,597 in cash, $5,697 repayment of debt, ($280) working capital adjustment, $2,466 in deferred consideration to be paid out 10 days after the Initial Public Offering, and $1,848 in contingent consideration. As at December 31, 2018, the Company has paid the $2,466 in deferred consideration.

The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

	Fair value recognized on acquisition $
Cash	704
Trade and other receivables	14,271
Prepaid expenses and deposits	2,595
Inventories	469
Property and equipment	3,334
Customer relationships	5,456
Trade name and trademarks	1,491
Goodwill	2,448
Trade and other payables	(16,500)
Deferred revenue and customer deposits	(722)
Deferred tax liability	(899)
Finance lease payable	(319)
Purchase consideration transferred	**12,328**

Goodwill arising on the acquisition 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 deductible for income tax purposes.

Contingent consideration comprises earn-out payments due to sellers for meeting certain EBITDA conditions over the three years following the date of acquisition. The fair value of the contingent consideration was $1,848 as at the date of acquisition. As at December 31, 2019, the fair value of contingent consideration was nil (2018 - $867) with reversal of $841 recognized in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 (2018 – reversal of $1,120).

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

The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy and was determined based on a Monte Carlo simulation using various assumptions including EBITDA forecast, a discount rate of 27.5% and a volatility factor of 45.0%.

Total transaction costs for the acquisition of KeyInfo were $415. All transaction costs were expensed as incurred.

BlueChip Tek, Inc.

On May 18, 2018, the Company acquired all of the issued and outstanding shares of BlueChip Tek, Inc. ("BCT") located in Santa Clara, California, USA.

BCT is an information technology professional services organization specialized in data center infrastructure integration, cloud optimization, and data center infrastructure solutioning. The purpose of the acquisition was to enhance the Company's buying power and to provide a platform to grow in the US with local expertise.

The acquisition of BCT qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of BCT have been included in the consolidated financial statements of the Company from the date of the acquisition.

The total consideration for the purchase of BCT was $13,158 ($10,241 USD). Purchase consideration consisted of $11,533 in cash and $1,625 in repayment of an operating line of credit. The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

	Fair value recognized on acquisition
	$
Cash	123
Trade and other receivables	10,284
Prepaid expenses and deposits	221
Inventories	532
Property and equipment	235
Internal use software	198
Customer relationships	5,163
Trade name and trademarks	2,106
Goodwill	4,918
Trade and other payables	(10,481)
Deferred revenue and customer deposits	(141)
Purchase consideration transferred	**13,158**

Goodwill arising on the acquisition 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 deductible for income tax purposes.

Contingent consideration comprises earn-out payments due to key employees for meeting certain EBITDA conditions over the three years following the date of acquisition. As at December 31, 2019, the fair value of contingent consideration was nil resulting in expense of nil recognized for the year ended December 31, 2019 (2018 – nil).

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

Total transaction costs for the acquisition of BCT were $129. All transaction costs were expensed as incurred.

Pro forma results of operations

The following pro forma results of operations assume KeyInfo and BCT were acquired by the Company on January 1, 2018:

	December 31, 2018
	$
Revenue	**88,599**
Net loss	**(8,959)**

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, 2018. 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.

The net cash outflow related to the acquisition of KeyInfo and BCT was as follows:

	$
Consideration paid in cash	**21,952**
Less: cash balance acquired	**3,218**
	18,734

Lighthouse

On November 30, 2018, the Company acquired all of the issued and outstanding membership interests of Lighthouse Computer Services Inc., Creative Computing LLC, Lighthouse Middleware, LLC, and Acumetrics Business Intelligence Inc. (collectively, “Lighthouse”). On June 30, 2019, Creative Computing LLC and Lighthouse Middleware, LLC were merged with Lighthouse Computer Services Inc.. Lighthouse, excluding Acumetrics Business Intelligence Inc., is incorporated and is domiciled in the state of Rhode Island in the US. Acumetrics Business Intelligence Inc. is incorporated and is domiciled in the province of Ontario in Canada.

Lighthouse is an information technology professional services organization that specializes in analytics, hybrid cloud, infrastructure, and security solutions. The purpose of the acquisition was to enhance the Company’s buying power and to provide a platform to grow in the US with local expertise.

The acquisition of Lighthouse qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of Lighthouse have been included in the consolidated financial statements of the Company from the date of the acquisition.

The total consideration for the purchase of Lighthouse was $23,079 ($17,352 USD). Purchase consideration consisted of $16,493 in cash and $6,586 in contingent consideration. The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

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

	Fair value recognized on acquisition $
Cash	9,020
Trade and other receivables	16,951
Prepaid expenses and deposits	431
Inventories	949
Property and equipment	397
Customer relationships	9,106
Trade name and trademarks	3,156
Goodwill	8,866
Trade and other payables	(21,338)
Deferred revenue and customer deposits	(977)
Note payable	(3,482)
Purchase consideration transferred	**23,079**

Goodwill arising on the acquisition 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.

As part of consideration for the acquisition, Lighthouse issued $3,420 ($2,618 USD) of promissory notes. The promissory notes were non-interest bearing and were payable $500 USD per month with the first such installment on January 1, 2019, the second such installment on February 1, 2019, the third such installment on March 1, 2019, the fourth such installment on April 1, 2019 and the fifth such installment on May 1, 2019 in an amount equal to the balance due under the promissory notes. The final payment of the promissory notes was adjusted $173 for the final working capital balance. As at December 31, 2019, nil remains outstanding on the promissory note for working capital adjustments (2018 - $3,420).

Contingent consideration comprises earn-out payments due to sellers for meeting certain EBITDA conditions over the three years following the date of acquisition. The fair value of the contingent consideration was $6,586 as at the date of acquisition (see note 16). The Company has recorded a change in estimate from the initial contingent consideration amount of $3,585 as at December 31, 2018 to the final estimated contingent consideration of $6,586 due to a change in estimate of the assumptions that existed as of the date of the acquisition upon finalization of the purchase price allocation.

Total transaction costs for the acquisition of Lighthouse were $1,045 (2018 - $682). All transaction costs were expensed as incurred.

Software Information Systems, LLC

On January 18, 2019, the Company acquired all of the issued and outstanding Class A membership interests, which represents 100% control of Software Information Systems, LLC (“SIS”) located in Kentucky, USA. There were 8,000,000 Class B membership interests issued, which have no voting rights, no dividends, or equity participation. SIS is a 36-year-old technology solutions and services company, collaborating with customers on innovative data center strategy, technology solutions in the cloud or on-premise to help customers drive impactful business results.

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

Consideration for the purchase consisted of (i) $15,251 ($11,502 USD) in cash; (ii) the issuance of a right to exchange 8,000,000 Class B membership interests for an aggregate of 8,000,000 common shares of the Company; plus (iii) a working capital adjustment of $805. Under the terms of the exchange agreement, no exchange will be permitted until at least six months from the acquisition date, at which point 1,500,000 common shares will become eligible for issuance pursuant to the agreement. An additional 1,500,000 common shares will become eligible for exchange on each six-month anniversary of the completion of the transaction thereafter, such that all 8,000,000 common shares will only be available for exchange following the three-year anniversary of the acquisition. The fair value of the exchange right consideration issued is $5,120 calculated as 8,000,000 common shares at $0.64 per share as at the date of acquisition. As at December 31, 2019, 1,500,000 Class B membership interests have been exchanged to 1,500,000 common shares of the Company for a value of $960.

The acquisition of SIS qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of SIS have been included in the consolidated financial statements of the Company from the date of the acquisition.

The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

	Fair value recognized on acquisition
	$
Cash	768
Trade and other receivables	18,278
Prepaid expenses and deposits	101
Property and equipment	1,133
Right-of-use asset, net	6,796
Backlog	1,110
Customer relationships	7,416
Trade name and trademarks	3,322
Goodwill	11,829
Trade and other payables	(18,030)
Lease liabilties	(6,796)
Deferred vendor rebates	(2,917)
Deferred revenue and customer deposits	(313)
Note payable	(1,521)
Purchase consideration transferred	**21,176**

Goodwill arising on the acquisition 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.

