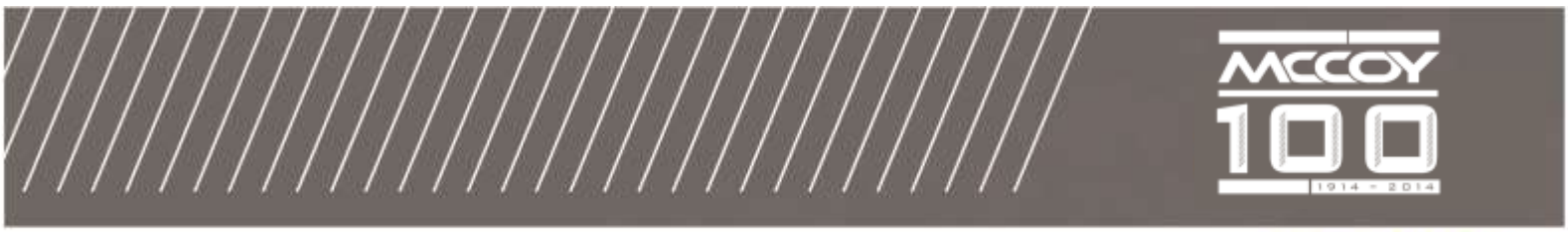



# CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013



## Management Statement of Responsibility

The preparation and presentation of the accompanying consolidated financial statements of McCoy Global Inc. (the "Corporation"), which have been prepared in accordance with International Financial Reporting Standards, are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, the Corporation's financial position, financial performance and cash flows. The Corporation's accounting procedures and related systems of internal controls are designed to provide reasonable assurance that its assets are safeguarded and its financial information is reliable.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the Corporation's external auditors. The external auditors are responsible for examining the consolidated financial statements and expressing their opinion on the fairness of the consolidated financial statements in accordance with International Financial Reporting Standards. The auditors' report outlines the scope of their audit examination and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Audit Committee meets regularly with management and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reports its findings to the Board of Directors for their consideration when approving the consolidated financial statements for issuance to the shareholders. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the external auditors.

**(Signed) "Jim Rakievich"**
President & Chief Executive Officer

**(Signed) "Jacob Coonan"**
Chief Financial Officer

March 11, 2015

March 11, 2015

## Independent Auditor's Report

**To the Shareholders of**
**McCoy Global Inc.**

We have audited the accompanying consolidated financial statements of McCoy Global Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise 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.

*PricewaterhouseCoopers LLP*
*TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5*
*T: +1 780 441 6700, F: +1 780 441 6776*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of McCoy Global Inc. and its subsidiaries as at December 31, 2014 and 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

**(Signed) "PricewaterhouseCoopers LLP"**

**Chartered Accountants**

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(Stated in thousands of Canadian dollars)*

| As at | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **29,876** | 13,332 |
| Trade and other receivables | 21 | **22,703** | 14,158 |
| Inventories | 6 | **41,430** | 34,607 |
| Income tax recoverable | | **-** | 3,496 |
| Other current assets | 7 | **3,012** | 1,790 |
| | | **97,021** | 67,383 |
| Assets of disposal groups held-for-sale | 25 | **-** | 21,760 |
| | | **97,021** | 89,143 |
| Property, plant and equipment | 8 | **16,738** | 15,569 |
| Intangible assets | 9 | **14,443** | 14,657 |
| Deferred tax assets | 13 | **2,297** | 1,098 |
| Other assets | 7 | **1,442** | - |
| **Total assets** | | **131,941** | 120,467 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **15,119** | 15,293 |
| Customer deposits | | **5,997** | 7,436 |
| Derivative financial instruments | | **977** | 302 |
| Provisions | 11 | **1,761** | 1,587 |
| Income tax payable | | **1,633** | 45 |
| | | **25,487** | 24,663 |
| Liabilities of disposal groups held-for-sale | 25 | **-** | 7,882 |
| | | **25,487** | 32,545 |
| Provisions | 11 | **2,360** | - |
| Deferred tax liabilities | 13 | **1,721** | 1,919 |
| **Total liabilities** | | **29,568** | 34,464 |
| **Shareholders' equity** | 14 | | |
| Share capital | | **60,137** | 58,849 |
| Contributed surplus | | **3,778** | 3,593 |
| Accumulated other comprehensive income | | **3,632** | 1,212 |
| Retained earnings | | **34,826** | 22,349 |
| **Total shareholders' equity** | | **102,373** | 86,003 |
| Commitments | 26 | | |
| **Total liabilities and shareholders' equity** | | **131,941** | 120,467 |

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

Approved by the Board of Directors

**(signed) "Jim Rakievich"** Director

**(signed) "Chris Seaver"** Director

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

*(Stated in thousands of Canadian dollars, except per share amounts)*

| For the years ended | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | $ | $ |
| **Revenue** | 16 | **120,619** | 110,212 |
| **Cost of sales** | | **74,416** | 69,404 |
| **Gross profit** | | **46,203** | 40,808 |
| General and administration | | **25,859** | 22,224 |
| Sales and marketing | | **5,199** | 5,851 |
| Research and development | | **1,374** | 1,504 |
| Other losses (gains) (net) | | **230** | (532) |
| Finance charges (net) | 18 | **374** | 677 |
| | | **33,036** | 29,724 |
| **Earnings from continuing operations before income taxes** | | **13,167** | 11,084 |
| **Income tax expense (recovery)** | 19 | | |
| Current | | **5,063** | 2,199 |
| Deferred | | **(1,265)** | 1,125 |
| | | **3,798** | 3,324 |
| **Earnings from continuing operations** | | **9,369** | 7,760 |
| Earnings from discontinued operations (net of tax) | 25 | **8,638** | 2,084 |
| **Net earnings** | | **18,007** | 9,844 |
| **Other comprehensive income for the year** | | | |
| Translation gain of foreign operations | | **2,420** | 2,154 |
| **Comprehensive income for the year** | | **20,427** | 11,998 |
| **Earnings per share** | 20 | | |
| Basic from continuing operations | | **0.34** | 0.29 |
| Basic from discontinued operations | | **0.31** | 0.08 |
| Basic from net earnings | | **0.65** | 0.37 |
| Diluted from continuing operations | | **0.34** | 0.28 |
| Diluted from discontinued operations | | **0.31** | 0.08 |
| Diluted from net earnings | | **0.65** | 0.36 |

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*(Stated in thousands of Canadian dollars, except share amounts)*

| | Issued capital | | | | | |
|---|---|---|---|---|---|---|
| | Number of shares | Share capital | Contributed surplus | Accumulated other comprehensive income (loss) | Retained earnings | Total equity |
| | # | $ | $ | $ | $ | $ |
| Balances at January 1, 2013 | 26,670,911 | 56,572 | 3,970 | (942) | 17,896 | 77,496 |
| Net earnings | - | - | - | - | 9,844 | 9,844 |
| Translation gain on foreign operations | - | - | - | 2,154 | - | 2,154 |
| Employee share-based compensation expense | - | - | 281 | - | - | 281 |
| Dividends | - | - | - | - | (5,391) | (5,391) |
| Common shares issued on exercise of stock options | 733,328 | 2,277 | (658) | - | - | 1,619 |
| Balances at December 31, 2013 | 27,404,239 | 58,849 | 3,593 | 1,212 | 22,349 | 86,003 |
| Net earnings | **-** | **-** | **-** | **-** | **18,007** | **18,007** |
| Translation gain on foreign operations | **-** | **-** | **-** | **2,420** | **-** | **2,420** |
| Employee share-based compensation expense | **-** | **-** | **508** | **-** | **-** | **508** |
| Dividends | **-** | **-** | **-** | **-** | **(5,530)** | **(5,530)** |
| Common shares issued on exercise of stock options | **290,000** | **1,288** | **(323)** | **-** | **-** | **965** |
| Balances at December 31, 2014 | **27,694,239** | **60,137** | **3,778** | **3,632** | **34,826** | **102,373** |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*(Stated in thousands of Canadian dollars)*

