CARMANAH TECHNOLOGIES CORPORATION

Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Amounts in thousands of U.S. dollars unless otherwise stated)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Carmanah Technologies Corporation

We have audited the accompanying consolidated financial statements of Carmanah Technologies Corporation, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of income and total comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 our 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, we consider 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 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 consolidated financial position of Carmanah Technologies Corporation as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

The consolidated financial statements of Carmanah Technologies Corporation as at and for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 29, 2016.

KPMG LLP

March 20, 2017
Vancouver, Canada

CARMANAH TECHNOLOGIES CORPORATION
Consolidated Statements of Financial Position
(Expressed in thousands of U.S. dollars)

	Notes	December 31, 2016	December 31, 2015
ASSETS			
Cash	5.1	21,921	14,880
Trade and other receivables	5.2	6,560	18,428
Inventories	6	6,215	12,667
Prepaid and other current assets		405	1,068
Income taxes receivable		148	-
Unbilled receivables	5.2	-	3,033
Cost of uncompleted projects		-	1,593
Total current assets		35,249	51,669
Equipment and leasehold improvements	7	1,218	1,337
Intangible assets	8	7,531	8,700
Goodwill	9	16,838	17,249
Deferred income tax asset	19	7,165	7,473
Investment tax credits	19	2,512	3,548
Assets held for sale	21	16,394	-
Total assets		**86,907**	**89,976**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables		4,612	11,117
Bank debt	11	7,414	10,093
Provisions	10	780	1,221
Income taxes payable		95	367
Deferred revenue		719	549
Total current liabilities		13,620	23,347
Deferred income tax liability	19	1,714	1,996
Liabilities held for sale	21	2,782	-
Total liabilities		**18,116**	**25,343**
Equity			
Share capital	12	86,376	86,118
Equity reserve	13	5,065	4,487
Accumulated other comprehensive loss		(1,720)	(814)
Deficit		(20,930)	(25,158)
Total equity		68,791	64,633
Total liabilities and equity		**86,907**	**89,976**

Commitments and contingencies – note 14
Subsequent events – note 23

Approved and authorized for issue by the Board of Directors on March 20, 2017

"John Simmons"

John Simmons, Chief Executive Officer

"Michael Sonnenfeldt"

Michael Sonnenfeldt, Chair of the Board

CARMANAH TECHNOLOGIES CORPORATION

Consolidated Statements of Income and Total Comprehensive Income
(Expressed in thousands of U.S. dollars, except number of share and per share amounts)

	Notes	Years ended December 31, 2016	2015
Revenues		47,742	43,090
Cost of sales		27,201	25,331
Gross profit	17	20,541	17,759
Operating expenditures			
Sales and marketing		4,658	4,552
Research and development		2,388	2,058
General and administrative		9,485	8,558
Other inventory write downs		-	442
Restructuring expenses		-	74
Investment tax credits recognized	19	-	(4,502)
Total operating expenditures	16	16,531	11,182
Other expenses/(income)			
Loss on disposal of assets		17	21
Other expense	20	85	1,471
Foreign exchange (gain)/loss		(46)	1,453
Total other expenditures		56	2,945
Income before taxes		3,954	3,632
Income tax expense/(recovery)	18	1,037	(6,062)
Net income from continuing operations		2,917	9,694
Net income from discontinued operations, net of tax	21	1,311	739
Net Income attributable to shareholders		4,228	10,433
Other comprehensive loss			
Items that will not be reclassified subsequently to net income:			
Foreign currency translation adjustments		(906)	(410)
Total comprehensive income		3,322	10,023
Net income per share			
Basic - Continuing operations		*0.12*	*0.44*
Basic - Discontinued operations		*0.05*	*0.04*
Total		**0.17**	**0.48**
Diluted - Continuing operations		*0.12*	*0.43*
Diluted - Discontinued operations		*0.05*	*0.03*
Total		**0.17**	**0.46**
Weighted average number of shares outstanding (note 12.1)			
Basic		24,756,558	21,905,787
Diluted		25,259,610	22,512,729

CARMANAH TECHNOLOGIES CORPORATION

Consolidated Statements of Changes in Equity
(Unless otherwise stated, expressed in thousands of U.S. dollars)

	Notes	Share capital # of shares	Share capital Amount	Equity reserve	Accumulated other comprehensive loss	Deficit	Total equity
		('000)					
Balance, January 1, 2015		*16,977*	$56,539	$3,292	($180)	$(35,838)	$23,813
Net income		-	-	-	-	10,680	10,680
Share-based payments	13	-	-	901	-	-	901
Shares issued on stock option exercise	13	*46*	167	(56)	-	-	111
Shares issued under bought deal, net of issuance costs of $2,230 offset by tax of $484		*6,400*	24,824	370	-	-	25,194
Shares issued from warrant exercise	12	*13*	75	(20)	-	-	55
Sabik acquisition	22	*1,180*	4,513	-	-	-	4,513
Foreign currency translation adjustments		-	-	-	(634)	-	(634)
Balance, December 31, 2015		*24,616*	86,118	4,487	(814)	(25,158)	64,633
Net income			-	-	-	4,228	4,228
Share-based payments	13		-	767	-	-	767
Shares issued on stock option exercise	13	76	218	(70)	-	-	148
Shares issued from warrant exercise	12	240	1,186	(262)	-	-	924
Shares acquired and cancelled	12	(330)	(1,146)	143	-	-	(1,003)
Foreign currency translation adjustments			-	-	(906)	-	(906)
Balance, December 31, 2016		*24,602*	86,376	5,065	(1,720)	(20,930)	68,791