Total transaction costs for the acquisition of SIS was $1,409. All transaction costs were expensed as incurred.

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

Pro forma results of operations

The following pro forma results of operations assume SIS was acquired by the Company on January 1, 2019:

	December 31, 2019
	$
Revenue	**101,953**
Net income	**2,465**

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, 2019. 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.

The net cash outflow related to the acquisition of SIS was as follows:

	$
Consideration paid in cash	**15,251**
Working capital adjustment	**804**
Less: cash balance acquired	**768**
	15,287

The working capital adjustment was fully paid to the sellers of SIS on October 18, 2019.

Nordisk Systems, Inc.

On July 1, 2019, the Company acquired all of the issued and outstanding shares of Nordisk Systems, Inc. (“Nordisk”). Nordisk is incorporated and is domiciled in the state of Oregon in the US.

Nordisk is an information technology professional services organization that specializes in infrastructure, cloud, security, analytics, business continuity and managed services solutions. The purpose of the acquisition was to enhance the Company’s highly skilled team and to provide a platform to grow in the US with local expertise.

The acquisition of Nordisk qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of Nordisk have been included in the consolidated financial statements of the Company from the date of the acquisition.

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

The total consideration for the purchase of Nordisk was $8,357 ($6,386 USD). Purchase consideration consisted of $3,272 in cash, $2,617 in promissory note, $2,599 in deferred purchase payment, offset by a ($131) working capital adjustment. The deferred purchase payment was fully paid on October 3, 2019. The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

	Fair value recognized on acquisition **$**
Cash	1,366
Trade and other receivables	916
Inventories	84
Prepaid expenses and other current assets	52
Property and equipment	222
Right-of-use asset, net	1,248
Other non-current assets	15
Customer relationships	3,926
Trade name and trademarks	599
Goodwill	3,761
Trade and other payables	(1,411)
Lease liabilities	(1,248)
Other financial liabilities	(7)
Deferred tax liability	(1,166)
Purchase consideration transferred	**8,357**

Goodwill arising on the acquisition 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.

As part of consideration for the acquisition, Nordisk issued a $2,617 ($2,000 USD) promissory note. The promissory note bears interest at a rate of 8% per annum payable quarterly. The Company is required to make partial repayments of $1,000 USD on December 31, 2021 and $1,000 USD on September 30, 2022. The promissory note payable balance of $2,617 has been included in deferred consideration (note 16).

Contingent consideration comprises earn-out payments due to sellers for meeting certain EBITDA conditions over the three years following the date of acquisition contingent on continuing employment. The fair value of the remuneration was nil as at the date of acquisition and December 31, 2019.

Total transaction costs for the acquisition of Nordisk were $453. All transaction costs were expensed as incurred.

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

Pro forma results of operations

The following pro forma results of operations assume Nordisk was acquired by the Company on January 1, 2019:

	December 31, 2019
	$
Revenue	**23,603**
Net income	**58**

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, 2019. 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.

The net cash outflow related to the acquisition of Nordisk was as follows:

	$
Consideration paid in cash	**3,272**
Working capital adjustment	**(131)**
Less: cash balance acquired	**1,366**
	1,775

Essextec Acquisition, LLC

On October 1, 2019, the Company acquired all of the issued and outstanding membership units Essextec Acquisition, LLC, a Delaware limited liability company and the sole shareholder of Essex Technology Group, Inc. ("Essextec"). Essextec is incorporated and is domiciled in the state of New Jersey in the US.

Essextec is a leading Wall Street-based cloud, cognitive, and cybersecurity solution provider in the Northeast US. The purpose of the acquisition was to enhance the Company's highly skilled team and to provide a platform to grow in the US with local expertise.

The acquisition of Essextec qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of Essextec have been included in the consolidated financial statements of the Company from the date of the acquisition. 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)

The total consideration for the purchase of Essextec was $6,435 ($4,861 USD). Purchase consideration consisted of $5,250, which was set-off against the Seller's obligation to repay to the Company the principal amount of $5,250 and any accrued but unpaid interest under a loan in the form of a promissory note, $870 in forgiven receivables owed by Essextec to the Company, $530 prepaid expense owed by Essextec to the Company, and offset by $(215) in forgiven payables owed by the Company to Essextec. The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

	Fair value recognized on acquisition **$**
Cash	1,124
Restricted cash	839
Trade and other receivables	13,563
Inventories	131
Prepaid expenses and other current assets	880
Property and equipment	127
Right-of-use asset, net	1,286
Customer relationships	6,591
Trade name and trademarks	1,696
Goodwill	11,084
Trade and other payables	(17,108)
Deferred revenue	(534)
Deferred tax liability	(2,154)
Lease liability	(1,286)
Other financial liabilities	(9,804)
Purchase consideration transferred	**6,435**

Goodwill arising on the acquisition 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.

Total transaction costs for the acquisition of Essextec were $84. All transaction costs were expensed as incurred.

Pro forma results of operations

The following pro forma results of operations assume Essextec was acquired by the Company on January 1, 2019:

	December 31, 2019 $
Revenue	**58,429**
Net loss	**(583)**

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, 2019. 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)

The net cash inflow related to the acquisition of Essextec was as follows:

	$
Consideration paid in cash	**0**
Less: cash balance acquired	**1,124**
	(1,124)

Datatrend Technologies, Inc.

On October 1, 2019, the Company acquired all of the issued and outstanding shares of Datatrend Technologies, Inc. ("Datatrend"). Datatrend is incorporated and is domiciled in the state of Minnesota in the US.

Datatrend a leading technology solutions provider focused on Next Gen Data Center, hybrid cloud, infrastructure, multi-site IT deployments, and ISV/OEM solutions. The purpose of the acquisition was to enhance the Company's highly skilled team and to provide a platform to grow in the US with local expertise.

The acquisition of Datatrend qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of Datatrend have been included in the consolidated financial statements of the Company from the date of the acquisition. 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.

The total consideration for the purchase of Datatrend was $27,758 ($21,118 USD). Purchase consideration consisted of $19,860 in cash, $3,048 in promissory note, and $4,790 in excess working capital promissory note. The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

	Fair value recognized on acquisition **$**
Cash	197
Trade and other receivables	25,741
Inventories	3,687
Prepaid expenses and other current assets	334
Property and equipment	437
Right-of-use asset	814
Other non-current assets	41
Customer relationships	9,517
Trade name and trademarks	2,240
Goodwill	11,022
Trade and other payables	(21,231)
Deferred tax liability	(3,033)
Lease liability	(814)
Deferred revenue	(568)
Other financial liabilities	(626)
Purchase consideration transferred	**27,758**

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

Goodwill arising on the acquisition 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.

As part of consideration for the acquisition, Datatrend issued a $3,310 ($2,500 USD) promissory note. The promissory note bears interest at a rate of 7% per annum and is payable quarterly. The Company is required to fully repay the promissory note on September 30, 2022. The promissory note payable balance of $3,247 has been included in deferred consideration as of December 31, 2019 (note 16).

As part of consideration for the acquisition, Datatrend issued $4,790 ($3,618 USD) of working capital promissory note. The promissory note bears interest at a rate of 5.25% per annum and is payable quarterly. The Company is required to fully repay the promissory note on October 1, 2020. The promissory note payable balance of $4,699 has been included in deferred consideration as of December 31, 2019 (note 16).

Total transaction costs for the acquisition of Datatrend were $1,122. All transaction costs were expensed as incurred.

Pro forma results of operations

The following pro forma results of operations assume Datatrend was acquired by the Company on January 1, 2019:

	December 31, 2019
	$
Revenue	**116,002**
Net income	**1,221**

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, 2019. 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.

The net cash outflow related to the acquisition of Datatrend was as follows:

	$
Consideration paid in cash	**19,860**
Less: cash balance acquired	**197**
	19,663

VSS Holdings, LLC

On November 1, 2019, the Company acquired all of the issued and outstanding Class A membership interests, which represents 100% control of VSS Holdings, LLC, a Nevada limited liability company and owner of all of the equity securities of VSS, LLC, a Virginia limited liability company and Information Insights, LLC, a Nevada limited liability company (collectively “VSS”). There were 60 Class B membership interests of VSS Holdings, LLC issued, which have no dividends or equity participation.

