CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

MANAGEMENT STATEMENT OF RESPONSIBILITY

The preparation and presentation of the accompanying consolidated financial statements of McCoy 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, McCoy 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 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 re-appointment of the external auditors.

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

(Signed) "Jacob Coonan"
Chief Financial Officer

March 13, 2014

March 13, 2014

Independent Auditor's Report

To the Shareholders of
McCoy Corporation

We have audited the accompanying consolidated financial statements of McCoy Corporation, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 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.

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"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 Corporation as at December 31, 2013 and 2012 and its financial performance and its 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, 2013	December 31, 2012
		$	$
Assets			
Current assets			
Cash and cash equivalents		**13,332**	22,122
Trade and other receivables		**14,158**	17,257
Inventories	6	**34,607**	35,521
Income tax recoverable		**3,496**	1,007
Other current assets	7	**1,790**	840
		67,383	76,747
Assets of disposal groups held-for-sale	25	**21,760**	-
		89,143	76,747
Property, plant and equipment	8	**15,569**	26,181
Intangible assets	9	**14,657**	13,941
Deferred tax assets	13	**1,098**	814
Total assets		**120,467**	117,683
Liabilities			
Current liabilities			
Trade and other payables	10	**15,293**	19,419
Customer deposits		**7,436**	6,567
Derivative financial instruments		**302**	-
Provisions	11	**1,587**	1,731
Income tax payable		**45**	1,270
Other current liabilities		**-**	133
		24,663	29,120
Liabilities of disposal groups held-for-sale	25	**7,882**	-
		32,545	29,120
Borrowings	12	**-**	8,842
Deferred tax liabilities	13	**1,919**	2,225
Total liabilities		**34,464**	40,187
Shareholders' equity	14		
Share capital		**58,849**	56,572
Contributed surplus		**3,593**	3,970
Accumulated other comprehensive income (loss)		**1,212**	(942)
Retained earnings		**22,349**	17,896
Total shareholders' equity		**86,003**	77,496
Commitments	26		
Total liabilities and shareholders' equity		**120,467**	117,683

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

Approved by the Board of Directors

(signed) "Jim Rakievich"
Director

(signed) "Kerry Brown"
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, 2013**	December 31, 2012
		$	$
			(restated, note 25)
Revenue	16	**110,212**	101,847
Cost of sales		**69,404**	64,150
Gross profit		**40,808**	37,697
General and administration		**22,224**	15,852
Sales and marketing		**5,851**	6,030
Research and development		**1,504**	1,050
Other (gains) losses (net)		**(532)**	416
Finance charges (net)	18	**677**	636
		29,724	23,984
Earnings from continuing operations before income taxes		**11,084**	13,713
Income tax expense (recovery)	19		
Current		**2,199**	3,964
Deferred		**1,125**	(110)
		3,324	3,854
Earnings from continuing operations		**7,760**	9,859
Earnings from discontinued operations (net of tax)	25	**2,084**	1,913
Net earnings		**9,844**	11,772
Other comprehensive income (loss) for the year			
Translation gain (loss) of foreign operations		**2,154**	(674)
Comprehensive income for the year		**11,998**	11,098
Earnings per share	20		
Basic from continuing operations		**0.29**	0.37
Basic from discontinued operations		**0.08**	0.07
Basic from net earnings		**0.37**	0.44
Diluted from continuing operations		**0.28**	0.37
Diluted from discontinued operations		**0.08**	0.07
Diluted from net earnings		**0.36**	0.44

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	Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
	#	$	$	$	$	**$**
Balances at January 1, 2012	26,509,245	56,152	3,579	(268)	10,906	70,369
Net earnings	-	-	-	-	11,772	11,772
Translation loss on foreign operations	-	-	-	(674)	-	(674)
Employee share-based compensation expense	-	-	507	-	-	507
Dividends	-	-	-	-	(4,782)	(4,782)
Common shares issued on exercise of stock options	- 161,666	420	(116)	-	-	304
Balances at December 31, 2012	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**

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

CONSOLIDATED STATEMENTS OF CASH FLOW

(Stated in thousands of Canadian dollars)