CARMANAH TECHNOLOGIES CORPORATION

Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

	Notes	Years ended December 31, 2016	2015
OPERATING ACTIVITIES			
Net income		2,917	9,694
Add back (deduct) items not involving cash:			
Amortization		1,623	2,052
Loss on disposal of assets		17	21
Share-based payments	13	700	815
Unrealized foreign exchange loss		(278)	168
Recognition of investment tax credits	19	1,036	(4,502)
Deferred income tax recovery	18	26	(7,253)
Fair value adjustment to inventory acquired		-	492
Changes in working capital and other items:			
Trade and other receivables		3,353	(3,705)
Inventories		327	(3,365)
Prepaids and other current assets		38	(110)
Income tax receivable		(148)	-
Trade and other payables		(2,828)	837
Provisions		(246)	46
Deferred revenue		180	245
Income tax payable		(272)	367
Net cash provided/(used) in operating activities		6,445	(4,198)
INVESTING ACTIVITIES			
Proceeds from disposal of assets		-	54
Acquisitions, net of cash	22	-	(16,743)
Purchase of equipment and leasehold improvements	7	(547)	(512)
Purchase of intangible assets	8	(268)	(251)
Change in restricted cash		-	45
Net cash used in investing activities		(815)	(17,407)
FINANCING ACTIVITIES			
Proceeds from bought deal offering, net of issue costs		-	24,710
Proceeds from exercised warrants		924	55
Proceeds from exercised stock options	13	148	111
Proceeds from credit facility draw	11	420	10,000
Debt repayments		(3,099)	(1,310)
Share repurchase	12	(1,003)	-
Net cash (used)/provided by financing activities		(2,610)	33,566
Foreign exchange effect on cash		(18)	(121)
Increase in cash from continuing operations		3,002	11,840
Cash provided from (used) by discontinued operations		4,039	(5,667)
Cash at beginning of period		14,880	8,707
Cash at end of period		21,921	14,880

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 designing, developing and distributing a portfolio of products focused on energy optimized LED solutions for infrastructure.

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") under symbol "CMH". 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") as issued by the International Accounting Standards Board ("IASB"). 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.

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

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

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 December 31, **2016**
Carmanah Technologies (US) Corporation	Employed sales representatives whom were based in the United States	United States - Nevada	100%
Carmanah Solar Power Corporation	Holds a portion of the Company's Power segment	Canada – Ontario	100%
Sol, Inc	Holds a portion of the Company's Illumination segment	United States - Florida	100%
Sabik Oy	Holds a portion of the Company's Signals segment	Finland	100%
Sabik Ou	Holds a portion of the Company's Signals segment	Estonia	100%
Sabik Offshore GmbH *(Formally Sabik GmbH)*	Holds a portion of the Company's Signals segment	Germany	100%
Sabik PTE Ltd	Holds a portion of the Company's Signals segment	Singapore	100%
Sabik Ltd	Holds a portion of the Company's Signals segment	United Kingdom	100%
Sabik Offshore Ltd	Holds a portion of the Company's Signals segment	United Kingdom	100%

2.2. Business Combinations and Goodwill

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 acquisition 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 that 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 Statement of Income and Total Comprehensive Income.

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, Carmanah Technologies (US) Corporation and Sabik PTE Ltd. is the U.S. dollar. The functional currency of Carmanah Solar Power Corporation is the Canadian dollar. The functional currency of Sabik Oy, Sabik Offshore GmbH and Sabik Ou is the Euro. The functional currency of Sabik Ltd. and Sabik Offshore Ltd. is the British Pound. The assets and liabilities of subsidiary entities that have different functional currency 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 the Consolidated Statement of Income.

2.4. Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cashflows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with the view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When the operations is classified as a discontinued operation, the Consolidated Statements of Income and Total Comprehensive Income is re-presented as if the operation has been discontinued from the start of the comparative year.

2.5. 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

Cash

Cash comprises of 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.

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

Trade and other receivables

Trade receivables do not accrue any interest, are short-term in nature and are measured at their value net of appropriate allowances 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.

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 Total Comprehensive Income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Consolidated Statement of Income and Total Comprehensive Income.

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 to net income. The loss recognized in the Consolidated Statements of Income and Total Comprehensive Income is the 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.

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.

Debt

Debt is initially measured at fair value and subsequently measured at amortized cost using the effective interest method

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.

2.6. 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.

2.7. Equipment and Leasehold Improvements

Equipment and leasehold improvements are carried at cost, less accumulated amortization 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 are outlined below:

Asset	Years
Computer hardware	3-5
Leasehold improvements	lesser of useful life or term of lease
Office equipment	3-8
Production equipment	3-10
Research and tradeshow equipment	5

Estimated useful lives, amortization methods, rates and residual values are reviewed on an annual 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 Total Comprehensive Income. 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.

2.8. Intangible Assets

Intangible assets consist of computer software, license rights, trademarks, patents, a domain name and product development assets recognized from the acquisition of Sol, Inc and the Sabik Group of Companies. Customer lists, order backlog and brand name have been recognized related to the acquisition of Sabik. 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 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 over 4 years.

The domain name recognized from the acquisition of Sol, Inc and brand names recognized from the acquisition of Sabik have an indefinite life and thus are not amortized but are subject to annual impairment analysis.

The customer list asset recognized from the acquisition of Sabik relates to the customer relationships that were acquired have useful lives between 3 and 10 years.

2.9. 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 Total Comprehensive Income.

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 Total Comprehensive Income. 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.

2.10. 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.

2.11. 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. The Company maintains several shares based compensation plans for certain employees and directors that may be settled in cash and/or equity. At December 31, 2016, there were no awards outstanding which are cash settled. The expense is recognized over the vesting period, which is the period over which all 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 Statement of Income and Total Comprehensive Income.

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.

2.12. 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.

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 and applying an external labour rate as well as estimated total external costs to costs incurred to date.
- 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 hours, which drives total internal costs, 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. All the project revenue and unbilled receivables defined above relate to the Company's discontinued operations as described in note 21.

2.13. Research and Development Costs

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

2.14. 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.

The Company's policy is to net ITCs against the associated expense, which are usually captured within the Development caption under operating costs on the Consolidated Statement of Income. Any impairments or initial recognition of the ITCs are recognized under a separate caption within Operating expenditures, as was the case in 2015. This separate presentation is to highlight the unusual nature of these types of adjustments.

2.15. 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.

2.16. Earnings Per Share

The Company presents basic and diluted per share data for its common shares, calculated by dividing the income attributable to common shareholders of Carmanah by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit 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 and warrants.