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

VSS is a leading technology solutions provider specializing in managed services, technology solutions, IT portfolio management and consulting services. The purpose of the acquisition was to enhance the Company's highly skilled team and to provide a platform to grow in the US with local expertise.

The acquisition of VSS qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of VSS have been included in the consolidated financial statements of the Company from the date of the acquisition. 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.

The total consideration for the purchase of VSS was $33,977 ($25,815 USD). Purchase consideration consisted of $20,559 in cash, $3,422 in seller subordinated promissory note, $1,974 in three promissory notes, $4,982 in contingent consideration, $428 working capital adjustment, and $2,613 for the issuance of a right to exchange 2,930,000 Class B membership interests less 58,600 common shares issued as broker fees by the seller for an aggregate of 2,871,400 common shares of the Company. Under the terms of the agreement, no exchange will be permitted until at least six months from the acquisition date, at which point 717,850 common shares will become eligible for issuance pursuant to the agreement. An additional 717,850 common shares will become eligible for exchange on each six-month anniversary of the completion of the transaction thereafter, such that all 2,871,400 common shares will only be available for exchange following the two-year anniversary of the acquisition. The fair value of the exchange right consideration issued is $2,613 calculated as 2,871,400 common shares at $0.91 per share as at the date of acquisition.

The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

	Fair value recognized on acquisition $
Cash	162
Trade and other receivables	18,051
Prepaid expenses and other assets	2,412
Property and equipment	2,807
Right-of-use asset	1,999
Customer relationships	15,271
Trade name	1,711
Goodwill	11,978
Trade and other payables	(15,956)
Deferred revenue	(1,612)
Short-terms loans	(847)
Lease liability	(1,999)
Purchase consideration transferred	**33,977**

Goodwill arising on the acquisition 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.

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

As part of consideration for the acquisition, VSS issued $3,422 ($2,600 USD) of promissory note. The promissory note bears interest at a rate of 7% per annum and is payable quarterly. The Company was required to fully repay the promissory note on January 31, 2020, which was fully repaid subsequent to year end. The promissory note payable balance of $3,377 has been included in deferred consideration as of December 31, 2019 (note 16).

As part of consideration for the acquisition, VSS issued three promissory notes of $500 USD each. The promissory notes bear interest at a rate of 7% per annum and are payable quarterly. The Company was required to repay each promissory note on January 30, 2020, April 29, 2020, and May 1, 2021. The first promissory note was fully repaid on January 31, 2020. The promissory note payable balance of $1,948 has been included in deferred consideration as of December 31, 2019 (note 16).

Contingent consideration comprises earn-out payments due to sellers for meeting certain EBITDA conditions over the three years following the date of acquisition. The fair value of the contingent consideration was $4,982 as at the date of acquisition.

Total transaction costs for the acquisition of VSS were $1,268. All transaction costs were expensed as incurred.

Pro forma results of operations

The following pro forma results of operations assume VSS was acquired by the Company on January 1, 2019:

	December 31, 2019
	$
Revenue	**86,273**
Net income (loss)	**514**

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, 2019. 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.

The net cash outflow related to the acquisition of VSS was as follows:

	$
Consideration paid in cash	**20,559**
Less: cash balance acquired	**162**
	20,397

6. Trade and other receivables

The Company's trade and other receivables as at December 31, 2019 and 2018 include the following:

	2019	2018
	$	$
Trade receivables	**210,250**	123,807
Unbilled revenue	**6,731**	4,520
Other receivables	**3,157**	1,652
Total	**220,138**	129,979

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

7. Property, equipment and right-of-use assets

	Computer Hardware	Furniture and Fixtures	Equipment	Leasehold Improvements	ROU Asset - Leased Equipment	ROU Asset - Leased Building	Total
Cost	$	$	$	$	$	$	$
As at December 31, 2017	3,098	62	308	59	-	-	3,527
Acquired from business combinations	2,982	225	294	80	-	-	3,581
Additions	2,750	51	298	161	-	-	3,260
Dispositions	(17)	-	(79)	(29)	-	-	(125)
Foreign currency translation	557	19	19	10	-	-	605
As at December 31, 2018	**9,370**	**357**	**840**	**281**	**-**	**-**	**10,848**
Acquired from business combinations	348	640	3,555	218	3,178	8,964	16,903
IFRS 16 additions from adoption of standard	(2,015)	-	-	-	2,015	7,209	7,209
Additions	1,645	22	111	24	3,563	1,301	6,666
Dispositions	(73)	(24)	(131)	-	-	-	(228)
Foreign currency translation	(290)	(114)	(80)	(23)	(249)	(318)	(1,074)
As at December 31, 2019	**8,985**	**881**	**4,295**	**500**	**8,507**	**17,156**	**40,324**

	Computer Hardware	Furniture and Fixtures	Equipment	Leasehold Improvements	ROU Asset - Leased Equipment	ROU Asset - Leased Building	Total
Accumulated depreciation	$	$	$	$	$	$	$
As at December 31, 2017	**294**	**12**	**23**	**11**	**-**	**-**	**340**
Depreciation	2,760	55	156	75	-	-	**3,046**
Reversal of depreciation on dispositions	(5)	-	(49)	-	-	-	**(54)**
Foreign currency translation	158	4	(8)	5	-	-	**159**
As at December 31, 2018	**3,207**	**71**	**122**	**91**	**-**	**-**	**3,491**
IFRS 16 reversal from adoption of standard	(865)	**-**	**-**	**-**	865	**-**	-
Depreciation	2,981	156	847	75	2,575	3,221	9,855
Reversal of depreciation on dispositions	(29)	(24)	(44)	-	-	-	(97)
Foreign currency translation	(171)	(5)	(19)	(5)	(95)	(58)	(353)
As at December 31, 2019	**5,123**	**198**	**906**	**161**	**3,345**	**3,163**	**12,896**

	Computer Hardware	Furniture and Fixtures	Equipment	Leasehold Improvements	ROU Asset - Leased Equipment	ROU Asset - Leased Building	Total
Net book value	$	$	$	$	$	$	$
As at December 31, 2018	6,163	286	718	190	-	-	7,357
As at December 31, 2019	3,862	683	3,389	339	5,162	13,993	27,428

The Company has included $4,830 of depreciation expense related to service equipment in cost of sales in the consolidated statements of loss and comprehensive loss (2018 - $1,856).

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

8. Intangible assets

Cost	Customer Relationships	Trade Name & Trademarks	Computer Software	Managed Service Contracts	Total
	$	$	$	$	$
As at December 31, 2017	18,673	5,789	-	-	24,462
Acquired from acquisitions	17,054	6,280	586	-	23,920
Additions	-	-	135	-	135
Foreign currency translation	1,342	623	36	-	2,001
As at December 31, 2018	37,069	12,692	757	-	50,518
Acquired from business combinations	42,721	9,568	-	1,110	53,399
Additions (Adjustments)	2,652	470	(80)	-	3,042
Foreign currency translation	(1,916)	(695)	(29)	(23)	(2,663)
As at December 31, 2019	**80,526**	**22,035**	**648**	**1,087**	**104,296**

Accumulated amortization	Customer Relationships	Trade Name & Trademarks	Computer Software	Managed Service Contracts	Total
	$	$	$	$	$
As at December 31, 2017	320	115	-	-	435
Amortization	2,664	859	387	-	3,910
Foreign currency translation	81	41	18	-	140
As at December 31, 2018	3,065	1,015	405	-	4,485
Amortization	5,666	1,808	60	498	8,032
Foreign currency translation	(166)	(70)	(21)	(11)	(268)
As at December 31, 2019	**8,565**	**2,753**	**444**	**487**	**12,249**

Net book value	Customer Relationships	Trade Name & Trademarks	Computer Software	Managed Service Contracts	Total
	$	$	$	$	$
As at December 31, 2018	34,004	11,677	352	-	46,033
As at December 31, 2019	**71,961**	**19,282**	**204**	**600**	**92,047**

9. Goodwill

	$
As at December 31, 2017	14,550
Acquired from acquisitions	16,620
Foreign currency translation	1,444
As at December 31, 2018	**32,614**
Adjustments	119
Acquired from acquisitions	49,659
Foreign currency translation	(2,121)
As at December 31, 2019	**80,271**

The Company performs a goodwill impairment test annually on December 31 and whenever there is an indication of impairment. The valuation techniques, significant assumptions and sensitivities applied in the goodwill impairment test are described below.

