carmanah®
we put solar to work™

2014
ANNUAL REPORT

Message from the Chairman

To Our Shareholders,

After 25 years in the solar business, 2014 was undoubtedly the highlight. Carmanah achieved remarkable results under the leadership of John Simmons: the Company realized consistent profits for the first time in its 17-year history; sales were set to double with the mid-year acquisition of Sol; margins have grown in all seven product areas, and efficiencies have reduced overhead by every measure.

How does an organization make such a dramatic turnaround so quickly? It starts with a dedication to basic and sound principles and requires excellent execution. Your Board asked Management to focus on building a sustainable business that was undistracted by the many practices troubled or challenged companies resort to when they are unable to perform and can't describe their purpose or mission with clarity. In driving our turnaround, John was able to be supported, and challenged, by our amazing team at Carmanah. We were excited to retain 25 committed core professionals (with many years of service at Carmanah), to grow with us while Carmanah recruited 40 talented newcomers to rebuild our team and helped us realize the extraordinary opportunities before us.

Our Board today is comprised of five seasoned entrepreneurs who, collectively, represent 160 years of experience buying, building, merging, financing and selling small to medium-sized companies. We are fortunate to have each member participating meaningfully in our growth. At year-end, the Board held 63 percent of Carmanah's equity – a significant change from prior Boards, who owned only a small percentage. This creates remarkable and essential alignment. Our discussions now focus on shareholder value and how to build a lasting and profitable business that is committed to using our equity judiciously.

Perhaps most satisfying is that Carmanah Technologies is now in the vanguard of companies with a "double bottom line". We are sensitive to the reality and challenges of climate change, seeking to address the issue through virtually all of our products and services. Simultaneously, we are focused on providing excellent financial returns to our shareholders. It takes courage to seek such double returns but finding success in both crucial areas continues to motivate our team to go the extra distance.

Many turnarounds are seen as a solitary episode – a time to clean house and start fresh – but we have used it as a starting point to explore opportunities in each core area – opportunities that could not have been pursued, or even considered, in our prior condition. Under John's leadership, and with the support of dedicated management, each one of our seven business lines has improved with higher sales, better margins and lower relative overhead.

Our newfound success has also opened up additional acquisition opportunities. Companies that might have hesitated to partner with us previously now want to engage in new conversations, and key executives who are looking to be part of a dynamic, growing organization are seeking us out.

In preparation for future partnerships, we have spent much time discussing our status as a public company. Our Board firmly believes there is a scale of operations below which most companies should not be public. When we acquired control of Carmanah, the company was well below that scale and there appeared to be little value in remaining public. 18 months later, we have restored profitability and doubled our revenues but would still have a difficult time justifying our public status if we did not believe in Carmanah's future growth potential. But we fervently do. We see a series of opportunities to grow organically and through acquisitions, allowing us to become a significantly larger enterprise. Streamlining our operations and restoring profitability was just the starting point – we are now in a position to measurably increase our footprint and relative standing in a number of our key product areas.

As we consider all of our options, we will continue to be prudent, recognizing that we are under no pressure to enter into agreements that do not move our agenda forward with the proper balance of risk and reward. We have the right measure of ambition and caution for a company of our size with a Board that has its own capital at stake. We are focused and very mindful of seizing only opportunities that build substantial shareholder value without unnecessary risk.

Times of change – often times of uncertainty – are generally accompanied by a period of acclimation before momentum returns with clarity. We have made some difficult decisions in the past many months, but to have achieved so much and to have realized such results in so short a time, affirms that many of our choices were the right ones. We are reminded that we could not have reaped the benefits of those insights without the right team of dedicated, passionate professionals starting to work together in wonderfully productive ways. I am incredibly excited to be a part of Carmanah's bright future as we begin to hit our stride while continuing to serve customer's needs with profitable products and services which remain sensitive to the environmental challenges the planet faces.

Michael W. Sonnenfeldt
Chairman of the Board

We are focused and very mindful of seizing only opportunities that build substantial shareholder value without unnecessary risk.

Message from the CEO

To Our Shareholders,

A year ago, when reporting to you for the first time as your CEO, I addressed our necessary efforts in the latter part of 2013 to restructure and refinance our company. I also foreshadowed the work that all Carmanah employees would do together in 2014 to build a new open and forthright culture within which we would make profit our watchword. A lot has happened since then. Happily we have met or exceeded each performance measure that guides us and we are proud of our success.

How has this happened? It started with people. What impressed me most when I first arrived at Carmanah was the talent and dedication that our core staff exhibited for both our industry and company. Over the past year, we have surrounded this very strong core with a substantial number of new team members deployed within a new operating structure. Our new structure is flatter and utilizes a shared services model to support our various vertical business units. The impact of these combined changes is that we have been able to be more focused and specialized in every aspect of our business.

But having qualified people and a logical organization is only part of the success formula. To make real strides a company like ours must add these ingredients to a culture of engagement and determination. And it is in this latter respect that we have made our greatest progress. Together, and working as a true team, Carmanah employees have built a strong and engaged culture. We work hard, we are goal driven, we are having success – and, we are having a great deal of fun. For me, this is a great place to work and I believe that most of my colleagues feel the same.

In 2014, we raised revenue in each of our businesses, improved product margins and controlled operating costs. These efforts turned losses into profits and strengthened our base of operations. Combining these income statement improvements with new equity capital resulted in a strengthened balance sheet. We continue to be debt free and have a significant cash surplus that we can now earmark for growth.

As we enter 2015, our refinement, optimization and expansion of each of our businesses will continue. In each case we will seek organic growth through broader and deeper "last mile" partnerships – the distributors, resellers and integrators - that represent our products to end users throughout the world. At the same time we will seek to improve our products by continual re-engineering to advance performance, improve safety and reduce cost. Finally, our quest to better our operating efficiency will continue by adding to the functionality of our 2014 deployed ERP system together with new web based interfaces. Given our contract manufacturing business model, we should be able to achieve growth with limited capital expenditure and little growth in operating costs.

In 2014, we acquired and integrated SOL, Inc. which is adding to our business base and potential. While organic growth will be our first priority in 2015 we also expect to make one or more strategic acquisitions. To prepare for this we have addressed our intention to capital markets which

We work hard, we are goal driven, we are having success - and, we are having a great deal of fun.

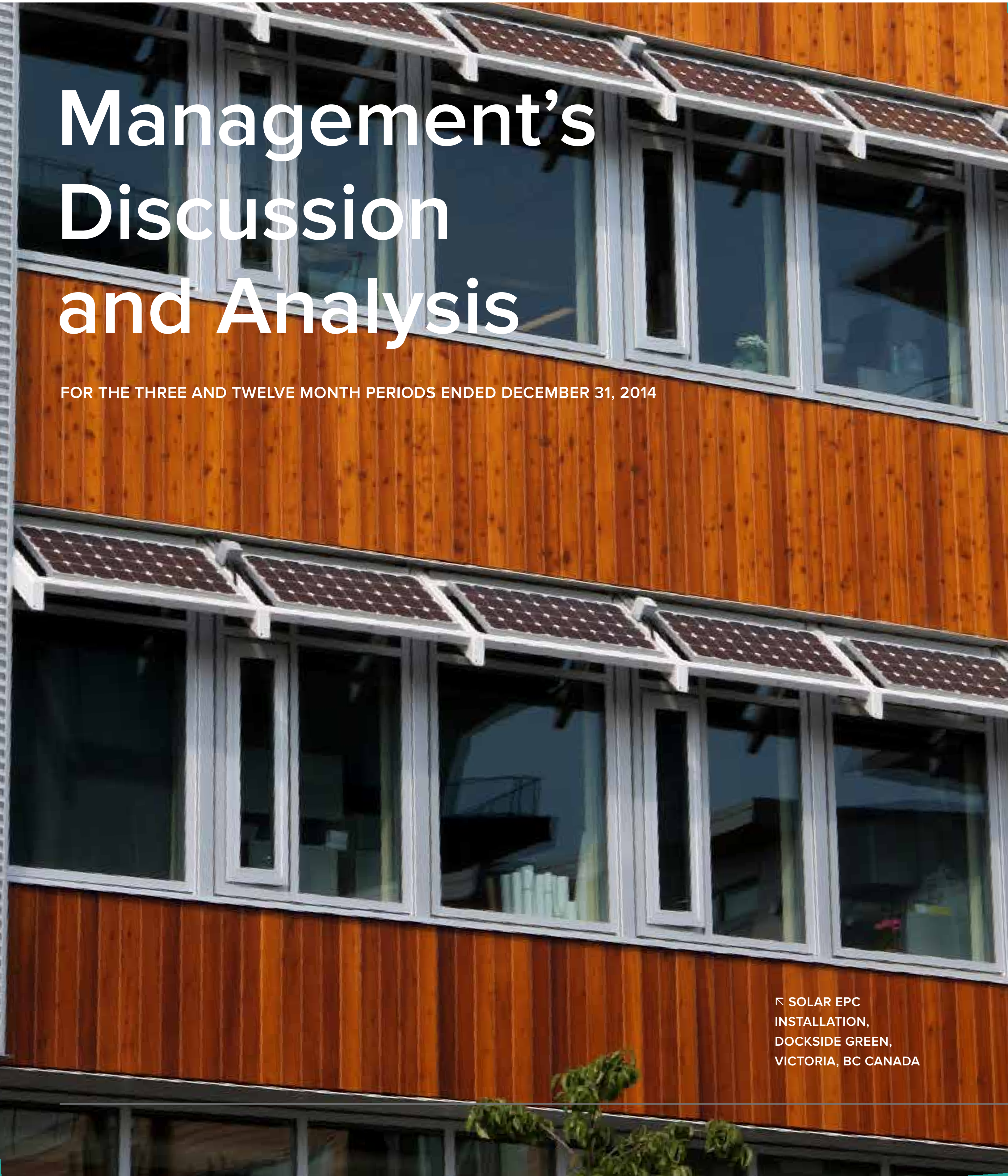
have received our growth plans with enthusiasm. As a result we now have additional debt capacity and new shareholder equity available to fuel acquisition activity.

All in all we are pleased with our success and even more excited about our future potential. As we work to realize our profitable growth aspirations, we do so mindful of, and grateful for, the support of our shareholders.

Respectfully,
John Simmons
CEO

Management's Discussion and Analysis

FOR THE THREE AND TWELVE MONTH PERIODS ENDED DECEMBER 31, 2014



↖ SOLAR EPC INSTALLATION, DOCKSIDE GREEN, VICTORIA, BC CANADA

ABOUT THIS MD&A

This MD&A discusses the consolidated financial condition and operating performance for our Carmanah Technologies Corporation ("Carmanah" or the "Company") and should be read together with our audited consolidated financial statements for the year ended December 31, 2014. These documents, along with additional information about our Company, including the Annual Report, Annual Information Form and recently filed Short Form Prospectus, are available at www.carmanah.com and www.sedar.com. This document contains forward-looking information qualified by reference to the forward-looking statements in the next section.

Unless otherwise indicated, all financial information presented in this MD&A is in our functional and presentation currency, United States of America ("US") dollars, and has been prepared in accordance with International Financial Reporting Standards ("IFRS"). Section 6.2 outlines any relevant recent or pending Accounting policy developments that may impact our financials.

Our consolidated financial statements include our accounts and those of our wholly-owned subsidiaries, Carmanah Solar Power Corporation, Carmanah Technologies (US) Corporation (a US incorporated company), and Sol Inc. ("Sol"), a Florida based company which we acquired on July 2, 2014, details of which are described in Section 3.

Our disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to our senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. Our management determines whether or not information is material based on whether they believe a reasonable investor's decision to buy, sell or hold securities in our Company would likely be influenced or changed if the information were omitted or misstated. The MD&A and the consolidated financial statements were reviewed by our Audit Committee and approved by our Board of Directors. This MD&A is prepared as of March 10, 2015.

Our management reports on certain non-IFRS measures which is used to evaluate financial performance. As non-IFRS measures generally do not have a standardized meaning, securities regulations require non-IFRS measures to be clearly defined, qualified and reconciled with their nearest IFRS measure. Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") used in this document means standardized EBITDA as defined by the Canadian Performance Reporting Board of the Canadian Institute of Chartered Accountants ("CICA"). See Section 8 for the definition, calculation and reconciliation of.

SECTION		CONTENTS
1	Financial Highlights	A summary of our consolidated results for the quarter and twelve months ended December 31, 2014
2	Our Business	An overview of our business and the industries and markets we operate in
3	Operational and Business Highlights	A discussion regarding key operating activities during the period
4	Financial Results	A discussion of our financial performance for the period
5	Liquidity, Capital Resources and Other Disclosures	A discussion of our operating cash flows, investments and financing activities, as well as liquidity, credit facilities and other disclosures
6	Critical Accounting Estimates and Accounting Policy Developments	Accounting estimates that are critical to determining financial results, and changes to accounting policies
7	Risks and Risk Management	Updates on certain risks and uncertainties facing us
8	Definitions and Reconciliations	Definitions of operating, liquidity and capital resource measures, including calculation and reconciliation of certain non-IFRS measures used by our management

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Management Discussion & Analysis ("MD&A") are forward-looking statements that involve risks and uncertainties. Forward statements are often, but not always, identified by words such as "may", "would", "could", "will", "intend", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" and similar expressions. Forward-looking statements in this MD&A include, but are not limited to, statements relating to the expected growth opportunities and commercial acceptance and demand for on-grid and off-grid LED (Light-emitting diode) lighting systems, continued government subsidies for solar grid-tie projects, and the successful development of new products to help penetrate new geographic markets. Specific examples of forward-looking information in this MD&A include, but are not limited to, statements with respect to: the future success of our recent restructuring initiative and our ability to produce positive operating income.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual results or events to differ materially from those anticipated in such forward looking statements. Although the forward-looking statements contained in this MD&A are based upon what we believe to be reasonable assumptions, prospective investors cannot be assured that actual results will be consistent with these forward-looking statements. In evaluating these statements, readers should specifically consider various factors, including the risks discussed under the heading "Risk Factors" in our annual information form dated March 10, 2015 or under Section 7 of this MD&A. Additionally, factors that could cause or contribute to such differences include, but are not limited to, the following:

- actions of competitors, including competitors with greater name recognition and financial resources;
- our ability to keep pace with rapid changes in lighting technology and evolving industry standards;
- competition with other energy sources;
- slower than anticipated adoption of off-grid LED lighting technology;
- our ability to manage expansion effectively;
- fluctuation in foreign currency exchange rates;
- our reliance on third party manufacturers;
- our reliance on sales agents and third parties with whom we have developed strategic relationships to sell our products, particularly in niche markets and developing and emerging economies;
- our reliance on key employees;
- intellectual property risks;
- environmental and regulatory compliance;
- our reliance on government contracts and subsidies, such as the Ontario, Canada Feed-in Tariff ("FIT") program;
- problems with product quality or reliability;
- downturns in general economic and market conditions;
- our ability to maintain adequate liquidity or raise additional capital when needed; and
- geopolitical or other global or local events, including the imposition of new or additional tariffs, duties or other trade barriers on our products or for the materials we use in our products

Readers should not place undue reliance on forward-looking statements. Some of the specific forward looking statements may include estimates surrounding capital plans, future restructuring costs and anticipated amounts to be raised under the offering. The forward-looking statements in this MD&A are made of the date hereof. We do not assume any obligation to update the forward-looking information contained in this MD&A other than as required by applicable laws (including without limitation Section 5.8(2) of National Instrument 51-102 Continuous Disclosure Obligations).

1. Financial Highlights

FINANCIAL HIGHLIGHTS FOR THE THREE AND TWELVE MONTH PERIODS ENDED DECEMBER 31, 2014 AND 2013

	Three months ended December 31			Year ended December 31		
(US$ thousands, unless noted otherwise)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Consolidated statements of Income (loss)						
Revenue	13,451	7,755	73.4%	43,732	25,902	68.8%
Gross margin %	34.3%	33.3%	1.0%	34.7%	28.5%	6.2%
Operating expenditures	(3,869)	(2,364)	63.7%	(12,792)	(10,803)	18.4%
Other operating expenses	(312)	(1,062)	(70.6)%	(190)	(2,027)	(90.6)%
Other expenses	(183)	(90)	103.3%	(1,221)	(113)	980.5%
Net income (loss)	284	(933)	n/a	994	(5,564)	n/a
Consolidated statement of cash flows						
Cash used in operating activities	(1,590)	(1,707)	(6.9)%	(2,443)	(2,457)	(0.6)%
Cash provided/(used) in investing activities	(202)	96	(310.4)%	(226)	(154)	46.8%
Cash provided in financing activities	-	5,345	n/a	6,571	5,219	25.9%
Other measures						
Adjusted EBITDA *	1,011	1	n/a	3,471	(2,769)	n/a

**Adjusted EBITDA is a Non-IFRS measure – see Section 8 for discussion*

Positive momentum continued in the fourth quarter of 2014, with revenues of $13.5 million, up from $12.2 million in the third quarter of 2014 and up from $7.8 million in the fourth quarter of 2013. The quarter was profitable, with a net income of $0.3 million and Adjusted EBITDA of $1.0 million. Our recent revenue has come from a combination of organic sales growth across all of our business segments and the acquisition of Sol (described in Section 3). The following are some key highlights comparing 2014 to 2013.

Q4 2014 VS Q4 2013

Revenues for the fourth quarter of 2014 were $13.5 million, up from $7.8 million in the same period in 2013. This increase was largely due to the third quarter acquisition of Sol which drove strong revenue growth in our Illumination segment which was up $3.1 million over prior year. We also had strong revenue growth across our other segments, with Signals sales up $1.1 million and Power up $1.5 million. These increases result from recent investments in sales and marketing and new product introductions. Gross margin % for the fourth quarter of 2014 was 34.3%, up from 33.3% in the same period in 2013. This increase is largely due to a greater focus in 2014 on margins and product costs within sales and supply chain. Normalized operating expenditures (excluding restructuring charges) in the fourth quarter of 2014 were $3.9 million, up from $2.4 million in the same period in 2014. This increase was largely due to (1) the addition of Sol's operating costs, and (2) an increase in staff compensation expenses.

FISCAL 2014 VS FISCAL 2013

Revenues for fiscal 2014 were $43.7 million, up from $25.9 million in the same period in 2013. We saw increases across all of our segments, with our Signals, Power and Illumination segments up $3.9 million, $5.4 million and $8.5 million, respectively. This increase was largely driven by higher sales from our Illumination segment, which rebounded from low point in 2013 with several project wins and also benefited from the acquisition of Sol, which contributed revenue of $5.5 million for the year. Revenue increases in our Signals segment were largely driven by new product introductions, expanded distribution, and some larger projects. The Power segment benefited from a large block of contract wins in our Solar EPC vertical, while our Go Power! vertical benefited from expanded distribution and new product introductions.

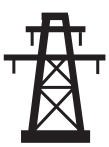
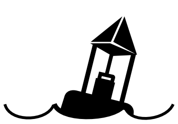
Gross margin % for fiscal 2014 was 34.7%, up from 28.5%. While margins are generally up due to improved discipline on sales initiatives and a more efficient operating structure, a portion of the margin improvement during the year were due to adjustments or transactions that are viewed as anomalies and not indicative of future gross margins. In the second quarter, we had converted a beta development project into a commercial sale which resulted in extraordinarily high margins. In the third quarter our margins were positively impacted by (1) the reversal of warranty provisions, the majority of which was related to our asset acquisition of Spot Devices in early 2013, and (2) a recovery obtained from a solar panel supplier who had overcharged us on certain products purchased in the past couple of years. If we factored these anomalies out, gross margins would have been approximately 32.5% for the year.

Normalized operating expenditures (excluding restructuring charges) in fiscal 2014 were $12.8 million, up from $10.8 million in fiscal 2013. This increase was largely due to (1) the addition of Sol's operating costs, and (2) an increase in staff compensation expenses.

2. Our Business

From our headquarters in Victoria, British Columbia, Canada, we design, develop and distribute industrial and commercial solar powered outdoor LED lighting systems, solar powered signalling systems for the marine, aviation, traffic and obstruction markets, solar powered energy systems for the mobile markets (primarily RV's and trucks), and we design and install PV rooftop and greenfield power plants. As one of the most trusted names in solar technology, we have earned a reputation for delivering strong and effective products for industrial applications worldwide. Industry-proven to perform reliably in some of the world's harshest environments, our solar LED lights and solar power systems provide a durable, dependable and cost-effective energy alternative.

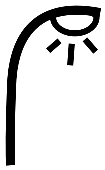
In 2014, we realigned our reporting segments to better reflect the strategic nature of our underlying businesses and how they will be managed going forward. The reportable segments which we now utilize are "Signals", "Illumination", and "Power". The Signals segment includes results from our Traffic, Marine, Aviation and Obstruction verticals. The Illumination segment refers to results from our Outdoor Lighting vertical which includes the results from the recent acquisition of Sol as outlined in Section 3. The Power segment includes results from our Solar EPC Services and GoPower! verticals. The following provides an overview of these segments and their associated underlying verticals.

