CARMANAH TECHNOLOGIES CORPORATION

Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(Amounts in thousands of U.S. dollars unless otherwise stated)

Deloitte.

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Independent Auditor's Report

To the Shareholders of
Carmanah Technologies Corporation

We have audited the accompanying consolidated financial statements of Carmanah Technologies Corporation, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of income and total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Carmanah Technologies Corporation as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) Deloitte LLP

Chartered Professional Accountants
March 29, 2016
Vancouver, Canada

CARMANAH TECHNOLOGIES CORPORATION

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

	Notes	December 31, 2015	December 31, 2014
ASSETS			
Cash	5.1	14,880	8,707
Restricted cash	5.1	-	45
Trade and other receivables	5.2	18,428	8,025
Inventories	6	12,667	5,172
Prepaid and other current assets		1,068	412
Unbilled receivables	5.3	3,033	2,958
Cost of uncompleted projects	6	1,593	384
Total current assets		51,669	25,703
Equipment and leasehold improvements	7	1,337	660
Intangible assets	8	8,700	975
Goodwill	9	17,249	5,746
Deferred income tax asset	19	7,473	283
Investment tax credits	19	3,548	-
Total assets		**89,976**	**33,367**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	5.4	11,117	8,095
Bank debt	11	10,093	-
Provisions	10	1,221	1,165
Income taxes payable		367	-
Deferred revenue		549	294
Total current liabilities		23,347	9,554
Deferred income tax liability	19	1,996	-
Total liabilities		**25,343**	**9,554**
Equity			
Share capital	12	86,118	56,539
Equity reserve	12,13	4,487	3,292
Accumulated other comprehensive loss		(814)	(180)
Deficit		(25,158)	(35,838)
Total equity		64,633	23,813
Total liabilities and equity		**89,976**	**33,367**

Commitments and contingencies – Note 14

Approved and authorized for issue by the Board of Directors on March 29, 2016

"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, 2015	2014
Revenues		68,206	43,732
Cost of sales		45,299	28,570
Gross margin	17	22,907	15,162
Operating expenditures			
Sales and marketing		5,743	5,292
Research and development		2,903	1,533
General and administrative		9,512	5,967
		18,158	12,792
Other inventory write downs		442	-
Restructuring expenses	20	74	190
Investment tax credits recognized	19	(4,502)	-
Total operating expenditures	16	14,172	12,982
Operating income		8,735	2,180
Other expenses			
Loss on disposal of assets		(21)	-
Other expense	21	(1,471)	(725)
Foreign exchange loss		(2,248)	(496)
		(3,740)	(1,221)
Income before taxes		4,995	959
Income tax recovery	18	5,685	35
Net Income attributable to shareholders		10,680	994
Other comprehensive loss			
Items that will not be reclassified subsequently to net income:			
Foreign currency translation adjustments		(634)	(104)
Total comprehensive income		10,046	890
Net Income per share			
Basic		0.48	0.07
Diluted		0.47	0.07
Weighted average number of shares outstanding (Note 12.1)			
Basic		21,905,787	13,936,172
Diluted		22,512,729	13,986,661

	Notes	Share capital		Equity reserve	Subtotal	Accumulated other comprehensive loss	Deficit	Total equity
		# of shares (Note 12) ('000)	Amount					
Balance, January 1, 2014		*10,061*	42,870	2,966	45,836	(76)	(36,832)	8,928
Net income		-	-	-	-	-	994	994
Share-based payments	13	-	-	326	326	-	-	326
Shares issued in private placement, net of issuance costs of $40	12	3,130	6,571	-	6,571	-	-	6,571
Sol acquisition	22	3,786	7,098	-	7,098	-	-	7,098
Foreign currency translation adjustments		-	-	-	-	(104)	-	(104)
Balance, December 31, 2014		*16,977*	56,539	3,292	59,831	(180)	(35,838)	23,813
Net income		-	-	-	-	-	10,680	10,680
Share-based payments	13	-	-	901	901	-	-	901
Shares issued on stock option exercise	13	*46*	167	(56)	111	-	-	111
Shares issued under bought deal, net of issuance costs of $2,230 offset by tax of $484	12	*6,400*	24,824	370	25,194	-	-	25,194
Shares issued from warrant exercise	12	*13*	75	(20)	55	-	-	55
Sabik acquisition	22	*1,180*	4,513	-	4,513	-	-	4,513
Foreign currency translation adjustments		-	-	-	-	(634)	-	(634)
Balance, December 31, 2015		*24,616*	86,118	4,487	90,605	(814)	(25,158)	64,633