Goodwill acquired through business combinations has been allocated to two groups of CGUs for impairment testing: the Canada and the US group of CGUs. The recoverable amount for each group of CGUs was determined using a value-in-use approach. Under the value-in-use approach, the CGU's recoverable amount is calculated based on the present value of future cash flows expected to be derived from each CGU.

Key assumptions used in recoverable amount calculations

The calculation of recoverable amount is most sensitive to the following assumptions:

- Discount rates
- Growth rate used to extrapolate cash flows beyond the budgeted period

Discount rates – Discount rates represent the current market assessment of the risks specific to each group of CGUs. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC reflects a target debt-to-equity ratio. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of equity considers the risk-free rate, market equity risk premium, size premium and risk specific to each group of CGUs' underlying assets that have not been considered in the cash flow projections. The risk premiums assigned are evaluated annually based on publicly available market data. The cost of debt is based on the interest-bearing borrowings that the Company is obliged to service. The discount rates applied to the cash flow projections ranges from 8.5% to 9.5% (2018 – 9.0% to 10%).

Growth rate – Growth rates are based on management's best estimates considering historical and expected operating plans, strategic plans and industry outlook. The projections are prepared for each of the Company's groups of CGUs and are based on financial budgets approved by the Board. Management has estimated forecasts of revenue growth over a five-year period of 5% (2018 – 10%), and applied a multiplier ranging from 6 to 8 times to determine the terminal value.

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of either unit to materially exceed its recoverable amount.

10. Other non-current assets

Other non-current assets includes vendor rebate receivables, security deposits, long-term prepaids and other trade receivables. On October 30, 2018, the Company loaned $5,250 to Essex Holdings Canada Inc. ("Essex"), in the form of a promissory note, which was payable on demand, subject to a notice period, by Essex and earned interest of 10% per annum, payable monthly. Essex utilized the proceeds of the loan to facilitate the acquisition, by its wholly owned subsidiary, of Essextec with artificial intelligence, cybersecurity and data analytics offerings (collectively the "Essex Group"). On October 1, 2019, the Company acquired Essextec and the $5,250 loan receivable was included as part of the purchase consideration (note 5).

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

11. Borrowings

The borrowings outstanding as at December 31, 2019 were as follows:

Facility	Note	2019	2018
Canadian lender			
Corus Commercial Finance, LLC	11i	**14,604**	19,155
Northern Micro	11i	**7,112**	5,797
Converge West Commercial Finance, LLC	11i	**7,221**	4,402
Converge NE Commercial Finance, LLC	11a, 11i	**19,375**	6,551
Converge Canada Finance Corp.	11b, 11i	**72,757**	37,361
Essex Comercial Finance, LLC	11f	**4,014**	-
Other Borrowings	11c, 11d, 11e, 11g, 11h, 11i	**31,613**	7,109
Total		**156,696**	80,375
Current liabilities		**142,123**	75,993
Non-current liabilities		**14,573**	4,382
Total		**156,696**	80,375

a) On November 30, 2018, Converge NE Commercial Finance, LLC, a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender. This agreement, which is an asset-based loan ("ABL"), provides a line of credit secured by the assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $10,000. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables.

On January 18, 2019, Converge NE Commercial Finance, LLC, entered into a revolving credit agreement with a Canadian lender. This agreement, which is an ABL, provides a line of credit secured by the assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $12,500. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables.

On October 1, 2019, Converge NE Commercial Finance, LLC, entered into a revolving credit agreement with a Canadian lender. This agreement, which is an ABL, provides a line of credit secured by the assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $7,500. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables.

On November 1, 2019, Converge NE Commercial Finance, LLC, entered into a revolving credit agreement with a Canadian lender. This agreement, which is an ABL, provides a line of credit secured by the assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $12,500. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables.

The initial term of the four agreements is eight months, and the term may be extended in six-month increments with consent of both the Company and the lender. As at December 31, 2019, the total balance owing to the lender under these facilities was $19,375 (2018 – $6,551).

b) On October 11, 2018, Converge Canada Finance Corp., a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender. This agreement, which is an ABL, provides a line of credit secured by assets of the Company. The ABL could be drawn to a certain percentage of the eligible trade receivables and eligible inventory balances to a maximum of $30,000. From time to time, the maximum amount of the credit facility could be increased to $40,000 at the discretion of the lender. Interest is payable monthly at a rate of the higher of 8.75% and the published TD Bank prime rate plus 5.3%. On January 18, 2019, the Converge Canada Finance Corp. ABL increased the maximum drawing limit to $52,500 from $40,000. On October 1, 2019, the Converge Canada Finance Corp. ABL increased the maximum drawing limit to $75,000 from $52,500. On November 1, 2019, the Converge Canada Finance Corp. ABL increased the maximum drawing limit to $82,500 from $75,000. From time to time, the maximum amount of the credit facility may be increased to $92,500 at the discretion of the lender. As at December 31, 2019, the total balance owing to the lender under this facility was $72,757 (2018 – $37,361).

c) On March 1, 2019, the Company entered into a three-year credit agreement with a third party, which was secured by certain customer contracts. Under the agreement, monthly repayments of blended principal and interest of $124 USD is required. The lender advanced cash of $5,457 ($4,000 USD) with an interest rate of 7% per annum. As at December 31, 2019, the balance owing to the lender under the facility is $4,096 (2018 – nil).

d) On June 11, 2019, the Company entered into a two-year credit agreement with a third party, which is secured by certain customer contracts. Under the agreement, monthly repayments of blended principal and interest of $453 USD is required. The lender advanced cash of $13,287 ($10,000 USD) with an interest rate of 8% per annum. As at December 31, 2019, the balance owing to the lender under the facility is $10,142 (2018 – nil).

e) On October 1, 2019, the Company entered into a two-year credit agreement with a third party, which is secured by certain customer contracts. Under the agreement, monthly repayments of blended principal and interest of $228 USD is required. The lender advanced cash of $6,622 ($5,000 USD) with an interest rate of 8.5% per annum. As at December 31, 2019, the balance owing to the lender under the facility is $5,783 (2018 – nil).

f) On October 1, 2019, the Company acquired Essextec (note 5). Essextec had an existing revolving credit agreement with a Canadian lender through Essex Commercial Finance LLC. This agreement, which is an ABL, provides a line of credit secured by assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables and eligible inventory balances to a maximum of $17,500. From time to time, the maximum amount of the credit facility could be increased to $20,000 at the discretion of the lender. Interest is payable monthly at a rate of the higher of 9.25% and the published TD Bank prime rate plus 5.3%. As at December 31, 2019, the total balance owing to the lender under this facility was $4,014 (2018 – nil).

g) On November 1, 2019, the Company acquired VSS (note 5). VSS had existing credit agreements with a third party, which are secured by certain customer contracts. The lender advanced cash of $4,245 USD with interest rates ranging from 4.5% to 5.5% per annum. The balance owing to the lender under the facility as at the acquisition date was $847. As at December 31, 2019, the balance owing to the lender under the facility is $836 (2018 – nil).

h) On November 15, 2019, the Company entered into a three-year credit agreement with a third party, which is secured by certain customer contracts. Under the agreement, monthly repayments of blended principal and interest of $158 USD is required. The lender advanced cash of $6,616 ($5,000 USD) with an interest rate of 8.5% per annum. As at December 31, 2019, the balance owing to the lender under the facility is $6,371 (2018 – nil).

i) On October 9, 2017, Corus Commercial Finance, LLC, a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender, which was amended on October 5, 2018. This agreement, which is an ABL, provides a line of credit secured by the assets of Corus360. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $15,000 (2018 - $15,000). Interest is payable weekly at a rate of the higher of 8.5% or the published TD Bank prime rate plus 5.3%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables.