For the years ended	Note	December 31, 2013	December 31, 2012
Cash generated from		**$**	$
Operating activities			(restated, note 25)
Earnings from continuing operations		**7,760**	9,859
Adjustments for:			
Depreciation of property, plant and equipment		**3,093**	2,335
Amortization of intangible assets		**1,163**	1,008
Current income tax expense		**2,199**	3,964
Deferred income tax expense (recovery)		**1,125**	(110)
Finance charges (net)		**677**	636
EBITDA[1]		**16,017**	17,692
Share-based compensation expense		**695**	711
Impairment of assets held-for-sale		**-**	122
Unrealized loss on derivative financial instruments		**302**	-
Gain on disposal of property, plant and equipment		**(104)**	(45)
Changes in non-cash working capital balances	24	**(6,973)**	(5,944)
Interest paid		**(540)**	(624)
Interest received		**91**	83
Income taxes paid		**(6,692)**	(4,821)
Net cash generated from continuing operating activities		**2,796**	7,174
Net cash generated from (used in) discontinued operating activities		**9,392**	(1,853)
Net cash generated from operating activities		**12,188**	5,321
Investing activities			
Repayment of notes receivable		**40**	1,352
Proceeds from sale of assets held-for-sale		**-**	10
Purchases of property, plant and equipment		**(5,358)**	(7,368)
Proceeds from sale of property, plant and equipment		**1,252**	130
Additions to intangible assets		**(3,261)**	(2,643)
Net cash used in continuing investing activities		**(7,327)**	(8,519)
Net cash used in discontinued investing activities		**(434)**	(1,881)
Net cash used in investing activities		**(7,761)**	(10,400)
Financing activities			
Repayment of finance lease obligations		**(133)**	(345)
Proceeds from borrowings		**-**	9,427
Repayment of borrowings		**(9,427)**	(5,699)
Transaction costs		**-**	(621)
Proceeds from issuance of share capital on exercise of options		**1,619**	304
Dividends paid		**(5,391)**	(4,782)
Net cash used in continuing financing activities		**(13,332)**	(1,716)
Effect of exchange rate changes on cash and cash equivalents		**115**	(466)
Decrease in cash and cash equivalents		**(8,790)**	(7,261)
Cash and cash equivalents – beginning of the year		**22,122**	29,383
Cash and cash equivalents – end of the year		**13,332**	22,122

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 before finance charges (net), income tax expense, depreciation and amortization".

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012
(in thousands of Canadian dollars, except share data or unless otherwise specified)

1. Nature of Operations

McCoy Corporation ("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 life-cycle 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. The Coatings & Hydraulics division provides a range of coatings and hydraulic manufacturing and repair services.

Mobile Solutions manufactures specialized custom heavy-duty trailers primarily used in the oil and gas industry for pressure pumping, coil tubing and rig transport.

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). Results of the discontinued operations have been presented separately in the statement of earnings and comprehensive income and statement of cash flows for the current and comparative year. The comparative statement of financial position has not been re-presented to disclose assets and liabilities of disposal groups held-for-sale separately.

Set out below are McCoy's principal operations:

Operating Name	Country of Incorporation	Ownership Interest	Former Operating Segment	Former Division
Continuing Operations				
McCoy Global Canada Corp.[2]	Canada	100%	EP&S	Drilling & Completions
McCoy Global S.à.r.l.	Luxembourg	100%	EP&S	Drilling & Completions
McCoy Global Singapore Pte. Ltd.	Singapore	100%	EP&S	Drilling & Completions
McCoy Global UK Ltd.	United Kingdom	100%	EP&S	Drilling & Completions
McCoy Global USA, Inc. [3]	United States	100%	EP&S	Drilling & Completions
Discontinued Operations				
Inotec Coating and Hydraulics Inc.	Canada	100%	EP&S	Coatings & Hydraulics
Peerless Limited	Canada	100%	Mobile	Trailers

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

The address of the registered office of the Corporation is Suite 301, 9618-42 Avenue NW, Edmonton, Alberta. The Corporation is listed on the Toronto Stock Exchange under the symbol "MCB" and on the OTCQX International under the symbol "MCCRF".