| For the years ended | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Cash generated from (used in)** | | **$** | $ |
| **Operating activities** | | | |
| Earnings from continuing operations | | **9,369** | 7,760 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 17 | **3,679** | 3,093 |
| Amortization of intangible assets | 17 | **2,681** | 1,163 |
| Current income tax expense | | **5,063** | 2,199 |
| Deferred income tax (recovery) expense | | **(1,265)** | 1,125 |
| Finance charges (net) | | **374** | 677 |
| **EBITDA**[1] | | **19,901** | 16,017 |
| Share-based compensation expense | 15(c) | **208** | 695 |
| Unrealized loss on derivative financial instruments | | **675** | 302 |
| Impairment of intangible asset | | **202** | - |
| Loss (gain) on disposal of property, plant and equipment | | **65** | (104) |
| Changes in non-cash working capital balances | 24 | **(14,953)** | (6,933) |
| Finance costs paid | | **(44)** | (449) |
| Income taxes paid, net | | **(88)** | (6,692) |
| Net cash generated from continuing operating activities | | **5,966** | 2,836 |
| Net cash generated from discontinued operating activities | | **1,674** | 9,392 |
| **Net cash generated from operating activities** | | **7,640** | 12,228 |
| **Investing activities** | | | |
| Proceeds from sale of assets held-for-sale | | **20,624** | - |
| Purchases of property, plant and equipment | | **(4,387)** | (5,358) |
| Proceeds from sale of property, plant and equipment | | **250** | 1,252 |
| Additions to intangible assets | | **(2,658)** | (3,261) |
| Net cash generated from (used in) continuing investing activities | | **13,829** | (7,367) |
| Net cash used in discontinued investing activities | | **(94)** | (434) |
| **Net cash generated from (used in) investing activities** | | **13,735** | (7,801) |
| **Financing activities** | | | |
| Repayment of finance lease obligations | | **-** | (133) |
| Repayment of borrowings | | **-** | (9,427) |
| Deferred financing costs | | **(137)** | - |
| Proceeds from issuance of share capital on exercise of options | | **965** | 1,619 |
| Dividends paid | | **(5,530)** | (5,391) |
| **Net cash used in continuing financing activities** | | **(4,702)** | (13,332) |
| Effect of exchange rate changes on cash and cash equivalents | | **(129)** | 115 |
| **Increase (decrease) in cash and cash equivalents** | | **16,544** | (8,790) |
| **Cash and cash equivalents – beginning of the year** | | **13,332** | 22,122 |
| **Cash and cash equivalents – end of the year** | | **29,876** | 13,332 |

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

[1] EBITDA is an additional GAAP measure presented under IFRS defined as "net earnings from continuing operations before finance charges (net), income tax expense, depreciation and amortization."

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

*(in thousands of Canadian dollars, except share data or unless otherwise specified)*

## 1. NATURE OF OPERATIONS

McCoy Global Inc. ("McCoy", "McCoy Global" or the "Corporation") is incorporated and domiciled in Canada and provides tubular handling, assembly and measurement equipment used for making up threaded connections in the global oil and gas industry. McCoy's continuing operations are engaged in the:

- design, manufacture and distribution of capital equipment used in both off-shore and land drilling markets to handle, make-up and measure tubular products, such as casing, and to support this capital equipment through the sale of aftermarket products, such as technical service, consumables (dies and inserts) and replacement parts;
- repair, maintenance and calibration of drilling and completions equipment; and
- rental of drilling and completions equipment.

Historically, McCoy was divided into two operating segments: Energy Products & Service ("EP&S") and Mobile Solutions.

The EP&S segment was comprised of two divisions: Drilling & Completions and Coatings & Hydraulics. The Drilling & Completions division forms the Corporation's continuing operations.

Management committed to a formal process to sell the Mobile Solutions segment and the Coatings & Hydraulics division in the fourth quarter of 2013 following a strategic decision to place greater focus on the Corporation's key competencies (note 25). On June 17, 2014, the Mobile Solutions segment was sold by the Corporation. On September 15, 2014, the Coatings & Hydraulics division was sold by the Corporation. A member of the Corporation's Board of Directors is the Chairman and Chief Executive Officer of, and holds an equity interest in, the corporation that purchased the Coatings & Hydraulics division. Results of the discontinued operations have been presented separately in the consolidated statements of earnings and comprehensive income and the consolidated statements of cash flows for the current and comparative year.

Set out below are McCoy's principal operations:

| Operating Name | Country of Incorporation | Operating Region | Ownership Interest | Former Operating Segment | Former Division |
|---|---|---|---|---|---|
| **Continuing Operations** | | | | | |
| McCoy Global Canada Corp. | Canada | Canada | 100% | EP&S | Drilling & Completions |
| McCoy Global S.à.r.l. | Luxembourg | Middle East | 100% | EP&S | Drilling & Completions |
| McCoy Global Singapore Pte. Ltd. | Singapore | Asia Pacific | 100% | EP&S | Drilling & Completions |
| McCoy Global UK Ltd. | United Kingdom | Europe, Asia and Russia | 100% | EP&S | Drilling & Completions |
| McCoy Global USA, Inc. | United States | United States | 100% | EP&S | Drilling & Completions |
| **Discontinued Operations** | | | | | |
| Inotec Coating and Hydraulics Inc. | Canada | Canada | 100% | EP&S | Coatings & Hydraulics |
| Peerless Limited | Canada | Canada | 100% | Mobile Solutions | Trailers |

McCoy and its subsidiary companies are collectively referred to herein as the "Corporation."

The address of the registered office of the Corporation is Davis LLP, Livingston Place, 1000 - 250 2nd Street SW, Calgary, Alberta. The Corporation is listed on the Toronto Stock Exchange under the symbol "MCB" and on the OTCQB under the symbol "MCCRF."

## 2. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were approved by the Board of Directors on March 11, 2015.

## 3. Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all years presented unless otherwise stated herein.

### a) Basis of presentation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

The consolidated financial statements have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes. The consolidated financial statements are prepared in Canadian dollars, rounded to the nearest thousand, except when otherwise indicated. Subsidiaries incorporated in Canada have a functional currency of Canadian dollars. Subsidiaries incorporated in the United States ("US"), have a functional currency of US dollars. The Corporation's principal operations in the United Kingdom ("UK"), Singapore ("SG"), and the United Arab Emirates ("UAE") have a functional currency of US dollars.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of earnings and comprehensive income are presented using the function classification for expenditures.

### b) Basis of consolidation

Subsidiaries are those entities the Corporation controls. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation until the date control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- acquisition transaction costs are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date;
- the excess of the fair value of consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- if the fair value of the consideration transferred is less than the fair value of the net assets acquired, the difference is recognized directly in the consolidated statements of earnings and comprehensive income.

### c) Critical accounting estimates and judgments

The preparation of the Corporation's consolidated financial statements requires management to make estimates and judgments about the future that affect the application of accounting policies and the reported amount of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized prospectively. Actual results may differ from those estimates.

The areas involving a higher degree of judgment or estimation that are significant to the consolidated financial statements are as follows:

#### (i) INVENTORIES

The Corporation records inventories at the lower of cost and net realizable value. Write downs for inventory are recorded each period as required and updated based on management's judgment. Further information regarding this judgement is described in Note 3(g) and Note 6.

#### (ii) PROVISIONS

Considerable estimates and judgments are used in measuring and recognizing provisions and the Corporation's exposure to contingent liabilities. Judgment is necessary to determine the likelihood and estimated future outflow of resources that may be required to settle any future or existing claims or contingent obligations. Further information regarding these estimates and judgments are described in Note 3(l) and Note 11.

#### (iii) INCOME TAX

The Corporation operates in several tax jurisdictions and is required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. The calculation of income taxes requires the use of judgment. If these judgments prove to be inaccurate, future earnings may be materially impacted. Further information regarding the judgement used is described in Note 3(n) and Note 19.

#### (iv) RECOVERABILITY OF INTANGIBLE ASSETS

The Corporation performs an impairment test, in accordance with the accounting policy stated in note 3(k), to test whether intangible assets under development have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 3(k) and Note 9).