CARMANAH TECHNOLOGIES CORPORATION

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

	Notes	Years ended December 31, 2015	2014
OPERATING ACTIVITIES			
Net income		10,680	994
Add back (deduct) items not involving cash:			
Amortization		2,073	436
Loss on disposal of assets		21	-
Share-based payments	13	901	326
Unrealized foreign exchange loss		123	327
Restructuring expenses	20	-	190
Recognition of investment tax credits	19	(4,502)	-
Current tax provision		-	405
Deferred income tax recovery	18	(7,171)	(481)
Fair value adjustment to inventory acquired		492	-
Changes in working capital and other items:			
Trade and other receivables		(7,640)	(1,586)
Unbilled receivables		(75)	(2,958)
Inventories		(4,064)	(914)
Cost of uncompleted contracts		(1,209)	(384)
Prepaids and other current assets		(655)	111
Trade and other payables		2,049	1,627
Provisions		(222)	(179)
Deferred revenue		(592)	(357)
Income tax payable		(74)	-
Net cash used in operating activities		(9,865)	(2,443)
INVESTING ACTIVITIES			
Proceeds from disposal of assets		54	-
Acquisitions, net of cash	22	(16,743)	673
Purchase of equipment and leasehold improvements	7	(512)	(213)
Purchase of intangible assets	8	(251)	(686)
Change in restricted cash		45	-
Net cash used in investing activities		(17,407)	(226)
FINANCING ACTIVITIES			
Proceeds from bought deal offering, net of issue costs	12	24,710	-
Proceeds from exercised warrants	12	55	-
Proceeds from exercised stock options	13	111	-
Proceeds from credit facility draw	11	10,000	-
Debt repayments		(1,310)	
Proceeds from private placement		-	6,571
Net cash provided by financing activities		33,566	6,571
Foreign exchange effect on cash		(122)	(392)
Increase in cash		6,173	3,510
Cash at beginning of year		8,707	5,197
Cash at end of year		14,880	8,707

1. SUMMARY OF BUSINESS AND BASIS OF PREPARATION

1.1. General Business Description

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

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

1.2. Basis of Preparation and Statement of Compliance

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

As disclosed in note 22, the Company completed an acquisition of the Sabik Group of Companies (“Sabik”, “Group”, or “Sabik Group”) on July 2, 2015. 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. Under the Share Purchase 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 GmbH. These 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 no amounts were recorded at December 31, 2015. The functional currency of these companies is the Euro, with the exception of Sabik PTE Ltd, which utilizes the U.S. dollar, and Sabik Ltd and Sabik Offshore Ltd, which utilize the British Pound. All intercompany transactions between these entities and with other Carmanah entities have been eliminated.

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.

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,	
			2015	**2014**
Carmanah Technologies (US) Corporation	Employed sales representatives whom were based in the United States	United States - Nevada	100%	100%
Carmanah Solar Power Corporation	Holds a portion of the Company's Power segment	Canada – Ontario	100%	100%
Sol, Inc	Holds a portion of the Company's Illumination segment	United States - Florida	100%	N/A
Sabik Oy	Holds a portion of the Company's Signals segment	Finland	100%	N/A
Sabik Offshore GmbH *(Formally Sabik GmbH)*	Holds a portion of the Company's Signals segment	Germany	100%	N/A
Sabik PTE Ltd	Holds a portion of the Company's Signals segment	Singapore	100%	N/A
Sabik Ltd	Holds a portion of the Company's Signals segment	United Kingdom	100%	N/A
Sabik Offshore Ltd	Holds a portion of the Company's Signals segment	United Kingdom	80%	N/A

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 and Sabik Offshore GmbH is 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. 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. Cash and cash equivalents are classified as loans and receivables and are measured at amortized cost.

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

Trade and other receivables

Trade receivables do not 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.

Unbilled receivables

Unbilled receivables arise when project revenues are earned prior to the Company’s ability to invoice in accordance with the contract terms. Interest does not accrue on unbilled receivables and they are short-term in nature and are measured at their value.

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 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 measured at the initially recognized amounts less any principal repayments made over the term of the loan.

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.

2.5. Inventories

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

2.6. Equipment and Leasehold Improvements

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

Asset	Years
Computer hardware	3-5
Leasehold improvements	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. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment and leasehold improvements that are accounted for separately, including major inspection and overhaul expenditures, are capitalized and amortized over their estimated useful life.

2.7. Intangible Assets

Intangible assets consist of computer software, license rights, trademarks, patents, 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 product development asset recognized from the acquisition of Sol has an estimated useful life of 2 years and is being amortized on a straight line basis. The product development assets recognized from the acquisition of Sabik has an estimated useful life of 5 years and is being amortized on a straight line basis.

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.

2.8. Impairment of Non-Financial Assets

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

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

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

2.9. Provisions

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

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

2.10. Share-Based Payments

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

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

Sale of goods:
Revenue from the sale of products is recognized when all of the following conditions have been met:
- title and risk involving the products are transferred to the buyer;
- the Company's managerial involvement over the goods ceases to exist;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred in respect of the transaction can be measured reliably.

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

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

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. Total project related revenues for 2015 were $10.9 million (2014 - $5.8 million).

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

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

ITCs are recorded on the Consolidated Statement of Income as operating income under the caption "Investment Tax Credits Recognized". The corresponding impairment of investment tax credits, if any, is recognized as a non-operating expense.

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

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

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

Deferred tax liabilities

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

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

2.15. 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.