2.17. 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.

2.18. Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classifies as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounting investee is no longer equity accounted.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgements 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

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 Consolidated Statement of Income in the year that they occur. Current forfeiture rates applied to grants range from 14% 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.

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 Total Comprehensive Income.

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. Non-current assets classified as held to sale are recorded at the lower of its carrying value or fair value less costs to sell. Management judgment is necessary to evaluate the fair value less costs to sell and critical assumptions include market opportunities and costs to sell. In 2016 and 2015, there were no impairment losses.

Project revenues
Carmanah records project revenues based on a percentage of completion method. Estimates are required to determine the completeness of a project at each period end. Estimates include the total number of internal hours to complete a project, total external costs to complete a project and a labour rate which is used to determine the cost of the total internal hours.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain pronouncements have been issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that will become effective in future accounting periods. The following is a summary of significant standards that may have an impact on the Company's future financial statements.

- 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. It is anticipated that these changes would be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.
- IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. It is anticipated this change will be effective for annual periods beginning on or after January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.
- IFRS 16, Leases ("IFRS 16"). IFRS 16 replaces IAS 17. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases will require an asset and liability to be recognized on the Statement of Financial Position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The extent of the impact of adoption of the standard has not yet been determined.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

The Company is assessing the impact that these standards will have on the Company's consolidated financial statements and does not intend to early adopt the standards.

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, 2016	December 31, 2015
Loans and receivables		
Cash	21,921	14,880
Trade and other receivables	6,560	18,428
Other financial liabilities		
Trade and other payables	4,612	11,117
Bank Debt	7,414	10,093

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 carrying value of bank debt is at fair value and subsequently measured at amortized cost using the effective interest method

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 and the U.S. dollar and Euro.

A breakdown of Carmanah's financial instruments by currency, presented in USD, is provided below:

	USD	Canadian	Euro	Other	Total
Balance at December 31, 2016					
Cash	16,358	1,592	3,935	36	21,921
Trade and other receivables	2,956	-	3,390	214	6,560
Trade and other payables	2,489	-	1,885	238	4,612
Bank debt	6,994	-	420	-	7,414
Balance at December 31, 2015					
Cash	12,495	450	1,898	37	14,880
Trade and other receivables	7,203	6,999	4,093	133	18,428
Trade and other payables	4,975	4,536	1,350	256	11,117
Bank debt	8,998	-	1,095	-	10,093

Carmanah estimates a five percent increase or decrease in the Canadian dollar relative to the U.S. dollar would result in a $0.1 million loss or gain to net income before tax given the currency mix of the Company's financial instruments. The Euro amounts are held at the Company's subsidiaries which have a Euro functional currency so there would be no impact to net income.

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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.

Interest rate risk management
Carmanah is exposed to interest rate risk on the debt held with financial institutions based on the floating interest rates. Carmanah estimates that a 1% increase or decrease in interest rates would result in a $0.1 million loss or gain to net income before tax.

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 5.2.

Liquidity risk management
Liquidity refers to the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

5.1. Cash

Cash represents cash in banks and cash on hand. There were no cash equivalents at December 31, 2016 (2015 - $Nil).

5.2. Trade and Other Receivables

Trade and other receivables are comprised of the following:

	December 31, 2016	December 31, 2015
Trade receivables	6,447	17,354
Allowance for doubtful accounts	(225)	(146)
Other receivables	338	1,220
Trade and other receivables	6,560	18,428
Unbilled receivables	-	3,033
Total accounts receivable	**6,560**	**21,461**

5.2.1. 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. At December 31, 2016, $1.7 million (December 31, 2015 - $7.8 million) was due from the five largest accounts.

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.

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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, 2016	December 31, 2015
Balance, beginning of year	146	150
Write offs of specific accounts	(78)	(61)
Reclassification of discontinued operations	(1)	-
Change in provision	158	57
Balance, end of year	**225**	**146**

At December 31, 2016, approximately 97% (December 31, 2015 - 99%) of the trade receivables were either current or are past due but were not impaired.

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, 2016	December 31, 2015
1-30 days	1,035	3,045
31-90	534	3,122
90+	215	1,413
Total	**1,784**	**7,580**

5.2.2. Other receivables

At December 31, 2016, other receivables primarily relate to amounts due from parties not considered to be customers of the Company such as input tax refunds and indemnification assets. At December 31, 2015, the amounts primarily relate to statutory holdbacks on major EPC construction projects which is included in the Company's discontinued operations as described in note 21. 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.

5.3. 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 outstanding debt as described in note 11. The Company's overall strategy with respect to management of capital is to use debt for the purpose of acquisition and ongoing operations. The Company is required to meet certain covenants as a result of the outstanding debt. As of December 31, 2016, the Company was in compliance with all covenants.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

6. INVENTORIES

	December 31, 2016	December 31, 2015
Finished goods	1,548	8,361
Work in progress	668	563
Raw materials	4,370	4,068
Provision for obsolescence	(371)	(325)
Net inventories	6,215	12,667

For the year ended December 31, 2016, inventory recognized as an expense in cost of sales amounted to $23.6 million (2015 - $22.7 million). Included in the above amounts were inventory write downs of $0.4 million (2015 - $0.2 million). There were no reversals of previously recorded inventory write downs. As at December 31, 2016, 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, 2015	600	602	119	996	472	2,789
Additions	81	131	71	212	17	512
Sabik acquisition	-	135	94	466	-	695
Foreign exchange adjustments	-	(1)	(2)	(10)	-	(13)
Disposals	(346)	(68)	(55)	(596)	(62)	(1,127)
Balance December 31, 2015	**335**	**799**	**227**	**1,068**	**427**	**2,856**
Additions	103	167	8	246	23	547
Disposals	(42)	-	(4)	(70)	(15)	(131)
Reclassification held for sale	(35)	(78)	(19)	(60)	(14)	(206)
Foreign exchange adjustments	-	(2)	(5)	(19)	-	(26)
Balance at December 31, 2016	**361**	**886**	**207**	**1,165**	**421**	**3,040**
Accumulated amortization						
Balance January 1, 2015	**417**	**393**	**47**	**813**	**459**	**2,129**
Amortization for the year	87	173	34	97	7	398
Foreign exchange adjustments	-	-	-	(2)	-	(2)
Disposals	(332)	(2)	(27)	(584)	(61)	(1,006)
Balance December 31, 2015	**172**	**564**	**54**	**324**	**405**	**1,519**
Amortization for the period	83	129	27	225	9	473
Disposals	(30)	-	(1)	(50)	(15)	(96)
Reclassification held for sale	(10)	(19)	(4)	(10)	(6)	(49)
Foreign exchange adjustments	(9)	(1)	(2)	(11)	(2)	(25)
Balance December 31, 2016	**206**	**673**	**74**	**478**	**391**	**1,822**
Carrying amounts						
At December 31, 2015	163	235	173	744	22	1,337
At December 31, 2016	155	213	133	687	30	1,218

