

# **XPEL Technologies Corp.**

## **Condensed Consolidated Interim Financial Statements**

(Expressed in United States Dollars)

**For the Three Months and Nine Months Ended September 30, 2015**

**XPEL TECHNOLOGIES CORP.**  
**Condensed Consolidated Balance Sheet**  
(Expressed in United States Dollars)  
(unaudited)

	Note	September 30, 2015	December 31, 2014
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 3,367,518	\$ 1,474,130
Accounts receivable		3,795,332	2,287,342
Inventory		5,705,435	6,235,137
Prepaid expenses and sundry assets		914,451	347,472
Total current assets		<u>13,782,736</u>	<u>10,344,081</u>
Property, plant and equipment		1,186,037	790,343
Intangible assets	8	2,428,397	784,510
Deferred tax asset		-	163,000
Goodwill	9	1,722,323	526,243
Total assets		<u>\$ 19,119,493</u>	<u>\$ 12,608,177</u>
<b>Liabilities</b>			
<b>Current</b>			
Bank operating facility	3	2,800,000	\$ 900,000
Accounts payable and accrued liabilities		3,546,428	4,121,590
Income Tax Payable		330,092	-
Customer deposits		12,350	12,350
Vehicle notes payable		140,684	90,413
Current portion of Promissory note	9	359,485	-
Current portion of Bank loan payable	11	380,000	-
Total current liabilities		<u>7,569,039</u>	<u>5,124,353</u>
Promissory note	9	1,100,194	-
Bank loan payable	11	1,298,333	-
Deferred tax liability		460,626	-
Total liabilities		<u>10,428,192</u>	<u>5,124,353</u>
<b>Equity</b>			
Capital stock	4	6,635,133	6,635,133
Contributed surplus		2,165,130	2,165,130
Accumulated other comprehensive income		(471,785)	(15,721)
Retained earnings (Deficit)		325,327	(1,387,982)
		<u>8,653,805</u>	<u>7,396,560</u>
Non-controlling interest		37,496	87,264
Total liabilities and equity		<u>\$ 19,119,493</u>	<u>\$ 12,608,177</u>

Approved by Board of Directors:

/s/ Richard Crumly  
Richard Crumly

/s/ John Constantine  
John Constantine

**XPEL TECHNOLOGIES CORP.****Condensed Consolidated Statements of Income and Comprehensive Income**

(Expressed in United States Dollars)

(unaudited)

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
<b>Revenue</b>		<b>\$ 10,874,243</b>	<b>\$ 8,410,089</b>	<b>\$ 30,298,220</b>	<b>\$ 22,030,271</b>
<b>Expenses</b>					
Direct costs	7	7,579,123	5,770,856	20,801,634	15,145,231
Selling, general and administrative expenses	7	2,628,513	1,897,277	7,031,569	4,525,185
Unrealized foreign currency loss (gain)	7	(9,263)	-	(37,346)	-
<b>Income from operations</b>		<b>675,870</b>	<b>741,956</b>	<b>2,502,363</b>	<b>2,359,855</b>
Interest expense		72,185	13,260	173,049	20,663
Loss on sale of property, plant and equipment		1,603	2,475	3,641	1,610
		<u>73,788</u>	<u>15,735</u>	<u>176,690</u>	<u>22,273</u>
<b>Net income before income taxes</b>		<b>602,082</b>	<b>726,221</b>	<b>2,325,673</b>	<b>2,337,582</b>
Deferred income tax expense (recovery)		(59,000)	(8,000)	200,000	19,000
Current income tax expense		263,000	260,925	455,000	790,925
		<u>204,000</u>	<u>252,925</u>	<u>655,000</u>	<u>809,925</u>
<b>Net income</b>		<b>\$ 398,082</b>	<b>\$ 473,296</b>	<b>\$ 1,670,673</b>	<b>\$ 1,527,657</b>
<b>Items that may be reclassified to profit or loss:</b>					
Exchange differences on translating foreign operations		(384,675)	-	(456,064)	-
<b>Total comprehensive income</b>		<b><u>\$ 13,407</u></b>	<b><u>\$ 473,296</u></b>	<b><u>\$ 1,214,609</u></b>	<b><u>\$ 1,527,657</u></b>
<b>Net income attributable to equity holders of the Company</b>		<b>410,760</b>	<b>477,306</b>	<b>1,713,309</b>	<b>1,531,667</b>
<b>Non-controlling interest</b>		<b><u>(12,678)</u></b>	<b><u>(4,010)</u></b>	<b><u>(42,636)</u></b>	<b><u>(4,010)</u></b>
		<b>\$ 398,082</b>	<b>\$ 473,296</b>	<b>\$ 1,670,673</b>	<b>\$ 1,527,657</b>
<b>Earnings per Share</b>					
Basic and diluted		<b>\$ 0.015</b>	<b>\$ 0.018</b>	<b>\$ 0.065</b>	<b>\$ 0.059</b>
<b>Weighted Average Number of Common Shares</b>					
Basic and diluted		<b>25,784,950</b>	<b>25,784,950</b>	<b>25,784,950</b>	<b>25,784,950</b>