2.16. Segment Reporting

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

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

Allowance for doubtful accounts
Carmanah must make an assessment of whether trade receivables are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected. At December 31, 2015, the combined allowances were $0.1 million, or 0.8% of the gross accounts receivable balance of approximately $18.4 million. See Note 5.2 for further discussions on trade receivables and the associated allowance.

Inventory valuation
The Company adjusts inventory values so that the carrying value does not exceed net realizable value. The valuation of inventory at the lower of average cost and net realizable value requires the use of estimates regarding the amount of current inventory that will be sold and the prices at which it will be sold and an assessment of expected orders from customers. Additionally, the estimates reflect changes in products or changes in demand because of various factors, including the market for the Company's products, obsolescence, production discontinuation, technology changes and competition. At December 31, 2015, the Company had provisions of $0.3 million, or approximately 2.5% of the value of gross inventory.

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

Share-based payments
In determining share-based payments expense, Carmanah makes estimates related to forfeiture rates for each specific grant. Forfeiture rates are used to estimate the number of awards that are expected to vest considering employee turnover rates. The changes in estimates are recognized in the 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. No deferred tax assets were recognized at December 31, 2014. The Company has recognized its deferred tax assets at December 31, 2015.

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. In 2015 and 2014, 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.
- 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.
- 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 Company is assessing the impact that these standards will have on the Company's consolidated financial statements.

5. FINANCIAL INSTRUMENTS

Classification and carrying value

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

	December 31, 2015	December 31, 2014
Loans and receivables		
Cash and restricted cash	14,880	8,752
Trade and other receivables	18,428	8,025
Unbilled receivables	3,033	2,958
Other financial liabilities		
Trade and other payables	11,117	8,095
Bank Debt	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.

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 is provided below:

	U.S	Canadian	Euro	Other	Total
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
Unbilled receivables	-	3,033	-	-	3,033
Trade and other payables	4,975	4,536	1,350	256	11,117
Bank debt	8,998	-	1,095	-	10,093
Balance at December 31, 2014					
Cash	4,545	3,809	353	-	8,707
Trade and other receivables	6,809	1,035	181	-	8,025
Unbilled receivables	-	2,958	-	-	2,958
Trade and other payables	5,620	2,475	-	-	8,095

Carmanah estimates a five percent increase or decrease in the Canadian dollar relative to the U.S. dollar would result in a $0.3 million loss or gain to operating income 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 operating income.

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 operating income.

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, 2015 (2014 - $Nil).

5.2. Trade and Other Receivables

Trade and other receivables are comprised of the following:

	December 31, 2015	December 31, 2014
Trade receivables	17,354	7,523
Allowance for doubtful accounts	(146)	(150)
Other receivables	1,220	652
Trade and other receivables	18,428	8,025
Unbilled receivables	3,033	2,958
Total accounts receivable	**21,461**	**10,983**

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.

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

At each period end, Carmanah reviews the collectability of outstanding receivables. In general, the Company provides an allowance of (1) 100% on accounts that have been transferred to a collection agency or for which there have been no recent communication, and (2) a variable percentage (between 10%-50%) on accounts that have had irregular communications, originate from a higher risk country, or have slow payment history. The percentage

provided is based on reference to historical experience on defaults and an analysis of the counterparty's current financial situation. The specific accounts are only written off once all collections avenues have been explored or when legal bankruptcy has occurred. The following is a reconciliation of the allowance account:

Reconciliation of the allowance for doubtful accounts	December 31, 2015	December 31, 2014
Balance, beginning of year	150	132
Write offs of specific accounts	(61)	(75)
Recoveries	-	(1)
Change in provision	57	94
Balance, end of year	**146**	**150**

At December 31, 2015, approximately 99% (December 31, 2014 - 95%) of the trade receivables were either current or are past due but were not impaired, and $7.8 million (December 31, 2014 - $1.5 million) was due from the five largest accounts.

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

Accounts overdue but not impaired	December 31, 2015	December 31, 2014
1-30 days	3,045	1,272
31-90	3,122	784
90+	1,413	83
Total	**7,580**	**2,139**

5.2.2. Other receivables

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

5.3. Unbilled Receivables

Unbilled receivables arise when project revenues are earned prior to the Company's ability to invoice in accordance with the contract terms. $3.0 million of unbilled receivables were previously classified as Trade Receivables on the Consolidated Statements of Financial Position for the year ended December 31, 2014. This amount was retrospectively reclassified to provide more useful comparative information regarding the Company's performance with respects to revenue from projects.

5.4. Trade and Other Payables

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

	December 31, 2015	December 31, 2014
Trade payables	7,560	5,563
Accrued liabilities	3,557	2,532
	11,117	8,095

5.5. Capital Management

Carmanah defines capital that it manages as the aggregate of short-term and long-term debt and total equity. Changes are made to the capital structure upon approval from the Company's Board of Directors or shareholders as required. Carmanah has 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, 2015 the Company was in compliance with all covenants.