Signals	
Aviation 	Carmanah's Aviation vertical specializes in solving the airfield lighting challenges encountered by clients in off-grid or weak-grid locations. Our self-contained solar airfield lights support daily flight operations at helipads and airstrips in demanding environments around the globe from South Africa to the Jordanian desert and Northern Alaska. Our aviation customers include both military and civilian airports. Our main competitors in our Aviation market include Avlite Systems Pty Ltd and Metalite, a trading division of Aeronautical & General Investments Ltd.
Obstruction 	Carmanah Obstruction vertical provides practical and cost-effective solutions for ground hazard marking, fence and barricade lighting, way-finding, railway blue flag protection, equipment marking and more. Through rugged and wire-free designs our self-contained, solar powered obstruction lights and hazard markers are ideally suited to withstand the harsh environments typically encountered in oil and gas development projects, mining operations and other industrial development sites across all regions of the globe. Our main competitors in our Obstruction sector include Orga BV and Dialight Plc.
Marine 	Since initially working with the Canadian and US Coast Guards to create a new generation of aids-to-navigation lanterns, the Carmanah Marine vertical has become an established supplier to Coast Guards, marine authorities, navies and ports around the globe. In 2010, we partnered with the Sabik Group with a vision to deliver one of the most comprehensive lines of short and long-range marine navigation aids on the market. Our main competitors in our Marine vertical include Sealite Pty Ltd, Vega Industries Ltd., and Tideland Signals Corporation.
Traffic 	Carmanah solar flashing beacons have been in use across North America for well over a decade, working as reliably in the harsh winter climates of Ohio as they do in the hot Florida sun. Departments of transport, traffic agencies, and active transportation groups continue to call on Carmanah beacons when they are looking for reliable, cost-effective products backed by a friendly and knowledgeable team of experts. Products include pedestrian crosswalk signals, school zone flashers and 24-hr roadway beacons. Our main competitors to our Traffic vertical include JS Foster Corporation and TAPCO (Traffic & Parking Control Company Inc).

The product offering across the verticals of the Signals Division are similar in nature and share common technology and components. These products can often be used in a variety of applications with little or no modifications. They are also manufactured in a similar fashion and have similar distribution channels.

Illumination

Outdoor Lighting



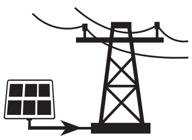
Our outdoor lighting vertical, including the recent acquisition of Sol which is described in Section 3, has one of the largest installed bases of solar outdoor lighting in the world. We have over 70,000 installations in more than 65 countries and 24 years of solar lighting experience and as a result have a significant amount of brand equity under both the Carmanah and Sol names.

Products are used in general illumination applications for pathways, parking lots, and pedestrian areas, as well as highway/street lighting and perimeter lighting. Our outdoor lighting department serves local and federal government facilities, government ministries, departments of defense, private utilities (power and lighting), highway concession owners, national and multi-national commercial facilities and public institutions. Our main competitors in the North American market within outdoor lighting are Solar Electric Power Company (SEPCO) and Solar One. Internationally we are up against a variety of companies.

This business was previously categorized under the Power segment but has been split out for reporting purpose as a result of our renewed investment in the market.

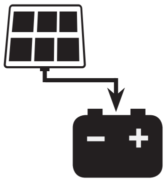
Power

On-Grid



The Solar Engineering Procurement and Construction ("EPC") Services vertical is focused on the development and construction of roof top commercial solar grid-connected systems. It is operated through our Ontario, Canada based subsidiary, Carmanah Solar Power Corporation ("CSPC"). Over the past decade, we have installed utility connected systems with aggregate capacity of more than five megawatts across more than seventy installations, amassing the broadest range of installation type and complexity of any EPC provider in Canada. Currently this business is primarily focused on the Ontario market due to a Feed-in-Tariff ("FIT") program introduced there by the provincial government. As a leading Solar EPC Services provider, we believe we are well-positioned to support the continued rapid development of the systems the Ontario Power Authority FIT Program facilitates. We continue to monitor opportunities in other jurisdictions beyond the Canadian market.

Off-Grid



Marketed under the Go Power! brand, our Mobile vertical provides solar kits, solar panels, inverters, chargers, batteries and other power accessories for the RV, utility and fleet vehicles, and marine markets. Our sales are made through an established channel of dealers, distributors and agents throughout the US and Canadian markets, through Amazon.com and Amazon.ca, a large online retailer and on an OEM basis to major new motorhome manufacturers. Operationally we utilize several 3rd party manufacturers and logistics warehouses to stock and distribute associated inventory. Some of our Go Power! competitors are Xantrex Technologies and Samlex America Inc.

The offerings in our Power segment centers in providing power solutions. As we explore new business opportunities in this area we have begun to classify these businesses as either "On-grid" (systems that tie back into the electrical grid) or "Off-grid" (systems that are not generally tied to the electrical grid). The range and extent of product customization and services rendered for customers varies substantially in this segment.

In the future we are seeking to be a leader or top contender in each of the market segments we operate within. We will attain these leadership positions either through organic growth and/or acquisitions which will enable us to obtain appropriate economies of scale. Our medium term aspirations include:

- Extending our reach into emerging markets through solar street lighting.
- Leading the "smart" revolution in all Signals businesses through cloud-based communications development.
- Solidifying our position within the various aspects of our Signals segment through strategic acquisitions.
- Working to become Canada's leader in both on-grid and off-grid solar applications through technical excellence and strategic partnering for storage solutions.
- Leading the world in mobile solar off-grid product development for OEM and after-market.

INDUSTRY TRENDS AND OUTLOOK

A number of our products integrate solar panels, solar charge controllers, LEDs, LED optics and LED drivers into products that provide off-grid lighting and signalling solutions. These products suit a variety of applications, usually where grid electricity is unavailable, unreliable or expensive. The underlying technology used by our products is continuously improving, allowing us to enter new markets and to become more competitive with on-grid solutions. The most notable technological trend that is currently shaping these businesses is the continued increase in LED efficiency. As LED technology improves, the supporting solar power system can be reduced in size and cost, making the whole product more competitive against grid powered products. Improvements in battery and solar panel technology also play a role, but are improving at a much slower rate.

The global solar industry has seen a number of trade disputes over the past few years. Some of the recent trade actions within the US and Canadian markets which may have an impact on us are discussed below.

- On March 5, 2015 Canada Border Services Agency released its preliminary ruling under Canada's Special Import Measures Act concerning alleged dumping and subsidizing of certain photovoltaic modules and laminates originating in the Peoples Republic of China. The preliminary ruling concludes that these modules have been dumped and subsidized and all such modules imported from March 5, 2015 will be subject to the collection of provisional duties pending the final outcome of the investigation. The specific provisional duty rates on these imports is 281%.

- On January 31, 2015, the US Department of Commerce made a final ruling that photovoltaic cells from the Peoples Republic of China and Taiwan have also been dumped and are subsidized. As a result, the US International Trade Commission has imposed countervailing duties. Those products or components within the scope of the ruling are now subject to duties of 91%.

- We currently import photovoltaic modules, some of which will be subject to countervailing duties in the United States and some of which will be subject to Canada's provisional duties. Overall, we expect the impact of these measures on our business to be limited. The following is a discussion of the potential impacts on our various segments.

    - **Power Division –** Our EPC business operates only in Canada and has, up until now, purchased solar PV modules manufactured under Canadian content guidelines for the Ontario Feed-in Tariff Program. However, the Ontario program has relaxed future Canadian content requirements and the solar developers, for whom we complete projects for, were anticipating the use of lower cost PV modules. Canadian module manufacturers and non-Chinese foreign suppliers are active competitors in the market and we believe there will still be abundant competition which will prevent significant increases in module cost. As well, we don't expect to suffer margin losses as, by contract, all component costs are passed along to solar developers. Our Mobile Power or GoPower! business imports flexible solar panels, solar power modules and solar power portable kits into both the United States and Canada. Historically the modules and kits have been obtained from Chinese suppliers, but there are abundant manufacturers of non-Chinese origin. We are actively evaluating modules from these suppliers and expects that we will be able to alter our supply chain with little or no impact on cost. However, this is not the case for flexible solar panels which are only available in reliable form from Chinese suppliers. In order to preserve reasonable profit margins on these products, we have increased our prices on the products that use flexible components by approximately 15%. While such increase is not likely to impact our competitive standing, the increase may cause some reduction in sales which is impossible to quantify at this time. Given that flexible panel based products are only about 2.5% of overall sales, we expect no meaningful financial impact.

- **Illumination Division –** Our Illumination segment utilizes modules from a variety of countries of origin including the Peoples Republic of China. Our supply management team is content that it can obtain modules at competitive prices and quality levels from sources that are not subject to Canadian and US duties described herein for its US and Canadian customers. Sales made to the rest of the world, where we expect sales growth, are unaffected by the duties. Accordingly, we expect these measures to have virtually no impact on the Illumination segment.

- **Signals Division –** Our signals products manufactured in the United States utilize solar cells that attract import duty in accordance with the rulings. The solar PV component represents a very small part of the overall manufacturing cost and the duty on these components will add approximately 1% to the overall cost of manufacturing in the United States. Prior to the duty issue, we made the strategic decision to transition a significant portion of its Signals manufacturing to Canada. Given that the solar PV components are under the power threshold in the scope of the Canadian ruling, there is no duty impact on these products. Our Canadian-based contract manufacturer has commenced production and the transition to Canada is expected to be complete by mid-year, thereby eliminating the small impact the US import duty has on Signals cost when manufactured in Canada.

Overall, the imposition of duties in Canada and the United States will have limited overall impact on our business once all supply chain adjustments described above are fully in place. For a short period of time we may incur some additional costs resulting from duties that will be absorbed in order to continue service to customers without interruption. We expect its total unbudgeted cost exposure in the adjustment period to be approximately $0.2 million.

3. Operational and Business Highlights

OUR 2014 OPERATIONAL AND BUSINESS HIGHLIGHTS ARE DISCUSSED BELOW.

ACQUISITION OF SOL, INC.

On July 2, 2014, we completed the acquisition of Sol, a competitor to our Illumination segment. Sol is a manufacturer of solar powered outdoor lights in Palm City, Florida. The primary driver behind the acquisition was to gain economies of scale in the solar outdoor lighting market, a market which management believes to have significant growth opportunities in the future. The growth in this market will be driven by technological advances in the underlying components used in outdoor solar lights and economic expansion of emerging markets. The timing of this growth is uncertain, although this acquisition should allow us to participate in this market in a profitable manner and to position ourselves as a market contender while we wait for market growth to occur.

This acquisition was announced on March 21, 2014 with signing of a Binding Letter of Intent ("LOI"), an Agreement and Plan of Merger (the "Merger Agreement") was signed on May 26, 2014, and the transaction was approved by eligible Carmanah shareholders at our Annual General and Special meeting held on June 23, 2014. The acquisition was a related party transaction as Mr. Sonnenfeldt, the Chairman of our Board of Directors (the "Board") and our largest shareholder, was also the majority shareholder of Sol. Prior to the transaction he beneficially held (1) approximately 84.5% of Sol's outstanding shares and (2) was due a note receivable from Sol of approximately $5.3 million. Due to this potential conflict of interest, we convened a Special Committee of the Board consisting of disinterested directors who were responsible to evaluate and assess the potential acquisition. This committee evaluated the proposed transaction and management's assessments and oversaw a variety of work including the completion of a valuation and fairness opinion by an independent consultant.

We acquired 100% of the outstanding shares of Sol and an outstanding note receivable due from Sol which was beneficially owned by Mr. Sonnenfeldt. Consideration paid upon close included the issuance of 37,858,606 of our common shares (approximately 3,785,860 post consolidated shares) which were issued from treasury, and a $0.06 million cash payment to certain minority shareholders of Sol. The aggregate value of the shares issued on July 2, 2014 amounted to approximately $7.1 million based on the closing share price of $0.20 CAD and a US/CAD exchange rate of 0.938. The agreement also provides an earn-out of 3% of certain revenues received post acquisition and is available to electing former shareholders of Sol. This earn-out applies to specific identified prospective sales opportunities brought forth by Sol and is subject to various conditions. Most significantly, each of these projects must result in revenues of at least $5.0 million and the sales order must be received and accepted by us prior to December 31, 2015, although cash and delivery can occur after that date. Mr. Sonnenfeldt and certain of his affiliates have elected to waive their right to receive all earn-out payments should they accrue. Accordingly any earn-out payment will be payable to the remaining Sol shareholders on a proportional basis. As of the date of this MD&A, no amount has been allocated to the consideration associated with this earn-out due to substantial uncertainty surrounding our ability to secure the underlying contracts.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3 – Business Combinations, with the results of operations consolidated with ours effective July 2, 2014 and has contributed incremental revenue of $5.5 million and a net loss of $0.6 million. If the acquisition had occurred on January 1, 2014, Sol would have contributed revenue of $9.7 million and a net loss of $2.2 million. Within Sol's $2.2 million loss is approximately $0.5 million of costs related to the transaction. Total acquisition related costs incurred by Carmanah were approximately $0.7 million

Our integration plans for Sol include (1) the closure of Sol manufacturing facility and transition to a contract manufacturer, (2) the elimination of overhead and back office functions, (3) the consolidation of our combined product offerings, and (4) the merging of our sales and marketing functions. We are currently midstream on these integration efforts. The following are the major highlights with respects to these plans.

- From a personnel perspective, a total of 9 employees will remain within the Company once all of the restructuring efforts are completed. These employees will mainly be in sales and sales support functions. A total of 15 employees will be terminated, 6 of which occurred during or at the end of the fourth quarter of 2014. In the fourth quarter we took a charge of $0.30 million for severance and retention bonuses related to these employees, with $0.14 million of this paid out prior to the end of the year.

- From a manufacturing and facilities perspective, we have begun the transfer of manufacturing Sol core product lines to a contract manufacturer. We anticipate final production from Sol's current production facility in late Q1 2015 or early Q2 2015. The current plant will be closed by the end of May 2015 which is when the lease on the building expires. In late December 2014, a new office facility was found and a new lease was signed in Stuart, FL.
- From a systems integration perspective, we have started to work on modifying and setting up our ERP and CRM system to allow Sol to transact business on Carmanah's platform. This transition is expected to occur in stages in early 2015.

At present, we don't anticipate significant additional costs to be incurred in 2015 that are specifically associated with the integration, beyond those already accrued.

EQUITY

During 2014 we also completed two separate non-brokered private placements. These were completed to bolster our working capital and to position ourselves to take advantage of future growth opportunities. Significant details of these private placements are outlined below:

- On April 3, 2014, we closed a placement which raised proceeds of approximately $4.2 million CAD from the issuance of 1,930,000 post consolidated shares at a price of $2.20 CAD a share. 1,000,000 of these shares were purchased by insiders of the Company. Insiders participating in this placement with holdings around or above 10% are noted below:

    - Michael Sonnenfeldt, our largest shareholder and Chairman of the Board, subscribed for 350,000 shares under the private placement through MUUS Lending Inc., an entity that is beneficially owned by Mr. Sonnenfeldt.

    - Jim Meekison, a member of our Board of Directors, subscribed for 300,000 shares under the private placement through JDM Investment Holdings Inc, an entity that is beneficially owned by Mr. Meekison.

- On July 17, 2014, we closed a placement which raised proceeds of approximately $3.0 million CAD from the issuance of 1,200,000 post consolidated shares at a price of $2.50 CAD a share. This placement was subscribed by insiders as outlined below:
    - Jim Meekison, a member of our Board of Directors, subscribed for 1,000,000 shares under the private placement through JDM Investment Holdings Inc, an entity that is beneficially owned by Mr. Meekison.
    - Terry Holland, a member of our Board of Directors, subscribed for 200,000 shares under the private placement through TMH Capital Corporation, an entity controlled by Terry Holland.

We also completed a share consolidation in 2014. The consolidation was announced on July 18, 2014 and was on the basis of one (1) post-consolidation Common Share for every ten (10) pre-consolidation Common Shares (the "Consolidation"). The Consolidation received approval from the TSX in early August and the post-consolidation shares began trading on the Toronto Stock Exchanges on August 14, 2014. Prior to the consolidation we had 169,770,617 shares outstanding. Fractional shares that might have been created by the consolidation were rounded down and as a result the total post consolidation shares outstanding on August 14, 2014 was 16,977,000. All share information including outstanding stock options were adjusted to reflect this consolidation for all periods presented.

CORPORATE INITIATIVES

Over the past year or so, we have worked to streamline and simplify our operations. This work began in late September 2013 and had the goal of reducing our fixed operating costs while still positioning the Company for future growth. One component of this was a staff restructuring whereby a number of positions were eliminated, the realignment of our internal reporting structures, and the creation of several new positions that are focused on developing new business opportunities. Another component of this initiative was to replace our ERP and CRM systems with a more efficient and cost effective solution. At the end of 2013 we established a provision of $0.6 million associated with these restructuring activities, with $0.2 million to be paid in 2014. In the first half of 2014, we completed the intended eliminations of positions initially envisioned under the plan however in doing so we did not liquidate the entire provision. As a result of this, a recovery of $0.1 million was recognized in the second quarter of 2014. The final amount of the restructuring was incurred in Q4 2014 arising from the cancelation of our old ERP system.

During 2014, we implemented a new ERP system went live in stages between October and November of 2014. The initial plan was to roll out a new CRM system at the same time, but this was pushed back to allow for an expanded scope of changes to be made to our business processes. It is anticipated the new CRM will be implemented sometime in the second quarter of 2015. Total cost of the ERP implementation was approximately $0.6 million.

CREDIT FACILITY

In early 2015, we signed a new credit facility (the "Facility") with the Canadian Imperial Bank of Commerce ("CIBC"). The multifaceted Facility provides credit up to $24.5 million through (i) a $10 million 364-Day Revolving Credit, (ii) a $10 million term acquisition credit, (iii) $3.75 million credit of Letters of Credit, and (iv) $0.75 million for trading room and other liabilities. Our ability to draw on the 364-Day revolving credit, the credit for the letters of credit, and credit for trading room contingent liabilities is subject to certain covenants. Access to the term acquisition credit facility will require CIBCs review and approval of the specific acquisition transaction. We anticipate using the credit facility to pursue strategic mergers and acquisitions.

BUSINESS HIGHLIGHTS

Below are some of the business highlights within each of our market verticals:

SIGNALS

- Our Marine vertical saw strong growth across its business. Part of this growth came from increased sales to the United States Coast Guard, who awarded us a new multi-year contract to supply our M800 series lanterns. While there is no guaranteed financial value of purchases in the contract, the award has purchase targets of $3.4 million over the life of the contract, which may be up to 5 years if all option years are exercised. The Marine vertical also officially launched a new onboard satellite-based monitored version of its M800 lantern which has been positively received by the market.
- Within our Traffic vertical, we have focused sales efforts on the rectangular rapid flashing beacon (RRFB) which is becoming a very popular new device in the industry for crosswalks. Year over year sales growth of this product has been strong which is indicative of the accelerating market acceptance. We have supplied a variation of the RRFB to several Departments of Transportation for combating wrong way driving, which has been identified by the National Transportation Safety Board as one of the most serious types of highway accidents.
- Our Aviation vertical largely focused on developing new go to market strategies which will continue to drive sales and increase our market penetration. The group also launched an all new A704 lantern, which is brighter and more efficient with additional options and available solar engine sizes. The A704 has 3rd party photometric compliance validation to several ICAO and FAA requirements which opens up new markets for us.
- Our Obstruction vertical, which was previously grouped with Aviation, saw tremendous growth in 2014. This growth is largely due to efforts to (1) the development of market specific products, such as the OL800 series that meets both ICAO Type A and B and FAA Type L-810 requirements, (2) the creation of market specific marketing materials and sales strategies, and (3) the expansion of its dedicated sales team. The team anticipates future growth as it continues to expand its distribution channels and marketing strategies.

ILLUMINATION

- Within our Outdoor Lighting vertical, the integration of the Sol acquisition dominated activities during the second half of the year. This included rationalizing the Carmanah and Sol product lines, working to establish contract manufacturing in preparation for the shutdown of the Sol manufacturing facility, and preparing marketing support collateral and tools for the January 2015 launch of the integrated offering. Activities in 2015 will include an evaluation of international markets and the development of a go to market strategy for targeted regions as well as assessment and refinement of the North American strategy and marketing activities.

POWER

- Our Mobile vertical saw strong growth in 2014. This was largely driven by efforts to expand its distribution and routes to market and investment in product development. In the year we introduced a flexible solar module product line "Solar FLEX" for use in specialty markets and RV applications. The uptake on "Solar FLEX" was swift as the markets were clearly ready for a thin, lightweight and powerful monocrystalline solar charging solution. We plan to continue to invest in product development in 2015 and as a result should have a number of new innovative products to introduce to this market.