### d) TRANSLATION OF FOREIGN CURRENCY

#### (i) FOREIGN CURRENCY TRANSACTIONS

Monetary and non-monetary transactions denominated in foreign currencies are translated into the Corporation's functional currency at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. Foreign currency translation differences are recognized in earnings or loss.

#### (ii) FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates at the reporting date. The earnings and expenditures of foreign operations are translated into Canadian dollars each month using the monthly average foreign exchange rate applicable for that month. Currency translation differences, including those on monetary items that form part of a net investment in a foreign operation, are recognized in other comprehensive income ("OCI") as a translation gain or loss on foreign operations, and may be subsequently reclassified to earnings or loss on disposal of a foreign operation.

### e) FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligation has been discharged, cancelled or expired.

### (i) NON-DERIVATIVE FINANCIAL INSTRUMENTS

At initial recognition non-derivative financial instruments are measured at fair value and are classified as one of the following: held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

The Corporation has designated its non-derivative financial instruments as follows:

| Financial Instrument | Category | Measurement |
|---|---|---|
| Cash and cash equivalents | Loans and receivables | Amortized cost |
| Trade and other receivables | Loans and receivables | Amortized cost |
| Other assets | Loans and receivables | Amortized cost |
| Trade and other payables | Other financial liabilities | Amortized cost |

At the reporting date, the Corporation did not have any non-derivative financial assets classified as held-for-trading, available-for-sale or held-to-maturity.

- **LOANS AND RECEIVABLES**

Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- **OTHER FINANCIAL LIABILITIES**

Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

### (ii) DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency forward contracts are used by the Corporation to manage foreign exchange exposures, consisting mainly of US dollar exposures, resulting from anticipated transactions denominated in foreign currencies.

All derivative financial instruments are classified as held-for-trading and are initially recognized at fair value, with any directly attributable transaction costs recognized in earnings or loss as they are incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value with changes in fair value recognized in earnings or loss.

The fair value of derivative financial instruments reflects changes in the foreign exchange rates. Fair value is determined based on exchange or over-the-counter price quotations by reference to bid or asking price, as appropriate, in active markets. Fair value amounts reflect management's best estimates using external readily observable market data, such as future prices, foreign exchange rates and discount rates for time value of money.

## f) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of Canadian dollar, US dollar, Singapore dollar, euro and UK pound sterling cash on hand and other short-term investments with an original maturity of three months or less at the date of purchase.

## g) INVENTORIES

Raw materials, work-in-progress and finished goods inventories are recorded at the lower of cost, as determined on a weighted average cost basis, and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of work-in-progress and finished goods inventories includes raw materials, direct labour and an estimated share of production overheads based on normal operating capacity. If the carrying value exceeds net realizable value, a write down is recognized. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write down is reversed, up to the amount of the original write down, so that the new carrying amount is the lower of the cost and the revised net realizable value.

Finished goods consist of parts and equipment inventories that are available for sale to external parties. Certain parts, classified as finished goods, may be used in the manufacturing process.

### h) ASSETS AND LIABILITIES HELD-FOR-SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probably that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a prorata basis, except that no loss is allocated to inventories, financial assets, or deferred tax assets, which continue to be measured in accordance with the Corporation's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognized in earnings or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

### i) PROPERTY, PLANT AND EQUIPMENT

#### (i) RECOGNITION AND MEASUREMENT

Items of property, plant and equipment ("PP&E") are measured at cost less accumulated depreciation and any associated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When parts of an item of PP&E have different useful lives they are accounted for as separate major components of PP&E.

Gains and losses on disposals of PP&E are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in earnings or loss.

#### (ii) SUBSEQUENT COSTS

Costs incurred subsequent to the asset being put into use are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to earnings or loss as incurred.

#### (iii) DEPRECIATION

PP&E is depreciated on a straight-line basis over the period of their expected useful lives as follows:

| | |
|---|---|
| Machinery and office equipment | 3 – 15 years |
| Rental equipment | 3 – 15 years |
| Automotive equipment | 3 – 12 years |
| Computer equipment | 1 – 5 years |
| Leasehold improvements | Term of related lease |

No depreciation is charged on land. Depreciation is not recognized on assets under construction until such time that they are ready for their intended use. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. The effect of such changes is recognized in earnings or loss prospectively.

### j) INTANGIBLE ASSETS

#### (i) INTERNALLY GENERATED INTANGIBLE ASSETS

Expenditures on research are recognized as an expense in earnings or loss as incurred.

Costs incurred on product development are capitalized as intangible assets when it is probable the development will provide economic benefits, considering its commercial and technical feasibility, the resources available for development and that costs can be measured reliably. The expenditure capitalized includes the cost of materials, direct labour and overhead costs

that are directly attributable to the asset in order for it to be capable of operating in the manner intended by management. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

The Corporation incurs costs associated with the purchase and development of computer software. Computer software is initially recorded at cost, including directly attributable expenditures that are necessary to prepare the software for its intended use. Costs associated with maintaining computer software are recognized as an expense as incurred. Subsequent to initial recognition, software development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

#### (ii) OTHER INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired in business combinations include customer relationships, trade names and intellectual property.

#### (iii) AMORTIZATION

Intangible assets with finite lives are amortized on a straight-line basis over the period of their expected useful lives as follows:

| | |
|---|---|
| Customer relationships | 3 – 10 years |
| Trade names | 3 years |
| Intellectual property | 5 – 15 years |
| Computer software | 1 – 5 years |

Amortization is not recognized on assets under development until such time that they are ready for their intended use.

### k) IMPAIRMENT

#### (i) FINANCIAL ASSETS

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets carried at amortized cost is impaired. If there is objective evidence, such as significant financial difficulty of the obligor, breach of contract or it becomes probable the debtor will enter bankruptcy, the asset is tested for impairment.

The amount of loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. If in a subsequent period the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

#### (ii) NON-FINANCIAL ASSETS

The carrying values of non-financial assets, such as PP&E and intangible assets with finite useful lives are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is determined. Intangible assets with indefinite useful lives or under development are tested for impairment annually.

For impairment testing, assets are grouped together into cash generating units ("CGUs"), defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. Corporate assets are allocated to CGUs on a reasonable and consistent basis, where possible.

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

An impairment loss is recognized in earnings or loss for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognized.

## l) PROVISIONS

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## m) LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to earnings or loss on a straight-line basis over the period of the lease.

Leases in which substantially all the risks and rewards of ownership have transferred to the Corporation are classified as finance leases. The leased assets are recognized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance lease balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance cost is charged to earnings or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

## n) INCOME TAX

Income tax expense is comprised of current and deferred taxes. Current and deferred taxes are normally recognized in earnings or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the period, using the tax rates enacted, or substantively enacted, at the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when they relate to taxes levied by the same tax authority on the same taxable entity and there is a legally enforceable right to offset the current tax assets and liabilities.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are determined on a non-discounted basis using tax rates and laws that have been enacted, or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

## o) SHARE-BASED COMPENSATION

### (i) EQUITY SETTLED SHARE-BASED COMPENSATION

The Corporation grants share options to certain employees which are equity settled. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized as an employee expense over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

### (ii) CASH SETTLED SHARE-BASED COMPENSATION

The Corporation grants deferred share units to certain directors of the Corporation which are cash settled. Fair value is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the vesting period based on the number of awards expected to vest, by increasing or decreasing liabilities. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately. The fair value of the liability is remeasured on each consolidated statement of financial position date and settlement date, with any changes in fair value recognized in earnings or loss.

### p) Dividends

Dividends on common shares are recognized in the consolidated financial statements in the period in which the dividends are declared by the Board of Directors of the Corporation.

### q) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

### r) Earnings per share

The Corporation presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the net earnings for the year attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation's potentially dilutive common shares comprise share options granted to employees.

### s) Revenue

#### (i) Sale of goods

Revenues from the sale of goods are recognized when the risks and rewards of ownership have transferred, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably; there is no continuing management involvement with the goods; and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Corporation's activities. Revenue is presented net of sales tax, returns and discounts and after eliminating sales within the Corporation.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement, however, typically occurs when goods are shipped and the title has passed to the customer. Provisions for estimated warranty costs are made at the time the related revenue is recognized.