6. INVENTORIES

	December 31, 2015	December 31, 2014
Finished goods	8,361	4,244
Work In progress	563	-
Raw materials	4,068	2,383
Provision for obsolescence	(325)	(1,455)
Net inventories	12,667	5,172

For the year ended December 31, 2015, inventory recognized as an expense in cost of sales amounted to $40.9 million (2014 - $26.9 million). Included in the above amounts were inventory write downs of $0.1 million (2014 - $0.2 million). There were no reversals of previously recorded inventory write downs. As at December 31, 2015, the Company anticipates the net inventory will be realized within one year.

Costs of uncompleted projects

The Company incurs costs for project related revenues recognized using the percent of completion method. These costs primarily relate to acquiring inventory and services. These costs will be recognized with the progress of the projects and are expected to be completed within one year. $0.4 million of costs of uncompleted projects were previously classified within inventory on the Consolidated Statements of Financial Position for the year ended December 31, 2014. This amount was retrospectively reclassified to provide more useful comparative information regarding the Company's performance with respects to revenue from projects.

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, 2014	514	599	79	952	469	2,613
Additions	163	3	15	29	3	213
Sol acquisition	1	-	25	15	-	41
Disposals	(78)	-	-	-	-	(78)
Balance December 31, 2014	**600**	**602**	**119**	**996**	**472**	**2,789**
Additions	81	131	71	212	17	512
Sabik acquisition (note 22)	-	135	96	464	-	695
Disposals	(346)	(68)	(57)	(694)	(62)	(1,227)
Foreign exchange adjustment	-	(1)	(2)	(10)	-	(13)
Balance at December 31, 2015	**335**	**799**	**227**	**968**	**427**	**2,756**
Accumulated amortization						
Balance January 1, 2014	**433**	**273**	**36**	**758**	**431**	**1,931**
Amortization for the year	62	120	11	55	28	276
Disposals	(78)	-	-	-	-	(78)
Balance December 31, 2014	**417**	**393**	**47**	**813**	**459**	**2,129**
Amortization for the period	87	173	34	97	7	398
Disposals	(332)	(2)	(28)	(683)	(61)	(1,106)
Foreign exchange adjustment	-	-	-	(2)	-	(2)
Balance December 31, 2015	**172**	**564**	**53**	**225**	**405**	**1,419**
Carrying amounts						
At December 31, 2014	183	209	72	183	13	660
At December 31, 2015	163	235	174	743	22	1,337

8. INTANGIBLE ASSETS

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

	Patents and trademarks	Software	License rights	Acquired intangibles	Customer Lists	Product development	Brand and Domain name	Backlog	Total
Cost									
Balance January 1, 2014	**801**	**1,778**	**450**	**623**	**-**	**-**	**-**	**-**	**3,652**
Additions	32	654	-	-	-	-	-	-	686
Sol acquisition	-	-	-	-	-	250	50	-	300
Disposals	-	(4)	-	-	-	-	-	-	(4)
Balance December 31, 2014	**833**	**2,428**	**450**	**623**	**-**	**250**	**50**	**-**	**4,634**
Additions	7	244	-	-	-	-	-	-	251
Sabik acquisition (note 22)	-	31	-	-	4,800	1,600	2,000	900	9,331
Disposals	(38)	(174)	-	-	-		-	-	(212)
Foreign exchange adjustment	-	-	-	-	(72)	(24)	(30)	(14)	(140)
Balance December 31, 2015	**802**	**2,529**	**450**	**623**	**4,728**	**1,826**	**2,020**	**886**	**13,864**
Accumulated amortization									
Balance January 1, 2014	**671**	**1,759**	**450**	**623**	**-**	**-**	**-**	**-**	**3,503**
Amortization for the year	58	40	-	-	-	62	-	-	160
Impairment losses recognized	-	(4)	-	-	-	-	-	-	(4)
Balance December 31, 2014	**729**	**1,795**	**450**	**623**	**-**	**62**	**-**	**-**	**3,659**
Amortization for the year	37	172	-	-	284	285	-	897	1,675
Disposals	(21)	(133)	-	-	-	-	-	-	(154)
Foreign exchange adjustment	-	-	-	-	(3)	(2)	-	(11)	(16)
Balance December 31, 2015	**745**	**1,834**	**450**	**623**	**281**	**345**	**-**	**886**	**5,164**
Carrying amounts									
At December 31, 2014	104	633	-	-	-	188	50	-	975
At December 31, 2015	57	695	-	-	4,447	1,481	2,020	-	8,700

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

- A value of $0.25 million was attributed to this asset based on the Company's estimate to engineering a similar controller. This amount will be amortized over 2 years as this is management's best estimate of its useful life.
- Sol's rights to the domain name (solarlighting.com) for its main website. The Company has estimated the fair value of this asset at $0.05 million.