- Our Solar EPC vertical saw a number of developments within the Ontario FIT program in 2014. In July the Ontario Power Authority ('OPA') released 120 megawatts of new contracts under FIT 3.0, and in December the OPA offered an additional 100 megawatts of new contracts under the extended FIT 3 Procurement. During the year, our team focused on completing construction of FIT 1.0 and FIT 2.0 projects, pursuing additional contract opportunities offered as part of the FIT 2.0 procurement, and executing on Business Development strategies for securing design-build agreements for FIT 3.0, and Extended FIT 3.0 projects. Over the first half of 2015 the team will remain focused on constructing and connecting the remaining backlog of FIT 1.0 and FIT 2.0 contracts and continue to pursue several significant portfolios of projects which it hopes to secure in and begin build out in the latter half of 2015.

OUTLOOK FOR 2015

Our Company progressed well in 2014. After a number of years of declining revenues and consistent losses we grew revenues, improved margins and kept operating costs in check. These encouraging results give us the basis upon which to plan for growth both organically and by way of strategic acquisition.

In 2015 we will move cautiously forward in these respects. Our first priority will be to do all that we can to grow revenues through existing and additional sales channels while diligently managing costs. In addition, we will seek to make strategic acquisitions in those business segments where we believe we can eventually become a market leader. Acquisition investments, however, will only be pursued if we can identify outstanding companies that will fit within our business culture. Finally, we will only seek to complete acquisitions if we can do so prudently.

Overall we are cautiously optimistic that we can continue Carmanah's turnaround in 2015 and achieve reasonable levels of growth.

4. Financial Results

As previously noted, the information presented in the sections below have been derived from, and should be read in conjunction with our consolidated annual financial statements for the year ended December 31, 2014.

4.1. THREE AND TWELVE MONTH PERIODS ENDED DECEMBER 31, 2014 AND 2013

	Three months ended December 31			Year ended December 31		
(US$ thousands, unless noted otherwise)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Revenues						
Signals	5,360	4,248	25.1%	16,798	12,940	29.8%
Illumination	4,038	921	338.2%	10,489	1,942	440.1%
Power	4,053	2,550	58.9%	16,445	11,020	49.2%
Total revenue	**13,451**	**7,755**	**73.4%**	**43,732**	**25,903**	**68.8%**
Gross margin %						
Signals	44.8%	41.4%	3.4%	45.6%	34.6%	11.0%
Illumination	26.6%	17.2%	9.4%	27.8%	6.1%	21.7%
Power	28.1%	25.5%	2.6%	27.9%	25.2%	2.7%
Total Gross margin %	**34.3%**	**33.3%**	**1.0%**	**34.7%**	**28.5%**	**6.2%**

Consolidated revenues for the twelve months ended December 31, 2014 were $43.7 million, up over $17.8 million over the same period in 2013. Overall, our gross margin for the twelve months ended 2014 was 34.7%, up from 28.5% in the same period in 2013. The following section summarizes the changes by segment.

SIGNALS SEGMENT

Revenues for the fourth quarter of 2014 were $5.4 million, up from $4.3 million in the same period in 2013. Revenues in 2014 were $16.8 million, up from $12.9 million in the same period in 2013. These increases are primarily due to higher revenues from our Marine and Obstruction verticals which have benefited from renewed products and a refreshed sales effort. Offsetting this is lower revenues from our Aviation vertical which is down mainly due to a lack of project based sales closing in the year. Gross margins percentages within Signals in the fourth quarter of 2014 are up 3.4% over the same period in 2013 and up 11.0% year over year. While overall gross margins are up in our Signals segment due to a more efficient operating structure and improved discipline on sales initiatives, both the second and third quarters were affected by unusual adjustments or transactions which are viewed as anomalies and not indicative of future gross margins. In the second quarter we had conversion of a beta development project into a commercial sale which resulted in extraordinarily high margins. In the third quarter our margins were positively impacted by the release of warranty provisions that were associated with the acquisition of Spot Devices. If we factored out these anomalies our 2014 margins would have been 4.1% lower.

ILLUMINATION SEGMENT

Revenues for the fourth quarter of 2014 were $4.0 million, up from $0.9 million in the same period in 2013. Revenues in 2014 were $10.5 million, up from $1.9 million in the same period in 2013. Sales of Outdoor Lighting products rebounded substantially in 2014 after a disappointing 2013. We were able to secure and deliver on a number of large projects in the early part of the year. This segment also includes results from the Sol acquisition which we are reporting on a consolidated basis since July 2, 2014. Fourth quarter revenues from Sol amounted to $3.3 million and $5.5 million for the year. Gross margins percentages within Illumination in the fourth quarter of 2014 are up 9.4% over the same period in 2013 and up 21.7% year over year. These significant swings in gross margins are largely driven from substantial inventory write offs which occurred in the third quarter of 2013. These write offs were associated with old product lines which were being discontinued.

POWER SEGMENT

Revenues for the fourth quarter of 2014 were $4.1 million, up from $2.6 million in the same period in 2013. Revenues in 2014 were $16.4 million, up from $11.0 million in the same period in 2013. These increases are driven by higher sales in both business lines that make up this division - Mobile and Solar EPC. Within the Mobile vertical sales have continued to grow as a result of the introduction of new products and the development of new markets. Our Solar EPC Services revenues are up in general in 2014 due to our ability to secure and start construction on a number of contracts. Our backlog at the end of the fourth quarter within Solar EPC Services remains strong, which we anticipate will be delivered on in early 2015 depending on weather within Ontario, Canada. Gross margin percentages within Power for the fourth quarter of 2014 was 27.9%, up from 25.5% from the same period in 2013. Year over year, our gross margins are up a similar amount. These increases are due to (1) higher margins achieved within Solar EPC vertical which has benefited from component price changes, and (2) higher margins in Mobile due to improved sales discipline and operational planning, plus the recognition of a recovery in the third quarter 2014 from a solar panel supplier which had been overcharging us on certain products purchased over the past couple of years. The impact on our margins from the pricing changes on the underlying components in our Solar EPC vertical is difficult to accurately quantify. The impact of the recovery from the solar panel supplier is quantifiable and if factored out of our 2014 margins they would have been 26.7%, or 1.2 % lower.

SALES BY GEOGRAPHIC REGION

Approximately 21.9% of our revenues for the year ended 2014 were from outside North America. This is up slightly over the same period in 2013 which was 16.9%.

OPERATING EXPENSES

	Three months ended December 31			Year ended December 31		
(US$ thousands, unless noted otherwise)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Sales and marketing	1,699	687	147.3%	5,292	3,439	53.9%
Research and development	469	460	2.0%	1,533	1,533	(20.4)%
General and administration	1,701	1,217	39.8%	5,967	5,976	9.7%
Total operating expenditures	**3,869**	**2,364**	**63.7%**	**12,792**	**10,803**	**18.4%**
Operating expenses (excluding restructuring) as % of sales*	28.8%	30.5%	(1.7)%	29.3%	41.7%	(12.5)%
Non-cash items:						
Amortization	172	244	(29.5%)	436	936	(53.4)%
Stock-based payments	113	13	769.2%	326	46	608.7%

** A Non-IFRS measure*

Our total operating expenses for the year ended of 2014 were $12.8 million, up from $10.8 million in 2013. For the three months ended December 31, 2014, our total operating expenses were $3.9 million, up from $2.4 million from the prior year. These increases are largely due to the addition of twenty five full time staff equivalents year over year, mainly as a result of the acquisition of Sol, as well as increased selling costs to support an increase in revenues. Overall, operating expenses as a percent of sales are down 12.5% year over year.

SALES AND MARKETING

Our sales and marketing expenses for the year ended 2014 were $5.3 million, up from $3.4 million in the same period in 2013. Sales and marketing expenses in the fourth quarter of 2014 were $1.7 million, up from $0.7 million in the same period of 2013. These increases were largely the result of higher agent commissions paid to outside companies as well as salaries to internal sales staff as a result of the increased revenues.

RESEARCH, ENGINEERING AND DEVELOPMENT

Our research, engineering and development expenses for the year ended 2014 were $1.5 million, which is down from $1.9 million from the same period in 2013. For the fourth quarter of 2014, these expenses were $0.5 million, unchanged from the same period in 2013. This annual decline is primarily due to reduced development activities, including a net reduction in dedicated development staff.

GENERAL AND ADMINISTRATION

Our general and administration ("G&A") expenses for the year ended 2014 were $6.0 million, which is up from $5.4 million in the same period in 2013. For the fourth quarter of 2014, these expenses were $1.7 million, up from $1.2 million in the same period in 2013. Included in G&A is $0.3 million of costs related to Sol. Other than this, the following are significant changes which have impacted G&A expenses for the year:

- Legal expenses are up $0.4 million over prior year and is primarily due to costs incurred to defend the lawsuit described under Section 5.5.
- Stock compensation is up $0.3 million as a result of a new grants to employees and executives.
- Bad debt expenses reduced by $0.2 million in 2014.

OTHER OPERATING EXPENSES

During the year ended December 31, 2014, we incurred a number of operating expenses that are non-recurring in nature and have been separately disclosed for better clarity and presentation. These expenses are described below.

Restructuring

During 2014, we recognized net restructuring charges of $0.2 million. This is made up of $0.3 million in restructuring charges associated with the integration of Sol, and a $0.1 million recovery on elements of the restructuring plan from 2013. In fiscal 2013, we incurred restructuring charges of $0.6 million related to a program to help streamline our operations and reduce our salary costs to sustainable levels.

Asset Impairments

During the year ended December 31, 2013, we recognized approximately $1.5 million in various intangible and tangible asset impairments. No comparable write offs occured in 2014.

OTHER INCOME (EXPENSE)

Other expenses were $1.2 million for the year ended 2014, which is up from $0.1 million in the same period in 2013. The 2014 amount relates to foreign exchange losses of $0.5 million and acquisition costs of $0.7 million. The majority of acquisition costs incurred related to the acquisition of Sol, although some costs were incurred pursuing other strategic acquisitions. The 2013 amount primarily relates to foreign exchange losses.

INCOME TAXES

Our income tax expense for the year ended December 2014 was less than $0.1 million, up from almost nil in 2013. Although our main corporate entity has substantial tax assets that should allow us to shield significant future taxable earnings we expect some income taxes payable due to our corporate structure arising from subsidiaries based in the US and Ontario. These entities do not have any substantial tax assets to shield future taxable earnings.

4.2 QUARTERLY TRENDS

	2014				2013			
(US$ thousands, except EPS amounts)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	13,451	12,168	8,994	9,119	7,755	4,863	6,319	6,965
Gross margin	4,614	4,302	3,261	2,985	2,583	1,152	1,542	2,107
Gross margin %	34.3%	35.4%	36.3%	32.7%	33.3%	23.7%	24.4%	30.3%
Operating costs	(3,869)	(3,613)	(2,846)	(2,464)	(2,364)	(2,599)	(3,039)	(2,801)
Other operating expenditures	(312)	-	122	-	(1,062)	-	(965)	-
Other income (expense)	(183)	(494)	(99)	(445)	(90)	8	(15)	(16)
Income tax (expense)	34	-	-	1	-	(3)	-	(2)
Net (loss)/income	284	195	438	77	(933)	(1,442)	(2,477)	(712)
EPS – Basic	0.02	0.01	0.04	0.01	(0.13)	(0.29)	(0.49)	(0.14)
EPS– Diluted	0.02	0.01	0.04	0.01	(0.13)	(0.29)	(0.49)	(0.14)
EBITDA(1)	535	400	604	182	(676)	(1,297)	(2,174)	(430)
Adjusted EBITDA (1)	1,011	786	1,071	603	1	(1,131)	(1,209)	(430)

(1) EBITDA is a non-IFRS measure defined in Section 8

Our quarterly revenues have fluctuated over the past several years, primarily due to product mix and the nature of our sales within our market segments. A large portion of our revenues are derived from infrastructure projects that often have long tender processes and fluctuating timelines. This is most pronounced within our Solar EPC Services, Aviation and Outdoor Lighting market verticals and to a lesser extent within our Marine and Traffic verticals. GoPower! revenues are more seasonal in nature with higher sales in the first two quarters of the year as our distributors gear up for the busier spring and summer periods. Beyond the upswing in revenues experienced over the past year, the only other anomaly to note is the Q3 2013 revenues which at $4.9 million were substantially lower than normal. This was primarily due to lower sales in our Aviation, Outdoor Lighting and Solar EPC verticals. A good portion of this was due to timing of project sales. The quarter also suffered a bit from production problems caused by our transition between contract manufacturing facilities.

Our gross margin on a quarterly basis is variable and reflects the mix of products and any inventory adjustments/write-offs that are tied to changes in component pricing, technology, and product offering/design.

Our operating costs were relatively stable at around $3 million a quarter. Q3 and Q4 2014 are higher which will continue into the future with the addition of employees and G&A costs associated with the acquisition of Sol. Q3 and Q4 of 2013 and Q1 of 2014 trended lower due to restructuring initiatives. These initiatives resulted in lower salaries expense, development expenditures, travel and marketing and advertising costs.

Other operating expenditures include restructuring charges of $0.3 million in Q4 2014 and a recovery of restructuring expenses in Q2 of 2014 due to a change in plans for elimination of positions in the company. Q4 2013 included $0.5 million related to severance costs associated with a reduction of our staffing levels, and asset impairments of $0.5 million in the fourth quarter and $1.0 million in the second quarter of 2013. See Section 4.1 for a description of the asset impairments incurred during 2013.

Our other income (expense) has fluctuated significantly over the quarters. Other income (expense) includes various non-operating items such as foreign exchange gains and losses, acquisition costs, and other items. The third and fourth quarter of 2014 included costs associated with the acquisition of Sol.

4.3 SELECT ANNUAL INFORMATION

The following table provides selected financial information for the last three fiscal years.

	Year ended December 31		
(US$ thousands, unless noted otherwise)	**2014**	**2013**	**2012**
Sales	43,732	25,902	26,442
Gross margin	15,162	7,384	8,239
Income/(loss) from continuing operations	994	(5,564)	(3,921)
Income/(loss) per Share – Basic and Diluted	0.07	(0.10)	(0.09)
Net income/(loss)	994	(5,564)	(3,921)
Income/(loss) per Share – Basic and Diluted	0.07	(0.10)	(0.09)
Total assets	33,367	14,957	13,176
Total long-term financial liabilities	-	-	-
Cash dividend	-	-	-

The Company's loss from continuing operations increased in 2013 from 2012 due to impairment of assets, write off of intangibles assets and restructuring activities. Income from continuing operations in 2014 was the result of the successful restructuring activities initiated in 2013 which resulted in lower overall operating costs and increased sales efficiencies.

Assets increased from 2012 to 2013 due to an increase in cash from a rights offering which was offering as well as an increased in accounts receivable year over year. These were offset by lower capital and intangible assets written off in 2013 as part of the restructuring efforts previously described. Assets in 2014 increased primarily due to the acquisitions of Sol as well as cash increases from equity issuances.

Sales decreased slightly in 2013 over 2012 due to lack or project based sales and increased competition across our Signals segment.

↖ CARMANAH M550 PRIVATE AID-TO-NAVIGATION

5. Liquidity, Capital Resources and Other Disclosures

5.1. SUMMARY OF CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 *(US$ thousands, unless noted otherwise)*	2014	2013	CHANGE
Cash used in operating activities	(2,443)	(2,457)	1.2%
Cash used in investing activities	(226)	(154)	46.8%
Cash provided from financing activities	6,571	5,219	25.9%
Effects of exchange rate changes on cash	(392)	56	(723.2)%
Total increase in cash	**3,510**	**2,664**	**31.8%**

CASH USED IN OPERATING ACTIVITIES

During the year ended December 31, 2014, cash used by our operating activities, excluding changes in working capital, was $2.3 million which is up from negative $3.0 million in the same period in 2013. Changes in non-cash working capital were negative $4.7 million, down from cash provided of $0.6 million from the same period in 2013. We actively manage our working capital by monitoring inventory turnover data, collection of accounts receivable, and taking advantage of trade discounts and/or extended payment terms granted by suppliers.

CASH USED BY INVESTING ACTIVITIES

During the year ended December 31, 2014, cash used for investing activities was $0.2 million, up slightly from the same period in 2013. The additions in 2014 mainly related to investments in our new ERP and CRM systems of $0.7 million and computer hardware of $0.2 million. This was offset by the cash recognized on the acquisition of Sol. 2013 additions mainly related to purchases of production equipment.

CASH PROVIDED FROM FINANCING ACTIVITIES

During the year ended December 31, 2014, cash provided by financing activities was $6.6 million compared to $5.2 million in the same period in 2013. In 2014, we completed two private placements which raised approximately $6.6 million in gross proceeds. In 2013, we completed a rights offering which raised approximately $5.7 million in gross proceeds. Costs associated with the private placements were less than $0.1 million and costs associated with the equity issues were approximately $0.5 million. Section 3 provides more details associated with these transactions

5.2 LIQUIDITY AND CAPITAL RESOURCE MEASURES

On December 31, 2014, our overall working capital was $16.0 million, an increase of $7.9 million compared to $8.1 million at December 31, 2013. This increase is due to the acquisition of Sol assets as well as the private placements which increased our cash balance.

In 2013, the company completed a Rights Offering which raised a net amount of $5.2 million. We previously disclosed that the proceeds from the offering would be used for general corporate purposes including, but not limited to: (1) funding restructuring costs and process improvement expenditures all of which will be directed at reducing operating costs; (2) investments in new product development activities to meet market demands and improve gross margins; (3) funding an increase in inventory to meet customer demands and, if required by a change in manufacturing strategy, to buy back parts inventory from the Company's contract manufacturer; and (4) funding operating losses until the results of (1) and (2) can be achieved. To date, the proceeds have been used for working capital needs and in the execution of our restructuring plan previously outlined in Section 3. The following table outlines the use of proceeds to December 31, 2014 for items other than working capital:

(US$ thousands)	**As per previous disclosure**	**Incurred to December 31, 2014**
Restructuring activities	Cash amounts not specified*	438

* - previous disclosure of the restructuring activities estimated the restructuring charges at $0.9 million. Actual restructuring expenses incurred amounted to $0.4 million which have all been paid out as of December 31, 2014. A few positions which were to be eliminated under the plan were ultimately kept due to changes in the Company's business plans. As a result of this, a recovery of $0.1 million was recognized in the second quarter of 2014. The previous estimate of $0.9 million had included some asset write offs which have been separately disclosed for clearer presentation.

Our capital plans for 2014 included the replacement of our ERP and CRM systems. This decision was primarily made in an effort to streamline business processes and reduce ongoing operating costs associated with the legacy systems. The ERP went live in Q4 2014 at a total cost of $0.6 million. As a result of complexities in our business processes and our desire to expand the scope of our systems and business processes change, we were required to delay and bifurcate the project into two manageable components. The new CRM will be delayed and rolled into a larger project that will include changes to our go forward sales strategies and is expected to go live in early Q2 2015.

We are continuing to evaluate our operations in an effort to improve our ability to meet our customer's needs in a profitable manner. Our primary source of liquidity has been from equity issuances as described in Section 3. Future liquidity is expected to come from operating activities with the exception of mergers and acquisitions which will be funded with financing activities. Future changes in our inventory management and manufacturing arrangements may occur which could have a significant impact on our liquidity and working capital positions.

5.3 CONTRACTUAL OBLIGATIONS AND COMMITMENTS

We work with a number of operating leases that cover facilities and equipment as well as committed contracts covering various IT services. The following table outlines the minimum amounts due under these agreements in future years as at December 31, 2014:

(US$ thousands, unless noted otherwise)	**FACILITY LEASES**	**EQUIPMENT LEASES**	**IT SERVICE CONTRACTS**	**TOTAL**
Not later than 1 year	354	35	-	389
2 year to 3 years	330	41	-	371
Total	684	76	-	760

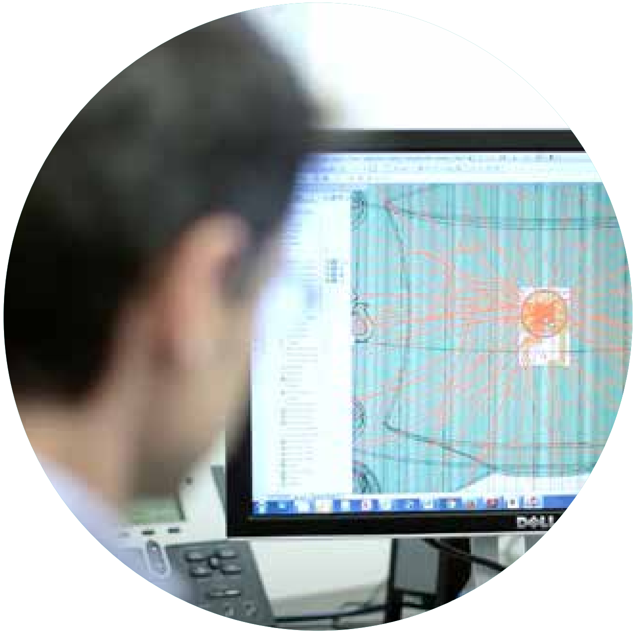
The total lease commitments are expected to be funded by cash flows from operations.