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

8. INTANGIBLE ASSETS

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

	Patents and trademarks	Software	Customer Lists	Product development	Brand and Domain name	Backlog	Total
Cost							
Balance January 1, 2015	**833**	**2,428**	**-**	**250**	**50**	**-**	**3,561**
Additions	7	244	-	-	-	-	251
Sabik acquisition	-	31	4,800	1,600	2,000	900	9,331
Foreign exchange adjustments	-	-	(72)	(24)	(30)	(14)	(140)
Disposals	(101)	(174)	-	-	-	-	(275)
Balance December 31, 2015	**739**	**2,529**	**4,728**	**1,826**	**2,020**	**886**	**12,728**
Additions	-	268	-	-	-	-	268
Disposals	-	(1,539)	-	-	-	-	(1,539)
Reclassification held for sale	-	(32)	-	-	-	-	(32)
Foreign exchange adjustments	-	-	(169)	(56)	(71)	(32)	(328)
Balance December 31, 2016	**739**	**1,226**	**4,559**	**1,770**	**1,949**	**854**	**11,097**
Accumulated amortization							
Balance January 1, 2015	**729**	**1,795**	**-**	**62**	**-**	**-**	**2,586**
Amortization for the year	37	172	284	285	-	897	1,675
Disposals	(85)	(133)	-	-	-	-	(218)
Foreign exchange adjustments	-	-	(3)	(1)	-	(11)	(15)
Balance December 31, 2015	**681**	**1,834**	**281**	**346**	**-**	**886**	**4,028**
Amortization for the year	29	196	542	368	-	-	1,135
Disposals	-	(1,539)	-	-	-	-	(1,539)
Reclassification held for sale	-	(9)	-	-	-	-	(9)
Foreign exchange adjustments	-	-	(11)	(6)	-	(32)	(49)
Balance December 31, 2016	**710**	**482**	**812**	**708**	-	**854**	**3,566**
Carrying amounts							
At December 31, 2015	58	695	4,447	1,480	2,020	-	8,700
At December 31, 2016	29	744	3,747	1,062	1,949	-	7,531

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

In 2015, intangible assets of approximately $9.3 million were recognized on the acquisition of the Sabik Group of Companies. Four specific assets met the criteria for recognition and are described below:

- A value of $4.8 million was attributed to Sabik's customer lists based on long standing relationships with various key customers. These will be amortized over a period ranging from 2-10 years.
- Sabik's technology, which will remain to compliment the Company's existing technology, has an estimated value of $1.6 million and will be amortized over 5 years.
- A value of $2.0 million has been assigned to Sabik's brand which is not being amortized. This asset is assessed as a part of the impairment analysis described in note 9.
- Backlog of $0.9 million was acquired for orders secured prior to acquisition. These orders were amortized over the period in which they were shipped.

9. GOODWILL

	Illumination	Signals	Total
Balance, January 1, 2015	5,746	-	5,746
Sabik acquisition (note 22)	-	11,677	11,677
Foreign exchange adjustment	-	(174)	(174)
Balance, December 31, 2015	5,746	11,503	17,249
Foreign exchange adjustment	-	(411)	(411)
Balance, December 31, 2016	5,746	11,092	16,838

The Company performs an impairment test annually on December 31st each year or if there is an indication of impairment. No impairment of goodwill was identified as a result of the Company's most recent impairment test as December 31, 2016, nor at December 31, 2015. The goodwill impairment testing is based on a value in use approach and is completed for two cash generating units, one within the Signals reportable operating segment and the other being the Illumination segment as a whole.

The key assumptions used in performing the impairment tests were as follows:

	5-year revenue growth rate		Discount rate		Terminal growth rate	
Segment	2016	2015	2016	2015	2016	2015
Signals	2.4-17.6%	3.6%	14.5%	14.5%	2%	2%
Illumination	12.5-28.1%	10-39%	15.5%	14.5%	2%	4%

The recoverable amount is determined by management's past experience and future expectations of the business performance are used to make a best estimate of the expected revenue, earnings before interest, taxes, amortization and operating cash flows for a five-year period. The revenue growth rate in that period is based upon management's current and long term forecasts for each business is a key driver within the test.

Other key assumptions in the analysis, include the discount and terminal growth rate. The discount rate applied in the model is a pre-tax rate that reflects the time value of money and risk associated with the business. The terminal growth rate is based on the long-term growth prospect of the businesses beyond a 5-year term. The December 31, 2016 impairment assessments showed an excess over carrying value of $3.4 million for Illumination, and $19.2 million for Signals. A sensitivity analysis was also completed on both models and it was determined reasonable changes to key assumptions would not result in an impairment loss.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

10. PROVISIONS

	December 31, 2016	December 31, 2015
Warranty provisions	737	1,178
Provision relating to Sol, Inc acquisition	43	43
	780	1,221

Outstanding provisions
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 the customer. The estimates surrounding the warranty provision are reviewed on a regular basis and updated for recent experience and known product issues.

In the acquisition of Sol, it was determined that there could be additional liabilities on historical sales. A provision remains until we can obtain resolutions for these liabilities.