#### (ii) Rendering of services

Revenues from repair, maintenance, and calibration services are recognized as the services are rendered, when recovery of the consideration is probable and revenue can be measured reliably. Rates for services are typically priced on a per man hour or similar basis.

#### (iii) Rental

Revenues from equipment rentals are recognized when there is a written arrangement in the form of a contract or purchase order with the customer, a fixed or determinable sales price is established with the customer, performance requirements are achieved and when recovery of the consideration is probable. Equipment rental revenue is recognized as performance requirements are achieved in accordance with the terms of the relevant agreement with the customer.

### t) Discontinued operations

A discontinued operation is a component of the Corporation's business that either has been disposed of or is classified as held-for-sale and:

- comprises operations and cash flows that can be clearly distinguished from the rest of the Corporation;
- represents a separate major line of business or geographical area of operations; and
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

When a component is classified as a discontinued operation, the comparative consolidated statement of earnings or loss and OCI is represented as if the operation had been discontinued from the start of the comparative year.

## 4. CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2014. The nature and effects of the changes are explained below.

### a) IFRS 10, IFRS 12 AND IAS 27 - INVESTMENT ENTITIES

The Corporation has applied the amendments to IFRS 10, IFRS 12, and IAS 27 effective January 1, 2014. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. As the Corporation is not an investment entity (assessed based on the criteria set out in IFRS 10 as at January 1, 2014), the application of the amendments has had no impact on the disclosures or the amounts recognized in the Corporation's consolidated financial statements.

### b) IAS 32 – FINANCIAL INSTRUMENTS - PRESENTATION

The Corporation has adopted the amendments to IAS 32 effective January 1, 2014. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Corporation's consolidated financial statements.

## 5. FUTURE ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") have issued a number of new standards, amendments to standards and interpretations effective for annual periods beginning after January 1, 2015. These standards and amendmentshave not been applied by the Corporation in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below.

| Proposed standards and amendments | Description | Anticipated impact | Effective date |
|---|---|---|---|
| IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations | Outlines specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. | The new standard is not expected to have a significant impact on the Corporation. | January 1, 2016 |
| IFRS 15 – Revenue from Contracts with Customers | Outlines a new revenue recognition model for contracts with customers based on the underlying principle that revenue is recognized at the amount the Corporation expects to be entitled to in exchange for goods or services under contract. Additional disclosure is also specified. | A formal assessment of the transitional implication to the Corporation will be completed in the future. | January 1, 2017 |
| IFRS 9 – Financial Instruments - Classification and Measurement | Specifies that financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. The classification and measurement of financial liabilities remain generally unchanged. | The new standard is not expected to have a significant impact on the Corporation. | January 1, 2018 |
| IFRS 7 – Financial Instruments - Disclosures | Specifies that additional disclosure is required on implementation of IFRS 9. | The new standard is not expected to have a significant impact on the Corporation. | January 1, 2018 |

Management continues to evaluate the potential measurement and disclosure impacts of these new standards on the Corporation's consolidated financial statements. The Corporation does not anticipate early adoption of these standards at this time.

## 6. INVENTORIES

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Raw materials | **1,997** | 2,421 |
| Work-in-progress | **5,667** | 5,533 |
| Finished goods | **33,766** | 26,653 |
| | **41,430** | 34,607 |

During the year ended December 31, 2014, raw materials and changes in finished goods and work-in-progress inventories included in cost of sales amounted to $71,753 (2013 - $68,083).

During the year ended December 31, 2014, the net write down of inventories to net realizable value amounted to $956 (2013 - $196). The net write down is included in cost of sales.

Finished goods consist of parts and equipment inventories that are available for sale to external parties. Certain parts, classified as finished goods, may be used in the manufacturing process.

## 7. OTHER ASSETS

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | $ | $ |
| Prepaid expenses, deposits and other | | **1,939** | 1,395 |
| Deferred financing costs | 12 | **253** | 395 |
| Amounts held in escrow on business divestitures | 25 | **2,262** | - |
| **Total other assets** | | **4,454** | 1,790 |
| **Current portion of other assets** | | **3,012** | 1,790 |
| **Other assets** | | **1,442** | - |

Amounts held in escrow relate to the consideration to be received on the sale of businesses as described in Note 25. Escrow funds are to be received based on scheduled dates as per the relevant purchase and sale agreement. As at December 31, 2014, $930 of amounts held in escrow are classified as long-term to reflect uncertainty over the timing of collection as the consideration is still subject to finalization with one of the purchasers.

## 8. Property, Plant and Equipment

| | Land | Buildings | Machinery and office equipment | Automotive equipment | Rental equipment | Computer equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | |
| Balances at January 1, 2013 | 2,909 | 4,936 | 35,941 | 1,029 | - | 3,905 | 1,821 | 50,541 |
| Additions | - | - | 3,810 | 165 | 48 | 1,148 | 187 | 5,358 |
| Additions - discontinued operations | - | 13 | 435 | - | - | - | - | 448 |
| Disposals | (121) | (773) | (1,737) | (43) | - | (1,146) | (78) | (3,898) |
| Disposals - discontinued operations | - | - | (98) | - | - | (167) | - | (265) |
| Transfers to assets of disposal groups held-for sale | (2,794) | (4,199) | (14,812) | (633) | - | (630) | (949) | (24,017) |
| Foreign exchange | 6 | 23 | 817 | 19 | - | 48 | 70 | 983 |
| Balances at December 31, 2013 | - | - | 24,356 | 537 | 48 | 3,158 | 1,051 | 29,150 |
| Additions | **-** | **-** | **2,392** | **66** | **1,603** | **91** | **235** | **4,387** |
| Disposals | **-** | **-** | **(252)** | **(17)** | **(110)** | **(257)** | **-** | **(636)** |
| Foreign exchange | **-** | **-** | **1,211** | **28** | **7** | **95** | **85** | **1,426** |
| **Balances at December 31, 2014** | **-** | **-** | **27,707** | **614** | **1,548** | **3,087** | **1,371** | **34,327** |
| **Accumulated depreciation** | | | | | | | | |
| Balances at January 1, 2013 | - | 1,460 | 18,730 | 645 | - | 2,764 | 761 | 24,360 |
| Depreciation | - | 4 | 2,372 | 82 | - | 546 | 89 | 3,093 |
| Depreciation – discontinued operations | - | 134 | 1,061 | 28 | - | 82 | 13 | 1,318 |
| Disposals | - | (53) | (1,437) | (43) | - | (1,145) | (72) | (2,750) |
| Disposals - discontinued operations | - | - | (88) | - | - | (167) | - | (255) |
| Transfers to assets of disposal groups held-for-sale | - | (1,548) | (9,344) | (489) | - | (614) | (545) | (12,540) |
| Foreign exchange | - | 3 | 307 | 11 | - | 23 | 11 | 355 |
| Balances at December 31, 2013 | - | - | 11,601 | 234 | - | 1,489 | 257 | 13,581 |
| Depreciation | **-** | **-** | **2,688** | **99** | **35** | **724** | **133** | **3,679** |
| Disposals | **-** | **-** | **(51)** | **(17)** | **(3)** | **(256)** | **-** | **(327)** |
| Foreign exchange | **-** | **-** | **563** | **15** | **-** | **50** | **28** | **656** |
| **Balances at December 31, 2014** | **-** | **-** | **14,801** | **331** | **32** | **2,007** | **418** | **17,589** |
| **Carrying amount** | | | | | | | | |
| At December 31, 2013 | - | - | 12,755 | 303 | 48 | 1,669 | 794 | 15,569 |
| **At December 31, 2014** | **-** | **-** | **12,906** | **283** | **1,516** | **1,080** | **953** | **16,738** |

During the year ended December 31, 2014, depreciation included in cost of sales amounted to $2,610 (2013 - $2,170); depreciation in general and administration amounted to $1,032 (2013 - $900); depreciation in research and development amounted to $37 (2013 - $nil) and depreciation included in sales and marketing amounted to $nil (2013 - $23). Included in PP&E is PP&E not available for use of $978 (2013 - $170). While not available for use, PP&E is not depreciated.