On April 3, 2018, Corus Commercial Finance, LLC, entered into a revolving credit agreement with a Canadian lender, which was amended on October 5, 2018. This agreement, which is an ABL, provides a line of credit secured by the assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $5,000. Interest is payable monthly at a rate of the higher of 8.75% or the published TD Bank prime rate plus 5.3%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables. As at December 31, 2019, the balance owing to the lender under this facility was $14,604 (2018 – $19,155).

On November 9, 2017, Northern Micro entered into a revolving credit agreement with a Canadian lender, which was amended on October 5, 2018. This agreement, which is an ABL, provides a line of credit secured by the assets of Northern Micro. The ABL can be drawn to a percentage of the eligible trade receivables and eligible inventory balances to a maximum of $7,500 (2018 - $7,500). Interest is payable monthly at a rate of the higher of 9.0% or the published TD Bank prime rate plus 5.8%. As at December 31, 2019, the balance owing to the lender under this facility was $7,112 (2018 – $5,797).

On May 18, 2018, Corus Group, LLC, a wholly owned subsidiary of the Company, entered into a three-year credit agreement with a third party. Under the agreement, monthly repayments of blended principal and interest of $194 USD is required. The lender advanced cash of $8,164 ($6,200 USD) with an interest rate of 7% per annum. As at December 31, 2019, the balance owing to the lender under the facility is $4,385 (2018 – $7,109).

On May 18, 2018, Converge West Commercial Finance, LLC, a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender, which was amended on October 5, 2018. This agreement, which is an ABL, provides a line of credit secured by the assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $2,500. Interest is payable monthly at a rate of the higher of 8.75% or the published TD Bank prime rate plus 5.3%, with an expansion rate of an additional 3% based on the advance rate of the trade receivables. As at December 31, 2019, the balance owing to the lender under this facility was $7,221 (2018 – $4,402).

For all the revolving credit facilities with a Canadian lender, in addition to general security over all assets of the Company, the Company is required to deposit $7,714, which is 5% of the facilities limit, into a cash reserve account controlled by the lender. The $7,848 (2018 - $4,240) deposited into the cash reserve account has been classified as restricted cash in the consolidated statements of financial position and was in excess of the minimum deposit requirement.

The consolidated interest expense for all borrowings for the year ended December 31, 2019 was $12,970 (2018 - $5,804).

12. Debentures

On September 30, 2017 ("Closing Date"), the Company issued 3,896,450 unsecured debentures with face value of $3,896 and 3,896,450 common shares for total cash proceeds of $3,896 cash and issuance of 60,323 common share to the brokers. Debentures bear an interest rate of 12% per annum, and interest is payable quarterly in arrears within 10 days of each quarter end. The debentures have a maturity date of September 2020 and can be extended to September 2021 at the option of the Company. If the maturity date is extended to September 2021, the interest rate for the extension term will be increased to 18% per annum.

The terms of the agreement stipulated the following: if a liquidity event is not completed at a valuation equal to or greater than:

- [i] $1.00 per share within 12 months of the Closing Date;
- [ii] $1.50 per share within 24 months of the Closing Date; or
- [iii] $2.00 per share within 36 months of the Closing Date

then the holders will have the right but not the obligation to require the Company to redeem their common shares issued as part of this financing at a price of $0.20 per share. Holders who elect not to exercise their redemption right are entitled to one additional common share resulting in 3,896,450 potentially issuable common shares.

The Company determined that the liquidation event met the definition of an IFRS derivative liability due to the potential contingency related to the redemption feature of common shares, along with the additional common shares potentially issuable if a liquidation event is not created at the valuation and within the timelines above. The Company determined the fair value of the common shares derivative liability to be $6,234 at the date of the liquidity event and subsequently converted the common shares derivative liability into common shares as at December 31, 2018.

The Company recognized an interest expense of $829 during the year ended December 31, 2019 (2018 - $593) with a corresponding increase in debentures using the effective interest rate method.

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

The balance of debentures as at December 31, 2019 and 2018 consists of the following:

	2019	2018
	$	$
Principal balance	**3,896**	3,896
Less:		
Issuance costs	**(63)**	(63)
Common shares derivative liability	**(884)**	(884)
Interest paid	**(1,053)**	(585)
Interest and accretion expense	**1,733**	904
	3,629	3,268
Current	**3,629**	117
Non-current	**-**	3,151

The current portion of $117 as at December 31, 2018 represents the amount of cash interest payable and has been included in trade and other payables.

13. Convertible debenture

On October 30, 2018, the Company issued a $5,250 principal amount secured convertible debenture due October 30, 2020 and bearing interest at 8% per annum to a third party. The principal amount of the debenture is convertible into common shares at a conversion price of $1.00 per common share. Pursuant the terms of the debenture, on October 30, 2018, the Company loaned $5,250 to another third-party borrower, which was payable on demand by the Company and earned interest of 10% per annum. The loan was secured by a pledge of the shares of a wholly owned subsidiary of the borrower. On October 1, 2019, the loan was set-off against the Company's purchase consideration upon acquisition of Essextec from the third-party borrower (note 5).

The Company calculated the fair value of the liability portion of the convertible debenture, using a discount rate of 11.75% with the difference between the fair value and the proceeds being ascribed to the conversion feature. The fair value of the liability portion was calculated to be $4,943, resulting in $307 being allocated to the conversion feature, which was recognized in contributed surplus. Interest expense of $568 was recognized during the year ended December 31, 2019 (2018 - $94), with a corresponding increase in convertible debenture using the effective interest rate method.

The balance of the convertible debenture as at December 31, 2019 and 2018 consists of the following:

	2019	2018
	$	$
Principal balance	**4,943**	4,943
Less:		
Interest paid	**(491)**	(71)
Interest and accretion expense	**662**	94
	5,114	4,966

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

14. 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. Reconciliation of common shares is below. No Class B common shares and preference shares have been issued as at December 31, 2019 and 2018.

[b] Issued and outstanding

Reconciliation of the Company's share capital is as follows:

	Common shares		Warrants	
	#	$	#	$
Balance, December 31, 2017	**48,956,773**	**1**	**-**	**-**
Issuance of common shares and warrants [note i]	10,652,055	3,424	10,652,055	586
Private placement - issuance of common shares, net of transaction costs [not	6,918,756	5,254	186,690	52
Broker warrants [note i]	-	-	353,745	21
Shares issued on exercise of warrants [note iii]	3,331,000	1,850	(3,331,000)	(184)
Shares issued on qualifying transaction [note v]	1,328,125	1,063	46,875	18
Shares issued on conversion of common shares derivative liability [note iv]	3,896,450	6,234	-	-
Common shares issued pursuant to business acquisition	600,000	-	-	-
Balance, December 31, 2018	**75,683,159**	**17,826**	**7,908,365**	**493**
Warrants excercised [note d]	3,867,440	2,445	(3,867,440)	(250)
Shares issued from treasury	160,000	102	-	-
Exercised exchange rights (note 5)	1,500,000	960	-	-
Qualifying transaction options excercised	46,875	56	-	-
Share repurchase commitment under normal course issuer bid (note 14)	-	(1,021)	-	-
Expiry of the right to repurchase shares (note 16)	-	244	-	-
Balance, December 31, 2019	**81,257,474**	**20,612**	**4,040,925**	**243**

[i] On January 31, 2018, the Company issued 10,652,055 common shares and 10,652,055 common share purchase warrants for total proceeds of $4,261. Each warrant is exercisable to acquire one common share at an exercise price of $0.60 per common share for a period of two years from the date of issuance. Fair value of the common share purchase warrants was determined to be $0.06 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.34, a risk-free interest rate of 1.84%, an expected annualized volatility of 60% and expected dividend yield of 0%. Gross proceeds of $4,261 were allocated to common shares and common share purchase warrants in the amount of $3,637 and $623, respectively.