We have a number of contract manufacturers who build and supply our manufactured products. Our agreements with these contract manufacturers generally require us to be liable for inventory and outstanding committed purchase orders they have outstanding to support our business. If one of these agreements is terminated, we would be required to purchase the associated underlying inventory or arrange for a new contract manufacturer to acquire and hold it in a similar capacity. Our largest contract manufacturer, Flextronics, also requires us to purchase excess raw inventory which arises in situations where our demand forecasts for particular product is less than our actual use or sales in a given period. The value of the Flextronics inventory held at December 31, 2014 was $1.8 million (December 31, 2013 - $0.9 million), and the value of planned purchase orders to support our expected future demand was $1.2 million (December 31, 2013 - $1.8 million). Inventory held at other contract manufacturers is approximately $0.2 million in aggregate.

5.4 CLAIMS AND LAWSUITS

On July 18, 2013, we were named in a United States District Court lawsuit filed by R.D. Jones, Stop Experts, Inc., and RRFB Global, Inc. (all of which are related parties – collectively the "Plaintiffs") alleging patent infringement with respect to a specific flash pattern used with respect to our solar powered flashing beacons for the traffic safety market and other claims relating to advertising and business practices. Various actions have been taken in regards to this matter, including an unsuccessful application by the Plaintiff for a temporary restraining order and a motion for a preliminary injunction and a countersuit against the Plaintiffs with respects to a similar patent held by the Company. In early 2014, our application to re-examine a number of aspects of the Plaintiffs patent was accepted by the U.S. patent office. The U.S patent office review of the Plaintiffs patent resulted in many of the aspects of the patents being rejected. The Plaintiff has appealed this judgment. Pending that review the court proceedings have been stayed. The outcome of this case is not certain and we intend to continue to defend ourselves and to file additional responses to the Court as required to do so. As the outcome of these matters is not currently determinable, no provision has been made at December 31, 2014. We have and are continuing to pursue our insurance company for coverage of associated defense costs.

In early March 2015, the Company filed a civil lawsuit in the Supreme Court of British Columbia against Royal & Sun Alliance Insurance Company of Canada ("RSA") and Integro (Canada) Ltd. ("Integro") operating as Integro Insurance Brokers. The lawsuit has been filed in an effort to obtain coverage under one or more of the Company's insurance policies with respects to the above lawsuit. The decision to file a lawsuit against RSA and Integro was made after negotiations with RSA failed to produce an acceptable settlement for repayment of the costs incurred by the Company. The lawsuit seeks to recover legal expenses and damages. To the end of December 31, 2014, the Company has incurred approximately $1.1 million defending the underlying lawsuit.



5.5 CONTINGENT LIABILITY

None.

5.6 OFF BALANCE SHEET ARRANGEMENTS

We have not entered into any off balance sheet arrangements other than standard office/facility lease agreements and vendor managed inventory as noted under Section 5.4, Contractual obligations and commitments.

5.7 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The fair value of our accounts receivable, accounts payable and accrued liabilities approximates their carrying value due to the immediate or short-term maturity of these financial instruments.

We are exposed to foreign exchange risks as we transact business and have working capital denominated in multiple currencies. We attempt to minimize our exposure through managing our working capital and entering into foreign exchange products or contracts when are where appropriate.

5.8 RELATED PARTY TRANSACTIONS

The Sol acquisition outlined in Section 3 would be considered a related party transaction given the shareholdings of our Chairman of the Board. The private placements, also outlined in Section 3, are also a related party transaction given the involvement of insiders.

5.9 PROPOSED TRANSACTION

None.

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5.10 OUTSTANDING SHARE DATA

Our common shares trade on the Toronto Stock Exchange ("TSX") (TSX: CMH), and as at December 31, 2014 we had 16,977,000 fully issued and outstanding common shares. The following table summarizes the outstanding shares, options and other outstanding stock units stated in CAD.

	AS AT				
	MARCH 10, 2015	**DECEMBER 31, 2014**	**SEPTEMBER 30, 2014**	**JUNE 30, 2014**	**MARCH 31, 2013**
Share price – closing (CAD$)	4.00	2.91	2.56	2.00	2.10
Market capitalization (CAD $ in thousands)	67,908	49,403	43,461	23,982	21,129
Outstanding					
Shares	16,977,000	16,977,000	16,977,000	11,991,201	10,061,201
Options	1,325,948	1,335,697	1,109,600	1,036,950	377,200
Restricted share units	-	-	-	-	-
Performance share units	-	-	-	-	-

↙ SOLAR AIDE TO NAVIGATION INSTALLATION, USA

6. Critical Accounting Estimates and Accounting Policy Developments

6.1 CRITICAL ACCOUNTING ESTIMATES

Our financial statements are prepared in accordance with IFRS. The application of IFRS requires that we make estimates that affect our reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ significantly from these estimates. Unless otherwise noted the estimates are inclusive all of our reportable market segments described in Section 2.

The significant accounting policies and estimates are discussed below:

ACCOUNTING POLICY	ESTIMATES
Warranty provision	A provision for future potential product warranty costs is included in cost of goods sold based primarily on prior warranty experience regarding cost of claims and expected product returns. These future product warranty costs include costs associated with repair or replacement of products returned under warranty. Actual future costs in support of these claims may differ from those estimates. We review the provision quarterly and adjust it prospectively. The total provision as at December 31, 2014 was \$1.1 million, up from \$0.9 million at December 31, 2013. The increase in the warranty provision during the year was due to the acquisition of Sol, with the agreement requiring us to pick up their historical warranty claims, up to a maximum of \$0.4 million. Historical Carmanah provisions decreased \$0.1 million and the \$0.1 million provision relating to historical Spot products was reversed in 2014 due to reduced warranty claims. The \$0.1 million provision to cover costs associated with monitoring services provided by Cirrus for SIMA enabled products which we sold remains unchanged in 2014. We were never able to secure an economically viable license agreement for SIMA monitoring services which are provided by Cirrus, a related company to Spot. During 2013, we sold approximately 220 SIMA-enabled units with service terms ranging from 1 to 10 years. This provision covers current and future costs associated with this service. It is based upon our understanding of Cirrus's cost structure and preliminary monthly fee ranges discussed during negotiations with Cirrus.
Valuation of inventory	We evaluate inventory balances at each balance sheet date and record a provision as necessary for slow moving or obsolete inventory. In performing this review we consider such factors as forecasted sales, demand requirements, product lifecycle and product development plans, quality issues, and current inventory levels. If future demand or market conditions for our products are less favorable than forecasted or if unforeseen technological changes occur, we may be required to record write-down which would negatively affect gross margins in the period when the write-downs are recorded and our operating results and financial position could be adversely affected. At December 31, 2014 our inventory provision was approximately \$1.5 million, up from \$1.0 million at December 31, 2013, mainly due to additions to the provision for slow moving Outdoor Lighting inventory.

ACCOUNTING POLICY	ESTIMATES
Allowance for doubtful accounts	We record an allowance for doubtful accounts related to trade accounts receivable. This allowance is based on our knowledge of the financial condition of our customers, the aging of the receivables, the current business environment and historical experience. A change in one or more of these factors could impact the estimated allowance and provision for bad debts recorded. At December 31, 2014, our allowance for doubtful accounts was $0.1 million, unchanged from December 31, 2013.
Forfeiture rates associated with share-based payments	In determining share-based payments expense, we make estimates related to forfeiture rates for each specific grant. Forfeiture rates are used to estimate the number of awards that are expected to vest considering employee turnover rates. The changes in estimates are recognized in the statement of income (loss) and total comprehensive income (loss) in the year that they occur. Current forfeiture rates applied to grants range from 5% to 26% and vary depending upon the employee make-up of the associated grants.
Fair values of assets and liabilities acquired in business combinations	In a business combination, we acquire various assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment in determining the fair values assigned to the tangible and intangible assets (e.g. technology, brand, order backlog, etc.) acquired and the liabilities assumed on the acquisition. The determination of these fair values involves a variety of assumptions, including estimates surrounding costs to acquire or reproduce a similar asset, expected cash flows, discount rates, etc. Contingent consideration resulting from business combinations is recorded at fair value at the acquisition date as part of the business combination based on expected discounted cash flows, and is subsequently remeasured to fair value at each reporting date with any subsequent change in fair value recognized in the Consolidated Statement of Earnings and Comprehensive Income. During 2014, significant judgment was required to determine the fair value associated with respects to the acquisition of Sol (described in Section 3). Approximately $0.3 million of intangibles were recognized which related to two specific assets which met the criteria for recognition. These are described below: Sol's designs and technology related to its charge controller utilized in its core products. We determined Sol's charge controller was better designed and more cost effective than the one currently utilized in our products and as a result is being integrated into our products on a go forward basis. A value of $0.25 million was attributed to this asset based on our estimate to engineering a similar controller. This amount will be amortized over 2 years as this is our best estimate of its useful life. • Sol's rights to the domain name (solarlighting.com) for its main website. This website generates a significant number of sales opportunities and leads which helps to drive some of the sales for the entity. • Sol had never tracked the value of revenue derived from these leads so fair value has been calculated by looking at comparable transactions of similar domain names. Based on this, we have estimated the fair value of this asset at $0.05 million. Other significant estimates associated with the acquisition of Sol included determining the fair value of inventory acquired which required our judgment in assessing the value of highly specialized parts, some of which were associated with product lines that were unprofitable or had limited sales prospects.

ACCOUNTING POLICY	ESTIMATES
Impairment of assets	Each year we make significant judgments in assessing if goodwill, tangible or intangible assets have suffered an impairment loss. Our impairment analysis involves the use of an income approach that relies on estimating the future net cash flows and applying the appropriate discount rate to those future cash flows. Significant management judgment is necessary to evaluate the impact of operating and economic changes on each CGU or underlying asset. Critical assumptions include projected sales growth and market opportunities, future profitability of system sales, operating and administrative expense, capital expenditures, an appropriate discount rate, and in some situations the cost of disposal. In 2014, there were no impairment losses. Our impairment analysis at December 31, 2014 involved the use of an income approach that relied on estimating the future net cash flows and applying an appropriate discount rate to those future cash flows. This approach employed the following key assumptions: anticipated sales growth in key markets, changes in gross margins due to pricing changes for materials and the cost of manufacturing, changes in operating and administrative expenses, anticipated capital expenditures, and an appropriate discount rate. The forecast period utilized in the analysis covered 2015 through 2019. Key drivers in this assessment include anticipated overall sales growth, estimated to be 10% a year, a terminal growth rate of 5% and a weighted average cost of capital of 20%. The analysis indicated an excess over carrying value of $7.2 million. We consider the future sales growth rate a key factor in this analysis. Using a sensitivity analysis, a 1% decline in sales growth reduces the overall excess value by $0.9 million.
Revenue recognition	Our Solar EPC vertical includes revenues from projects which includes both good and services. Revenue is recognized on a percent completed basis at the measurement of hours completed. At the start of each project the hours to complete are estimated and revised periodically as the project progresses. Hours completed at the end of each reporting period determine the amount of revenue to recognize in accordance with the contracts in place. As a result of the above revenue recognition approach, the Company will at times have unbilled receivables which arise when project revenues are earned prior to the Company's ability to invoice in accordance with the contract terms. These amounts are included in trade and other receivables on the Consolidated Statement of Financial Position.

6.2 FUTURE CHANGES IN ACCOUNTING POLICIES

Unless stated otherwise, the following standards are required to be applied for periods beginning on or after January 1, 2015 and based upon our current facts and circumstances, we are evaluating the impact of the application of the following standards:

- IFRS 9, Financial Instruments, initially to be applied for periods on or after January 1, 2015 but the effective date has been deferred. In February 2014, the IASB tentatively determined that the revised effective date would be January 1, 2018, with earlier adoption still permitted.

- In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is in the process of evaluating the impact that IFRS 15 may have on the Company's financial statements.

6.3. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting. Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), collectively referred to as Officers, are responsible for overseeing the establishment and maintenance of disclosure controls and procedures as well as internal controls over financial reporting.

DISCLOSURE CONTROLS

Our officers and management have evaluated the effectiveness of our DC&P as at December 31, 2014 as required by Canadian securities laws. The evaluation approach involved looking at the size, nature and state of development of the business and thus used a top down risk-based approach to focus evaluation on areas that were deemed to provide the greatest risk to a material misstatement. Our evaluation also took into account our corporate disclosure procedures and the functioning of our Officers, other executive officers, management, Board of Directors, and Audit Committee. Based on this evaluation, our Officers concluded that the Company's disclosure controls and procedures were effective, at a reasonable assurance level, to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which the MD&A and the Consolidated financial statements contained in this report were being prepared.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Due to recent changes to the organization structure and our IT systems, there have been significant changes to our internal accounting and finance processes relating to reporting. These changes and their impacts to our internal controls over financial reporting indicated that there are some segregation of duties issues and a lack of documented review in certain areas. Some of these issues have been addressed during 2014, but there is further work is needed to fully validate the controls are appropriately designed and operating effectively prior to full certification. We do not believe these control issues are a material weaknesses and we are currently developing a detailed plan for 2015 to fully remediate these potential control weaknesses.

LIMITATION ON SCOPE OF DESIGN

Scope of DC&P and ICFR has been limited to exclude controls, policies and procedures of Sol which was acquired not more than 365 days before the last day of the period covered by the annual filing. The Company elected to exclude them from the scope of certification as allowed by NI 52-109. We intend to perform such testing within one year of acquisition.

↗ SOLAR HELIPAD, FRANCE

7. Risks and Risk Management

In the course of our operations, we are exposed to various business risks and uncertainties that can affect our financial condition. While some financial exposures are reduced through insurance, hedging and other risk management measures we have in place, there are certain cases where the market and operating risks are driven by external factors beyond our influence and control. A discussion of certain risks that may affect us is included below.

AREA OF RISK	DESCRIPTION
Competitive Environment	The competitive environment varies between our different business segments and thus includes companies who (1) manufacture, sell and install off-grid lighting and signal devices, (2) engineer, procure and install roof top grid connected solar systems, and (3) provide off-grid power solutions. We compete on the basis of product performance, product features, price, quality and post-installation product support. Our ability to compete successfully depends on factors within and beyond our control, including successful and timely development of new products, product performance and quality, product availability, intellectual property protection obtained by us and our competitors, customer service, pricing, industry trends and general economic trends. In particular, we anticipate that certain competitors may transition to off-grid lighting in the future. If, and when, this transition occurs, the greater name recognition and financial resources of these competitors may make it difficult for us to compete. To be successful, we will need to keep pace with rapid changes in lighting technology, changing customer requirements, new product introductions by competitors and evolving industry standards, any of which could render the our existing products obsolete if it fails to respond in a timely manner. Development of new products incorporating advanced technology is a complex process subject to numerous uncertainties. We have in the past experienced, and could in the future experience, delays in introduction of new products. If others develop superior innovative proprietary lighting technology our competitive position may be harmed and it may not achieve sufficient growth in revenue to attain, or sustain, profitability.
Competition with Other Energy Sources	Off-grid LED lighting products compete with products powered by conventional energy and other sources of renewable energy. There is a risk that similar products with alternative power sources will enjoy greater policy support or provide a more cost-effective alternative to conventional lighting than our products.
Technological Changes	Our products rely on us keeping pace with technological changes. Failure to keep pace with state-of-the-art technologies and methodologies may have a materially adverse effect on our results. Evolving industry standards and/or customer needs may have an effect on demand for our products. Our products may be rendered obsolete or less marketable due to technological advances made by competitors. In order to maintain our current market share, we may have to make substantial investments in product innovation and development.
Anticipated Adoption Rates for Off-Grid LED Lighting	While we have invested heavily in the development of off-grid LED lighting products, off-grid LED lighting is still in its early stages. If the rate of off-grid LED lighting adoption is slower than the anticipated commercial trends and we are unable to meet the forecasted sales volumes, we may not generate sufficient revenues to sustain profitability. In addition, demand for off-grid LED lighting products in our targeted markets may not develop or may develop to a lesser extent than anticipated.

AREA OF RISK	DESCRIPTION
Ability to Manage Expansion Effectively	We expect to expand our business in the future to meet the anticipated growth in demand for off-grid LED lighting products. If we are unable to manage growth effectively, we may not be able to take advantage of market opportunities, execute our business strategy or respond to competitive pressures. To manage the potential growth of our operations, we may be required to improve operational systems and procedures and expand our relationships with suppliers, manufacturers, distributors and customers. There can be no assurance that the current and planned operations, personnel, systems and internal procedures will be adequate to support future growth.
Foreign Exchange	We have exposures to foreign currency fluctuations, most significantly between the US and Canadian dollar. At present our functional and reporting currency is the US dollar, as a significant portion of our sales and cost of sales is denominated in US dollar. However a significant portion of our operating costs are denominated in Canadian dollars and we generally finance in Canadian dollars as well. As a result, we are exposed to US/ Canadian dollar fluctuations which may negatively impact our results. At present level, a lower Canadian dollar positively impacts our results. In the past we have entered into foreign exchange contracts to manage exchange rate risks, although none in the past two years. On a regular basis we evaluate our foreign exchange exposures and determine if any action is required. We have not, and do not intend to use foreign exchange contracts, or any other financial instruments, for speculative purposes.
Reliance on Third Party Manufacturers	We rely on third party manufacturers and suppliers to provide certain products used in our components. While we maintain good relationships with suppliers, increased product demand can lead to increased demand on these providers, which they may not be able to meet. The failure of a supplier to meet product demands and/or specifications could result in significant production delays, which could harm our operations. Should a manufacturer or supplier suffer financial difficulties or any other disruption in manufacturing capacity, we may not be able to secure adequate substitute manufacturing sources for our products in a timely manner. While we believe we have sufficient access to manufacturing capacity to meet current and expected future requirements, it is possible that future capacity needs will not be available. Additionally, as we rely on third party manufacturers, we are subject to risks associated with limited control over delivery schedules, reductions in capacity, the possibility of defects, the possibility of increased products costs and variable product quality. Additional risks in this area also occur when we transition between manufacturers, such as the move between Flextronics and Creation previously described in this Annual Information Form. Or when we close any manufacturing facility we may acquire through an acquisition, such as our decision to wind down Sol's historic manufacturing facility and to transition to a contract manufacturer.
Reliance on Outside Agents and Distributors	Market penetration of our products heavily depends on the success levels of our distributors and sales agents. There can be no assurances that we will successfully develop and maintain such alliances or that the sales efforts of our distributors and sales agents will be successful. In an effort to increase sales and margins, we are in the process of developing additional and more direct routes to market. These plans may result in channel conflict which could negatively impact our sales.

AREA OF RISK	DESCRIPTION
Reliance on Key Employees	Our success depends on our continued ability to identify, attract, hire, train, retain and motivate highly skilled technical, managerial, administrative and sales and marketing personnel. To a significant extent, our success will depend on our senior management team. Competition for these individuals is intense and we may not be able to successfully recruit, assimilate or retain sufficiently qualified personnel. In particular, we may encounter difficulties in recruiting and retaining a sufficient number of qualified technical personnel, which could harm our ability to develop new products and adversely impact our relationships with existing and future customers.
Intellectual Property Risks	A number of our products employ new and innovative technologies. Although we are careful to ensure we have the right to technology utilized in our products we face the risk of infringing on the patents of others. We pursue a strategy of protecting the technology we developed through a combination of patent, copyright, trademark and trade secret laws, employee and third party nondisclosure agreements and similar means. Despite our efforts, other parties may attempt to disclose, obtain or use our technologies. Competitors may also be able to independently develop products that are substantially equivalent or superior to our products or design around our patents. In addition, the laws of some foreign countries do not protect proprietary rights as fully as do the laws of Canada. As a result, we may not be able to protect our proprietary rights adequately in Canada or abroad. Because our patent position involves complex legal, scientific, and factual questions, the issuance, scope, validity and enforceability of our patents cannot be predicted with certainty. Our issued patents may be invalidated or their enforceability challenged, they may be designed around, and they may not provide us with competitive advantages against others with similar products and technology. Furthermore, others may independently develop similar products or technology or duplicate or design around any technologies that we have developed. We may receive notices that claim we have infringed upon the intellectual property of others. Even if these claims are not valid, they could subject us to significant costs and could materially harm our business. Litigation may be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation may also be necessary to defend against claims of infringement or invalidity by others. An adverse outcome in litigation or any similar proceedings could subject us to significant liabilities to third parties, require us to license disputed rights from others or require us to cease marketing or using certain products or technologies. We may not be able to obtain any licenses on acceptable terms, if at all. We also may have to indemnify certain customers if it is determined that we have infringed upon or misappropriated another party's intellectual property. Any of these results could adversely affect our business, financial condition and results of operations.
Environmental and Regulatory Compliance	We are subject to a variety of environmental laws, rules and regulations, with which we believe we are in compliance. In certain cases, the cost of compliance with regulations can be substantial. Failure to comply with present or future regulations could result in legal claims, fines, operation suspensions or cessation of operations. Compliance often requires incurring costs and capital expenditures. We face few, if any, of these issues directly as we rely on third party manufacturers.