In 2015, as detailed in note 22, 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.
- 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

	December 31, 2015	December 31, 2014
Opening goodwill	5,746	-
Sol acquisition (note 22)	-	5,746
Sabik acquisition (note 22)	11,677	-
Foreign exchange adjustment	(174)	-
Balance at December 31, 2015	17,249	5,746

The Company recognized goodwill on the acquisition of the Sol, Inc and the Sabik Group of Companies as described in Note 22. Management has determined all of the goodwill is associated with the Company's Illumination and Signals segments, respectively. The Company completed an impairment analysis at December 31, 2015 and 2014 and concluded there was no impairment.

As described in note 2.8, the impairment analysis involved the use of an income approach that relied on estimating the future net cash flows and applying an appropriate discount rate to those future cash flows. This approach employed the following key assumptions: anticipated sales growth in key markets, changes in gross margins due to pricing changes for materials and the cost of manufacturing, changes in operating and administrative expenses, anticipated capital expenditures, and an appropriate discount rate. The forecast period utilized in the analysis covered 2016 through 2020. Key drivers in this assessment of Signals include anticipated overall sales growth, estimated to be between 3% - 5% a year, a terminal growth rate of 2% and a weighted average cost of capital of 14.5%. The analysis indicated an excess over carrying value of $19.1 million for Signals. Key drivers in this assessment of Illumination include anticipated overall sales growth, estimated to be 10% a year, a terminal growth rate of 4% and a weighted average cost of capital of 14.5%. The analysis indicated an excess over carrying value of $16.4 million for Illumination. Management considers the future sales growth rate a key factor in this analysis, which was based on historical trends for Signals and anticipated market growth opportunities for Illumination.

10. PROVISIONS

	December 31, 2015	December 31, 2014
Warranty provisions	1,178	952
Provision relating to Spot Devices Inc. acquisition	-	110
Provision relating to Sol, Inc acquisition	43	103
	1,221	1,165

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.

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

	December 31, 2015	December 31, 2014
Opening provision	1,165	660
Warranty costs incurred	(292)	(333)
Provision relating to Spot Devices Inc. acquisition	(110)	-
Warranty provision recognized on acquisition of Sol (note 22)	(60)	454
Warranty provision recognized on acquisition of Sabik (note 22)	278	-
Warranty provision additions/changes	244	384
Foreign exchange adjustment	(4)	-
Closing provision	**1,221**	**1,165**

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

11. DEBT

	December 31, 2015	December 31, 2014
Term acquisition credit	8,998	-
Short-term debt with European financial institution	1,095	-
	10,093	-

The Company signed a credit facility (the “Facility”) with the Canadian Imperial Bank of Commerce (“CIBC”). The multifaceted Facility provides credit up to $25.75 million through (1) a $10 million 364-Day Revolving Credit, (2) a $10 million term acquisition credit, (3) $3.75 million credit of Letters of Credit, and (4) $2 million for trading room and other liabilities. The Company’s ability to draw on the 364-Day revolving credit, the credit for the letters of credit, and credit for trading room contingent liabilities is subject to certain covenants.

On June 25, 2015, the Company obtained approval from CIBC to draw on the term acquisition credit for the acquisition outlined in note 22. On June 30, 2015, a total of $10 million was drawn on the facility in anticipation of closure of the acquisition. The associated debt is repayable on a monthly basis over a 5-year term and is broken into two $5 million tranches both of which are repayable on demand. The first tranche is 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 is approximately 4.5% per annum on the outstanding balance. The second tranche carries an interest rate of US LIBOR plus 3.5%.

The Facility is secured by a General Security Agreement and share pledges of the Company's subsidiaries. The Company is also subject to financial covenants and reporting requirements typical of a facility of this nature.

At December 31, 2015 the Company has $4.1 million drawn for Letters of Credits. Of these amounts $4.0 million was drawn in relation to the Sabik entities for various guarantees as outlined below.

The Company also has operating loans and credit facilities drawn from a European financial institution. These borrowings are associated with the Sabik entities which were acquired on July 2, 2015 as described in note 22. Sabik has access to $1.0 million EUR credit facility and $1.4 million EUR which can be utilized for guarantees or as a credit facility. At December 31, 2015, the outstanding debt was secured by the CIBC Letters of Credit noted above included $1.1 million EUR of working capital loans and $0.8 million EUR in outstanding guarantees. This debt carries a variable interest rate of 2% + 1 month EURIBOR.

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.

Equity Issuances

On April 28, 2015, the Company completed a "bought deal" financing (the "Financing") which raised gross proceeds of $32 million CAD. The financing was backed by a syndicate of underwriters led by Cormark Securities Inc. and including Canaccord Genuity Corp., GMP Securities LP and Salman Partners Inc. (collectively, the "Underwriters") who agreed to buy and sell to the public 5,650,000 common shares ("Common Shares") of the Company at a price of $5.00 (CAD) per Common Share. The Underwriters also had an option, exercisable in whole or in part at any time up to 15 days after the closing of the Offering, to purchase up to an additional 750,000 Common Shares of the Company at the same price. The main part of the Offering closed on April 28, 2015 with 5,650,000 shares issued from treasury. On May 1, 2015, the Underwriters exercised their option to acquire the additional 750,000 shares. Proceeds from this offering will largely be used for future mergers and acquisitions.