Transaction costs consisted of $230 in cash and issuance of 353,745 common share warrants to the brokers. Each warrant is exercisable to acquire one common share at an exercise price of $0.60 per common share for a period of two years from the date of issuance. Fair value of the common share purchase warrants was determined to be $0.06 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.34, a risk-free interest rate of 1.84%, an expected annualized volatility of 60% and expected dividend yield of 0%.

[ii] On July 31, 2018, the Company issued 6,668,756 common shares for total proceeds of $5,335. Transaction costs consisted of $230 in cash and issuance of 169,190 common share warrants to the brokers. Each warrant is exercisable to acquire one common share at an exercise price of $0.80 per common share for a period of two years from the date of listing on a public exchange. Fair value of the common share purchase warrants was determined to be $0.27 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.80, a risk-free interest rate of 2.07%, an expected annualized volatility of 60% and expected dividend yield of 0%.

On August 17, 2018, the Company issued 250,000 common shares for total proceeds of $200. Transaction costs consisted of issuance of 17,500 common share warrants to the brokers. Each warrant is exercisable to acquire one common share at an exercise price of $0.80 per common share for a period of two years from the date of listing on a public exchange. Fair value of the common share purchase warrants was determined to be $0.27 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.80, a risk-free interest rate of 2.07%, an expected annualized volatility of 60% and expected dividend yield of 0%.

[iii] On July 31, 2018, 3,331,000 common share warrants were exercised to acquire one common share at an exercise price of $0.50 per common share for total proceeds of $1,666. Transaction costs consisted of $31 in cash. Fair value of the common share purchase warrants was determined to be $0.06 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.34, a risk-free interest rate of 1.84%, an expected annualized volatility of 60% and expected dividend yield of 0%.

[iv] In accordance with the terms of the debentures issued in September 2017, the Company is required to create a liquidity event at or above a specific valuation (note 12). This liquidation event was accounted for as a derivative liability. The fair value of the derivative liability as at the date of the liquidity event was $6,234. Issuance of 3,896,450 common shares settled this derivative liability resulting in reclassification of the derivative liability of $6,234 as common shares as at December 31, 2018.

[v] On August 28, 2018, the Company entered into the agreement with Norwick Capital Corporation (“Norwick”) to combine Converge and Norwick via the amalgamation of Norwick Acquisition Corp. and Converge, which constitutes a reverse takeover of Norwick by the shareholders of Converge (note 4). On November 7, 2018, the Company completed the amalgamation. Immediately prior to the transaction, Norwick completed a consolidation of its share capital on a 3.2-to-1 basis (the “Consolidation”). The total number of Norwick common shares, stock options and warrants outstanding pre-Consolidation was 4,250,000, 150,000 and 100,000, respectively. Post-Consolidation, the total number of Norwick common shares, warrants and stock options was 1,328,125, 46,875 and 31,250, respectively.

During the year ended December 31, 2018, the difference between the fair value of consideration attributed to Norwick of $1,093 and the estimated fair value of the net assets of Norwick of $140 amounted to a listing expense of $953. An additional $1,328 was incurred as transaction costs.

[c] Share Repurchase

On December 10, 2019 the TSX Venture Exchange ("TSXV") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, the Company may purchase for cancellation through the facilities of the TSXV and/or permitted alternative trading systems, from time to time, up to an aggregate of 4,025,120 of its issued and outstanding Common Shares, being 5% of the issued and outstanding Common Shares as of December 3, 2019. The program commenced on December 16, 2019 and will remain in effect until the earlier of (i) December 16, 2020, (ii) the date upon which the Company acquires the maximum number of Common Shares permitted under the NCIB, or (iii) the date upon which the Company provides written notice of the termination of the NCIB to the TSXV. On December 16, 2019, the Company entered into an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of Common Shares for cancellation under the NCIB at any time during predetermined trading blackout periods. During the three and twelve months ended December 31, 2019, there were no transactions recorded in relation to this NCIB. As at December 31, 2019, an obligation for the repurchase of shares of $5,635 was recognized under the ASPP.

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

Subsequent Event

As at March 31, 2020, 1,066,500 common shares have been repurchased for cancellation for an aggregate purchase price of $1,246 under the NCIB.

[d] Warrants

During the year ended December 31, 2019, 3,459,500 purchase warrants were exercised for total proceeds of $2,076 (2018 – 3,331,000 exercised purchase warrants for total proceeds of $1,666) from the original issued purchase warrants of 10,652,055 (note i). During the year ended December 31, 2019, 407,940 broker warrants were exercised for total proceeds of $216 (2018 – nil). As at February 14, 2020, all remaining purchase warrants of 3,861,555 have been exercised.

15. Income taxes

Income tax recovery attributable to loss before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.5% (2018 - 26.5%) to pre-tax loss as a result of the following:

		2019	%		2018	%
Profit (loss) before Income Tax	**$**	**(12,757)**		$	(15,588)	
Income tax at statutory rate of 26.5%		**(3,381)**	26.50%		(4,130)	26%
Other		**(169)**	1.32%		66	0%
Permanent differences		**1,683**	-13.19%		2,874	-18%
Foreign Earnings subject to different rates		**131**	-1.03%		615	
Tax benefits not recognized/ (previously unrecognized)		**(182)**	1.43%		3,223	-21%
Income tax expense (recovery)	**$**	**(1,917)**	15.03%	$	2,648	-13%
Current Tax		**2,236**			3,566	
Deferred Tax		**(4,154)**			(918)	
	$	**(1,917)**		$	2,648	

The Company's deferred tax liability is a result of the origination and reversal of temporary differences. Net deferred tax liability as at December 31, 2019 and 2018 comprises of the following:

		2019		2018
Deferred tax asset:				
Non-capital loss carry-forwards - US	**$**	**1,914**	$	2,235
Reserves		**429**		
Non-deductible Interest		**1,983**		
Deferred tax liability:				
Property & Equipment,Intangible assets and goodwill		**10,189**		5,964
Net deferred tax liability	**$**	**5,862**	$	3,729

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

16. Other financial liabilities

Other financial liabilities as at December 31, 2019 and 2018 comprises of the following:

	2019	2018
	$	**$**
Notes payable	**8,595**	6,676
Deferred consideration	**21,189**	-
Contingent consideration	**13,826**	19,286
NCIB Liability (note 13)	**5,635**	-
Lease liability (note 18)	**19,600**	1,389
	68,845	27,351
Current liabilities	**35,734**	19,487
Non-current liabilities	**33,111**	7,864
	68,845	27,351

Notes payable

As part of consideration to acquire Northern Micro, the Company issued $6,000 of notes. The notes bear interest at a rate of 8% per annum payable quarterly. The Company was required to make partial repayments of $1,500 on or before May 9, 2018, and $1,500 on or before November 9, 2018. The remaining $3,000 is due on November 9, 2020. As general and continuing security for the notes and contingent consideration, the Company has pledged all the equity instruments of Northern Micro to the sellers.

During the year ended December 31, 2019, the Company recognized interest expense of $241, of which nil was outstanding as at December 31, 2019 (2018 - $385).

As part of consideration to acquire BCT, the Company issued $255 of notes to a related party. The notes bear interest at a rate of 7% per annum. The notes payable and interest accrued was paid on May 17, 2019.

As part of the consideration to acquire Lighthouse, the Company issued $3,420 ($2,612 USD) of notes payable to the sellers. The notes payable are non-interest bearing and are to be repaid in five monthly installments of $500 USD per month with the first installment due January 1, 2019. As at December 31, 2019, nil remains outstanding on the promissory note for working capital adjustments (2018 - $3,420).

As at December 31, 2019, SIS had three notes payable to third party for the purchase of equipment in aggregate of $1,177 (2018 – nil). 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 December 31, 2019, Essextec had a line of credit of $2,047 bearing a variable interest rate of 3.25% and $2,371 in notes payable to a third party due September 30, 2022 with an interest rate of 10% per annum payable quarterly, which existed prior to the acquisition by the Company (2018 – nil).