AREA OF RISK	DESCRIPTION
Government Contracts and Subsidies	A significant portion of our revenues are derived from government and military agencies. Consequently, any disruption in government funding or in the relationship with those agencies could adversely affect our business. Additionally, there are many government subsidies and economic incentives for solar energy related businesses, including the FIT Program established by the Government of Ontario. There is no guarantee that these incentives and subsidies will remain in place or that other countries, states, provinces or municipalities will adopt similar programs. The elimination of such subsidies and incentives, or the failure of additional countries, states, provinces or municipalities to adopt similar programs, may have an adverse impact on the solar market, and may result in rapid changes in demand and pricing. Such changes may have an adverse impact on our business and financial condition.
Product Quality and Reliability and Warranty Liability Risk	Problems with product quality and/or performance, including defects in products could damage our reputation, or result in a decrease in customers and revenue, unexpected expenses and loss of market share. We cannot test for all defects, and occasionally defects may be detected after products have been shipped or installed. These defects could cause us to incur significant costs, including product replacement, and may adversely affect our customer relations and business reputation. Additionally, because we source many of our components from third party manufacturers, our ability to control product quality is limited. We operate in a market where product reliability is essential as our products are often used as safety devices. A significant product failure could expose us to liability claims. While we maintain insurance to cover these risks, the adequacy of this coverage may be insufficient and litigation may extend beyond coverage held by the Company. Our grid-tie business strategy is to focus on securing EPC contracts. By their nature, these contracts include construction industry agreement terms including, amongst others, liquidated damages and indemnification obligations. We try to use our commercial best efforts to minimize our liability on such exposure. If negative factors occur that are beyond our control or if disputes arise and are not settled favorably, they may have an adverse impact on our business, financial condition and results of operations.

AREA OF RISK	DESCRIPTION
Downturn in Economic and Market Conditions	The lighting industry is susceptible to downturns related to declines in general economic conditions. Demand for solar lighting products and components are adversely impacted by the global financial crisis and corresponding decreases in or postponement of infrastructure spending budgets. We may continue to be adversely impacted by downturns in general economic and market conditions, both nationally and internationally. Economic downturns generally, or in our markets specifically, would have a material adverse effect on our, cash flows, financial condition and results of operations. Our future results of operations may experience substantial fluctuations from period to period as a consequence of these factors, and such conditions and other factors affecting capital spending may affect the timing of orders. As we sell to governments who continue to suffer from deficit spending and may need to cut spending further, we may experience a softening demand for our products. Continued economic adversity coupled with a decline in our revenue could adversely affect our ability to meet capital requirements, support working capital requirements and growth objectives, or otherwise adversely affect our business, financial condition and results of operations.
Liquidity and Capital Requirements	Although we have had some recent success in growing our sales in a profitable manner, we face a variety of challenges to maintain this in the coming periods. To do so, we must be prudent in adding operating costs and ensure we have sufficient liquidity as our working capital needs grow. There can be no assurance that we will be able to maintain adequate liquidity without additional capital. Our future growth may also come from mergers and acquisitions, which may require us to raise additional capital. There is no guarantee we will be able to raise the necessary capital, and we may be forced to do so on terms that significantly dilute existing holders of our common shares.
Litigation Risk	We may in the future become involved in disputes, litigation or arbitration proceedings. The results of these proceedings cannot be predicted with certainty. If we are unable to resolve these disputes favorably, it may have an adverse impact on our business, financial condition and results of operations.
Acquisitions or other Business Transactions	We may, when and if the opportunity arises, acquire other products, technologies or businesses with activities or product lines that are complementary to our business. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies and products of the acquired companies the diversion of management's attention from other business concerns, risks associated with entering new markets or conducting operations in industry segments in which we have no or limited experience and the potential loss of key employees of the acquired company. There can be no assurances that any anticipated benefits of an acquisition will be realized. Future acquisitions could result in potentially dilutive issuances of equity securities, the use of cash, the incurrence of debt and contingent liabilities, and write-off of acquired research and development costs, all of which could materially adversely affect our financial condition, results of operations and cash flows.

AREA OF RISK	DESCRIPTION
Potential Reorganization of Operations or Product Offerings	We routinely review our operations for additional efficiency opportunities or to reduce costs. That analysis may lead to the determination to close, eliminate, rationalize or reduce operations and divisions and/or alter the sales, manufacturing or distribution structure. Should we decide to pursue any such changes it may incur additional charges and losses which may be material. In addition, we could experience difficulties, disruptions or delays in the implementation of any such changes and there can be no assurance that we will be able to implement these programs successfully or on a timely basis.
Geopolitical and other Global or Local Events	Geopolitical and other global or local events may have a significant effect on our operations as we operate in numerous foreign countries. Various events, including natural disasters, extreme weather conditions, labour disputes, civil unrest, war, political instability, terrorism, and contagious illness outbreaks, or the perceived threat of these events, may cause a disruption of our normal operations and may disrupt the domestic and international travel of our distributors and sales agents.

↗ SOLAR EPC INSTALLATION, OUR LADY OF FATIMA CATHOLIC ELEMENTARY SCHOOL, ONTARIO, CANADA

8. Definitions and Reconciliations

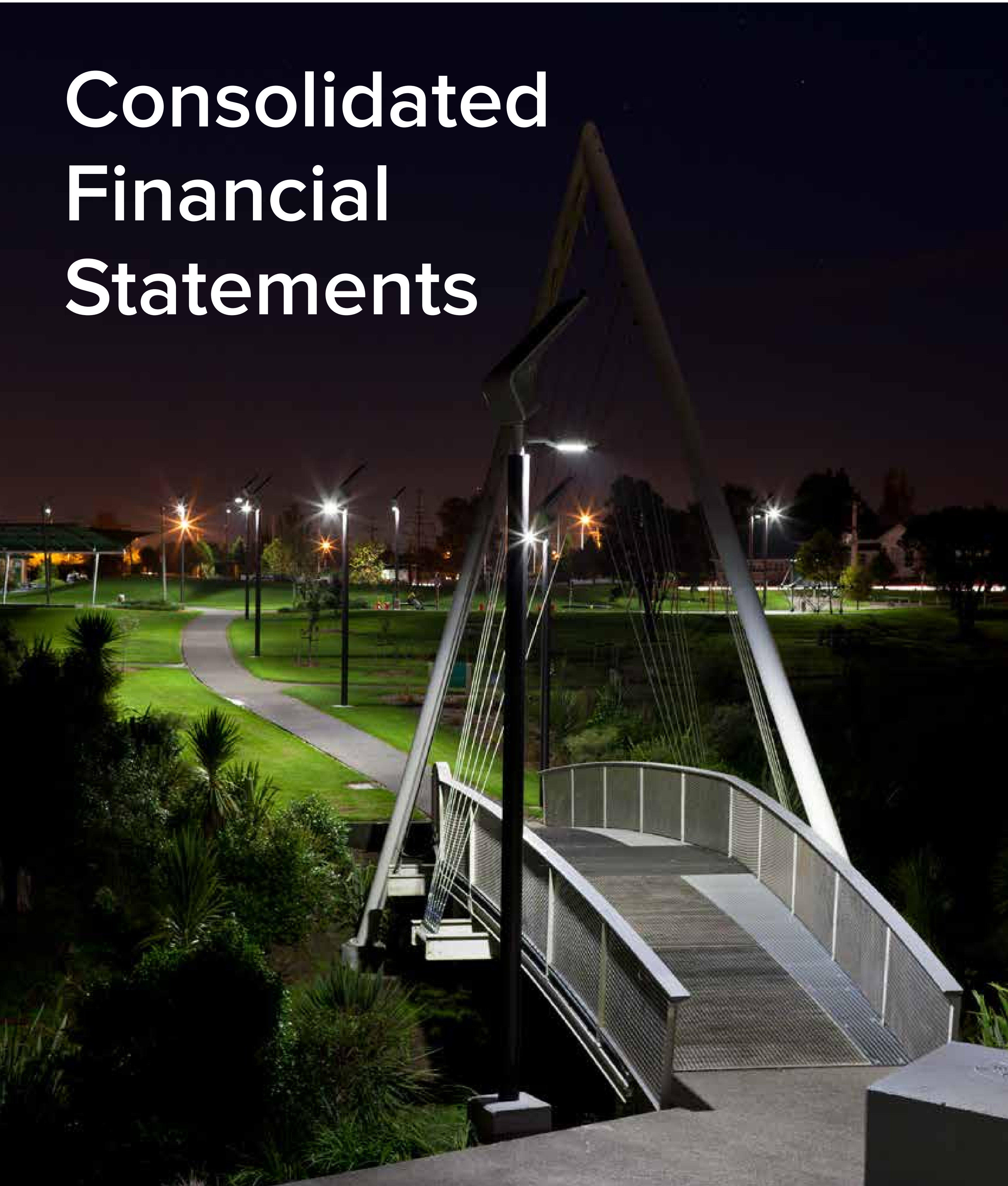
EBITDA AND ADJUSTED EBITDA

For the three months and year ended December 31, 2014 as well as the comparative period in 2013, we are disclosing EBITDA and adjusted EBITDA, both of which are non-IFRS financial measures, as supplementary indicators of operating performance. We define EBITDA as net income or loss before interest, income taxes, amortization, and non-cash stock based compensation. Adjusted EBITDA removes usual or non-operating items from EBITDA, such as merger and acquisition costs, restructuring charges, and asset write offs. We are presenting the non-IFRS financial measures in our filings because we use it internally to make strategic decisions, forecast future results and to evaluate our performance. We are also presenting these measures because we believe that our current and potential investors and many analysts use it to assess our current and future operating results and to make investment decisions. EBITDA and Adjusted EBITDA are not intended as a substitute for IFRS measures.

EBITDA RECONCILIATION	THREE MONTHS ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
(US$ thousands)	**2014**	**2013**	**2014**	**2013**
Net income (loss)	284	(933)	994	(5,564)
Add/(deduct):				
Income taxes	(34)	-	(35)	5
Amortization	172	244	436	936
Non-cash stock based compensation	113	13	326	46
EBITDA*	**535**	**(676)**	**1,721**	**(4,577)**
Merger and acquisition costs	25	-	756	-
Extraordinary legal costs	139	125	804	291
Restructuring and asset write offs	312	552	190	1,517
Adjusted EBITDA*	**1,011**	**1**	**3,471**	**(2,769)**

* A Non-IFRS measure

Consolidated Financial Statements



Independent Auditor's Report

To the Shareholders of
Carmanah Technologies Corporation

We have audited the accompanying consolidated financial statements of Carmanah Technologies Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of income and loss and total comprehensive income and loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Carmanah Technologies Corporation as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
March 10, 2015
Vancouver, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

	NOTES	DECEMBER 31, 2014	DECEMBER 31, 2013
ASSETS			
Cash	5.1	8,707	5,197
Restricted cash	5.1	45	45
Trade and other receivables	5.3	10,983	5,614
Inventories	6	5,556	2,967
Prepaid and other current assets		412	303
Total current assets		**25,703**	**14,126**
Equipment and leasehold improvements	7	660	682
Intangible asssets	8	975	149
Goodwill	9	5,746	-
Deferred income tax asset	19	283	-
Total assets		**33,367**	**14,957**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	5.4	8,095	4,763
Provisions	10	1,165	850
Deferred revenue		294	416
Current liabilities		9,554	6,029
Equity			
Share capital	12	56,539	42,870
Equity reserve	13	3,292	2,966
Accumulated other comprehensive loss		(180)	(76)
Deficit		(35,838)	(36,832)
Total equity		23,813	8,928
Total liabilities and equity		**33,367**	**14,957**

Commitments and contingencies – Note 14

Approved and authorized for issue by the Board of Directors on March 10, 2015

John Simmons,
Chief Executive Officer Board

Michael Sonnnenfeldt,
Chair of the Board

CONSOLIDATED STATEMENTS OF INCOME AND LOSS AND TOTAL COMPREHENSIVE INCOME AND LOSS

(Expressed in thousands of U.S. dollars, except number of share and per share amounts)

	NOTES	DECEMBER 31, 2014	DECEMBER 31, 2013
Revenues	17	43,732	25,902
Cost of sales	17	28,570	18,518
Gross profit	17	15,162	7,384
Operating expenditures			
Sales and marketing	16	5,292	3,439
Research and development	16	1,533	1,925
General and administrative	16	5,967	5,439
		12,792	10,803
Restructuring expenses	20	190	552
Impairment of equipment	7	-	158
Impairment of intangible assets	8	-	1,317
Total operating expenditures		12,982	12,830
Operating income/(loss)		2,180	(5,446)
Other income/(expenses)			
Loss on disposal of assets		-	(7)
Other expenditures		(725)	(14)
Foreign exchange loss		(496)	(92)
		(1,221)	(113)
Income/(loss) before taxes		959	(5,559)
Income tax recovery/(expense)	18	35	(5)
Net Income/(loss) attributable to shareholders		994	(5,564)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to net income:			
Foreign currency translation adjustments		(104)	(76)
Total comprehensive income/(loss)		890	(5,640)
Net Income/(loss) per share			
Basic and diluted		0.07	(0.99)
Weighted average number of shares outstanding (Note 12.3)			
Basic		13,936,172	5,597,808
Diluted		13,986,661	5,597,808

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF U.S. DOLLARS, EXCEPT NUMBER OF SHARE AND PER SHARE AMOUNTS)

		SHARE CAPITAL						
	NOTES	# OF SHARES (NOTE 12) ('000)	AMOUNT	EQUITY RESERVE	SUBTOTAL	ACCUMULATED OTHER COMPREHENSIVE LOSS	DEFICIT	TOTAL EQUITY
Balance, January 1, 2013		4,787	36,982	2,982	39,964	-	(31,268)	8,696
Net loss		-	-	-	-	-	(5,564)	(5,564)
Share-based payments		-	-	46	46	-	-	46
Shares issued to acquire Spot Devices Inc.	22	222	607	-	607			607
Shares issued under stock compensation plans		23	62	(62)	-	-	-	-
Shares issued in rights offering, net of issuance costs of $491	12	5,029	5,219	-	5,219	-	-	5,219
Foreign currency translation adjustments		-	-	-	-	(76)	-	(76)
Balance, December 31, 2013		10,061	42,870	2,966	45,836	(76)	(36,832)	8,928
Net income		-	-	-	-	-	994	994
Share-based payments	13	-	-	326	326	-	-	326
Shares issued in private placement, net of issuance costs of $40	12	3,130	6,571	-	6,571	-	-	6,571
Sol acquisition	22	3,786	7,098		7,098			7,098
Foreign currency translation adjustments		-	-	-	-	(104)	-	(104)
Balance, December 31, 2014		16,977	56,539	3,292	59,831	(180)	(35,838)	23,813

CONSOLIDATED STATEMENTS OF CASH FLOWS

(EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

	NOTES	Years ended December 31 2014	2013
OPERATING ACTIVITIES			
Net income/(loss)		994	(5,564)
Add back (deduct) items not involving cash:			
Amortization		436	936
(Gain)/loss on disposal of assets		-	7
Share-based payments	13	326	46
Impairment of intangible assets	8	-	1,317
Impairment of equipment	7	-	158
Unrealized foreign exchange loss/(gain)		327	(165)
Restructuring expenses	20	190	228
Current tax provision		405	-
Deferred income tax recovery		(481)	-
Changes in working capital and other items:			
Trade and other receivables		(4,544)	(1,113)
Inventories		(1,298)	259
Prepaids and other current assets		111	113
Trade and other payables		1,627	674
Provisions		(179)	300
Deferred revenue		(357)	347
Net cash used in operating activities		(2,443)	(2,457)
INVESTING ACTIVITIES			
Proceeds from disposal of assets		-	7
Acquisition of Sol, Net cash acquired		673	-
Purchase of equipment and leasehold improvements		(213)	(186)
Purchase of intangible assets		(686)	(84)
Change in restricted cash		-	109
Net cash used in investing activities		(226)	(154)
FINANCING ACTIVITIES			
Proceeds from private placement	12	6,571	-
Proceeds from rights offering	12	-	5,219
Net cash provided by financing activities		6,571	5,219
Foreign exchange effect on cash		(392)	56
Increase in cash		3,510	2,664
Cash at beginning of year		5,197	2,533
Cash at end of year		8,707	5,197

1. Summary of Business and Basis of Preparation

1.1 GENERAL BUSINESS DESCRIPTION

Carmanah Technologies Corporation (the "Company" or "Carmanah") was incorporated under the provisions of the Business Corporations Act (Alberta) on March 26, 1996 and was continued under the provisions of the Business Corporations Act (British Columbia) on August 24, 2009. The Company is in the business of developing and distributing renewable and energy-efficient technologies, including solar-power LED lighting, and solar powered systems and equipment.

Carmanah is a publicly-listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the Toronto Stock Exchange ("TSX"). The Company's head office is located at 250 Bay Street, Victoria, British Columbia, Canada, V9A 3K5. The Company's registered and records office is located at Borden Ladner Gervais LLP, 1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600, Vancouver, British Columbia V7X 1T2.

1.2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial assets and financial liabilities which are measured at fair value.

2. Significant Accounting Policies

2.1 BASIS OF CONSOLIDATION

Carmanah consolidates subsidiaries controlled by the Company. Control exists when the Company is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company balances and transactions, including any income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

These consolidated financial statements include the following subsidiaries:

NAME	CURRENT PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATION	OWNERSHIP/VOTING INTEREST HELD BY COMPANY HELD AT: 2014	2013
Carmanah Technologies (US) Corporation	Employs US based sales representatives on behalf of the parent company	United States - Nevada	100%	100%
Carmanah Solar Power Corporation	Associated Grid-tie business segment	Canada – Ontario	100%	100%
Sol, Inc	Holds a portion of the company's Illumination segment	United States - Florida	100%	N/A

2.2 BUSINESS COMBINATIONS AND GOOD WILL

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisitions date at fair value. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business Combinations are recognized at their fair values at the acquisition date. Acquisition costs incurred are expensed in the period in which they are incurred except for costs related to shares issued in conjunction with the business combination.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Goodwill is measured at the excess of the fair value of consideration transferred and amount of non-controlling interest in the acquiree and acquisition date fair value of existing equity interest in the acquiree over the acquisition fair value of the net identifiable assets acquired and liabilities assumed. If this amount is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the Consolidated Statements of Income and Loss and Total Comprehensive Income and Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

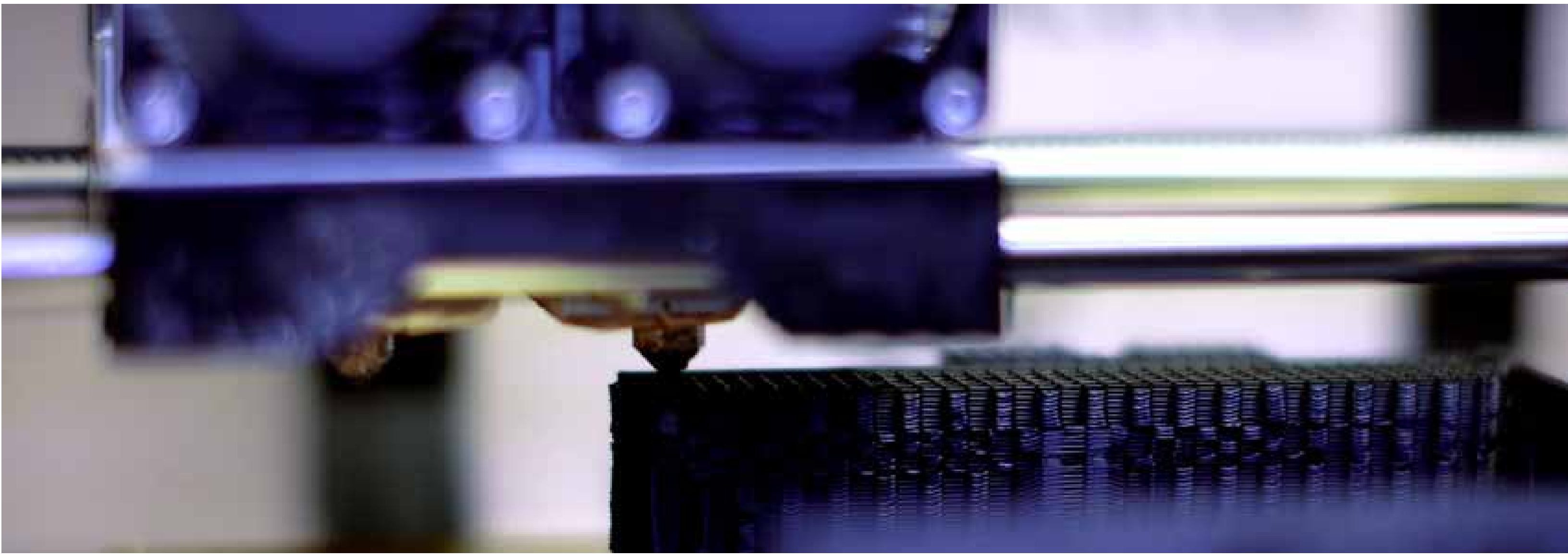
2.3 FOREIGN CURRENCIES

The presentation currency for the consolidated financial statements is the U.S. dollar. The functional currency of Carmanah Technologies Corporation, Sol Inc and Carmanah Technologies (US) Corporation is the U.S. dollar. The functional currency of Carmanah Solar Power Corporation was changed from the U.S. dollar to the Canadian dollar on January 1, 2013. The assets and liabilities of subsidiary entities that differ from that of the Company are translated at the exchange rate prevailing at the balance sheet date. The income statements of such entities are translated at average rates of exchange during the year. All resulting exchange differences are recognized directly in accumulated other comprehensive income (loss).