The following is a reconciliation of the provisions during the year:

	December 31, 2016	December 31, 2015
Opening provision	1,221	1,165
Warranty costs incurred	(354)	(292)
Provision relating to Spot Devices Inc. acquisition	-	(110)
Warranty provision recognized on acquisition of Sol, Inc	-	(60)
Warranty provision recognized on acquisition of Sabik (note 22)	-	278
Warranty provision additions/changes	188	244
Reclassification of discontinued operations	(258)	-
Foreign exchange adjustment	(17)	(4)
Closing provision	**780**	**1,221**

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

11. BANK DEBT

	December 31, 2016	December 31, 2015
CIBC facility	6,994	8,998
Deutsche facility	-	1,095
Nordea facility	420	-
	7,414	10,093

In 2015, the Company signed a credit facility (the "Facility") with the Canadian Imperial Bank of Commerce ("CIBC"). The multifaceted Facility provided up to $25.75 million through: a) a $10 million 364-Day Revolving Credit Facility; b) a $10 million Term Acquisition Credit Facility; c) $3.75 million for Letters of Credit; and d) $2.0 million for trading room and other liabilities. The Company's ability to draw on the 364-Day revolver, letters of credit, and credit for trading room contingent liabilities is subject to certain covenants.

In June of 2015, the Company drew $10 million on the term acquisition facility to fund the acquisition of Sabik Group of Companies. This debt is repayable on a monthly basis over a 5-year term and was broken into two $5 million tranches both of which are repayable on demand. The first tranche was supported by a 100% guarantee from Export Development Canada ("EDC") and carries an interest rate of US LIBOR plus 1.5%. The EDC fees associated with their guarantee was approximately 4.5% per annum on the outstanding balance. The second tranche carried an interest rate of US LIBOR plus 3.5%. In late June 2016, the Company signed an updated credit facility agreement with CIBC which eliminated the need for the first tranche to be supported by EDC, and set the interest rate on both tranches to US LIBOR plus 3.0%.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

In late March 2016, the Company's German subsidiary, Sabik Offshore GmbH, signed a new credit facility with Deutsche Bank (the "Deutsche Facility"). The Deutsche Facility provides credit up to €3.0 million through €2.0 million (USD $3.2 million through USD $2.1 million) of revolving credit and €1.0 million (USD $1.1 million) for guarantees and was secured to support ongoing working capital needs. Interest on the revolving credit facility is variable and is based on EURIBOR plus 1.5%. The Deutsche Facility has been guaranteed through a €2.0 million (USD $2.1 million) Letter of Credit issued on the Company's CIBC Facility and a security over inventory within Sabik Offshore GmbH and is repayable on demand. At December 31, 2016, no amounts had been drawn on the revolving credit facility.

Sabik Oy has access to an operating line and a loan with Nordea (the "Nordea Facility"), a Finnish financial institution. The loan and operating line is secured by Carmanah through a letter of credit drawn from the CIBC credit facility noted above and is repayable on demand. At December 31, 2016, Sabik Oy had drawn €0.4 million (USD $0.4 million) from the operating line for short-term working capital needs. It carries and interest rate of EURIBOR plus 1.35% and was drawn upon for short term working capital needs.

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.

Warrants

As a part of a "bought deal" financing the Company completed in April 2015, it issued a total of 332,750 broker warrants (the "Warrants") which allowed the holder to acquire one additional Common Share of the Company at a price of $5.00 CAD per share. These Warrants expired after one year from issuance and were valued under the Black-Scholes option pricing model. The weighted average fair value of these Warrants were $1.34 CAD per share. The following assumptions were utilized in determining this fair value: a risk-free interest rate of 0.67%, an expected dividend yield of 0%, an expected life of 1 year, and a stock price volatility of 67.31%. The total fair value of these Warrants was determined to be $0.37 million CAD and it was recorded as a reduction to share capital with an offset to the equity reserve account. The table below is a reconciliation of the Warrants. The weighted average exercise price is stated in Canadian dollars.

	# of Warrants	Weighted average exercise price
Balance, January 1, 2015	-	-
Granted	332,750	$5.00
Exercised	(13,310)	$5.00
Balance, December 31, 2015	319,440	$5.00
Exercised	(239,580)	$5.00
Expired	(79,860)	$5.00
Balance, December 31, 2016	-	-

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

Normal Course Issuer Bid

On March 9, 2016, Carmanah announced that the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which would allow the Company to purchase up to 1,426,386 of its common shares, representing approximately 10% of its public float as of March 7, 2016. The program commenced on March 14, 2016 and can continue until March 13, 2017 or an earlier date should the Company complete its purchases.

Under this program, during the year ended December 31, 2016, the Company acquired 329,877 of its common share at prevailing market prices at the time of the transaction. A total of $1.3 million CAD ($1.1 million USD) was used to acquire these shares. All shares repurchased under the bid were cancelled.

12.1. Diluted Share Reconciliation

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

	December 31, 2016	December 31, 2015
Basic weighted average shares outstanding	24,756,558	21,905,787
Effect of dilutive securities:		
Stock options and warrants	503,052	606,942
Diluted weighted average shares outstanding	25,259,610	22,512,729

For the year ended December 31, 2016, 1,214,722 stock options were not included because the exercise price of those options was higher than the estimated average market price of the common 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 of 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	Cash settled
			Compensation expense based on	
Stock options	Expiry is typically 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) (none outstanding)	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

At present, the Company only has stock options outstanding. The total compensation expense, for continuing operations for these share-based payment plans are outlined in the table below:

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

Years ended December 31,	2016	2015
Stock options	700	815

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, 2016:

Available shares (10% of outstanding shares at December 31, 2016)	2,460,250
Less:	
Stock options outstanding at December 31, 2016	(1,942,985)
Number of shares issuable under stock-based compensation plans	517,265

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

13.1. Stock Options

The following is a summary of the status of the stock options outstanding and exercisable at December 31, 2016 and 2015. The weighted average exercise price is stated in Canadian dollars.