Deferred consideration – Northern Micro

Deferred consideration (previously classified as contingent consideration) comprises of earn-out payments due to sellers of Northern Micro for meeting certain EBITDA conditions over the three years following the date of acquisition. The fair value of the contingent consideration was $4,446 as at the date of acquisition. The fair value of the deferred 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 of 17.8% and a volatility factor of 22%.

On November 22, 2019, Northern Micro had attained the three year maximum EBITDA conditions and the Company amended the share purchase agreement to guarantee the second year payment of $3,750 by January 10, 2020 and third year payment of $1,500 by January 8, 2021. The payments can be further extended for a period up to six months with interest payable monthly at an annual rate of 8%. As at December 31, 2019, the fair value of the remaining deferred consideration was $5,518 (2018 - $8,018), with $1,250 repaid in 2018 and $2,500 paid during the year ended December 31, 2019. Interest expense of $268 was recognized for the year ended December 31, 2019 (2018 - $4,822).

Deferred consideration – Nordisk

As part of the consideration to acquire Nordisk, deferred consideration of $2,598 ($2,000 USD) is payable to the selling shareholders of Nordisk (2018 – nil) (see note 5).

Deferred consideration – Datatrend

As part of consideration for the acquisition, Datatrend issued a $3,310 ($2,500 USD) promissory note. The promissory note bears interest at a rate of 7% per annum and is payable quarterly. The Company is required to fully repay the promissory note on September 30, 2022. The promissory note payable balance as at December 31, 2019 was $3,049 (2018 – nil) (note 5).

As part of consideration for the acquisition, Datatrend issued $4,790 ($3,618 USD) of working capital promissory note. The promissory note bears interest at a rate of 5.25% per annum and is payable quarterly. The Company is required to fully repay the promissory note on October 1, 2020. The promissory note payable balance as at December 31, 2019 was $4,699 (2018 – nil) (note 5).

Deferred consideration – VSS

As part of consideration for the acquisition, VSS issued $3,422 ($2,600 USD) of promissory note. The promissory note bears interest at a rate of 7% per annum and is payable quarterly. The Company was required to repay the promissory note on January 31, 2020, which was fully repaid subsequent to year end. The promissory note payable balance of $3,377 has been included in deferred consideration as of December 31, 2019 (2018 – nil) (note 5).

As part of consideration for the acquisition, VSS issued three promissory notes of $500 USD each. The promissory notes bear interest at a rate of 7% per annum and are payable quarterly. The Company was required to repay each promissory note on January 30, 2020, April 29, 2020, and May 1, 2021. The first promissory note was fully repaid on January 31, 2020. The promissory note payable balance of $1,948 has been included in deferred consideration as of December 31, 2019 (note 5).

Contingent consideration – Becker-Carroll

As part of the purchase consideration for the acquisition of Becker-Carroll, the Company issued 600,000 common shares to the selling shareholders of Becker-Carroll. The Company had the right to repurchase the common shares for nil consideration equivalent to the amount of short-fall in certain gross margin and net income targets over the 12 months following the date of acquisition. Therefore, the number of common shares issued as part of consideration for the acquisition was variable, resulting in their being classified as a derivative liability. The fair value of the contingent consideration was $244 as at the date of acquisition and nil as at December 31, 2019, as the share repurchase option expired in 2019 (2018 - $244).

Contingent consideration – KeyInfo

Contingent consideration comprises earn-out payments due to sellers of KeyInfo for meeting certain EBITDA conditions over the three years following the date of acquisition. The fair value of the contingent consideration was $1,848 as at 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 of 27.5% and a volatility factor of 45%.

As at December 31, 2019, the fair value of contingent consideration was nil (2018 - $867) with reversal of $841 recognized in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 (2018 – reversal of $1,120).

As part of the purchase consideration for the acquisition of KeyInfo, the Company entered into a post-closing employee retention bonus agreement, which was paid on March 1, 2019 to employees of KeyInfo. The total bonus payments were $7,393 ($5,500 USD). The Company has recognized an expense of $1,246 for the year ended December 31, 2019 (2018 – $6,147).

Contingent consideration – BlueChip Tek

Contingent consideration comprises earn-out payments due to key employees of BCT 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 of 25.1% and a volatility factor of 45.0%.

As at December 31, 2019, the fair value of contingent consideration was nil resulting in expense of nil recognized for the year ended December 31, 2019 (2018 – nil). An employee retention bonus of $384 was expensed for the year ended December 31, 2019 (2018 - $426). $409 of the employee retention bonus was paid during the year ended December 31, 2019. As at December 31, 2019, $401 remains as the fair value of the contingent consideration (2018 - $426).

Contingent consideration – Lighthouse

Contingent consideration comprises earn-out payments due to sellers of Lighthouse for meeting certain EBITDA conditions over the three years following the date of acquisition (see note 5). The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy and was determined based on a Monte Carlo simulation using various assumptions including EBITDA forecast, a discount rate of 18.0% and a volatility factor of 30.0%. As at December 31, 2019, the fair value of contingent consideration was $8,509 (2018 - $3,585). The Company has recognized an expense of $2,140 and an adjustment to the purchase price allocation of $3,090 for the year ended December 31, 2019 (2018 – nil).

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

Contingent consideration – VSS

Contingent consideration comprises earn-out payments due to sellers of VSS for meeting certain EBITDA conditions over the three years following the date of acquisition (see note 5). The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy and was determined based on a Monte Carlo simulation using various assumptions including EBITDA forecast, a discount rate of 12.2% and a volatility factor of 25.0%. As at December 31, 2019, the fair value of contingent consideration was $4,916 (2018 - nil).

17. Selling, general and administrative expenses

Components of selling, general and administrative expenses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
	$	$
Employee compensation and benefits	**112,154**	60,717
Professional fees	**6,574**	3,146
Rent and office	**15,857**	10,284
Marketing events and showcase expenses	**2,078**	1,204
Other expenses	**286**	304
Total	**136,949**	75,655

18. Leases

The Company has entered into leases for office building leases and computer equipment with maturities and interest rates ranging from 2022 to 2028 and 3% to 10%. The lease obligations are classified in the consolidated statements of financial position as other financial liabilities. Future minimum lease payments required under finance lease obligations until maturity are as follows:

	2019	2018
	$	$
Minimum lease payments		
2019	-	798
2020	7,980	552
2021	6,582	225
2022	3,793	-
2023	1,681	-
2024 and onwards	2,643	-
	22,679	1,575
Less: future finance charges	(3,079)	(186)
Present value of minimum lease payments	19,600	1,389
Current liabilities	6,710	728
Non-current liabilities	12,890	661
	19,600	1,389

19. Contingencies

On July 2, 2019, SIS was served with a statement of claim by a vendor alleging breach of contract and breach of good faith and fair dealing. The amount claimed is $2,400 USD plus costs and the Company believes the claim is without merit.

On December 4, 2019, Key was served with a letter from the Los Angeles City Attorney's Office regarding an investigation into certain transactions relating to goods and services provided by or through Key to the City's Department of Building and Safety from the time period January 2012 to November 2017, prior to its indirect acquisition by the Company. The Company is in the preliminary stages of evaluating the City's allegations and believes there would be no material impact on the Company.

20. Related party transactions

During the year ended December 31, 2017, the Company entered into a lease arrangement with an executive employee of the Company for a period of five years ending on October 31, 2022. The Company is obligated to make payments of $262 on an annual basis under the lease arrangement. For the year ended December 31, 2019, the Company made rental payments of $262 (2018 - $262) under this arrangement.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly, including the Company's directors and officers.

Total amounts expensed for the Company's key management personnel was $3,982 for the year ended December 31, 2019 (2018 - $1,244) and includes salaries, bonuses, advisory fees, short-term employment benefits and other personnel costs. On September 4, 2019, the Company entered into a loan agreement with a key management person, advancing principal of $250 with interest on the unpaid principal balance at the rate of 2.48% per annum. The outstanding principal and interest is due on the earlier of September 3, 2022, or the date on which the individual resigns from or is terminated by the Company. As at December 31, 2019, $252 remains outstanding on the loan receivable (2018 – nil).