## 9. INTANGIBLE ASSETS

| | Acquired customer relationships | Acquired intellectual property | Internally generated intellectual property | Software | Internally generated software | Acquired trade names | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | |
| Balances at January 1, 2013 | 2,899 | 9,098 | 1,554 | 2,740 | 1,285 | 3,557 | 21,133 |
| Additions | - | - | 1,559 | 265 | 1,437 | - | 3,261 |
| Additions – discontinued operations | - | - | - | 5 | - | - | 5 |
| Disposals | - | - | - | (217) | - | - | (217) |
| Transfers to assets of disposal groups held-for-sale | (1,536) | (227) | - | (748) | - | (657) | (3,168) |
| Foreign exchange | - | 29 | - | 35 | - | - | 64 |
| Balances at December 31, 2013 | 1,363 | 8,900 | 3,113 | 2,080 | 2,722 | 2,900 | 21,078 |
| Additions | **-** | **-** | **2,565** | **80** | **13** | **-** | **2,658** |
| Foreign exchange | **-** | **-** | **-** | **41** | **-** | **-** | **41** |
| **Balances at December 31, 2014** | **1,363** | **8,900** | **5,678** | **2,201** | **2,735** | **2,900** | **23,777** |
| **Accumulated amortization** | | | | | | | |
| Balances, January 1, 2013 | 1,724 | 3,706 | 19 | 1,743 | - | - | 7,192 |
| Amortization | 136 | 553 | 113 | 321 | - | 40 | 1,163 |
| Amortization – discontinued operations | 153 | 77 | - | 43 | - | - | 273 |
| Disposals | - | - | - | (217) | - | - | (217) |
| Transfers to assets of disposal groups held-for-sale | (1,139) | (211) | - | (679) | - | - | (2,029) |
| Foreign exchange | - | 10 | - | 29 | - | - | 39 |
| Balances at December 31, 2013 | 874 | 4,135 | 132 | 1,240 | - | 40 | 6,421 |
| Amortization | **139** | **564** | **137** | **329** | **545** | **967** | **2,681** |
| Impairment | **-** | **-** | **202** | **-** | **-** | **-** | **202** |
| Foreign exchange | **-** | **-** | **-** | **30** | **-** | **-** | **30** |
| **Balances at December 31, 2014** | **1,013** | **4,699** | **471** | **1,599** | **545** | **1,007** | **9,334** |
| **Carrying amounts** | | | | | | | |
| At December 31, 2013 | 489 | 4,765 | 2,981 | 840 | 2,722 | 2,860 | 14,657 |
| **At December 31, 2014** | **350** | **4,201** | **5,207** | **602** | **2,190** | **1,893** | **14,443** |

During the year ended December 31, 2014, amortization included in cost of sales amounted to $128 (2013 - $183); amortization in general and administration amounted to $1,448 (2013 - $803); and amortization included in sales and marketing amounted to $1,105 (2013 - $177).

Included in internally generated intellectual property is $4,732 (2013 - $2,369) that relates to products under development. A product under development is not amortized until it has reached commercial production.

The remaining amortization period of the finite-life intangible assets is as follows:

| | 2014 | 2013 |
|---|---|---|
| Customer relationships | 1 – 3 years | 1 – 4 years |
| Intellectual property, including internally generated intellectual property | 3 – 10 years | 3 – 11 years |
| Software, including internally generated software | 1 – 4 years | 1 – 5 years |
| Trade name | 2 years | 3 years |

Trade name comprises brands acquired on acquisition of Superior Manufacturing and Hydraulics Inc. ("Superior"). The useful life of the Superior brands was reassessed in December 2013 as a result of the Corporation's rebranding. It was determined that the useful life of the trade name was finite.

## 10. Trade and Other Payables

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | $ | $ |
| Trade payables | | **8,007** | 7,214 |
| Accrued liabilities and other payables | | **6,552** | 7,219 |
| Cash settled share-based compensation | 15 (b) | **560** | 860 |
| | | **15,119** | 15,293 |

## 11. Provisions

| | Warranty | Legal | Site remediation | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balances at January 1, 2013 | 1,039 | 265 | 427 | 1,731 |
| Provisions made during the year | 2,440 | - | - | 2,440 |
| Provisions made during the year – discontinued operations | 316 | 65 | 850 | 1,231 |
| Provisions utilized during the year | (1,518) | - | (13) | (1,531) |
| Provisions utilized during the year – discontinued operations | (420) | - | - | (420) |
| Change in estimate | - | (65) | (200) | (265) |
| Change in estimate – discontinued operations | - | (100) | - | (100) |
| Amounts transferred to liabilities of disposal groups held-for-sale | (334) | (165) | (1,000) | (1,499) |
| Balances at December 31, 2013 | 1,523 | - | 64 | 1,587 |
| Provisions made during the year | **1,330** | **150** | **1,400** | **2,880** |
| Provisions utilized during the year | **(1,426)** | **-** | **(104)** | **(1,530)** |
| Amounts transferred from liabilities of disposal groups held-for-sale | **-** | **-** | **1,000** | **1,000** |
| Foreign exchange | **184** | **-** | **-** | **184** |
| **Balances at December 31, 2014** | **1,611** | **150** | **2,360** | **4,121** |
| Expected to be utilized within one year | 1,611 | 150 | - | 1,761 |
| Expected to be utilized thereafter | - | - | 2,360 | 2,360 |

The warranty provision relates to the expected cost of meeting warranty obligations. The provision is based on historical data and is an estimate of warranty required for products sold on or before the reporting date.

In the normal course of business, the Corporation may become subject to litigation; losses, if any, may be covered by the Corporation's insurance. The legal provision is based on management's best estimate of the amount and timing of potential settlements.

The Corporation leases or has leased premises, which are required to be returned to the landlord at the end of the lease in accordance with the terms of the lease, including remediation of any deficiencies incurred as a result of carrying out business activities. The site remediation provision is based on management's estimate of the expected costs of restoring its locations to a condition that is in accordance with lease terms. When available, costs are estimated based on management's assessment of third party quotations to complete the required remediation efforts. If third party quotations are not available, management has used the best information available to assess the future costs to be incurred by the Corporation. Judgment related to these future costs is based on uncertainty regarding the full extent of the required costs to be completed.

## 12. Borrowings

### a) Revolving credit facility

The Corporation has a $50.0 million committed senior secured revolving credit facility with its lenders, maturing on November 2, 2015. On March 14, 2014, the Corporation amended and restated its existing credit agreement to revise certain covenants imposed under the original agreement. Under the terms of the credit facility, funds may be advanced in either Canadian or US currency and will bear interest at the Canadian prime rate, US base rate or LIBOR, plus a margin of between 0.75% and 2.00% (2013 – 1.00% to 2.50%). The terms of the amended and restated credit facility reduce the standby fee to 0.4% (2013 – 0.5%). The credit facility requires the Corporation to meet certain covenants and is secured by a general security agreement over all subsidiaries that have provided security. The Corporation is currently in negotiations with its lenders to negotiate its committed facility requirements subsequent to November 2, 2014. In the previous fiscal year, the Corporation repaid the balance drawn against the revolving credit facility.

Transaction costs related to securing and subsequent amendment of the revolving credit facility of $759 (2013 – $621) (note 7) were deferred and are being amortized over the term of the credit facility. Amortization of $280 (2013 - $228) is recognized in finance charges in the consolidated statements of earnings and comprehensive income.

### b) Letter of credit

The Corporation has a $5.0 million committed senior letter of credit facility. As at December 31, 2014, the Corporation has committed $76 (2013 - $1,262) of the facility through the issuance of letters of credit. The funds available under the revolving credit facility are reduced by any outstanding letters of credit.