[2] On December 31, 2013, FARR Canada Corp. changed its name to McCoy Global Canada Corp.
[3] On December 31, 2013, Precision Die Technologies, L.L.C. merged with Superior Manufacturing & Hydraulics, Inc. and changed its name to McCoy Global USA, Inc.

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 13, 2014.

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 costs 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. The functional currency of the Corporation is the Canadian dollar. 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 subsidiaries in the United Kingdom ("UK") and Singapore ("SG") have a functional currency of UK pounds sterling and SG dollars, respectively.

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

b) Basis of consolidation

Subsidiaries are those entities which 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 that 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 statement 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 assumption are reviewed on an ongoing basis and revisions to estimates are recognized prospectively. Actual results may differ from these 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.

(ii) Provisions

Considerable judgment is 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.

(iii) Income tax

The Corporation operates in several tax jurisdictions and is, therefore, required to estimate its income taxes in each of these tax jurisdictions in preparing its 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.

(iv) Classification of disposal groups held-for-sale

Judgment is used in determining whether the criteria for classification of disposal groups held-for-sale and discontinued operations, as stated in notes 3(h) and 3(t), have been met.

(v) Impairment of intangible assets

The Corporation performs an impairment test, in accordance with the accounting policy stated in note 3(k), to test whether indefinite life intangible assets 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 9).

d) Translation of foreign currency

(i) Foreign currency transactions

Monetary and non-monetary transactions denominated in foreign currencies are translated into the entity'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 to Canadian dollars at exchange rates at the reporting date. The earnings and expenditures of foreign operations are translated to 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
Trade and other payables	Other financial liabilities	Amortized Cost
Borrowings	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. Borrowings are initially recognized at fair value, net of any transaction costs incurred. Subsequently, borrowings are measured at amortized cost using the effective interest method. Borrowings are classified as current liabilities if payment is due within twelve months.

(ii) DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation holds foreign currency forward contracts to reduce its exposure to movements in foreign currency exchange rates. Foreign exchange 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.

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 first-in-first-out 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 (i.e. the reversal is limited 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 further 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 pro-rata 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:

Buildings	10 – 40 years
Machinery and office 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 that 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 that 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 that 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 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 asset 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 statement of financial position date 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 being 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 being recognized immediately. The fair value of the liability is re-measured on each statement of financial position date and settlement date, with any changes in fair value being 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 period attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the period.

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 is recognized when the risk 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.

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 which 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 statement of earnings or loss and OCI is re-presented 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, 2013. The nature and effects of the changes are explained below.

a) IFRS 10 - Consolidated Financial Statements

IFRS 10 replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC–12, *Consolidation-Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

The Corporation has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 does not result in any change in the consolidation status of any of its subsidiaries or investees.

b) IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 outlines disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities, and other off balance sheet vehicles. The Corporation has expanded its disclosures about its interests in subsidiaries, as required by the standard, in note 1.

c) IFRS - 13 Fair Value Measurement

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Corporation adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as of January 1, 2013. The Corporation has expanded its disclosures about fair value measurements, as required by the standard, in note 21.

d) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

The Corporation has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Corporation to group OCI items by those that will be reclassified subsequently to earnings or loss and those that will not be reclassified. OCI consists only of translation gains and losses related to the Corporation's foreign operations and may be subsequently reclassified to earnings or loss. These changes did not result in any adjustments to OCI or comprehensive income.

e) Disclosure of recoverable amount of non-financial assets (Amendments to IAS 36)

This amendment removed certain disclosures related to the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not effective until January 1, 2014; however, the Corporation has early adopted the amendment as of January 1, 2013.

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, 2014. These have 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 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, 2015

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

6. Inventories

	2013	2012
	$	$
Raw materials	**2,421**	4,597
Work-in-progress	**5,533**	8,832
Finished goods	**26,653**	22,092
	34,607	35,521

During the year ended December 31, 2013, raw materials and changes in finished goods and work-in-progress inventories included in cost of sales amounted to $68,083 (2012 - $64,569).