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

21. Capital management

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

Total managed capital is as follows:

	2019	**2018**
	$	$
Notes payable	8,595	6,676
Debentures	3,629	3,629
Borrowings	156,696	80,375
Contingent consideration	13,826	19,286
Convertible debenture	5,114	4,966
NCIB Liability	5,635	-
Common shares	20,612	17,838
Warrants	243	493
Equity portion - convertible debenture	307	307
Exchange rights	6,773	-
Deficit	(37,881)	(22,427)
	183,549	**111,143**

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

22. Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms. As at December 31, 2019, no customer represented greater than 10% of the outstanding receivable balance.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The Company has a $1,334 allowance for doubtful accounts as at December 31, 2019 (2018 – $484).

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

The aging of trade receivables is as follows:

	2019	2018
Due within:	**$**	$
30 days	**165,302**	102,303
30 to 60 days	**26,137**	13,420
60 to 90 days	**7,953**	6,831
90 to 120 days	**5,588**	476
> 120 days	**5,270**	777
Total	**210,250**	123,807

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 consolidated 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 consolidated statements of financial position 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 (note 24), 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 or 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)

The Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3	Year 4+
	$	$	$	$	$	$
Trade and other payables	248,218	248,218	248,218	-	-	-
Lease commitments	19,600	18,355	7,980	6,582	3,793	4,324
Other financial liabilities	49,245	47,565	29,920	6,916	9,012	1,717
Debentures	3,629	4,247	4,247	-	-	-
Borrowings	156,696	169,612	155,028	11,844	2,741	-
Convertible debenture	5,114	5,600	5,600	-	-	-
	482,502	**493,598**	**450,993**	**25,342**	**15,546**	**6,041**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates. The Company is not exposed to significant foreign currency exchange risk as it has minimal sales and purchase contracts denominated in currencies other than the functional currency of the Company and its subsidiaries.

Since the Company's reporting currency is Canadian dollars and the Company has significant US operations with US dollars as the functional currency for those operations, the Company is exposed to foreign currency fluctuations on its reported amounts of US assets and liabilities. As at December 31, 2019, the Company had net liabilities of $14,585 (2018 – $12,091) denominated in US dollars. A 10% change in exchange rates between the US and Canadian dollar would not result in a material impact on the Company's net liabilities recorded on the Company's consolidated statements of financial position. All such changes are recorded to other comprehensive income or loss.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to fluctuations in interest rates since a significant portion of its capital structure consists of variable rate debt in the form of borrowings. The ABL credit facilities carry floating interest rates that are tied to TD Bank prime rate and, therefore, the Company's financial statements will be exposed to changes in interest rates. As at December 31, 2019, the Company had $125,084 (2018 - $73,267) of variable rate debt. A 100 basis points increase or decrease in the interest rates would result in an additional interest expense of $1,251 (2018 - $732) for the year ended December 31, 2019.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2019 other than the value of its common shares liability, which is influenced by the value of the Company's underlying equity.

Fair values

The carrying values of cash, restricted cash, trade and other receivables, trade and other payables, lease payable, notes payable, debentures, common shares derivative liability and contingent consideration approximate fair values due to the initial recognition at fair value near December 31, 2019, short-term nature of these items or being carried at fair value. The risk of material change in fair value is not considered to be significant. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the 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 and common shares derivative liability are classified as a Level 3 financial instruments. Valuation method and significant assumptions used to determine the fair value of contingent consideration and common shares derivative liability have been disclosed in note 6 and note 13, respectively. During the year, there were no transfers of amounts between levels.

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

23. Segmented information

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer. The CODM makes decisions and assesses performance of the Company on a geographical basis such that the Company is reportable by two operating segments – United States and Canada. The following table presents details on revenues and segment profit for the years ended December 31, 2019 and 2018 from the following operating segments:

December 31, 2019	**United States**	**Canada**	**Total**
	$	**$**	**$**
Product revenue	**422,797**	**114,513**	**537,310**
Service revenue	**144,311**	**2,959**	**147,270**
Other revenue	**3,177**	**39**	**3,216**
Total revenue	**570,285**	**117,511**	**687,796**
Cost of sales	**424,015**	**102,196**	**526,211**
Gross profit	**146,270**	**15,315**	**161,585**
Selling, general and administrative expenses	**121,254**	**15,695**	**136,949**
Income before the following	**25,016**	**(380)**	**24,636**
Depreciation and amortization			**13,057**
Finance expense, net			**16,026**
Change in fair value of contingent consideration			**1,299**
Transaction costs			**6,292**
Other expense			**719**
Loss before income taxes			**(12,757)**

December 31, 2018	**United States**	**Canada**	**Total**
	$	**$**	**$**
Product revenue	**220,764**	**165,479**	**386,243**
Service revenue	**69,779**	**1,974**	**71,753**
Other revenue	**601**	**596**	**1,197**
Total revenue	**291,144**	**168,049**	**459,193**
Cost of sales	**222,184**	**147,040**	**369,224**
Gross profit	**68,960**	**21,009**	**89,969**
Selling, general and administrative expenses	**63,192**	**12,463**	**75,655**
Income before the following:	**5,768**	**8,546**	**14,314**
Depreciation and amortization			**5,100**
Finance expense, net			**7,549**
Change in fair value of contingent consideration			**7,447**
Transaction costs			**7,748**
Reverse take-over costs			**2,282**
Other expense			**(224)**
Loss before income taxes			**(15,588)**

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

The following table presents details on property and equipment, intangible assets and goodwill as at December 31, 2019 domiciled in the following operating segments:

December 31, 2019	Property and equipment	Intangible assets	Goodwill	Total
	$	$	$	$
United States	**25,651**	**80,810**	**74,132**	**180,593**
Canada	**1,777**	**11,237**	**6,139**	**19,153**
	27,428	**92,047**	**80,271**	**199,746**

December 31, 2018	Property and equipment	Intangible assets	Goodwill	Total
	$	$	$	$
United States	6,809	33,366	26,475	66,650
Canada	548	12,667	6,139	19,354
	7,357	46,033	32,614	86,004

24. Subsequent events

Acquisition of PCD

On February 1, 2020, the Company acquired all of the issued and outstanding shares of Solutions P.C.D. Inc. and P.C.D. Consultation Inc. (collectively "PCD"), a Montreal, Canada based partner focused on solutions in enterprise system architecture, storage and information management, virtualization and cloud, and business continuity and disaster recovery. The transaction will be accounted for as a business combination. Consideration for the purchase consisted of (i) $7,000 in cash; (ii) promissory notes in the total amount of $4,860 in favor of the sellers due over the three years following closing of the acquisition; and (iii) up to an aggregate of $4,500 in earn-out payments for the three years following closing of the acquisition based on the achievement of certain milestones.

Financing

On February 20, 2020, the Company closed an underwritten public offering (the "Offering"). The Offering consisted of 5,769,231 common shares of the Company (the "Offered Shares"). The Offered Shares were offered at a price to the public of $1.30 per Offered Share for gross proceeds to the Company of $7,500, before deducting the underwriters' fees and estimated offering expenses. 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, at the offering price, 865,384 additional common shares to cover over-allotments and for market stabilization purposes. On March 3, 2020, the underwriters exercised their over-allotment option to purchase an additional 592,084 common shares of the Company at a price of $1.30 per share, for additional gross proceeds to the Company of $770. As a result, the total gross proceeds of the Offering were $8,270.

On March 18, 2020, the Company entered into a credit agreement with a third party, which was secured by certain customer contracts. Under the agreement, the first tranche with a three-year term requires monthly repayments of blended principal and interest of $190 USD. The lender advanced cash of $6,000 USD with an interest rate of 8.5% per annum. The second tranche with a one-year term requires monthly repayments of blended principal and interest of $350 USD. The lender advanced cash of $4,000 USD with an interest rate of 8.5% per annum.

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 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 new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is 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.