Transactions in currencies other than the functional currency are recorded at the rates of exchange at the date of the transaction. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the period end date. Non-monetary items that are measured in terms of historical cost are translated using the historical rates. All gains and losses on translation of those foreign currency transactions are recorded in income.

2.4 FINANCIAL INSTRUMENTS

Financial instruments are classified into one of the following categories: (1) fair value through profit or loss (“FVTPL”), (2) held-to-maturity (“HTM”), (3) loans and receivables, (4) available-for-sale (“AFS”) financial assets or (5) other financial liabilities. The classification determines the accounting treatment of the instrument. Carmanah determines the classification when the financial instrument is initially recorded, based on the underlying purpose of the instrument.



FINANCIAL ASSETS

Financial instruments are classified into one of the following categories: (1) fair value through profit or loss ("FVTPL"), (2) held-to-maturity ("HTM"), (3) loans and receivables, (4) available-for-sale ("AFS") financial assets or (5) other financial liabilities. The classification determines the accounting treatment of the instrument. Carmanah determines the classification when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as loans and receivables and are measured at amortized cost.

For the purposes of the Consolidated Statement of Cash Flows, total cash and cash equivalents include cash at banks and on hand.

Trade and other receivables

Trade receivables do not incur any interest, are short-term in nature and are measured at their nominal value net of appropriate allowance for estimated amounts that are not expected to be recovered. Such allowances are raised based on an assessment of debtor ageing, past experience or known customer circumstances.

Investments

Investments, other than investments in subsidiaries, joint ventures and associates, are financial asset investments and are initially recognized at fair value. At subsequent reporting dates, financial assets that the Company has the expressed intention and ability to hold to maturity (held-to-maturity) as well as loans and receivables are measured at amortized cost, less any impairment losses. The amortization of any discount or premium on the acquisition of a held-to-maturity investment is recognized in the statement of income (loss) in each period using the effective interest method.

Investments other than those classified as held-to-maturity or loans and receivables are classified as either at fair value through profit or loss (which includes investments held for trading) or available-for-sale financial assets. Both categories are subsequently measured at fair value. Where investments are held for trading purposes, realized/unrealized gains and losses for the period are included in the Statement of Income (Loss) and Comprehensive Income (Loss) within Other Income/(Expense). For available-for-sale investments, realized/unrealized gains and losses are recognized in equity until the investment is disposed or impaired, at which time the cumulative gain or loss previously recognized in equity is included in the Consolidated Statements of Income and Loss.

Impairment of financial assets (including receivables)

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognized in the Consolidated Statements of Income and Loss and Total Comprehensive Income and Loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Consolidated Statements of Income and Loss and Total Comprehensive Income and Loss.

Impairment losses relating to available-for-sale investments are recognized when the decline in fair value is considered significant or prolonged. These impairment losses are recognized by transferring the cumulative loss that has been recognized in accumulated other comprehensive income/(loss) to net income/(loss). The loss recognized in the Consolidated Statements of Income and Loss is the difference between the acquisition cost and the current fair value. difference between the acquisition cost and the current fair value.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments are classified and accounted for as debt or equity according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Equity instruments issued by Carmanah are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

Trade and other payables are not interest bearing and are measured at their nominal value until settled, which approximates amortized cost.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the asset have expired, the right to receive cash flows has been retained but an obligation to pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when the associated obligation has been discharged, cancelled or has expired.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments

From time to time Carmanah enters into a variety of derivative financial instruments to manage its exposure to foreign exchange risks, including foreign exchange forward and option contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. The Company does not currently apply hedge accounting for derivatives.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contracts are not measured at fair value through profit or loss.

2.5 INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs of purchase, costs of conversion (direct costs and an allocation of fixed and variable production overheads) and other costs incurred in bringing the inventory to their present location and condition. Net realizable value is the estimated selling price less estimated costs to complete.

2.6 EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment and leasehold improvements consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized at rates calculated to write off the cost of equipment and leasehold improvements, less their estimated residual value, using the straight-line method. The periods/rates are outlined below:

ASSET	YEARS
Computer hardware	3-5
Leasehold improvements	Term of lease
Office equipment	5-7
Production equipment	5
Research and trade show equipment	5

Estimated useful lives, depreciation methods, rates and residual values are reviewed on a periodic basis, with any changes in these estimates accounted for on a prospective basis.

An item of equipment and leasehold improvements is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the Consolidated Statements of Income and Loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment and leasehold improvements that are accounted for separately, including major inspection and overhaul expenditures, are capitalized and amortized over their estimated useful life.

2.7 INTANGIBLE ASSETS

Intangible assets consist of computer software, license rights, trademarks, patents and a domain name and product development asset recognized from the acquisition of Sol, Inc.   Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each year end.

Computer software relates to expenditures incurred to acquire and implement software used within the business. Software assets are amortized over their estimated useful lives which varies between 3 and 5 years.

Patent and trademark assets consist of professional fees incurred for the filing of patents and the registration of trademarks for product marketing purposes. Patent and trademark registration and maintenance fees paid are amortized on a straight line basis.

The domain name recognized from the acquisition of Sol, Inc has an indefinite life and thus is not amortized but is subject to annual impairment analysis. The Product Development asset, also recognized from the acquisition of Sol has an estimated useful life of 2 years and is being amortized straight line over that period.

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of an asset's or cash-generating unit ("CGU") fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the Consolidated Statements of Income and Loss and Total Comprehensive Income and Loss.

An impairment loss is reversed if there is an indication that an impairment loss recognized in prior periods may no longer exist. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized previously. Such reversal is recognized in the Consolidated Statements of Income and Loss and Total Comprehensive Income and Loss. An impairment loss with respect to goodwill is never reversed.

The following criteria are also applied is assessing impairment of specific assets:

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU or group of CGU's to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognized to the extent the carrying amount exceeds the recoverable amount. Impairment losses relating to goodwill are not reversed in future periods.

Intangible assets with indefinite lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.9 PROVISIONS

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

2.10 SHARE-BASED PAYMENTS

For equity-settled share-based compensation, expense is based on the grant date fair value of the awards expected to vest over the vesting period. For cash-settled share-based compensation, the expense is determined based on the fair value of the award at the end of the reporting period until it is settled. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the Consolidated Statements of Income and Loss.

The fair value of the stock options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The fair value of the stock units granted is measured using the common share price at the time of the grant.

2.11 REVENUE RECOGNITION

Carmanah measures revenue at the fair value of the consideration received or receivable.

SALE OF GOODS:

Revenue from the sale of products is recognized when all of the following conditions have been met:

- title and risk involving the products are transferred to the buyer;
- the Company's managerial involvement over the goods ceases to exist;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred in respect of the transaction can be measured reliably.

If there is a requirement for customer acceptance of any products shipped, revenue is recognized only after customer acceptance has been received. Payments received in advance of the satisfaction of the Company's revenue recognition criteria are recorded as deferred revenue.

Provisions are established for estimated product returns and warranty costs at the time revenue is recognized based on historical experience for the product.

SALE OF SERVICES:

Revenue from the rendering of services is recognized when the following criteria are met:

- the amount of revenue can be measured reliably;
- the stage of completion can be measured reliably;
- the receipt of economic benefits is probable; and
- costs incurred and to be incurred can be measured reliably.

PROJECTS:

Revenue from projects, which can include both the sale of goods and services, is generally recorded on a percentage of completion basis. To determine the amount of revenue to recognize, the Company will:

- Measure the stage of completion by reviewing the hours incurred for work performed to date compared to the total estimated hours for the project.
- Periodically revise the estimates of the percentage of completion of each project by comparing the actual costs incurred to the total estimated costs for the project. These estimates of total cost are subject to change, which would have an impact on the timing of revenue recognized.

As a result of the above revenue recognition approach, the Company will at times have unbilled receivables which arise when project revenues are earned prior to the Company's ability to invoice in accordance with the contract terms. These amounts are included in trade and other receivables on the Consolidated Statement of Financial Position.

2.12 RESEARCH AND DEVELOPMENT COSTS

Carmanah is engaged in research and development activities. Research costs are expensed as incurred. Development costs are expensed as incurred.

2.13 INVESTMENT TAX CREDITS

Carmanah is entitled to certain Canadian federal and provincial tax incentives for qualified scientific research and experimental development activities. The associated investment tax credits ("ITCs") are available to the Company to reduce actual income taxes payable and are recorded when it is probable that such credits will be utilized. The utilization is dependent upon the generation of future taxable income. Management assesses the probability of usage based upon forecasted results utilizing a sensitivity analysis on various factors that impact profitability.

ITCs are recorded on the Statement of Income/(Loss) as non-operating income under the caption "Investment Tax Credits Recognized". The corresponding impairment of investment tax credits, if any, is also recognized as a non-operating expense. The Company has not recognized its ITCs due to uncertainty of their usage.

2.14 INCOME TAXES

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Statement of Financial Position. Deferred tax is calculated using tax rates and laws that have been substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period 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 assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis. The Company has not recognized its deferred tax assets due to uncertainty of their usage.

2.15 EARNINGS (LOSS) PER SHARE

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of Carmanah by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which are comprised of restricted shares and share options granted to employees and directors of the Company.

2.16 SEGMENT REPORTING

Carmanah's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO"). The CEO is considered the chief operating decision-maker ("CODM") and has the authority for resource allocation and is responsible for assessing the Company's performance.

3. Significant Judgements and Estimates

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities; and most critical judgments in applying accounting policies.

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Carmanah must make an assessment of whether trade receivables are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected. At December 31, 2014, the combined allowances were $0.1 million, or 1.4% of the gross accounts receivable balance of approximately $11.1 million. See financial statement Note Trade and Other Receivables for further discussions on trade receivables and the associated allowance.

INVENTORY VALUATION

The Company adjusts inventory values so that the carrying value does not exceed net realizable value. The valuation of inventory at the lower of average cost and net realizable value requires the use of estimates regarding the amount of current inventory that will be sold and the prices at which it will be sold and an assessment of expected orders from customers. Additionally, the estimates reflect changes in products or changes in demand because of various factors, including the market for the Company's products, obsolescence, production discontinuation, technology changes and competition. At December 31, 2014, the Company had provisions of $1.5 million, or approximately 22% of the value of gross inventory.

WARRANTY RESERVE

The Company provided for warranty expenses by analyzing historical failure rates, warranty claims, current sales levels and current information available about returns based on warranty periods. Uncertainty relates to the timing and amount of actual warranty claims that can vary from the Company's estimation.

SHARE-BASED PAYMENTS

In determining share-based payments expense, Carmanah makes estimates related to forfeiture rates for each specific grant. Forfeiture rates are used to estimate the number of awards that are expected to vest considering employee turnover rates. The changes in estimates are recognized in the statement of loss in the year that they occur. Current forfeiture rates applied to grants range from 5% to 26% and vary depending upon the employee make-up of the associated grants.

INCOME TAXES

Carmanah calculates income tax provisions in each of the 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 authorities, which occurs subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax returns, earnings would be affected in a subsequent period. The Company has recognized a portion of its deferred tax assets at December 31, 2014 related to its recent acquisition of Sol. No deferred tax assets were recognized at December 31, 2013.

ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

In a business combination, Carmanah may acquire the assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment in determining the fair values assigned to the tangible and intangible assets (e.g. technology, brand, order backlog, etc.) acquired and the liabilities assumed on the acquisition. The determination of these fair values involves a variety of assumptions, including estimates surrounding costs to acquire or reproduce a similar asset, expected cash flows, discount rates, etc. Contingent consideration resulting from business combinations is recorded at fair value at the acquisition date as part of the business combination based on expected discounted cash flows, and is subsequently remeasured to fair value at each reporting date with any subsequent change in fair value recognized in the Consolidated Statements of Income and Loss and Total Comprehensive Income and Loss.

IMPAIRMENT OF ASSETS

Each year the Company makes significant judgments in assessing if goodwill, tangible or intangible assets have suffered an impairment loss. The Company's impairment analysis involves the use of an income approach that relies on estimating the future net cash flows and applying the appropriate discount rate to those future cash flows. Significant management judgment is necessary to evaluate the impact of operating and economic changes on each CGU or underlying asset. Critical assumptions include projected sales growth and market opportunities, future profitability of system sales, operating and administrative expense, capital expenditures, an appropriate discount rate, and in some situations the cost of disposal. In 2014, there were no impairment losses.

4. Accounting Standards Issued but Not Yet Effective

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2014.

The IASB issued the following new and revised standards addressing the following:

Effective for annual periods beginning on or after January 1, 2015:

- IFRS 9, Financial Instruments ("IFRS 9") – replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. In February 2014, the IASB tentatively determined that the revised effective date would be January 1, 2018, with earlier adoption still permitted.

Effective for annual periods beginning on or after January 1, 2017:

- IFRS 15, Revenue from Contracts with Customers ("IFRS15"). IFRS 15 clarifies the principles for recognizing revenue and cash flows arising from contracts with customers.

The Company is assessing the impact that these standards will have on the Company's consolidated financial statements.

5. Financial Instruments

CLASSIFICATION AND CARRYING VALUE

The following table summarizes information regarding the classification and carrying values of Carmanah's financial instruments:

	DECEMBER 31, 2014	DECEMBER 31, 2013
Loans and receivables		
Cash and restricted cash	8,752	5,242
Trade and other receivables	10,983	5,614
Other financial liabilities		
Trade and other payables	8,095	4,763

FAIR VALUE

The following fair value measurement hierarchy is used for financial instruments that are measured in the statement of financial position at fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying value of cash and restricted cash, trade and other receivables, and trade and other payables approximates their fair value due to the relatively short-term maturity of these financial instruments.

The Company does not have any financial instruments, other than those listed above, reported at fair value at December 31, 2014 or 2013.

OFFSET FINANCIAL INSTRUMENTS

Carmanah offsets and settles all of its trade receivables due from its contract manufacturer against associated trade payables. At December 31, 2014, trade receivables of $0.2 million (December 31, 2013 - $0.6 million) have been netted against trade payables.

FOREIGN CURRENCY RISK MANAGEMENT

Carmanah transacts business in multiple currencies, which gives rise to market risks exposure associated with fluctuating foreign currency values. Most significantly, the Company has potential exposure to currency fluctuations between the U.S. and Canadian dollars.

INTEREST RATE RISK MANAGEMENT

Carmanah is not exposed to significant interest rate risk.

A breakdown of Carmanah's financial instruments by currency is provided below:

	U.S.	CANADIAN	OTHER	TOTAL
Balance at December 31, 2014				
Cash and restricted cash	4,590	3,809	353	8,752
Trade and other receivables	6,809	3,993	181	10,983
Trade and other payables	5,620	2,475	-	8,095
Balance at December 31, 2013				
Cash and cash equivalents	659	4,574	9	5,242
Trade and other receivables	3,963	1,369	282	5,614
Trade and other payables	3,554	1,201	8	4,763

Carmanah estimates a five percent increase or decrease in the Canadian dollar relative to the U.S. dollar would result in a $0.3 million gain or loss to operating income given the currency mix of the Company's financial instruments.

The Company attempts to manage the exposure to foreign currency fluctuations by managing the amount of foreign denominated working capital held. The success of these efforts is often limited due to the uncertainty surrounding the timing and magnitude of foreign currency sales and associated cash flows.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. This risk is mainly associated with trade and other receivables and is discussed in detail within Note Trade and Other Receivables.

5.1 CASH

Cash represents cash in banks and cash on hand. There were no cash equivalents at December 31, 2014 (December 31, 2013 - $Nil). Restricted cash is cash used to secure corporate credit cards.

5.2 DERIVATIVE FINANCIAL ASSETS

The Company had no outstanding derivative financial instruments at December 31, 2014 or 2013.

5.3 TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	DECEMBER 31, 2014	DECEMBER 31, 2013
Trade receivables	7,523	4,220
Allowance for doubtful accounts	(150)	(132)
Net trade receivables	7,373	4,088
Unbilled receivables	2,958	812
Other receivables	652	714
Total trade and other receivables	**10,983**	**5,614**

5.3.1 NET TRADE RECEIVABLES

TRADE RECEIVABLES

Trade receivables generally carry 30 day terms, although this can vary for certain customers. Generally, no interest is charged on trade receivables.

ALLOWANCE FOR DOUBTFUL ACCOUNTS/CREDIT RISK MANAGEMENT

Before extending credit terms to a new customer, Carmanah assesses the potential customer's credit quality by performing external credit checks and references. Credit limits and terms for existing customers are reviewed on an as needed basis based on order and payment history.

At each period end, Carmanah reviews the collectability of outstanding receivables. In general, the Company provides an allowance of (1) 100% on accounts that have been transferred to a collection agency or for which there have been no recent communication, and (2) a variable percentage (between 10%-50%) on accounts that have had irregular communications, originate from a higher risk country, or have slow payment history. The percentage provided is based on reference to historical experience on defaults and an analysis of the counterparty's current financial situation. The specific accounts are only written off once all collections avenues have been explored or when legal bankruptcy has occurred. The following is a reconciliation of the allowance account:

RECONCILIATION OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS	DECEMBER 31, 2014	DECEMBER 31, 2013
Balance, beginning of year	132	113
Write offs of specific accounts	(75)	(187)
Recoveries	(1)	-
Change in provision	94	206
Balance, end of year	**150**	**132**

At December 31, 2014, approximately 92% (December 31, 2013 - 95%) of the trade receivables were either current or are past due but were not impaired, and $1.8 million (December 31, 2013 - $1.5 million) is due from the five largest accounts.

Total trade receivables disclosed include amounts that are past due at the end of the reporting period for which the Company has not recognized an allowance because there has not been a significant decrease in credit quality and are still considered fully recoverable. The following table outlines the relative age of these receivables that are past due but not impaired:

ACCOUNTS OVERDUE BUT NOT IMPAIRED	DECEMBER 31, 2014	DECEMBER 31, 2013
1-30 days	1,272	1,576
31-90	784	682
90+	83	53
Total	2,139	2,311

5.3.2 OTHER RECEIVABLES

Other receivables primarily relate to statutory holdbacks on major EPC construction projects. These construction projects typically carry contractual obligations of holdbacks amounting to 10% of the project revenues recognized and are transferred to trade receivables once projects reach substantial completion. Holdbacks are generally paid 45 days after substantial completion, although can be substantially longer in certain situations.

5.4 TRADE AND OTHER PAYABLES

The Company's trade and other payables are broken down as follows:

ACCOUNTS OVERDUE BUT NOT IMPAIRED	DECEMBER 31, 2014	DECEMBER 31, 2013
Trade payables	5,563	3,645
Accrued liabilities	2,532	1,118
	8,095	4,763

5.5 CAPITAL MANAGEMENT

Carmanah defines capital that it manages as the aggregate of short-term and long-term debt and total equity. Changes are made to the capital structure upon approval from the Company's Board of Directors or shareholders as required. Carmanah has no outstanding debt and the current objectives are to meet the capital requirements through funds generated from operations without issuing any long-term debt. The Company's overall strategy with respect to management of capital remains unchanged from the year ended December 31, 2013. The Company is currently not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

6. Inventories

	DECEMBER 31, 2014	DECEMBER 31, 2013
Finished goods	4,628	2,830
Raw materials	2,383	1,123
Provision for obsolescence	(1,455)	(986)
Net inventories	**5,556**	**2,967**

For the year ended December 31, 2014, inventory recognized as an expense in cost of sales amounted to $26.9 million (2013 - $17.6 million). Included in the above amounts were inventory write downs of $0.2 million (2013 - $0.5 million). There were no reversals of previously recorded inventory write downs. As at December 31, 2014, the Company anticipates the net inventory will be realized within one year.