## 13. Deferred Taxes

### a) Recognized deferred tax assets and liabilities

The income tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Net** | Assets | Liabilities | Net |
| | **$** | **$** | **$** | $ | $ | $ |
| PP&E | **42** | **(2,823)** | **(2,781)** | - | (2,547) | (2,547) |
| Intangible assets | **1,161** | **(1,857)** | **(696)** | 898 | (1,808) | (910) |
| Provisions | **601** | **-** | **601** | 522 | - | 522 |
| Inventories | **1,841** | **-** | **1,841** | 981 | - | 981 |
| Accrued liabilities | **498** | **-** | **498** | 610 | - | 610 |
| Share-based compensation | **140** | **-** | **140** | 215 | - | 215 |
| Carryforward tax losses | **1,372** | **-** | **1,372** | 286 | - | 286 |
| Other | **12** | **(411)** | **(399)** | 26 | (4) | 22 |
| Deferred tax assets (liabilities) | **5,667** | **(5,091)** | **576** | 3,538 | (4,359) | (821) |
| Set off of tax | **(3,370)** | **3,370** | **-** | (2,440) | 2,440 | - |
| **Net deferred tax assets (liabilities)** | **2,297** | **(1,721)** | **576** | 1,098 | (1,919) | (821) |

With respect to deferred tax assets and liabilities presented above, $2,940 of the deferred tax assets (2013 - $2,113), and $625 (2013 - $484) of the deferred tax liabilities are expected to reverse in 2015.

### b) UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets have not been recognized in respect of $996 (2013 - $392) in capital losses. It is not probable that future taxable capital gains will be available against which the Corporation can utilize the benefits of these losses. These losses do not expire.

## 14. SHAREHOLDERS' EQUITY

### a) SHARE CAPITAL

#### AUTHORIZED

(i) Unlimited number of common, voting shares

(ii) Unlimited number of preferred, non-voting shares

### b) DIVIDENDS

| Dividend declared | Dividend paid | Total dividend | Amount per common share |
|---|---|---|---|
| | | $ | $ |
| December 4, 2014 | December 31, 2014 | 1,383 | 0.05 |
| September 9, 2014 | October 8, 2014 | 1,383 | 0.05 |
| May 23, 2014 | June 20, 2014 | 1,383 | 0.05 |
| March 14, 2014 | April 14, 2014 | 1,381 | 0.05 |
| December 10, 2013 | December 31, 2013 | 1,369 | 0.05 |
| September 26, 2013 | October 25, 2013 | 1,346 | 0.05 |
| May 16, 2013 | June 14, 2013 | 1,339 | 0.05 |
| March 14, 2013 | April 12, 2013 | 1,337 | 0.05 |

## 15. Share-Based Compensation

### a) Equity settled share-based compensation

The Corporation's share option plan for employees is administered by the Compensation and Human Resources Committee, which is a subcommittee of the Board of Directors. The Compensation and Human Resources Committee designates eligible participants to be included under the plan and designates the number of options and share price of the options, subject to applicable securities laws and stock exchange regulations.

The aggregate number of common shares issuable under the plan can be no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis. In addition, no more than 5% of outstanding shares may be reserved for options granted to any one person and no more than 10% of outstanding shares may be reserved for options granted to insiders. The options vest evenly over three years and the maximum term of options issued under the plan cannot exceed five years. The exercise price of options is determined by the Board of Directors, but cannot be lower than the market price of shares on the last trading day preceding the grant date.

The following reflects activity under the employee share option plan:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| | **#** | **$** | # | $ |
| Outstanding, as at January 1 | **1,271,672** | **4.98** | 1,490,001 | 2.77 |
| Granted | **450,000** | **5.81** | 615,000 | 6.70 |
| Forfeited | **(346,669)** | **5.12** | (66,668) | 3.30 |
| Expired | **(6,666)** | **3.49** | (33,333) | 2.42 |
| Exercised | **(290,000)** | **3.32** | (733,328) | 2.21 |
| **Outstanding, December 31** | **1,078,337** | **5.74** | 1,271,672 | 4.98 |
| **Exercisable, December 31** | **311,663** | **5.24** | 156,662 | 3.39 |

Options with the following exercise price ranges were outstanding as at December 31:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Exercise price range | **Options outstanding** | **Weighted average remaining contractual life** | Options outstanding | Weighted average remaining contractual life |
| | **#** | **years** | # | years |
| $2 to $4 | **193,337** | **1.81** | 626,672 | 3.05 |
| $4 to $6 | **330,000** | **4.61** | 30,000 | 3.96 |
| $6 to $8 | **555,000** | **3.94** | 615,000 | 4.93 |
| | **1,078,337** | **3.76** | 1,271,672 | 3.98 |

The following weighted average assumptions were used in the Black-Scholes calculations for share options granted during the years ended December 31:

| | 2014 | 2013 |
|---|---|---|
| Share price | **$5.81** | $6.70 |
| Exercise price | **$5.81** | $6.70 |
| Expected volatility | **38%** | 46% |
| Risk-free interest rate | **2%** | 2% |
| Annual dividend rate | **3%** | 3% |
| Expected life of options in years | **3.5 years** | 3.5 years |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The weighted average fair value of share options granted during the year was $1.32 per share option (2013 - $1.89 per share option) and the weighted average share price of options exercised during the year was $6.11 (2013 – $6.27).

### b) CASH SETTLED SHARE-BASED COMPENSATION

The Corporation has a deferred share unit ("DSU") plan for Directors of the Corporation who are designated as participants by the Compensation and Human Resources Committee. The DSU plan has two components: an "appointment grant" and a "continuous grant." The appointment grant is provided to each newly appointed Director. The appointment grant fully vests on the third anniversary of the grant date. The continuous grant provides for an annual issue of DSUs to eligible Directors. One-third of the continuous grant vests annually on the anniversary of the grant date. The deferred share units can only be exercised on exiting from the Board of Directors.

On exiting from the Board of Directors, the deferred share units are redeemed for cash based on the market price of the shares. The liability relating to the units accumulated under this plan have been included in trade and other payables on the consolidated statements of financial position as disclosed in note 10.

| | 2014 | 2013 |
|---|---|---|
| | # | # |
| Outstanding, as at January 1 | **153,318** | 144,486 |
| Granted | **15,544** | 8,832 |
| **Outstanding, as at December 31** | **168,862** | 153,318 |
| **Vested, as at December 31** | **129,069** | 118,170 |

### c) SHARE-BASED COMPENSATION EXPENSE

| | 2014 | 2013 |
|---|---|---|
| | **$** | $ |
| Equity settled share-based compensation | **508** | 281 |
| Cash settled share-based compensation | **(300)** | 414 |
| | **208** | 695 |

This compensation expense has been included in general and administration in the consolidated statements of earnings and comprehensive income.

## 16. Revenue

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Sale of goods | **115,341** | 108,056 |
| Rendering of services | **5,278** | 2,156 |
| | **120,619** | 110,212 |

## 17. Expenses by Nature

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Wages and salaries expense | **32,468** | 35,476 |
| Depreciation of property, plant and equipment | **3,679** | 3,093 |
| Amortization of intangible assets | **2,681** | 1,163 |
| Operating lease expense, net of sub lease recoveries | **2,551** | 2,211 |
| Gain on foreign exchange | **(1,003)** | (784) |

## 18. Finance Charges (net)

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Interest on borrowings | **-** | 331 |
| Stand by fees on credit facility | **227** | 209 |
| Amortization of deferred financing costs | **280** | 228 |
| Finance charges | **507** | 768 |
| Finance income | **(133)** | (91) |
| **Finance charges (net)** | **374** | 677 |

## 19. Income Tax Expense

### a) Reconciliation of income tax expense

Income tax expense varies from the amounts that would be computed by applying the domestic statutory rate of 25% (2013 – 25%) to earnings from continuing operations before tax for the following reasons:

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Earnings from continuing operations before income taxes | **13,167** | 11,084 |
| Computed income tax expense | **3,292** | 2,771 |
| Tax effects of: | | |
| Jurisdictional tax rate differences | **753** | 764 |
| Non-deductible expenses | **15** | 62 |
| Recognition of previously unrecognized deferred tax assets | **(285)** | (133) |
| Other items | **23** | (140) |
| **Income tax expense** | **3,798** | 3,324 |