During the year ended December 31, 2013, the net write-down of inventories to net realisable value amounted to $196 (2012 - $327). The net write-down is included in cost of sales.

7. Other Current Assets

	Note	**2013**	2012
		$	$
Prepaid expenses and deposits		**1,360**	696
Notes receivable		**35**	71
Transaction costs	12	**395**	-
Other		**-**	73
Total other current assets		**1,790**	840

8. Property, Plant and Equipment

	Land	Buildings	Machinery and office equipment	Automotive equipment	Computer equipment	Leasehold improvements	Total
	$	$	$	$	$	$	$
Cost							
Balances at January 1, 2012	2,912	4,951	29,075	907	3,168	1,423	42,436
Additions	-	-	6,123	108	737	400	7,368
Additions - discontinued operations	-	2	1,722	51	59	9	1,843
Disposals	-	-	(855)	-	(47)	-	(902)
Disposals - discontinued operations	-	-	(7)	(33)	-	-	(40)
Exchange differences	(3)	(17)	(117)	(4)	(12)	(11)	(164)
Balances at December 31, 2012	2,909	4,936	35,941	1,029	3,905	1,821	50,541
Additions	**-**	**-**	**3,858**	**165**	**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)**
Exchange differences	**6**	**23**	**817**	**19**	**48**	**70**	**983**
Balances at December 31, 2013	**-**	**-**	**24,404**	**537**	**3,158**	**1,051**	**29,150**
Accumulated depreciation							
Balances at January 1, 2012	-	1,298	16,641	597	2,384	683	21,603
Depreciation	-	23	1,884	55	305	68	2,335
Depreciation – discontinued operations	-	140	1,059	28	86	12	1,325
Disposals	-	-	(721)	-	(6)	-	(727)
Disposals - discontinued operations	-	-	(46)	(33)	-	-	(79)
Exchange differences	-	(1)	(87)	(2)	(5)	(2)	(97)
Balances at December 31, 2012	-	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)**
Exchange differences	**-**	**3**	**307**	**11**	**23**	**11**	**355**
Balances at December 31, 2013	**-**	**-**	**11,601**	**234**	**1,489**	**257**	**13,581**
Carrying amount							
At December 31, 2012	2,909	3,476	17,211	384	1,141	1,060	26,181
At December 31, 2013	**-**	**-**	**12,803**	**303**	**1,669**	**794**	**15,569**

During the year ended December 31, 2013, depreciation included in cost of sales amounted to $2,170 (2012 - $1,726); depreciation in general and administration amounted to $900 (2012 - $609); and depreciation included in sales and marketing amounted to $23 (2012 - $nil). Included in PP&E is construction-in-progress of $170 (2012 - $274). While under construction, 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, 2012	2,899	9,260	26	2,406	475	3,557	18,623
Additions	-	-	1,528	305	810	-	2,643
Additions – discontinued operations	-	-	-	38	-	-	38
Exchange differences	-	(162)	-	(9)	-	-	(171)
Balances at December 31, 2012	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)**
Exchange differences	**-**	**29**	**-**	**35**	**-**	**-**	**64**
Balances at December 31, 2013	**1,363**	**8,900**	**3,113**	**2,080**	**2,722**	**2,900**	**21,078**
Accumulated amortization							
Balances, January 1, 2012	1,434	3,062	2	1,387	-	-	5,885
Amortization	136	542	17	313	-	-	1,008
Amortization – discontinued operations	154	131	-	44	-	-	329
Exchange differences	-	(29)	-	(1)	-	-	(30)
Balances at December 31, 2012	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)**
Exchange differences	**-**	**10**	**-**	**29**	**-**	**-**	**39**
Balances at December 31, 2013	**874**	**4,135**	**132**	**1,240**	**-**	**40**	**6,421**
Carrying amounts							
At December 31, 2012	1,175	5,392	1,535	997	1,285	3,557	13,941
At December 31, 2013	**489**	**4,765**	**2,981**	**840**	**2,722**	**2,860**	**14,657**

During the year ended December 31, 2013, amortization included in cost of sales amounted to $183 (2012 - $703); amortization in general and administration amounted to $803 (2012 - $169); and amortization included in sales and marketing amounted to $177 (2012 - $136).