7. Equipment and Leasehold Improvements

The Company's equipment and leasehold improvements are broken down as follows:

	COMPUTER HARDWARE	LEASEHOLD IMPROVEMENTS	OFFICE EQUIPMENT	PRODUCTION EQUIPMENT	RESEARCH AND TRADESHOW EQUIPMENT	TOTAL
Cost						
Balance January 1, 2013	982	621	108	768	525	3,004
Additions	12	-	8	184	-	204
Disposals	(480)	(22)	(37)	-	(56)	(595)
Balance December 31, 2013	**514**	**599**	**79**	**952**	**469**	**2,613**
Additions	163	3	15	29	3	213
Sol Acquistion (Note 22)	1	-	25	15	-	41
Disposals	(78)	-	-	-	-	(78)
Balance December 31, 2014	**600**	**602**	**119**	**996**	**472**	**2,789**
Accumulated amortization						
Balance January 1, 2012	852	170	56	441	387	1,906
Amortization for the year	58	124	12	159	94	447
Impairment loss recognized	-	-	-	158	-	158
Disposals	(477)	(21)	(32)	-	(50)	(580)
Balance December 31, 2013	**433**	**273**	**36**	**758**	**431**	**1,931**
Amortization for the year	62	120	11	55	28	276
Disposals	(78)	-	-	-	-	(78)
Balance December 31, 2014	**417**	**393**	**47**	**813**	**459**	**2,129**
Carrying amounts						
At December 31, 2013	81	326	43	194	38	682
At December 31, 2014	183	209	72	183	13	660

During the fourth quarter of 2013, the Company recognized an impairment loss of $0.2 million associated with production equipment relating to the Company's Outdoor Lighting products that have been discontinued.

8. Intangible Assets

The Company's intangible assets are broken down as follows:

	PATENTS AND TRADEMARKS	SOFTWARE	LICENSE RIGHTS	ACQUIRED INTANGIBLES	TOTAL
Cost					
Balance January 1, 2013	**729**	**2,160**	**450**	**-**	**3,884**
Additions	72	12	-	623	707
Disposals	-	(394)	-	-	(394)
Balance December 31, 2013	**801**	**1,778**	450	**623**	**3,652**
Additions	32	654	-	-	686
Sol Acquistion (Note 22)	-	-	-	300	300
Disposals	-	(4)	-	-	(4)
Balance December 31, 2014	**833**	**2,428**	**450**	**923**	**4,634**
Accumulated amortization					
Balance January 1, 2013	450	1,578	63	-	2,091
Amortization for the year	81	363	45	-	489
Impairment losses recognized	140	212	342	623	1,317
Disposals	-	(394)	-	-	(394)
Balance December 31, 2013	**671**	**1,759**	450	**623**	**4,048**
Amortization for the year	58	40	-	62	161
Impairment losses recognized	-	(4)	-	-	(4)
Balance December 31, 2014	**729**	**1,795**	**450**	**685**	**3,659**
Carrying amounts					
At December 31, 2013	130	19	-	-	149
At December 31, 2014	104	633	-	238	975

In 2014, as detailed in Note 22, Intangible Assets of approximately $0.3 million were recognized on the acquisition of Sol. Two specific assets met the criteria for recognition and are described below.

- Sol's designs and technology related to its charge controller utilized in its core products. The Company's management determined Sol's charge controller was better designed and more cost effective then the Company's and as a result is being integrated into Carmanah's products. A value of $0.25 million was attributed to this asset based on the company's estimate to engineering a similar controller. This amount will be amortized over 2 years as this is management's best estimate of its useful life.

- Sol's rights to the domain name (solarlighting.com) for its main website. This website generates a significant number of sales opportunities and leads which helps to drive some of the sales for the entity. Sol had never tracked the value of revenue derived from these leads so fair value has been calculated by looking at comparable transactions of similar domain names. Based on this, the Company has estimated the fair value of this asset at $0.05 million.

As detailed in Note 22, Intangible Assets of approximately $0.6 million were recognized on the acquisition of Spot Devices Inc. ("Spot"). At closing, the "acquired intangibles" were primarily related to customer lists, sales backlogs, product and associated regulatory certifications, and license rights to a proprietary software system referred to as System Infrastructure Management Application ("SIMA"). An impairment of $0.6 million was recognized in the second quarter of 2013, as a result of factors outlined in Note 22.

During the fourth quarter of 2013, the Company recognized an impairment loss of $0.1 million associated with certain patent assets and $0.2 million associated with software assets. The patent impairment was the result of changes to the Company's product offering at that time. The software impairment relates to the replacement of the Company's ERP system thereby rendering the legacy system obsolete.

During the second quarter of 2013, the Company recognized an impairment loss of $0.3 million associated with its license rights asset. The license rights asset relates to a five year exclusive world-wide marketing license with Laser Guidance Inc ("LG") which was signed in May 2012. Under this agreement, the Company has access to a portfolio of tactical (e.g. mobile) aviation related precision mobile laser guidance approach systems that are designed and manufactured by LG. The Company had made fixed payments to LG totaling $0.45 million and was amortizing this amount over the term of the agreement. To date, no sales have been made as a result of this agreement. Previous impairment analysis indicated a meaningful volume of sales opportunities, with most underlying projects having longer sales cycles. During the second quarter of 2013, a detailed review of the sales opportunities found that they were related to non-tactical (e.g. fixed) approach systems, which are not covered by this agreement. As a result of this and continued uncertainties surrounding the success of the Company's sales efforts associated with products covered under this agreement, this asset was impaired.

9. Goodwill

	TOTAL
Balance at January 1, 2014	-
Sol acquisition (Note 22)	5,746
Balance at December 31, 2014	**5,746**

The Company recognized goodwill on the acquisition of Sol Inc. as described in Note 22. Management has determined all of the Goodwill is associated with the Company's Illumination segment which is also a CGU for impairment purposes. The Company completed an impairment analysis at December 31, 2014 and concluded there was no impairment.

As described in Note 2.8, the impairment analysis involved the use of an income approach that relied on estimating the future net cash flows and applying an appropriate discount rate to those future cash flows. This approach employed the following key assumptions: anticipated sales growth in key markets, changes in gross margins due to pricing changes for materials and the cost of manufacturing, changes in operating and administrative expenses, anticipated capital expenditures, and an appropriate discount rate. The forecast period utilized in the analysis covered 2015 through 2019. Key drivers in this assessment include anticipated overall sales growth, estimated to be 10% a year, a terminal growth rate of 5% and a weighted average cost of capital of 20%. The analysis indicated an excess over carrying value of $6.7 million. Management considers the future sales growth rate a key factor in this analysis. Using a sensitivity analysis a 1% decline in sales growth reduces the overall excess value by $0.9 million.

10. Provisions

	DECEMBER 31, 2014	DECEMBER 31, 2013
Warranty provisions	952	550
Provision relating to Spot Devices Inc. acquisition	110	300
Provision relating to Sol acquisition (Note 22)	103	-
	1,165	**850**

WARRANTY PROVISION

Carmanah provides its customers with a limited right of return for defective products. All warranty returns must be authorized by the Company prior to acceptance. The warranty term varies between 1 and 5 years depending on the product and customer sold to. The estimates surrounding the warranty provision are reviewed on a regular basis and updated for recent experience and known product issues.

The following is a reconciliation of the warranty provision during the year:

	DECEMBER 31, 2014	DECEMBER 31, 2013
Opening provision	550	550
Warranty costs incurred	(333)	(207)
Warranty provision recognized on acquistion of Sol (Note 22)	351	-
Warranty provision additions/changes	384	207
Closing provision	**952**	**550**

Due to the uncertainty surrounding the timing of warranty returns, the entire provision has been classified as current.

PROVISIONS RELATING TO SPOT DEVICES INC. ("SPOT") ACQUISITION

The Company has recognized a number of provisions relating to the acquisition of Spot. Note 22 outlines the details of the acquisition.

Spot product warranty

Under the terms of the purchase agreement, the Company took over responsibility for Spot's historical warranty liability. The warranty provision upon acquisition was estimated to be $0.3 million. The warranty costs actually incurred amounted to $0.1 million in 2013 and almost nil in 2014. Due to minimal warranty costs the company has reversed the remaining provision and recognized a recovery of $0.1 million in 2014.

SIMA services provision and SIMA product replacement offer

As described in Note 22, the Company did not secure an economically viable license arrangement for SIMA (Systems Infrastructure Management Application) services from Cirrus Systems LLC ("Cirrus"), a related company of Spot. Cirrus provides the monitoring services that underpin SIMA-enabled products which both Spot and the Company sold. During 2013, Carmanah sold approximately 220 SIMA-enabled units with service terms ranging from 1 to 10 years. Cirrus continues to incur costs associated with providing this service to these customers. The Company recorded a provision of $0.1 million to cover current and future associated costs associated with this service. The provision was based upon Management's analysis of Cirrus's cost structure and is within the range of offers made to Cirrus during negotiations. Cirrus stopped providing monitoring services to all SIMA enabled products in July 2014.

During the third quarter of 2013, concerns about the reliability of SIMA-enabled products were brought to management's attention. In some situations SIMA-enabled products can suddenly or unexpectedly fail which could result in a safety hazard. As a result, the Company extended an offer to customers who purchased SIMA- enabled product (since the acquisition date) the ability to obtain replacement products on a free or a substantially discounted basis. The cost of the SIMA-enabled products sold by the Company during 2013 was $0.2 million, which is considered to be maximum exposure associated with this offer. The Company has recorded $0.1 million to cover these replacements and is based on Management's best estimate given the wide range of options open to the end customers. These options include everything from modifying the product, upgrading their solution, or retaining the risk of lost functionality. In early 2014, a notice was released by Cirrus (the provider of the monitoring) indicating the service was to be discontinued in July of 2014. The Company anticipated that customers may begin to request solutions to overcome the lack of connectivity sometime during the third quarter of 2014. This provision was released after it became apparent customers were not taking the Company up on this offer and were resolving the lack of connectivity through other means – often with third party solutions.

11. Credit Facilities

In 2012, the Company secured a $5.0 million (CAD) revolving demand and a $0.5 million (CAD) term credit facility with Royal Bank of Canada ("RBC") which included certain covenants such as earnings and liquidity thresholds. As the Company has not been in compliance with the above covenants, it was prevented from drawing on the term credit facility. On July 16, 2013, the Facility was cancelled by RBC. In early 2015, the Company signed a new credit facility (the "Facility") with the Canadian Imperial Bank of Commerce ("CIBC"). The multifaceted Facility provides credit up to $24.5 million through (1) a $10 million 364-Day Revolving Credit, a $10 million term acquisition credit, $3.75 million credit of Letters of Credit, and $0.75 million for trading room and other liabilities. The Company's ability to draw on the 364-Day revolving credit, the credit for the letters of credit, and credit for trading room contingent liabilities is subject to certain covenants. Access to the term acquisition credit facility will require CIBCs review and approval of the specific acquisition transaction.

12. Share Capital

The Company is authorized to issue an unlimited number of common shares without par value. All shares are fully paid common shares which have no par value.

12.1 SHARE CONSOLIDATION

On July 18, 2014, the Company announced its intention to complete a consolidation of its common shares on the basis of one (1) post-consolidation Common Share for every ten (10) pre-consolidation Common Shares (the "Consolidation"). The Consolidation received approval from the TSX in early August and the post-consolidation shares began trading on the Toronto Stock Exchanges on August 14, 2014. Prior to the consolidation the Company had 169,770,617 shares outstanding. Fractional shares that might have been created by the consolidation were rounded down and as a result the total post consolidation shares outstanding on August 14, 2014 was 16,977,000. All outstanding stock options and share amounts in these consolidated financial statements have been adjusted to reflect this consolidation.

12.2 EQUITY ISSUANCES

In September 2013, the Company announced a plan to raise approximately $6.0 million (CAD) through a Shareholders Rights Offering (the "Offering"). Under the Offering, each shareholder was given one right for each share held on the applicable record date. Each right was exercisable for one common share at a subscription price of $1.20 (CAD) post consolidation. In connection with the Offering, the Company entered into a binding standby purchase agreement with a group of investors, who had committed, subject to certain conditions, to purchase up to $5.5 million (CAD) of the rights shares not otherwise subscribed for by other holders. The rights offering closed on November 19, 2013 without the need to engage the standby group of investors further discussed in Note 15. The Company raised gross proceeds of $6.0 million (CAD) less issuance costs of $0.5 million (CAD). A total of 5,029,420 post consolidation shares were issued under the offering.

On April 3, 2014, the Company closed a private placement which raised approximately $4.2 million CAD from the issuance of 1,930,000 post consolidated shares at a price of $2.20 a share. 1,000,000 of these were purchased by insiders of the Company. Insiders who participated in this placement with holdings around or above 10% are noted below:

- Michael Sonnenfeldt, Carmanah's largest shareholder and Chairman of the Board, subscribed for 350,000 shares under the private placement through MUUS Lending Inc., an entity that is beneficially owned by Mr. Sonnenfeldt.
- Jim Meekison, a member of the Board of Directors of the Company, subscribed for 300,000 shares under the private placement through JDM Investment Holdings Inc., an entity that is beneficially owned by Mr. Meekison.

Issuance costs for this private placement were approximately $0.03 million.

On July 17, 2014, the Company closed a further private placement which raised approximately $3.0 million CAD from the issuance of 1,200,000 post consolidated shares at a price of $2.50 a share. The private placement was subscribed by insiders of the Company as noted below:

- Jim Meekison, a member of the Board of Directors of the Company, subscribed for 1,000,000 shares under the private placement through JDM Investment Holdings Inc., an entity that is beneficially owned by Mr. Meekison.
- Terry Holland, a member of the Board of Directors of the Company, subscribed for 200,000 shares under the private placement through TMH Capital Corporation, an entity controlled by Terry Holland.

Issuance costs for this private placement were approximately $0.01 million.

12.3 DILUTED SHARE RECONCILIATION

The following is a reconciliation between basic and diluted weighted average shares for the periods:

	DECEMBER 31, 2014	DECEMBER 31,2013
Basic weighted average shares outstanding	13,936,172	5,597,808
Effect of dilutive securities: Stock options	50,489	-
Diluted weighted average shares outstanding	**13,986,661**	**5,597,808**

For the year ended December 31, 2014, 1,035,697 stock options were not included because the exercise price of those options were higher than the estimated average market price of the commons shares during the periods.

13. Share-Based Payments

The Company's current share-based payments plan allows a maximum number of issuable shares for share-based payments up to the maximum if 10% of the aggregate issued and outstanding shares as approved by the Board of Directors. The Plan allows for the issuance of stock options, stock appreciation rights ("SARs"), restricted share units ("RSUs"), performance share units ("PSUs"), and deferred share units ("DSUs"). The vesting terms and conditions of stock options, SARs, RSUs, PSUs and DSUs are determined by the Board of Directors at the time of grant. The following table summarizes the valuation methods used to measure the fair value of each type of award and the vesting periods.

TYPE OF AWARD	TERM AND VESTING PERIOD	FAIR VALUE MEASUREMENT	EQUITY SETTLED COMPENSATION EXPENSE BASED ON	CASH SETTLED
Stock options	Maximum term is 10 years and typical is 5 years. Vesting is typically 3 years	Black-Scholes option pricing model	Fair value on next business day after grant date	Fair value at reporting date
Stock units (RSU, PSU, DSU)	Typical vesting period is between 0 to 3 years. Maximum term for RSUs is 3 years.	Closing share price	Fair value on next business day after grant date	Fair value at reporting date
SARs (none outstanding)	Maximum term is 10 years	Closing share price	Fair value at reporting date	Fair value at reporting date

The total compensation expense associated with these share-based payment plans are outlined in the table below:

YEARS ENDED DECEMBER 31,	2014	2013
Stock options	326	10
Stock units	-	36
Total compensation expense	**326**	**46**

Currently, all outstanding awards issued under these plans are equity settled, although the plans do allow for cash settlement if elected by the Board of Directors. The following table provides a reconciliation of the maximum shares issuable under stock-based compensation plans as at December 31, 2014:

Available shares (10% of outstanding shares at December 31, 2014)	1,697,700
Less:	
Stock options outstanding at December 31, 2014	(1,335,697)
Share units outstanding at December 31, 2014	-
Number of shares issuable under stock-based compensation plans	362,003

The details on how these compensation costs were calculated are outlined in the respective sections below.

13.1 STOCK OPTIONS CALLED

The following is a summary of the status of the stock options outstanding and exercisable at December 31, 2014 and 2013. The weighted average exercise price is stated in Canadian dollars.

	2014		2013	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, January 1	411,400	2.10	144,578	6.49
Granted	1,021,046	2.56	478,000	2.09
Forfeited	(96,749)	3.34	(211,178)	5.09
Expired	-	-	-	-
Balance, December 31	1,335,697	2.36	411,400	2.10

The following table summarizes the stock options outstanding and exercisable at December 31, 2014 and 2013. The weighted average exercise price is stated in Canadian dollars:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
RANGE (EXERCISE PRICE)	NUMBER	WA[1] REMAINING LIFE[2]	WA[1] EXERCISE PRICE	NUMBER	WA[1] REMAINING LIFE[2]	WA[1] EXERCISE PRICE
At December 31, 2013						-
$1.45 to $1.45	300,000	6.9	$1.45	-	-	$2.90
$1.46 to $2.90	78,000	4.2	$2.90	16,352	4.2	$5.30
$2.91 to $5.30	23,400	2.0	$5.30	23,400	2.0	$7.70
$5.31 to $7.70	10,000	4.3	$7.70	5,000	4.3	$4.69
	411,400	6.0	$2.10	44,752	3.1	
At December 31, 2014						$1.45
$1.45 to $1.45	300,000	5.9	$1.45	75,000	5.9	-
$1.46 to $2.50	682,950	9.3	$2.50	-	-	$2.90
$2.51 to $2.90	335,947	8.9	$2.73	25,537	3.2	$5.30
$2.91 to $5.30	16,800	1.0	$5.30	16,800	1.0	$2.32
	1,335,697	8.3	$2.36	117,337	4.6	$0.47

[1] - WA – weighted average [2] - Life in years

Using the Black-Scholes option pricing model, the weighted average fair value of the options granted during the year ended December 31, 2014 is $1.40 CAD per share and $0.91 CAD per share for the year ended December 31, 2013. The option valuations were determined using the following weighted average assumptions:

	YEAR ENDED DECEMBER 31,	
	2014	**2013**
Risk-free interest rate	1.72%	1.45%
Expected dividend yield	0%	0%
Forfeiture rate	23.8%	21.1%
Stock price volatility	59%	59%
Expected life of options	6.2 years	4.2 years

Stock price volatility was determined solely using the historical volatility of the Company's share price using the same period as the expected life of the options.

13.2 SHARE UNITS (RSU/PSU)

During the year ended December 31, 2014, Carmanah granted no Restricted Share Units ("RSUs") or Performance Share Units ("PSUs"). During the year ended December 31, 2013, Carmanah granted 20,126 RSUs with a weighted average fair value of $2.50 CAD per unit and no PSUs.

A reconciliation of share unit activity during the period is outlined below:

	RESTRICTED SHARE UNITS	PERFORMANCE SHARE UNITS	TOTAL SHARE UNITS
Balance January 1, 2013	5,434	2,493	7,927
Granted	20,127	-	20,127
Forfeited	(4,505)	(1,472)	(5,977)
Vested and issued	(21,056)	(1,021)	(22,077)
Balance December 31, 2013 and 2014	-	-	-

14. Commitments and Contingencies

14.1 OPERATING LEASE AND COMMITTED SERVICE ARRANGEMENTS

Carmanah has a number of operating leases that cover facilities and equipment as well as committed contracts covering various IT services. The following table outlines the minimum amounts due under these agreements in future years:

	FACILITY LEASES	EQUIPMENT LEASES	IT AND OTHER CONTRACTS	TOTAL
Not later than 1 year	354	35	-	389
2 year to 3 years	330	41	-	371
Total	684	76	-	760

Lease payments recognized as expenses in 2014 amounted to $0.4 million (2013 - $0.6 million).

14.2 OTHER COMMITMENTS

Carmanah has agreements with contract manufacturers to build and supply its manufactured products. Under these agreements, the Company will be liable for inventory and outstanding committed purchase orders. Carmanah's largest contract manufacturer, Flextronics, requires Carmanah to purchase excess raw inventory which arises in situations where the Company's demand forecasts for particular product is less than actual use or sales in a given period. At December 31, 2014, Flextronics held approximately $1.8 million (December 31, 2013 - $0.9 million) in inventory and $1.2 million (December 31, 2013 - $1.8 million) in outstanding committed purchase orders. Inventory held at other contract manufacturers is approximately $0.2 million in aggregate.

14.3 CONTINGENT ASSETS AND LIABILITIES

From time to time, provisions are set up to cover potential legal settlements. There are no provisions recorded at December 31, 2014 or 2013. No settlement amounts were paid out in the years ended December 31, 2014 or 2013.