	Number of options	Weighted average exercise price
Balance, January 1, 2015	1,335,697	$2.36
Granted	942,950	$5.85
Exercised	(45,876)	$4.61
Forfeited	(180,151)	$3.16
Balance, December 31, 2015	2,052,620	$3.76
Granted	200,000	$3.93
Exercised	(76,201)	$2.58
Expired	(6,000)	$5.30
Forfeited	(227,434)	$4.67
Balance, December 31, 2016	1,942,985	$3.72

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

The following table summarizes the stock options outstanding and exercisable at December 31, 2015 and 2016. 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, 2015						
$1.45 to $1.45	300,000	4.9	$1.45	150,000	4.9	$1.45
$1.46 to $2.50	611,034	8.3	$2.50	143,801	8.3	$2.50
$2.51 to $2.90	311,086	8.2	$2.72	94,973	7.0	$2.76
$2.91 to $6.39	830,500	9.4	$5.92	6,000	0.4	$5.30
	2,052,620	8.2	$3.76	394,774	6.6	$2.21
At December 31, 2016						
$1.45 to $1.45	300,000	3.9	$1.45	225,000	3.9	$1.45
$1.46 to $2.50	502,807	7.3	$2.50	233,113	7.3	$2.50
$2.51 to $2.90	281,965	7.2	$2.72	156,675	6.6	$2.74
$2.91 to $6.39	858,213	8.7	$5.55	167,977	8.5	$5.98
	1,942,985	7.4	$3.72	782,765	6.4	$2.99

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, 2016 is $2.04 CAD per share and $3.08 CAD per share for the year ended December 31, 2015. The option valuations were determined using the following weighted average assumptions:

	Year ended December 31,	
	2016	2015
Risk-free interest rate	0.91%	1.13%
Expected dividend yield	0%	0%
Forfeiture rate	16.6%	17.5%
Stock price volatility	55%	55%
Expected life of options	6.2 years	6.2 years
Term of options	10 years	10 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.

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	Vehicle leases	IT and other contracts	Total
Not later than 1 year	591	102	46	43	782
2 years to 3 years	962	173	34	15	1,184
Greater than 3 years	346	24	-	13	383
Total	1,899	299	80	71	2,349

Lease payments recognized as expenses in 2016 amounted to $0.8 million (2015 - $0.7 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. At present, Carmanah is dealing with two significant contract manufacturers. Under the terms of the contract manufacturing agreements, Carmanah is required to purchase excess raw material inventory which arises in situations where the Company's demand forecasts for a product are less than actual use or sales in a given period. At December 31, 2016, the contract manufacturers held approximately $2.4 million (December 31, 2015 - $1.5 million) in inventory and $0.7 million (December 31, 2015 - $0.7 million) in outstanding committed purchase orders.

14.3. Contingent Liabilities

From time to time, provisions are set up to cover potential legal settlements. There are no provisions recorded at December 31, 2016 or 2015. No settlement amounts were paid out in the years ended December 31, 2016 or 2015.

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. (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 were taken in regards to this matter, including a successful application to have the underlying patents reexamined by the U.S patent office which resulted in many aspects of the patents being rejected. The Plaintiff has appealed this judgment. Pending that action, the original court proceedings have been stayed.

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. In late April 2016, the Company reached a settlement with the defendants during mediation. Under the settlement, the Company received CAD $0.5 million for past defense costs and damages. These funds were received and recognized in late July 2016 once all of the terms of the settlement agreement were finalized. According to the agreement, RSA has agreed to cover 70% of future defense costs incurred on a go forward basis. However, in the event that the underlying action proceeds to trial and a verdict is rendered, a reallocation of the go-forward defense costs may occur.

In June 2016, the Company was named in another lawsuit filed in a United States District Court filed by R.D. Jones, Stop Experts, Inc., and RRFB Global, Inc. alleging additional patent infringement of a new patent that was granted in September of 2015. The outcome of this and the previous case are not certain and management intends to continue to defend the Company and file additional responses to the Court as required. In early 2017, this case was stayed pending a Reissue Patent Application associated with the new patent involved in the second case. At December 31, 2016, no provision has been made as Management has concluded the probability of outflow is low.

14.1. Indemnifications in Contracts

The Company has entered into agreements with third parties that include indemnification provisions that are customary in the industry. These indemnification provisions generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. The maximum amount of potential future indemnification is unlimited; however, the Company currently holds commercial and product liability insurance. This insurance limits the Company's exposure and may enable it to recover a portion of any future amounts paid. Historically, the Company has not made any indemnification payments under such agreements and the Company believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to these obligations for any period presented.

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"). In April 2015, the Company hired a Chief Operating Officer, however, the Company and Chief Operating Officer agreed to part ways in October 2015.

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

(in thousands of Canadian dollars)	Years ended December 31,	
	2016	2015
Short-term benefits	776	1,357
Termination benefits	-	198
Share-based compensations	719	2,233
Total	1,495	3,788

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 12 months base salary plus applicable cash-based incentives. Under a change in control (1) the CEO is entitled to no less than 12 months base salary plus applicable cash-based incentives plus an acceleration of all non-cash incentives period (2) the CFO is entitled to an acceleration of all non-cash incentives.

Inventory purchases

The Company purchased $0.9 million (December 31, 2015 - $1.0 million) 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 ended December 31, 2016, the associated amounts owing in trade and other payables was $0.03 million (December 31, 2015 - $0.1 million).

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

16. OPERATING EXPENDITURES

The components of operating expenditures by nature are outlined below:

	Years ended December 31, 2016	2015
Salaries, commissions and other direct compensation	8,672	7,497
Professional fees, insurance and public company costs	1,509	1,002
Amortization	1,489	1,872
Telecom and IT expenses	826	887
Travel and related expenses	744	713
Occupancy costs	918	723
Bank charges and bad debts	150	135
Marketing, advertising and other related expenses	665	645
Development expenses	327	724
Other expenses	487	622
Share-based payments	700	815
Bad debts	104	49
Development credits	(60)	-
Investment tax credit recognized (note 19)	-	(4,502)
Total operating expenditures	16,531	11,182

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

17. SEGMENTED INFORMATION

The Company's reportable segments are broken into "Signals", "Illumination" and "Power". 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 which is a subsidiary of Carmanah.
Airfield ground Lighting	LED aviation lighting sold worldwide - the Company offers total airfield solutions, from approach lightings to apron lighting, and both solar to hybrid power systems.
Aviation/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.
Offshore	Aid to navigation solutions on Offshore wind farms for temporary and permanent marking. These products are sold under Sabik Offshore GmbH which is a wholly owned subsidiary of Carmanah. Sales are mainly focused on the European market.
Telematics	Telematics is currently focused on designing and manufacturing devices to enable remote monitoring of assets.