### b) INCOME TAX EXPENSE ON EARNINGS FROM CONTINUING OPERATIONS

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Current tax expense | 5,063 | 2,199 |
| Deferred tax expense: | | |
| Origination and reversal of temporary differences | (980) | 1,258 |
| Recognition of previously unrecognized deferred tax assets | (285) | (133) |
| Total deferred tax expense | (1,265) | 1,125 |
| **Income tax expense** | **3,798** | 3,324 |

## 20. EARNINGS PER SHARE

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Earnings | Weighted average shares | Per share amount | Earnings | Weighted average shares | Per share amount |
| | $ | # | $ | $ | # | $ |
| **Basic earnings per share** | | | | | | |
| Earnings from continuing operations available to common shareholders | 9,369 | 27,618,939 | 0.34 | 7,760 | 26,850,272 | 0.29 |
| Earnings from discontinued operations available to common shareholders | 8,638 | 27,618,939 | 0.31 | 2,084 | 26,850,272 | 0.08 |
| Earnings available to common shareholders | 18,007 | 27,618,939 | 0.65 | 9,844 | 26,850,272 | 0.37 |
| **Diluted earnings per share** | | | | | | |
| Dilutive effect of options | | 124,881 | | | 477,218 | |
| Earnings from continuing operations available to common shareholders | 9,369 | 27,743,820 | 0.34 | 7,760 | 27,327,490 | 0.28 |
| Earnings from discontinued operations available to common shareholders | 8,638 | 27,743,820 | 0.31 | 2,084 | 27,327,490 | 0.08 |
| Earnings available to common shareholders | 18,007 | 27,743,820 | 0.65 | 9,844 | 27,327,490 | 0.36 |

## 21. Financial Risk Management and Financial Instruments

### a) Fair values of financial assets and liabilities

#### (i) Non-derivative financial instruments

The fair value of cash and cash equivalents, trade and other receivables, long-term receivables and trade and other payables approximate their carrying value due to their short-term nature.

#### (ii) Derivative financial instruments

At December 31, 2014, the Corporation had forward foreign exchange contracts outstanding to purchase US$12,000 (2013 – $18,000) at a rate of 1.083 with maturities ranging from one to twelve months from the consolidated statements of financial position date. The Corporation's derivative financial instruments related to forward foreign exchange contracts are recorded at fair value in the consolidated statements of financial position. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

The forward foreign exchange contracts are classified as Level 2 and the fair value is determined based on exchange or over-the-counter price quotations by reference to bid or asking price, as appropriate, in active markets. Fair value amounts reflect management's best estimates using external readily observable market data, such as future prices, foreign exchange rates and discount rates for the time value of money. The unrealized loss of $675 (2013 – $302) on the forward foreign exchange contracts was recorded in other (gains) losses (net).

At December 31, 2014, the Corporation had financial instruments recorded as a fair value liability in the statement of financial position in the amount of $977 (2013 - $302).

### b) Financial risk management

The Corporation's activities are exposed to a variety of financial risks of varying degrees of significance, which could affect the Corporation's ability to achieve strategic objectives. Overall, risk management programs focus on the unpredictability of financial and economic markets and seek to minimize potential adverse effects on financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance. The principal financial risks to which the Corporation is exposed are described below:

#### (i) Market risk

Market risk is the risk changes in market prices, such as foreign exchange rates and interest rates, will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. The Corporation may use derivatives to manage certain market risks.

- **Foreign currency risk**

  The Corporation is exposed to foreign currency risk to the extent that there is a mismatch between the currencies in which revenues, purchases and monetary assets and liabilities are denominated and the respective functional currencies of the Corporation's subsidiaries. Foreign currency risk is primarily with the US dollar. The Corporation uses forward exchange contracts with maturities of less than one year from the reporting date to manage the foreign currency risk.

  Based on the Corporation's US dollar denominated monetary assets and liabilities at December 31, 2014, the Corporation estimates that a one cent change in the value of the US dollar would increase or decrease net earnings, net of tax, by $229 (2013 - $43).

- **Interest rate risk**

  Interest rate risk is the risk the value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. In 2014 and 2013, the Corporation is primarily exposed to interest rate risk on cash and cash equivalents. The Corporation estimates that a change of 100 basis points in the interest rate as at December 31, 2014, would have increased or decreased net earnings, net of tax, for the year ended December 31, 2014, by $nil (2013 - $nil).

### (ii) CREDIT RISK

Credit risk is the risk one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Corporation's credit risk exposure is primarily through its cash and cash equivalents, derivative financial instruments, and trade receivables.

The credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are held primarily with Canadian chartered banks and Schedule I US financial institutions. The Corporation's derivative financial instruments are entered into with a Canadian chartered bank as the counterparty.

The Corporation manages its trade receivable credit risk by following a program of credit evaluation, obtaining deposits on certain orders and by limiting the amount of customer credit. Furthermore, on international sales, receipt of payment may be required prior to shipping. Impairment provisions are made for potential losses that may be incurred at the consolidated statements of financial position dates.

The aging analysis of trade receivables is as follows:

| As at December 31 | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| 0 to 30 days | **6,866** | 4,857 |
| 31 to 60 days | **3,508** | 3,844 |
| 61 to 120 days | **3,657** | 4,171 |
| Over 120 days | **7,641** | 920 |
| | **21,672** | 13,792 |
| Provisions for impairment | **(287)** | - |
| Trade receivables | **21,385** | 13,792 |
| Other receivables | **1,318** | 366 |
| **Total trade and other receivables** | **22,703** | 14,158 |

Trade receivables with indications of possible impairment primarily relate to customers that are in difficult financial situations. Management has determined on a customer by customer basis that impairment provisions of $287 (2013 - $nil) are sufficient to cover credit risk.

The movement in the Corporation's provision for impairment of trade receivables is as follows:

| For the years ended | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Provision for impairment, as at January 1 | **-** | 85 |
| Impairment loss recognized | **(287)** | - |
| Amounts recovered | **-** | (60) |
| Movements related to discontinued operations | **-** | (25) |
| **Provision for impairment, as at December 31** | **(287)** | - |

### (iii) LIQUIDITY RISK

Liquidity risk is the risk the Corporation will not be able to meet its obligations with financial liabilities as they come due. The Corporation maintains sufficient cash and cash equivalents and revolving credit facility availability to meet financial obligations. Based on remaining contractual maturities, the undiscounted cash flows for its financial liabilities including interest payments, consist of $15,119 (2013 - $15,293) of trade and other payables and $977 (2013 - $302) of derivative financial instruments, which mature within one year of the consolidated statements of financial position date.

## c) CAPITAL MANAGEMENT

The Corporation's objectives when managing its capital are to safeguard assets and continue as a going concern while at the same time maximizing the growth of the business and return to shareholders. The Corporation views its capital as the combination of borrowings as well as shareholders' equity as follows:

| | 2014 | 2013 |
|---|---|---|
| | **$** | $ |
| Borrowings | - | - |
| Shareholders' equity | **102,373** | 86,003 |
| **Total capital** | **102,373** | 86,003 |

The Corporation sets the amount of capital in proportion to risk and manages and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue or repay borrowings, issue or repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances.

The Corporation is subject to certain restrictive covenants under the revolving credit facility agreement with its lenders. These covenants are measured on a quarterly basis. Financial covenants stipulated by the agreement include maintenance of a:

- minimum ratio of current assets to current liabilities;
- trailing twelve-month funded debt to EBITDA ratio as defined by the agreement; and
- trailing twelve-month fixed charge coverage ratio as defined by the agreement.

In addition to the financial covenants noted above, the Corporation is also subject to further covenants including, but not limited to, restrictions on mergers or acquisitions, the disposition of the Corporation's assets, distributions, financial instruments and changes to the nature of the Corporation's business or operations.

Other than the restrictive covenants contained in the debt agreement, neither the Corporation nor any of its subsidiaries are subject to externally imposed capital requirements.