On July 18, 2013, the Company was named in a United States District Court lawsuit filed by R.D. Jones, Stop Experts, Inc., and RRFB Global, Inc. (all of which are related parties – collectively the "Plaintiffs") alleging patent infringement with respect to a specific flash pattern used with respect to Carmanah's solar powered flashing beacons for the traffic safety market and other claims relating to advertising and business practices. Various actions have been taken in regards to this matter, including an unsuccessful application by the Plaintiff for a temporary restraining order and a motion for a preliminary injunction and a countersuit against the Plaintiffs with respects to a similar patent held by the Company. In early 2014, the Company's application to re-examine a number of aspects of the Plaintiffs patent was accepted by the U.S. patent office. The U.S patent office review of the Plaintiffs patent resulted in many of the aspects of the patents being rejected. The Plaintiff has appealed this judgment. Pending that review the court proceedings have been stayed. The outcome of this case is not certain and the Company intends to continue to defend itself and file additional responses to the Court as required to do so. As the outcome of these matters is not currently determinable, no provision has been made at December 31, 2014. The Company has been pursuing its insurance company for coverage of associated defense costs.

In early March 2015, the Company filed a civil lawsuit in the Supreme Court of British Columbia against Royal & Sun Alliance Insurance Company of Canada ("RSA") and Integro (Canada) Ltd. ("Integro") operating as Integro Insurance Brokers. The lawsuit has been filed in an effort to obtain coverage under one or more of the Company's insurance policies with respects to the above lawsuit. The decision to file a lawsuit against RSA and Integro was made after negotiations with RSA failed to produce an acceptable settlement for repayment of the costs incurred by the Company. The lawsuit seeks to recover legal expenses and damages. To the end of December 31, 2014, the Company has incurred approximately $1.1 million defending the underlying lawsuit.

15. Related Party Transactions

COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors and the Company's Executive Leadership Team. The Executive Leadership Team consists of the CEO and Chief Financial Officer ("CFO").

Total compensation expense for key management personnel, and the composition thereof, is as follows:

	YEARS ENDED DECEMBER 31	
	2014	**2013**
Short-term benefits	894	620
Termination benefits	-	150
Share-based compensations	575	357
Total	**1,469**	**1,127**

The values noted above are in Canadian dollars. They also exclude the value of certain health benefits which the company is not able to attribute to individual employees due to privacy standards preventing us from obtaining this information. Employment agreements with the members of the Executive Leadership Team provide for severance payments if the executive's employment is terminated, either without cause or due to a change in control of the Company. Under a termination without cause (1) the CEO is entitled to 12 months base salary plus applicable cash-based incentives, and (2) the CFO is entitled to a maximum of 6 months base salary plus applicable cash-based incentives. Under a change in control the CEO is entitled to no less than 12 months base salary plus applicable cash-based incentives plus an acceleration of non-cash incentives that would have vested in that period.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Company's board members were part of the investor group involved in the two separate private placements previously described in Note 12.2 .

Inventory purchases

The Company purchased $0.7 million ($0.4 million – 2013) of inventory from a vendor in which the Chairman of the Board has significant influence. The relationship with this vendor existed prior to the Chairman's appointment and there are no special terms because of this relationship. At year December 31, 2014 the associated amounts owing in trade and other payables was $0.1 million (nil – 2013).

16. Operating Expenditures

The components of operating expenditures by nature are outlined below:

	YEARS ENDED DECEMBER 31	
	2014	**2013**
Salaries, commissions and other direct compensation	8,011	6,267
Professional fees, insurance and public company costs	1,641	1,206
Amortization	319	776
Telecom and IT expenses	579	588
Travel and related expenses	538	456
Occupancy costs	426	397
Bank charges and bad debts	117	355
Marketing, advertising and other related expenses	533	328
Development expenses	149	294
Other expenses	153	90
Share-based payments	326	46
Total operating expenditures	**12,792**	**10,803**

The amortization expense as noted in the statement of cash flows includes amortization classified under cost of sales.

17. Segmented Information

During 2014 the Company realigned its reportable segments to better reflect the strategic nature of its underlying businesses and how they will be managed. As a result, the Company's reportable segments are now broken into "Signals", "Illumination" and "Power". The Signals segment includes results from the Company's Traffic, Marine, Aviation and Obstruction verticals. The Illumination segment includes results from the Company's Outdoor Lighting segment and incorporates the results from the recent acquisition of Sol Inc. which is outlined in Note 22. The Power segment includes results from the Company's GoPower! and Solar EPC Services verticals. The 2013 results have been restated to reflect this new alignment. The following table provides an overview of these segments and underlying verticals.

REPORTING SEGMENT AND UNDERLYING PRODUCTS/ VERTICALS	PRODUCTS OFFERED/MARKETS SERVED
Signals	
Traffic	Solar LED flashing beacons for various roadway applications, mainly focused on the North American market.
Marine	A complete range of marine lighting solutions sold worldwide, including a variety of products manufactured by Sabik under a partnership arrangement.
Aviation	LED aviation lighting sold worldwide - the Company offers total airfield solutions, from approach lightings to apron lighting, and both solar to hybrid power systems.
Obstruction	LED obstruction lighting sold worldwide - the Company offers self-contained obstruction marking lights which provide a range of solutions for marking towers and other obstruction to aerial and ground navigation.
Illumination	
Outdoor Lighting	LED lighting systems for off-grid lighting applications, including street, parking lot, park, and pathway applications. Products are sold worldwide using a variety of distribution models.
Power	
Go Power!	Mobile power solutions for the North American market. Built for the hard demands of RV, utility, and fleet vehicles, as well as marine applications, Go Power!'s complete line of solar chargers, inverters, regulators and power accessories deliver electricity where grid-power is inaccessible or unavailable.
Solar EPC Services	The design, procurement and construction of grid-connected solar power systems in the Canadian industrial market.

Management evaluates each segment's performance based on gross margin which factors in directly attributable segment revenues, cost of goods sold, and gross margins. Segment profit represents profits without allocation of operating expenses as these costs are not included in the measures that the chief operating decision marker uses to evaluate and assess segment performance. Operating expenditures such as sales and marketing, research, engineering and development as well as general and administrative expenses, which cannot accurately be attributed between various segments, have not been allocated between segments. In addition, the segments share certain inventory and other assets, therefore the Company cannot disclose assets on a segmented basis.

	SIGNALS	ILLUMINATION	POWER	TOTAL
For the year ended December 31, 2014				
Revenue	16,798	10,489	16,445	43,732
Gross margin	7,661	2,917	4,584	15,162
Gross margin %	45.6%	27.8%	27.9%	34.7%
Total operating expenses (including restructuring)				(12,982)
Other expenses				(1,221)
Income before taxes				959
For the year ended December 31, 2013				
Revenue	12,940	1,942	11,020	25,902
Gross margin	4,486	119	2,779	7,384
Gross margin %	34.7%	6.1%	25.2%	28.5%
Total operating expenses (including restructuring and impairment)				(12,830)
Other expenses				(113)
Loss before taxes				(5,559)

GEOGRAPHIC

For geographical reporting, revenues are attributed to the geographic location in which the customer is located:

	YEARS ENDED DECEMBER 31	
	2014	**2013**
North America	34,172	21,535
South America	4,475	2,256
Europe	2,991	898
Middle East and Africa	992	795
Asia Pacific	1,102	432
Total revenues	43,732	25,902

As at December 31, 2014, substantially all of the assets related to the Company's operations were located in Canada except for inventory on hand in the United States of $2.6 million (December 31, 2013 - $1.0 million).

18. Income Taxes

The components of tax expense for 2014 and 2013 were as follows:

YEARS ENDED DECEMBER 31	2014	2013
Current tax expense	(446)	(5)
Deferred tax expense	481	-
Total income tax expense	35	(5)

The following is a reconciliation of income taxes calculated at the Canadian statutory corporate tax rate to the tax expense for 2014 and 2013:

YEARS ENDED DECEMBER 31	2014	2013
Income/(loss) before taxes	959	(5,559)
Computed tax (expense) recovery at 26% (2013 – 25.75%)	(249)	1,432
Adjusted for the effects of:		
Expenses not deductible for tax purposes	(283)	(51)
Current year unused tax losses and deductible temporary differences not recognized as deferred tax assets	322	(1,766)
True-up of prior year differences	324	-
Effects of tax rate changes	(73)	241
Non-capital losses applied	85	-
Share issuance costs	-	105
Other	(91)	34
Income tax recovery (expense)	35	(5)

The applicable federal and provincial statutory income tax rate used for the 2014 and 2013 reconciliations above is the corporate tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction. The rate increased on April 1, 2013 from 25% to 26% due to an increase in the BC income tax rate of 1%.

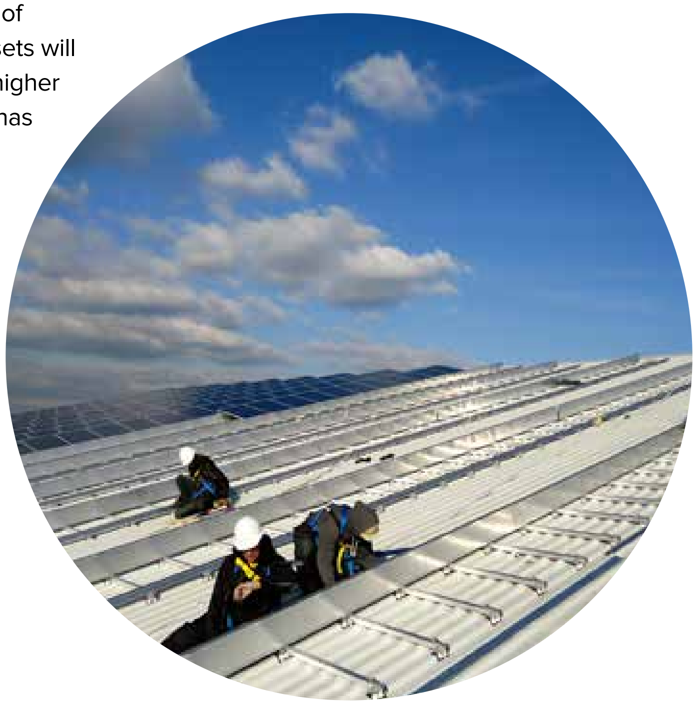
Non-deductible expenses consist primarily of stock-based compensation expense, certain expenditures made in relation to the purchase of Sol, and meals and entertainment costs. The valuation adjustments associated with the investment tax credits and unused tax losses and temporary deductible difference are described in financial statement Note 19.

19. Investment Tax Credits and Deferred Taxes

Temporary differences give rise to the following deferred income tax assets and liabilities as at:

	YEARS ENDED DECEMBER 31	
	2014	**2013**
Deferred income tax assets		
Warranty and other provisions	342	-
Losses available for future periods	15	-
Tangible assets	20	-
Other	15	-
	392	-
Deferred income tax liabilities		
Intangibles	109	-
	109	-
Net deferred income tax asset	283	-

The Company has recorded deferred income tax assets to the extent that it is probable that the benefits of these assets will be realized. Unrealized tax assets will be recognized once the probability of usage is higher which should occur once a trend of profitability has been established.



The following table is a summary of the unrecognized deductible temporary differences, unused tax losses and unused tax credits:

	YEARS ENDED DECEMBER 31	
	2014	**2013**
Temporary differences and unused tax losses available to reduce taxable income		
Scientific research & experimental development expenditures	9,827	9,827
Losses available for future periods	9,566	8,656
Equipment and leasehold improvements	5,998	5,198
Intangible assets	1,629	2,145
Eligible capital expenditures for tax	961	1,033
Warranty and other provisions	776	850
Other	294	900
	29,051	28,609
Tax credits available to reduce taxes payable		
Investment tax credits	4,205	4,610

The Investment tax credits expire between 2025 and 2033. The losses available for future periods are non-capital in nature and expire between 2027 and 2033. All other tax deductible temporary differences do not have an expiry date.

Temporary differences associated with investment in subsidiaries

As at December 31, 2014, temporary differences of $803 (2013 – $151) associated with an investment in a subsidiary has not been recognized as the Company is able to control the timing of the reversal of this difference which is not expected to reverse in the foreseeable future.

20. Restructuring Charges

2013 CORPORATE RESTRUCTURING

In the fourth quarter of 2013, the Company presented a restructuring plan designed to restore profitability and position the Company for future growth. Under the plan, Carmanah would terminate 14 employees to help reduce fixed salary costs to more sustainable levels. The Company also closed its remote development office in Burnaby, BC, Canada, reorganized its internal departments, and started to execute a plan to replace its current ERP and CRM system with a more cost effective and efficient solution. The following table summarizes the costs incurred and balances outstanding with respects to restructuring over the periods.

	SEVERANCE AND RELATED BENEFITS	OTHER EXIT AND OTHER COSTS	TOTAL
Balance at January 1, 2013	-	-	-
Charges	518	34	552
Cash Payments	(312)	(12)	(324)
Balance at December 31, 2013	206	22	228
Cash Payments	(84)	(30)	(114)
Adjustments	(122)	8	(114)
Balance at December 31, 2014	-	-	-

A few positions which were to be eliminated under the plan were ultimately kept due to changes in the Company's business plans. As a result of this, a recovery of $0.1 million was recognized in the second quarter of 2014. The portion related to a cancelation fee associated with the Company's old ERP system was paid in the last quarter and was the final expense associated with the restructuring charges.

SOL RESTRUCTURING

With the acquisition of Sol, as described in Note 22, a restructuring plan was developed in the latter half of 2014 to complete the integration of the two companies. Under this plan, the company will eliminate Sol's administrative, back office, and manufacturing functions and will close its manufacturing facility. The following table summarizes the costs incurred and balances outstanding with respects to restructuring over 2014.

	SEVERANCE AND RELATED BENEFITS
Balance at January 1, 2014	-
Charges	304
Cash Payments	(141)
Balance at December 31, 2014	163

Approximately 15 employees are to be terminated under this plan, with 6 employees being terminated prior to December 31, 2014. A further 9 employees will be terminated in 2015.

21. Other Expenses

Other expenses primarily relate to merger and acquisition activities, and include legal, due diligence costs, and other related expenditures. During the year ended December 31, 2014, the majority of these costs were related to the acquisition of Sol, Inc. ("Sol") as described in Note 22.

22. Acquistions

SOL INC.

On July 2, 2014, the Company completed the acquisition of Sol, Inc. ("Sol"), a competitor in the Company's Power business segment. Sol is a manufacturer of solar powered outdoor lights and is based in Palm City, Florida. The primary driver behind the acquisition was to gain economies of scale in the solar outdoor lighting market.

This acquisition was announced on March 21, 2014 with signing of a Binding Letter of Intent ("LOI"), an Agreement and Plan of Merger (the "Merger Agreement") was signed on May 26, 2014, and the transaction was approved by eligible Carmanah shareholders at the Company's Annual General and Special meeting held on June 23, 2014. The acquisition was a related party transaction as, Michael Sonnenfeldt, the Chairman of the Company's Board of Directors (the "Board") and its largest shareholder was also the majority shareholder of Sol. Prior to the transaction Mr. Sonnenfeldt beneficially held (1) approximately 84.5% of Sol's outstanding shares and (2) was due a note receivable from Sol of approximately $5.3 million.

The Company acquired 100% of the outstanding shares of Sol and an outstanding note receivable due from Sol which was beneficially owned by Mr. Sonnenfeldt. Consideration paid upon close included the issuance of 3,785,860 common shares of Carmanah issued from treasury, and a $0.06 million cash payment to certain minority shareholders of Sol. The aggregate value of the shares issued on July 2, 2014 amounted to approximately $7.1 million based on the closing share price of $2.00 CAD (post consolidation) and a US/CAD exchange rate of 0.938. The agreement also provides an earn-out of 3% of certain revenues received by Carmanah and is available to electing former shareholders of Sol. This earn-out applies to specifically identified prospective sales opportunities brought forth by Sol and is subject to various conditions. Most significantly, each of these projects must result in revenues of at least $5.0 million and the sales order must be received and accepted by Carmanah prior to December 31, 2015, although cash and delivery can occur after that date. Mr. Sonnenfeldt and certain of his affiliates have elected to waive their right to receive all earn-out payments should they accrue. Accordingly any earn-out payment will be payable to the remaining Sol shareholders on a proportional basis. As of the date of these financial statements, no amount has been allocated to the consideration associated with this earn-out due to substantial uncertainty surrounding the Company's ability to secure the underlying contracts.

The acquisition was determined to be a business combination and was accounted for using the acquisition method in accordance with IFRS 3 – Business Combinations, with the results of operations consolidated with those of the Company effective July 2, 2014 and has contributed incremental revenues of $5.5 million and a net loss of $0.5 million. If the acquisition had occurred on January 1, 2014, the Company's revenue would have been approximately of $48.0 million and the Company would have had a loss of approximately $0.6 million. Within Sol's 2014 loss is approximately $0.5 million of costs related to the transaction. Total acquisition related costs incurred by Carmanah was approximately $0.7 million and are included under the caption "Other (expenses)/income" and as described in Note 21.

Management's estimate of the total consideration for the acquisition and the final purchase price allocation in accordance with *IFRS 3 – Business Combinations* is as follows:

	Preliminary	Measurement Period Adjustments	Final
Consideration			
Shares issued	7,098	-	7,098
Cash	56	-	56
Contingent consideration based on certain future revenues	-	-	-
Total consideration	**7,154**	**-**	**7,154**
Identifiable assets acquired and liabilities assumed			
Cash	729	-	729
Receivables	825	-	825
Inventory	1,351	(60)	1,291
Other assets	220	-	220
Equipment	35	6	41
Deferred income taxes	-	206	206
Indemnification asset	-	40	40
Trade and other payables	(1,515)	-	(1,515)
Provisions	(351)	(143)	(494)
Deferred revenue	(235)	-	(235)
Intangibles	400	(100)	300
Goodwill	5,695	51	5,746
Total	**7,154**	**-**	**7,154**

The goodwill recognized primarily reflects the potential incremental cash flows management expects to generate through efficiencies obtain through combined operation and growth in sales to existing and new customers through cross selling opportunities. The goodwill is not tax deductible.

As a part of the purchase agreements, Mr. Sonnenfeldt provided a number of different indemnifications associated with various potential liabilities. At December 31, 2014, the company has recorded a liability of approximately $0.1 million related to potential exposures relating to historical sales.

SPOT DEVICES INC.

On January 4, 2013 ("Acquisition Date"), the Company signed an asset purchase agreement to acquire the pedestrian and school zone traffic device systems business assets of Spot Devices Inc ("Spot"). This agreement provided for the transfer of various business assets to Carmanah and a royalty free right to license a proprietary SIMA software from an associated company of Spot, Cirrus Systems, LLC ("Cirrus"). The license agreement for SIMA was not signed on January 4, 2013 as certain terms had not been finalized. In early July 2013, Carmanah concluded that it would not be able to sign an agreement as it was unable to secure economically viable license terms for a service that underpinned a number of Spot's acquired traffic products.

This acquisition was determined to be a business combination. The assets acquired included inventory, equipment, and various assets related to products produced and sold by Spot including patents, trademarks, marketing material, contracts, technical information, etc. The primary driver behind the acquisition was to immediately expand the Company's product portfolio, gain access to new customers, and build economies of scale within this market vertical.

An initial payment was made through the issuance of 2,222,222 pre-consolidation common shares of Carmanah issued upon closing. The share price on January 4, 2013 was CAD $0.27 pre-consolidation. The agreement also included a conditional payment payable in cash which was based upon cumulative Gross Revenues earned over the calendar years 2013 and 2014. It was calculated as 12.5% of the portion of cumulative 2013 and 2014 Gross Revenues from the sale of the combined Traffic products exceeding $17.5 million. Actual traffic revenues from 2013 and 2014 fell below this threshold, therefore no amounts were recorded.

Management's estimate of the total consideration for the acquisition and final purchase price allocation, in accordance with IFRS 3 – Business Combinations, was as follows:

	$
Consideration	
Fair value of shares issued	607
Identifiable assets acquired and liabilities assumed	
Inventory	216
Equipment	18
Customer list and other intangibles	623
Product warranty liability	(250)
Identifiable net assets acquired	607

This acquisition contributed approximately $1.2 million in revenues and $0.6 million in gross margins during the year ended December 31, 2013, most of which was recognized in the first two quarters of 2013. This amount solely related to Spot products sold during the period, and excluded sales of existing traffic products to their customers and incremental operating costs associated with supporting this business, as these were not tracked or practically determinable.

Due to a variety of events that have occurred subsequent to the acquisition, management concluded that the underlying intangibles acquired were impaired. Of the events, most significant was the inability to secure an economically viable SIMA license agreement. This resulted in a large reduction in the number of Spot products that could be sold going forward as SIMA was highly integrated and this resulted in a higher than expected churn rate with legacy customers. Although the Company tried to mitigate these factors, the Company was uncertain if significant future cash flows would continue to be generated from this acquisition or if it would be able to adequately identify these cash flows. Consequently, management recognized an impairment of the associated intangibles assets of approximately $0.6 million in 2013.

A variety of provisions have been recorded as a result of this acquisition which have been described and disclosed in Note 10.

Investor Relations

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Stock Symbol: CMH

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