As a part of the Offering, the Company also issued a total of 332,750 broker warrants (the "Warrants") which allow the holder to acquire one additional Common Share of the Company at a price of $5.00 (CAD) per share. These Warrants expire 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 and it was recorded as a reduction to share capital with an offset to the equity reserve account. 13,310 of these Warrants were exercised in the period resulting in additional share capital of $0.05 million. The table below is a reconciliation of the outstanding 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

12.1. Diluted Share Reconciliation

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

	December 31, 2015	December 31, 2014
Basic weighted average shares outstanding	21,905,787	13,936,172
Effect of dilutive securities:		
Stock options and warrants	606,942	50,489
Diluted weighted average shares outstanding	22,512,729	13,986,661

For the year ended December 31, 2015, 777,350 stock options were not included because the exercise price of those options was higher than the estimated average market price of the commons shares during the periods.

13. SHARE-BASED PAYMENTS

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

Type of award	Term and vesting period	Fair Value Measurement	Equity settled	Cash settled
			Compensation expense based on	
Stock options	Maximum term is 10 years and typically is 5 years. Vesting is typically 3 years	Black-Scholes option pricing model	Fair value on next business day after grant date	Fair value at reporting date
Stock units (RSU, PSU, DSU) (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 associated with these share-based payment plans are outlined in the table below:

Years ended December 31,	2015	2014
Stock options	901	326

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, 2015:

Available shares (10% of outstanding shares at December 31, 2015)	2,461,660
Less:	
Stock options outstanding at December 31, 2015	(2,052,620)
Number of shares issuable under stock-based compensation plans	409,040

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, 2015 and 2014. The weighted average exercise price is stated in Canadian dollars.

	Number of options	Weighted average exercise price
Balance, January 1, 2014	411,400	$2.10
Granted	1,021,046	$2.56
Forfeited	(96,749)	$3.34
Balance, December 31, 2014	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

The following table summarizes the stock options outstanding and exercisable at December 31, 2015 and 2014. 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, 2014						
$1.45 to $1.45	300,000	5.9	$1.45	75,000	5.9	$1.45
$1.46 to $2.50	682,950	9.3	$2.50	-	-	-
$2.51 to $2.90	335,947	8.9	$2.73	25,537	3.2	$2.90
$2.91 to $5.30	16,800	1.0	$5.30	16,800	1.0	$5.30
	1,335,697	8.3	$2.36	117,337	4.6	$2.32
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

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, 2015 is $3.08 CAD per share and $1.40 CAD per share for the year ended December 31, 2014. The option valuations were determined using the following weighted average assumptions:

	Year ended December 31, 2015	2014
Risk-free interest rate	1.13%	1.72%
Expected dividend yield	0%	0%
Forfeiture rate	17.5%	23.8%
Stock price volatility	55%	59%
Expected life of options	6.2 years	6.2 years

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

14. COMMITMENTS AND CONTINGENCIES

14.1. Operating Lease and Committed Service Arrangements

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

	Facility leases	Equipment leases	IT and other contracts	Total
Not later than 1 year	667	61	55	783
2 years to 3 years	948	113	43	1,104
Greater than 3 years	858	72	34	964
Total	2,473	246	132	2,851

Lease payments recognized as expenses in 2015 amounted to $0.7 million (2014 - $0.6 million).

14.2. Other Commitments

Carmanah has agreements with contract manufacturers to build and supply its manufactured products. Under these agreements, the Company will be liable for inventory and outstanding committed purchase orders. At present, Carmanah is dealing with two significant contract manufacturers, Creation Technologies LP and Star Precision Fabricating Ltd. Carmanah previously had Flextronics as its main contract manufacturer; however, the Company has now fully moved manufacturing away from that facility. 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 particular product is less than actual use or sales in a given period. At December 31, 2015, the contract manufacturers held approximately $1.5 million (2014 - $1.8 million) in inventory and $0.7 million (2014 - $1.2 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, 2015 or 2014. No settlement amounts were paid out in the years ended December 31, 2015 or 2014.

On July 18, 2013, the Company was named in a United States District Court lawsuit filed by R.D. Jones, Stop Experts, Inc., and RRFB Global, Inc. (all of which are related parties – collectively the "Plaintiffs") alleging patent infringement with respect to a specific flash pattern used with respect to Carmanah's solar powered flashing beacons for the traffic safety market and other claims relating to advertising and business practices. Various actions have been taken in regards to this matter, including an unsuccessful application by the Plaintiff for a temporary restraining order and a motion for a preliminary injunction and a countersuit against the Plaintiffs with respects to a similar patent held by the Company. In early 2014, the Company's application to re-examine a number of aspects

of the Plaintiffs patent was accepted by the U.S. patent office. The U.S patent office review of the Plaintiffs patent resulted in many of the aspects of the patents being rejected. The Plaintiff has appealed this judgment. Pending that review, the court proceedings have been stayed. The outcome of this case is not certain and the Company intends to continue to defend itself and file additional responses to the Court as required. As the outcome of these matters is not currently determinable, no provision has been made at December 31, 2015. The Company has been pursuing its insurance company for coverage of associated defense costs. To the end of December 31, 2015, the Company has incurred approximately $1.1 million defending the underlying lawsuit.