The Board of Directors reviews and approves any material transactions out of the ordinary course of business including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

## 22. Related Party Transactions

### a) Operating lease expense

The Corporation has three lease agreements with companies controlled by individuals, who are Directors of the Corporation's Board that are also Directors of Foundation Equity Corporation ("Foundation"), a 22% shareholder of the Corporation. The following is a summary of each agreement:

(i) Minimum annual lease payments of $384 until 2018. At the conclusion of the lease in 2018, the Corporation has the option to extend the lease for five years with annual lease payments negotiated at market rates.

(ii) Minimum annual lease of $717 until 2018. The Corporation has the option to extend the lease for five years with annual lease payments negotiated at market rates.

(iii) Minimum annual lease payments of $256 until 2018.

During the year ended December 31, 2014 the Corporation recorded operating lease expense of $1,357 (2013 - $1,265) with respect to related party operating leases disclosed above. In addition to regularly scheduled lease payments, the Corporation paid an additional $196 to one of the companies controlled by the related parties to reimburse the related parties for certain facility expenses.

### b) Divestiture of Coatings & Hydraulics division

On September 15, 2014 the Corporation sold the Coatings & Hydraulics division to Corrosion and Abrasion Solutions Ltd. ("CASL"). To facilitate the sale and minimize any potential conflicts of interest, the Corporation engaged a third party brokerage firm to solicit offers within the marketplace, manage the sales process and assist in negotiating the definitive agreements. A member of the Corporation's Board of Directors is the Chairman and Chief Executive Officer of, and holds an equity interest in, CASL, the purchaser of the Coatings & Hydraulics division.

### c) Payment of short form prospectus fees

On December 17, 2013, Foundation completed the sale of 5,200,000 common shares of the Corporation. The offering was completed on a bought deal basis by an underwriting syndicate. The Corporation paid fees of $275 on behalf of Foundation related to the short form prospectus that was issued in conjunction with the offering. Foundation subsequently reimbursed the Corporation for these fees.

### d) Key management personnel

Key management personnel include the Directors and senior corporate officers of the Corporation who are primarily responsible for planning, directing and controlling the Corporation's business activities.

Compensation awarded to key management personnel for employee services for the years ended December 31, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| | **$** | $ |
| Salaries and other short-term employee benefits | **3,539** | 3,886 |
| Termination benefit | **656** | - |
| Share-based compensation | **460** | 579 |
| | **4,655** | 4,465 |

## 23. Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM is the person or group that allocates resources to, and assesses the performance of, the operating segments.

The Corporation previously reported two operating segments – Energy Products & Services (EP&S) and Mobile Solutions. In the fourth quarter of 2013, the assets and liabilities of Mobile Solutions and the Coatings & Hydraulics division of the EP&S segment were transferred to assets and liabilities of disposal groups held-for-sale and the results are presented in discontinued operations. In 2014, these operations were sold. Since the measure of segment assets and liabilities excludes assets and liabilities of disposal groups held-for-sale and the measure of segment performance excludes discontinued operations, there is only one reportable segment.

### Geographic information

| | 2014 | | 2013 | |
|---|---|---|---|---|
| For the years ended | **Revenue** | **PP&E & intangible assets** | Revenue | PP&E & intangible assets |
| | **$** | **$** | $ | $ |
| United States | **63,896** | **9,370** | 63,759 | 9,508 |
| Europe, Africa and Russia | **33,761** | **1,345** | 24,681 | 96 |
| Asia Pacific | **8,436** | **1,007** | 4,700 | 36 |
| Middle East | **5,977** | **121** | 9,300 | - |
| Canada | **5,099** | **19,338** | 4,123 | 20,586 |
| Latin America | **3,450** | **-** | 3,649 | - |
| | **120,619** | **31,181** | 110,212 | 30,226 |

Revenue is attributed to a geographical region based on the location of the customer invoiced, which may not necessarily reflect the product's final destination.

## 24. Changes in Working Capital Balances

| For the years ended | 2014 | 2013 |
|---|---|---|
| Cash (used in) operating activities due to changes in non-cash working capital balances: | **$** | $ |
| Trade and other receivables | **(7,161)** | (2,349) |
| Inventories | **(4,939)** | (6,932) |
| Other current assets | **(538)** | (665) |
| Trade and other payables | **(667)** | 267 |
| Customer deposits | **(1,710)** | 2,083 |
| Provisions | **62** | 663 |
| | **(14,953)** | (6,933) |

## 25. Discontinued Operations and Disposal Groups Held-for-Sale

Management committed to a formal process to sell the Mobile Solutions segment and the Coating & Hydraulics division in the fourth quarter of 2013 following a strategic decision to place greater focus on the Corporation's key competencies. The assets and liabilities of both operations were reclassified to discontinued operations in 2013.

### a) Disposal of Mobile Solutions Segment

On June 17, 2014, the Mobile Solutions segment was sold by the Corporation. The operating results and gain on sale relating to Mobile Solutions have been included in earnings from discontinued operations in the consolidated statements of earnings and comprehensive income.

The net assets disposed of on June 17, 2014 related to the sale of Mobile Solutions is as follows:

| | June 17, 2014 |
|---|---|
| | $ |
| Cash consideration received, net of working capital and other adjustments | 12,029 |
| Bank indebtedness transferred | 151 |
| Amount held in escrow | 1,332 |
| **Total consideration** | 13,512 |
| Current assets, excluding bank indebtedness transferred | 7,240 |
| Property, plant and equipment | 6,528 |
| Intangible assets | 51 |
| Current liabilities | (5,043) |
| Deferred tax liabilities | (1,067) |
| **Net assets and liabilities** | 7,709 |
| **Costs to sell** | 547 |
| **Gain on disposal** | **5,256** |

### b) Disposal of Coating & Hydraulics Division

On September 15, 2014, the Coatings & Hydraulics division was sold by the Corporation. A member of the Corporation's Board of Directors is the Chairman and Chief Executive Officer of, and holds an equity interest in, the corporation that purchased the Coatings & Hydraulics division. The operating results and gain on sale relating to Coatings & Hydraulics have been included in earnings from discontinued operations in the consolidated statements of earnings and comprehensive income. The final net proceeds received and the gain recognized on the sale is subject to change, pending the finalization of net working capital balances as defined by the share purchase agreement.

The net assets disposed of on September 15, 2014 related to the sale of Coatings & Hydraulics is as follows:

| | September 15, 2014 |
|---|---|
| | $ |
| Cash consideration received | 8,340 |
| Bank indebtedness transferred | 103 |
| Amount held in escrow | 930 |
| Other receivables | 512 |
| **Total consideration, subject to change** | 9,885 |
| Current assets, excluding bank indebtedness transferred | 3,038 |
| Property, plant and equipment | 5,026 |
| Intangible assets | 1,087 |
| Current liabilities | (1,147) |
| Deferred tax liabilities | (1,324) |
| **Net assets and liabilities** | 6,680 |
| **Costs to sell** | 1,031 |
| **Gain on disposal** | **2,174** |

c) **RESULTS OF DISCONTINUED OPERATIONS**

| For the years ended | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Revenue | **29,949** | 53,381 |
| Cost of sales | **22,356** | 44,161 |
| Other expenses | **5,235** | 6,551 |
| Operating earnings from discontinued operations before income tax | **2,358** | 2,669 |
| Income tax expense | **1,150** | 585 |
| Operating earnings from discontinued operations | **1,208** | 2,084 |
| Gain on disposal | **7,430** | - |
| | **8,638** | 2,084 |

There are no cumulative income or expenses included in OCI relating to the disposal groups.

## 26. COMMITMENTS

The Corporation has committed to payments under operating leases for premises and equipment. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | $ |
|---|---|
| Within 1 year | 2,936 |
| 2 to 5 years | 6,172 |
| Over 5 years | 694 |

The above includes commitments with related parties as disclosed in note 22.

The Corporation has sublet certain premises that are under operating lease. The future minimum lease payments to be received in the following year under non-cancellable leases are $688 and $1,542 (2013 - $735 and $2,231) thereafter.

## 27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation of the current year consolidated financial statements.