Included in internally generated software is $2,722 (2012 - $1,285) that relates to software under development. Software under development is not amortized until it is ready for its intended use.

Included in internally generated intellectual property is $2,369 (2012 - $1,177) 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:

	2013	2012
Customer relationships	**1 – 4 years**	2 – 5 years
Intellectual property, including internally generated intellectual property	**3 – 11 years**	4 – 12 years
Software, including internally generated software	**1 – 5 years**	1 – 10 years
Trade name	**3 years**	Not applicable

Trade names comprise the brands of Superior, and in the previous year Inotec. As at December 31, 2012, both trade names were determined to have indefinite lives.

As a result of management's decision to sell the Coatings & Hydraulics division in the fourth quarter of 2013, the Inotec trade name was transferred to the assets of the disposal groups held-for-sale.

The useful life of the Superior trade name was re-assessed in December 2013 as a result of the Corporation's re-branding. It was determined that the useful life of the trade name is now finite. For the year ended December 31, 2013, $40 of amortization expense related to the trade name was recognized and $967 of annual amortization expense will be recognized in future periods. As a result of the re-assessment, the intangible asset was tested for impairment.

The recoverable amounts for CGUs that include indefinite life intangible assets are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections, based on financial budgets approved by management, covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	Growth rate		Pre-tax discount rate	
	2013	2012	**2013**	2012
Superior Manufacturing and Hydraulics, Inc.	**2%**	2%	**21%**	20%
Inotec Coatings and Hydraulics Inc.	**-**	2%	**-**	16%

The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the CGU. The process for determining fair value is subjective and requires management to exercise a significant amount of judgment in determining future growth rates, discount rates and tax implications. The Corporation estimates that with a ten percent change in the assumptions disclosed above, the CGU's estimated recoverable amount would continue to exceed its carrying amount.

10. TRADE AND OTHER PAYABLES

	Note	2013	2012
		$	$
Trade payables		**7,214**	9,820
Accrued liabilities and other payables		**7,219**	9,153
Cash-settled share-based compensation	15 (b)	**860**	446
		15,293	19,419

11. PROVISIONS

	Warranty	Legal	Site remediation	Total
	$	$	$	**$**
Balances at January 1, 2012	653	90	360	1,103
Provisions made during the year	920	6	90	1,016
Provisions made during the year – discontinued operations	474	200	-	674
Provisions utilized during the year	(477)	(31)	(23)	(531)
Provisions utilized during the year – discontinued operations	(531)	-	-	(531)
Balances at December 31, 2012	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**

It is expected that $1,523 of the above provisions will be utilized in 2014.

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 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 provision is based on management's estimate of the expected costs of restoring the location to a condition that is in accordance with the terms of the lease.

12. BORROWINGS

	Note	2013	2012
		$	$
Revolving credit facility, bearing interest at prime plus 1.00%, repayable in Canadian currency		**-**	9,427
Transaction costs	7	**-**	(585)
		-	8,842

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 with an option to extend annually. 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 1.00% and 2.50%. The credit facility requires the Corporation to meet certain covenants and is secured by a general security agreement over all property of the Corporation's North America subsidiaries. In the current fiscal year, the Corporation repaid the balance drawn against the revolving credit facility.

Transaction costs related to securing the revolving credit facility of $621 (note 7) were deferred and are being amortized over the term of the credit facility. Amortization of $228 (2012 - $36) is recognized in finance charges in the consolidated statements of earnings and comprehensive income.

b) Letter of Credit

The Corporation has a $3.0 million committed senior letter of credit facility. As at December 31, 2013, the Corporation has committed $1,262 (2012 - $612) 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:

	2013			2012		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
	$	**$**	**$**	$	$	$
PP&E	**-**	**(2,547)**	**(2,547)**	26	(4,089)	(4,063)
Intangible assets	**898**	**(1,808)**	**(910)**	957	(634)	323
Provisions	**522**	**-**	**522**	433	-	433
Inventories	**981**	**-**	**981**	1,046	-	1,046
Accrued liabilities	**610**	**-**	**610**	621	-	621
Share-based compensation	**215**	**-**	**215**	112	-	112
Other	**312**	**(4)**	**308**	146	(29)	117
Deferred tax assets (liabilities)	**3,538**	**(4,359)**	**(821)**	3,341	(4,752)	(1,411)
Set off of tax	**(2,440)**	**2,440**	**-**	(2,527)	2,527	-
Net deferred tax assets (liabilities)	**1,098**	**(1,919)**	**(821)**	814	(2,225)	(1,411)

With respect to deferred tax assets and liabilities presented above, $2,113 of the net deferred tax assets (2012 - $2,238), and $484 (2012 - $nil) of the net deferred tax liabilities are expected to reverse in 2014.

b) Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of $392 (2012 - $526) 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 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
December 12, 2012	December 31, 2012	1,335	0.05
August 17, 2012	September 17, 2012	1,326	0.05
May 17, 2012	June 15, 2012	1,326	0.05
March 22, 2012	April 12, 2012	795	0.03

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:

	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	$	#	$
Outstanding, as at January 1	**1,490,001**	**2.77**	1,141,667	2.77
Granted	**615,000**	**6.70**	800,000	3.32
Forfeited	**(66,668)**	**3.30**	(110,000)	3.36
Expired	**(33,333)**	**2.42**	(180,000)	5.62
Exercised	**(733,328)**	**2.21**	(161,666)	1.88
Outstanding, December 31	**1,271,672**	**4.98**	1,490,001	2.77
Exercisable, December 31	**156,662**	**3.39**	463,328	2.00

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

Exercise price range	2013 Options outstanding	2013 Weighted average remaining contractual life	2012 Options outstanding	2012 Weighted average remaining contractual life
	#	years	#	years
$0 to $2	-	-	460,001	2.05
$2 to $4	626,672	3.05	1,000,000	3.82
$4 to $6	30,000	3.96	30,000	4.95
$6 to $8	615,000	4.93	-	-
	1,271,672	3.98	1,490,001	3.30

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

	2013	2012
Share price	$6.70	$3.32
Exercise price	$6.70	$3.32
Expected volatility	46%	66%
Risk-free interest rate	2%	1%
Annual dividend rate	3%	4%
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 $1.89 per share option (2012 - $1.29 per share option) and the weighted average share price of options exercised during the year was $6.27 (2012 – $3.65).

b) CASH-SETTLED SHARE-BASED COMPENSATION

The Corporation has a deferred share unit 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 DSU's 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 upon exit from the Board of Directors.

Upon exit 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 statement of financial position as disclosed in note 10.

	2013	2012
	#	#
Outstanding, as at January 1	144,486	117,815
Granted	8,832	26,671
Outstanding, as at December 31	153,318	144,486
Vested, as at December 31	118,170	98,501

c) Share-based compensation expense

	2013	2012
	$	$
Equity-settled share-based compensation	**281**	507
Cash-settled share-based compensation	**414**	204
	695	711

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

16. Revenue

	2013	2012
	$	$
Sale of goods	**108,056**	100,112
Rendering of services	**2,156**	1,735
	110,212	101,847

17. Expenses by Nature

	2013	2012
	$	$
Wages and salaries expense	**35,476**	31,335
Depreciation of property, plant and equipment	**3,093**	2,335
Amortization of intangible assets	**1,163**	1,008
Operating lease expense, net of sub-lease recoveries	**2,211**	1,599
(Gain) loss on foreign exchange	**(784)**	292

18. Finance Charges (net)

	2013	2012
	$	$
Interest on borrowings	**540**	376
Interest on finance leases	**-**	23
Penalties incurred on early repayment of term loans	**-**	284
Amortization of transaction costs	**228**	36
Finance charges	**768**	719
Finance income	**91**	83
Finance charges (net)	**677**	636

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% (2012 – 25%) to earnings from continuing operations before tax for the following reasons:

	2013	2012
	$	$
Earnings from continuing operations before income taxes	**11,084**	13,713
Computed income tax expense	**2,771**	3,428
Tax effects of:		
Jurisdictional tax rate differences	**764**	942
Non-deductible expenses	**62**	175
Tax losses for which no deferred tax asset was recognized	**-**	107
Recognition of previously unrecognized deferred tax assets	**(133)**	-
Other items	**(140)**	(798)
Income tax expense	**3,324**	3,854

b) Income Tax Expense on Earnings from Continuing Operations

	2013	2012
	$	$
Current tax expense	**2,199**	3,964
Deferred tax expense:		
Origination and reversal of temporary differences	**1,258**	(110)
Recognition of previously unrecognized deferred tax assets	**(133)**	-
Total deferred tax expense	**1,125**	(110)
Income tax expense	**3,324**	3,854

20. Earnings per Share

	2013			2012		
	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	**7,760**	**26,850,272**	**0.29**	9,859	26,538,763	0.37
Earnings from discontinued operations available to common Shareholders	**2,084**	**26,850,272**	**0.08**	1,913	26,538,763	0.07
Earnings available to common Shareholders	**9,844**	**26,850,272**	**0.37**	11,772	26,538,763	0.44
Diluted earnings per share						
Dilutive effect of options		**477,218**			333,605	
Earnings from continuing operations available to common Shareholders	**7,760**	**27,327,490**	**0.28**	9,859	26,872,368	0.37
Earnings from discontinued operations available to common Shareholders	**2,084**	**27,327,490**	**0.08**	1,913	26,872,368	0.07
Earnings available to common Shareholders	**9,844**	**27,327,490**	**0.36**	11,772	26,872,368	0.44

21. Financial Risk Management and Financial Instruments

a) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(i) NON-DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation's non-derivative financial instruments consist of cash and cash equivalents, trade and other receivables, and trade and other payables.

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

(ii) DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2013, the Corporation had forward foreign exchange contracts outstanding to purchase US$18,000 (2012 – $nil) at rates varying from 1.050 USD/CAD to 1.053 USD/CAD with maturities ranging from one to twelve months from the statement of financial position date. The Corporation's derivative financial instruments related to forward foreign exchange contracts are recorded at fair value in the statement 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 time value. The unrealized loss of $302 (2012 – $nil) on the forward foreign exchange contracts was recorded in other (gains) losses (net).

The Corporation did not have any financial instruments recorded at fair value in the statement of financial position at December 31, 2012.

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 that 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 uses 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, 2013, 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 $43 (2012 - $110).

- **Interest rate risk**

  Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. In 2013, the Corporation is primarily exposed to interest rate risk on cash and cash equivalents. In 2012, the Corporation was primarily exposed to interest rate risk on cash and cash equivalents and borrowings, all of which have a component of interest that is variable. The Corporation estimates that a change of 100 basis points in the interest rate as at December 31, 2013, would have increased or decreased net earnings, net of tax, for the year ended December 31, 2013, by $nil (2012 - $71).

(ii) CREDIT RISK

Credit risk is the risk that 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 that 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. Further, on international sales, receipt of payment is often required prior to shipping. Impairment provisions are made for potential losses that may be incurred at the statement of financial position date.

The aging analysis of trade receivables is as follows:

As at December 31	2013	2012
	$	$
0 to 30 days	**4,857**	7,922
31 to 60 days	**3,844**	2,610
61 to 120 days	**4,171**	3,018
Over 120 days	**920**	3,010
	13,792	16,560
Provisions for impairment	**-**	(85)
Trade receivables	**13,792**	16,475
Other receivables	**366**	782
Total trade and other receivables	**14,158**	17,257

Trade receivables with indication of possible impairment primarily relate to customers which are in difficult financial situations. Management has determined on a customer by customer basis that impairment provisions of $nil (2012 - $85) 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	**2013**	2012
	$	$
Provision for impairment, as at January 1	**85**	265
Impairment loss recognized	**-**	30
Amounts written off	**-**	(39)
Amounts recovered	**(60)**	(184)
Movements related to discontinued operations	**(25)**	13
Provision for impairment, as at December 31	**-**	85

(iii) LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its obligations with financial liabilities as they become 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, consists of $15,293 of trade and other payables and $302 of derivative financial instruments which mature within one year of the statement 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:

	2013	2012
	$	$
Borrowings	**-**	8,842
Shareholders' equity	**86,003**	77,496
Total capital	**86,003**	86,338

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;
- Maintaining operating bank accounts with the Corporation's lenders;
- Requiring that any new subsidiaries provide security to the lenders;
- Dispositions of the Corporation's assets; and
- Investments with parties other than the lenders of the revolving credit facility.