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*	
Off-Grid	Mobile power solutions for the North American market sold under the Go Power! brand. 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.
On-Grid	The design, procurement and construction of grid-connected solar power systems in the Canadian industrial market. Previously referred to as Solar EPC Services.

**Discontinued Operations*

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.

	Signals	Illumination	Total
For the year ended December 31, 2016			
Revenue	39,915	7,827	47,742
Gross margin	18,090	2,451	20,541
Gross margin %	45.3%	31.3%	43.0%
Total operating expenses			(16,531)
Other expenses			(56)
Income before taxes			3,954
For the year ended December 31, 2015			
Revenue	34,175	8,915	43,090
Gross margin	14,386	3,373	17,759
Gross margin %	42.1%	37.8%	41.2%
Total operating expenses (including restructuring)			(11,182)
Other expenses			(2,945)
Income before taxes			3,632

Geographic

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

	Years ended December 31,	
	2016	2015
North America	22,504	22,290
Europe	21,923	13,892
South America	420	882
Middle East and Africa	862	2,484
Asia Pacific	2,033	3,542
Total revenues	47,742	43,090

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

As at December 31, 2016, substantially all the assets related to the Company's operations were located in Canada except for inventory on hand in the United States of $1.6 million (December 31, 2015 - $5.4 million), and $3.8 million (December 31, 2015 - $3.5 million) of assets related to the Sabik entities which is mainly split between Germany and Finland.

18. INCOME TAXES

Income tax expense / (recovery) is comprised of the following:

	Years ended December 31, 2016	2015
Current tax expense/(recovery):		
Current year	1,491	1,319
Adjustments for prior periods	(98)	(40)
	1,393	1,279
Deferred tax expense/(recovery)		
Origination and reversal of temporary differences	(282)	18
Change in unrecognized deferred tax assets	-	(7,573)
Change in tax rates	(4)	-
Adjustments for prior periods	(70)	214
	(356)	(7,341)
Total income tax expense / (recovery)	1,037	(6,062)

The following is a reconciliation of income taxes calculated at the Canadian statutory corporate tax rate to tax expense/(recovery):

	Years ended December 31, 2016	2015
Income before taxes	3,954	3,632
Computed tax expense at 26% (2015 – 26%)	1,028	944
Adjusted for the effects of:		
Expenses not deductible for tax purposes	281	520
Recognition of deferred tax assets	-	(7,573)
Adjustments for prior periods	(196)	173
Effects of tax rate changes and foreign tax rate changes	(98)	(159)
Other	22	33
Income tax expense / (recovery)	1,037	(6,062)

Non-deductible expenses consist primarily of share-based compensation expense, certain expenditures made in relation to the acquisitions, 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.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

19. INVESTMENT TAX CREDITS AND DEFERRED TAXES

The tables below outline the movement in temporary tax differences attributable to deferred assets and liabilities. The Company has recorded deferred income tax assets available as it is probable that the benefits of these assets will be realized.

December 31, 2016	Opening balance	Recognized in income tax expense	Recognized in equity	Reclassified – assets held for sale	Recognized in foreign exchange gain (loss)	Ending balance
Deferred Income tax assets						
Scientific research & experimental development expenditures	2,508	(78)	-	-	-	2,430
Losses available for future periods	2,461	322	-		-	2,783
Tangible assets	1,345	(42)	-		-	1,303
Warranty and other provisions	431	(204)	-	(65)	(8)	154
Share issuance costs	441	(123)	-		-	318
Other	19	26	-		-	45
	7,205	**(99)**	**-**	**(65)**	**(8)**	**7,033**
Deferred income tax liabilities						
Intangible assets	(964)	(18)	-	-	45	(936)
Inventory	(16)	-	-	-	-	(16)
Investment tax credits	(748)	118	-	-	-	(630)
	(1,728)	**100**	**-**	**-**	**45**	**(1,582)**
Net deferred income tax asset	**5,477**	**1**	**-**	**(65)**	**37**	**5,451**

December 31, 2015	Opening balance	Recognized in income tax expense	Recognized in equity	Acquired in a business combination	Recognized in foreign exchange gain (loss)	Ending balance
Deferred Income tax assets						
Scientific research & experimental development expenditures	-	2,508	-	-	-	2,508
Losses available for future periods	15	2,446	-		-	2,461
Tangible assets	20	1,325	-		-	1,345
Warranty and other provisions	342	263	-	(174)	-	431
Share issuance costs	-	(43)	484		-	441
Other	15	4	-		-	19
	392	**6,503**	**484**	**(174)**	**-**	7,205
Deferred income tax liabilities						
Intangible assets	(109)	1,310	-	(2,197)	32	(964)
Inventory		107	-	(123)	-	(16)
Investment tax credits		(748)	-	-	-	(748)
	(109)	**669**	**-**	**(2,320)**	**32**	(1,728)
Net deferred income tax asset	**283**	**7,172**	**484**	**(2,494)**	**32**	**5,477**

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

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

	December 31, 2016	December 31, 2015
Temporary differences and unused tax losses available to reduce taxable income		
Unrealized Foreign Exchange Gain	414	121
	414	121

During the December 31, 2016, fiscal year, the Company recognized $60 (2015- $4,503) of investment tax credits as a reduction to operating expenditures. The investment tax credits are available to reduce Canadian federal and provincial taxes otherwise payable.

20. 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, 2016, the majority of these costs were related to the ETKA asset purchase as described in note 22.

21. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the third quarter of 2016, management committed to a plan to sell its Power segment to focus on the Company's Signals and Illumination segments. Sales efforts began in September 2016 and it is anticipated that the sale will occur within in 2017. At December 31, 2016, the disposal group was stated at the lower of carrying amount and fair value less costs to sell. The comparative Consolidated Statement of Income and Total Comprehensive Income has been restated to show the discontinued operations separately from continuing operations.

Results of discontinued operations

	Year ended December 31, 2016	2015
Revenues	26,879	25,115
Cost of sales	21,705	19,969
Gross profit	5,174	5,146
Operating expenditures	(3,526)	(2,988)
Other income (expense)	90	(790)
Income before taxes	1,738	1,368
Tax expense	(470)	(378)
Net income from discontinued operations	1,268	990
Other comprehensive income (loss)	43	(251)
Total comprehensive income	1,311	739

Effect of disposal on the financial position of the company

As part of management's plan to sell the Company's Power segment, assets and liabilities associated with the segment have been presented as held for sale. The following are the associated details:

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

	As at December 31, 2016
Trade and other receivables	6,172
Unbilled receivables	4,472
Inventories	4,917
Prepaid and other current assets	588
Capital and intangible assets	178
Deferred tax assets	67
Assets classified as held for sale	16,394
Deferred revenue	9
Trade and other payables	2,455
Cost of uncompleted contracts	60
Provisions	258
Liabilities classified as held for sale	2,782

Cash flow from (used in) discontinued operation

	Year ended December 31,	
	2016	2015
Cash provided by (used in) operating activities	4,039	(5,667)
Net cash flow from discontinued operations	4,039	(5,667)

22. ACQUISITIONS

Sabik

On July 2, 2015, the Company completed an acquisition of the Sabik Group of Companies. The acquired group consists of the following companies: Sabik Oy, based in Finland, Sabik Offshore GmbH (formally Sabik GmbH), based in Germany, Sabik PTE Ltd, based in Singapore, and Sabik Ltd and Sabik Offshore Ltd, both based in the United Kingdom. Sabik is a manufacturer in the worldwide marine aids-to-navigation market. Carmanah and Sabik had a collaborative sales, marketing and development partnership since 2010. Sabik also provides sophisticated lighting and monitoring solutions for the offshore wind industry. The offshore wind industry is a new business endeavor for Carmanah. The acquisition was announced on June 10, 2015 with the signing of a Share Purchase Agreement (the “Agreement”). Under the Agreement, the Company acquired 100% of the shares of each of the companies within the group, with the exception of Sabik Ltd and Sabik Offshore Ltd, where the Company acquired 81% and 80% respectively. Of the entities acquired, approximately 90% of the revenues are generated by Sabik Oy and Sabik Offshore GmbH. The non-controlling interests were acquired during the fourth quarter of 2015 and the first quarter of 2016 for a nominal amount. Due to the nominal value of non-controlling interest, no amounts were recorded at December 31, 2015.

The purchase price outlined in the agreement consisted of €17.0 million in cash and the issuance of 1,180,414 shares of Carmanah. The value of the consideration issued amounted to $23.3 million, $18.8 million attributable to the cash outlay of €17.0 million (utilizing a Euro to US dollar exchange rate of 1.1072) and $4.5 million to the shares issued. However, all of the shares issued were subject to an escrow or hold period, with approximately 147,550 shares being released from the hold period every 3 months over a 2-year period. As a result, the fair value of these shares have been discounted utilizing a Black Scholes option pricing model. The major assumptions for this calculation mainly related to an estimate of the Company’s share price volatility, which ranged from 59.5% to 85.8% in the calculations utilized.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

The acquisition 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, 2015.

The fair values of the assets acquired and liabilities assumed in the acquisition at July 2, 2015 was finalized during the second quarter of 2016. No changes were made during the three and nine months ended September 30, 2016. The allocation was held open while management completed an assessment of Sabik's warranty provisions. The following table outlines the final purchase price allocation:

	Allocation
Consideration	
Cash	18,827
Shares issued	4,513
Total consideration	**23,340**
Identifiable assets acquired and liabilities assumed	
Cash	2,084
Trade and other receivables	2,546
Inventories	3,432
Equipment and other similar assets	726
Trade and other payables	(973)
Income taxes payable	(441)
Deferred revenue	(847)
Bank debt	(1,403)
Provisions	(278)
Deferred tax assets	25
Deferred tax liabilities	(2,508)
Acquired intangibles	9,300
Goodwill	11,677
Total	**23,340**

The primary driver behind the acquisition is to gain economies of scale in the worldwide marine aids-to-navigation market and to gain a foothold in the offshore wind market.

Among other things, the goodwill recognized reflects the potential incremental cash flows management expects to generate through efficiencies obtained through combined operations, growth in sales to existing and new customers through cross selling opportunities, and expected growth in the underlying markets which Sabik should be well positioned to capitalize on. The goodwill is not tax deductible.

23. SUBSEQUENT EVENTS

ETKA asset purchase

In late 2016, the company announced the signing of an asset purchase agreement to acquire certain marine aids to navigation assets from Cybernetica AS ("Cybernetica"), an Estonia company. This acquisition was completed on January 1, 2017. Under the agreement, Carmanah acquired the Intellectual rights to a Marine aids to navigation product line marketed under the EKTA brand, assignments to a number of sales and employment contracts, and some manufacturing assets. The purchase price totaled €1.35 million (USD $1.41 million), with €1 million paid on closing and a further €0.35 million to be paid on the first anniversary of the closing date. The additional payment may be reduced in the event of a breach of certain warranties made within the agreement.

We are currently in the process of evaluating the assets acquired and their fair value. We currently no not anticipate a reduction in the purchase price due to breach of certain warranties

A new legal entity, Sabik Ou, was incorporated in Estonia to complete the acquisition. The rational for the acquisition was to strengthen our (1) worldwide product portfolio and to allow us to provide more comprehensive single-source solutions to our marine customers, and (2) increase our market presence in Europe through the acquired/assigned sales contracts.