In early March 2015, the Company filed a civil lawsuit in the Supreme Court of British Columbia against Royal & Sun Alliance Insurance Company of Canada (“RSA”) and Integro (Canada) Ltd. (“Integro”) operating as Integro Insurance Brokers. The lawsuit has been filed in an effort to obtain coverage under one or more of the Company’s insurance policies with respects to the above lawsuit. The decision to file a lawsuit against RSA and Integro was made after negotiations with RSA failed to produce an acceptable settlement for repayment of the costs incurred by the Company. The lawsuit seeks to recover legal expenses and damages. To date, the Company has been unsuccessful in negotiating a settlement and it is expect that the matter will go to trial in early 2017.

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,	
	2015	2014
Short-term benefits	1,357	894
Termination benefits	198	-
Share-based compensations	2,233	575
Total	3,788	1,469

The values noted above are in Canadian dollars. They also exclude the value of certain health benefits which the Company is not able to attribute to individual employees due to privacy standards preventing us from obtaining this information. Employment agreements with the members of the Executive Leadership Team provide for severance payments if the executive’s employment is terminated, either without cause or due to a change in control of the Company. Under a termination without cause (1) the CEO is entitled to 12 months base salary plus applicable cash-based incentives, and (2) the CFO is entitled to a maximum of 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 $1.0 million (2014 - $0.7 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 December 31, 2015 the associated amounts owing in trade and other payables was $0.1 million (2014 - $0.1 million).

16. OPERATING EXPENDITURES

The components of operating expenditures by nature are outlined below:

	Years ended December 31, 2015	2014
Salaries, commissions and other direct compensation	9,606	8,201
Professional fees, insurance and public company costs	1,049	1,641
Amortization	1,893	319
Telecom and IT expenses	908	579
Travel and related expenses	837	538
Occupancy costs	816	426
Bank charges and bad debts	231	117
Marketing, advertising and other related expenses	927	533
Development expenses	875	149
Other expenses	631	153
Share-based payments	901	326
Investment tax credit recognized (note 19)	(4,502)	-
Total operating expenditures	14,172	12,982

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.
Aviation	LED aviation lighting sold worldwide - the Company offers total airfield solutions, from approach lightings to apron lighting, and both solar to hybrid power systems.
Obstruction	LED obstruction lighting sold worldwide - the Company offers self-contained obstruction marking lights which provide a range of solutions for marking towers and other obstruction to aerial and ground navigation.
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.
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.

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 maker 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	Power	Total
For the year ended December 31, 2015				
Revenue	34,176	8,915	25,115	68,206
Gross margin	14,387	3,373	5,147	22,907
Gross margin %	42.1%	37.8%	20.5%	33.6%
Total operating expenses (including restructuring)				(14,172)
Other expenses				(3,740)
Income before taxes				4,995
For the year ended December 31, 2014				
Revenue	16,798	10,489	16,445	43,732
Gross margin	7,661	2,917	4,584	15,162
Gross margin %	45.6%	27.8%	27.9%	34.7%
Total operating expenses (including restructuring)				(12,982)
Other expenses				(1,221)
Income before taxes				959

Geographic

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

	Years ended December 31,	
	2015	2014
North America	47,204	34,172
Europe	14,133	4,475
South America	961	2,991
Middle East and Africa	2,495	992
Asia Pacific	3,413	1,102
Total revenues	68,206	43,732

As at December 31, 2015, substantially all of the assets related to the Company's operations were located in Canada except for inventory on hand in the United States of $5.4 million (2014 - $2.6 million), and $3.5 million of assets related to the Sabik entities which is mainly split between Germany and Finland.

18. INCOME TAXES

The components of tax expense for 2015 and 2014 were as follows:

	Years ended December 31, 2015	2014
Current tax expense	(1,486)	(446)
Deferred tax recovery	7,171	481
Total income tax recovery	5,685	35

The following is a reconciliation of income taxes calculated at the Canadian statutory corporate tax rate to the tax expense for 2015 and 2014:

	Years ended December 31, 2015	2014
Income before taxes	4,995	959
Computed tax expense at 26% (2014 – 26%)	(1,298)	(249)
Adjusted for the effects of:		
Expenses not deductible for tax purposes	(542)	(283)
Current year unused tax losses and deductible temporary differences not recognized as deferred tax assets	7,573	407
Adjustments for prior periods	(173)	324
Effects of tax rate changes and foreign tax rate changes	156	(73)
Other	(31)	(91)
Income tax recovery	5,685	35

The applicable federal and provincial statutory income tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction.

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.