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. As of December 31, 2013, the Corporation has operating bank accounts with institutions other than the Corporation's lenders, has completed certain mergers within the Corporation's legal entity structure and has incorporated subsidiaries which have not provided security to the lenders. The Corporation is presently in negotiations with its lenders to revise certain of the restrictions imposed by the existing credit facility.

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 also directors of Foundation Equity Corporation ("Foundation"), a 23% 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 at negotiated market rates.

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

During the year ended December 31, 2013 the Corporation recorded operating lease expense of $1,265 (2012 - $1,080) with respect to related party operating leases disclosed above.

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.

During the year ended December 31, 2013 the Corporation recorded revenue of $nil (2012 – $162) from the sale of trailers to a company controlled by a member of the Corporation's Board of Directors. The transaction took place in the normal course of operations, at market rates and under normal commercial terms.

b) 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, 2013 and 2012 are as follows:

	2013	2012
	$	$
Salaries and other short-term employee benefits	**3,886**	3,145
Termination benefit	**-**	471
Share-based compensation	**579**	393
	4,465	4,009

Subsequent to December 31, 2013, a senior corporate officer included in key management personnel above, departed the Corporation. In accordance with the employee's employment agreement, severance of $656 became payable at the time of departure.

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. 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

For the years ended	**2013** Revenue	**2013** PP&E & Intangible assets	2012 Revenue	2012 PP&E & Intangible assets
	$	**$**	$	$
United States	**63,759**	**9,508**	57,531	9,490
Europe	**20,752**	**96**	15,069	-
Middle East and North Africa	**11,236**	**-**	12,540	-
Southeast Asia	**6,693**	**36**	10,939	-
Canada	**4,123**	**20,586**	3,864	30,632
Latin America	**3,649**	**-**	1,904	-
	110,212	**30,226**	101,847	40,122

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	**2013**	2012
	$	$
Trade and other receivables	**(2,349)**	(2,793)
Inventories	**(6,932)**	(10,402)
Other current assets	**(665)**	351
Trade and other payables	**227**	5,348
Customer deposits	**2,083**	1,245
Provisions	**663**	307
	(6,973)	(5,944)

25. Discontinued Operations and Disposal Groups Held-for-sale

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. Accordingly, these operations are presented as disposal groups held-for-sale. Efforts to sell the disposal groups are underway and the sale of each disposal group is expected to take place in 2014.

a) Assets and liabilities of disposal groups held-for-sale

As at December 31, 2013, the disposal groups were recorded at the lower of carrying value and fair value less costs to sell and comprised the following assets and liabilities:

	December 31, 2013
	$
Trade and other receivables	**3,889**
Inventories	**5,173**
Other current assets	**82**
Property, plant and equipment	**11,477**
Intangible assets	**1,139**
Total assets held-for-sale	**21,760**
Trade and other payables	**3,627**
Customer deposits	**655**
Provisions	**1,499**
Income tax payable	**457**
Deferred tax liabilities	**1,644**
Total liabilities held-for-sale	**7,882**

b) Results of discontinued operations

The results related to discontinued operations are as follows:

For the years ended	2013	2012
	$	$
Revenue	**53,381**	76,541
Cost of sales	**44,161**	66,352
Other expenses	**6,551**	7,502
Net earnings from discontinued operations before income tax	**2,669**	2,687
Income tax expense	**585**	774
Net earnings from discontinued operations	**2,084**	1,913

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	3,586
2 to 5 years	9,790
Over 5 years	964

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 $735 and $2,231 thereafter.