19. INVESTMENT TAX CREDITS AND DEFERRED TAXES

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

	December 31, 2015	December 31, 2014
Deferred income tax assets		
Scientific research & experimental development expenditures	2,508	-
Losses available for future periods	2,461	15
Tangible assets	1,345	20
Warranty and other provisions	431	342
Share issuance costs	441	-
Other	19	15
	7,205	392
Deferred income tax liabilities		
Intangible assets	964	109
Inventory	16	-
Investment tax credits	748	-
	1,728	109
Net deferred income tax asset	**5,477**	**283**

The Company has recorded deferred income tax assets available as it is probable that the benefits of these assets will be realized.

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

	December 31, 2015	December 31, 2014
Temporary differences and unused tax losses available to reduce taxable income		
Scientific research & experimental development expenditures	-	9,827
Losses available for future periods	-	9,566
Equipment and leasehold improvements	-	5,998
Warranty and other provisions	-	776
Intangible assets	-	2,590
Share issuance costs	-	294
Capital Losses	121	-
	121	29,051
Tax credits available to reduce taxes payable		
Investment tax credits	-	4,502

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

	December 31, 2015	December 31, 2014
Tax credits recognized		
Investment tax credits	4,503	-
Current tax expense	(955)	-
	3,548	

Temporary differences associated with investment in subsidiaries
As at December 31, 2015, temporary differences of $955 (2014 – $803) associated with an investment in a subsidiary has not been recognized as the Company is able to control the timing of the reversal of this difference which is not expected to reverse in the foreseeable future.

20. RESTRUCTURING CHARGES

Sol restructuring
With the acquisition of Sol, as described in note 22, a restructuring plan was developed in the latter half of 2014 to complete the integration of the two companies. Under this plan, the Company eliminated Sol's administrative, back office, and manufacturing functions and closed its manufacturing facility. The following table summarizes the costs incurred and balances outstanding with respects to restructuring over 2015.

	Severance and related benefits
Balance at January 1, 2015	163
Charges	74
Cash payments	(237)
Balance at December 31, 2015	-

The 2015 payments relate to 9 employees that were terminated as a result of the restructuring activities.

21. OTHER EXPENSES

Other expenses primarily relate to merger and acquisition activities, and include legal, due diligence costs, and other related expenditures. During the year ended December 31, 2015, the majority of these costs were related to the acquisition of the Sabik Group of Companies ("Sabik") as described in note 22.

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 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 our share price volatility, which ranged from 59.5% to 85.8% in the calculations utilized.

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 and has contributed incremental revenues of $14.4 million and a net income of $0.2 million. If the acquisition had occurred on January 1, 2015, Sabik would have contributed revenue of $23.3 million and a net income of $1.0 million. The total cost related to this related acquisition was approximately $1.1 million, with the expenses included under the caption “Other (expenses)/income” and as described in note 21.

The fair values of the assets acquired and liabilities assumed in the acquisition at July 2, 2015 are not yet final. The following table is management’s current best estimate of these values:

	Preliminary Allocation	Measurement Period Adjustments	Current Allocation
Consideration			
Cash	18,827	-	18,827
Shares issued	4,513	-	4,513
Total consideration	**23,340**	**-**	**23,340**
Identifiable assets acquired and liabilities assumed			
Cash	2,084	-	2,084
Trade and other receivables	2,546	-	2,546
Inventories	2,934	498	3,432
Equipment and other similar assets	726	-	726
Trade and other payables	(973)	-	(973)
Income taxes payable	(441)	-	(441)
Deferred revenue	(847)	-	(847)
Bank debt	(1,403)	-	(1,403)
Provisions	(278)	-	(278)
Deferred tax assets	25	-	25
Deferred tax liabilities	(1,510)	(998)	(2,508)
Acquired intangibles	5,029	4,271	9,300
Goodwill	15,448	(3,771)	11,677
Total	**23,340**	**-**	**23,340**

As noted above, the allocation of the purchase price is based on preliminary estimates and has not been finalized. The Company is currently in the process of assessing the fair values of identifiable assets acquired and liabilities assumed and measuring the potential goodwill. As part of the process, the Company has engaged third-party valuation specialists to provide an independent assessment. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary purchase price allocation and are subject to change.

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.

Sol, Inc.

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

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

The Company acquired 100% of the outstanding shares of Sol and an outstanding note receivable due from Sol which was beneficially owned by Mr. Sonnenfeldt. Consideration paid upon close included the issuance of 3,785,860 common shares of Carmanah issued from treasury, and a $0.06 million cash payment to certain minority shareholders of Sol. The aggregate value of the shares issued on July 2, 2014 amounted to approximately $7.1 million based on the closing share price of $2.00 CAD (post consolidation) and a US/CAD exchange rate of 0.938. The agreement also provided an earn-out of 3% of certain revenues received by Carmanah and was available to electing former shareholders of Sol. This earn-out applied to specifically identified prospective sales opportunities brought forth by Sol and is subject to various conditions. No amounts were paid under the earn-out, which expired on December 31, 2015.

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

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

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

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

As a part of the purchase agreements, Mr. Sonnenfeldt provided a number of different indemnifications associated with various potential liabilities. At December 31, 2015, the company has estimated approximately $0.2 million related to potential exposures due to warranty of historical sales that would be covered under the indemnification.