**XPEL TECHNOLOGIES CORP.****Condensed Consolidated Statement of Changes in Equity**

(Expressed in United States Dollars)

(unaudited)

	Capital Stock		Contributed	Deficit	Non-Controlling	Accumulated	Total
	Number	Amount	Surplus		Interest	Other Comprehensive Income	
<b>Balance as at January 1, 2014</b>	25,784,950	\$ 6,635,133	\$ 2,165,130	\$ (4,485,084)	\$ -	\$ -	\$ 4,315,179
Net income and comprehensive income for the period	-	-	-	1,527,657	(8,105)	71,919	1,591,471
<b>Balance as at September 30, 2014</b>	<b>25,784,950</b>	<b>6,635,133</b>	<b>2,165,130</b>	<b>(2,957,427)</b>	<b>(8,105)</b>	<b>71,919</b>	<b>5,906,650</b>
Non-controlling interest on acquisition	-	-	-	-	114,249	-	114,249
Net income and comprehensive income for the period	-	-	-	1,569,445	(26,985)	-	1,542,460
Other comprehensive income	-	-	-	-	-	(15,721)	(15,721)
<b>Balance as at December 31, 2014</b>	<b>25,784,950</b>	<b>6,635,133</b>	<b>2,165,130</b>	<b>(1,387,982)</b>	<b>87,264</b>	<b>(15,721)</b>	<b>7,483,824</b>
Non-controlling interest	-	-	-	-	(42,636)	-	(42,636)
Reduction of non-controlling interest on increased ownership	-	-	-	-	(7,132)	-	(7,132)
Net income and comprehensive income for the period	-	-	-	1,713,309	-	-	1,713,309
Other comprehensive income	-	-	-	-	-	(456,064)	(456,064)
<b>Balance as at September 30, 2015</b>	<b>25,784,950</b>	<b>\$ 6,635,133</b>	<b>\$ 2,165,130</b>	<b>\$ 325,327</b>	<b>\$ 37,496</b>	<b>\$ (471,785)</b>	<b>\$ 8,691,301</b>

**XPEL TECHNOLOGIES CORP.**  
**Condensed Consolidated Statement of Cash Flows**  
(Expressed in United States Dollars)  
(unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 1,670,673	\$ 1,527,657
Add items not affecting cash		
Amortization of property, plant and equipment	169,988	98,491
Amortization of intangible assets	466,867	244,844
Deferred income tax expense (recovery)	(59,000)	19,000
Accretion on Promissory Note	48,042	-
Unrealized gain on foreign exchange	(375,828)	-
	<u>1,920,742</u>	<u>1,889,992</u>
Changes in non-cash working capital items		
Accounts receivable	(921,050)	(1,535,924)
Inventory	1,032,766	(2,415,083)
Prepaid expenses and sundry assets	(566,979)	12,480
Accounts payable and accrued liabilities	(591,069)	1,334,846
Current income tax expense	455,000	790,000
<b>Net cash provided by (used in) operating activities</b>	<u>1,329,410</u>	<u>76,311</u>
<b>Cash flows used in investing activity</b>		
Purchase of property, plant and equipment	(487,598)	(350,198)
Cash paid on acquisition	(1,851,271)	(493,894)
Development of intangible assets	(529,731)	(385,410)
<b>Net cash used in investing activities</b>	<u>(2,868,600)</u>	<u>(1,229,502)</u>
<b>Cash flows from financing activity</b>		
Cash from bank operating facility	1,900,000	1,800,000
Repayment of promissory note	(196,026)	-
Proceeds from bank loan payable	1,868,334	-
Repayment of bank loan payable	(190,000)	-
Proceeds from vehicle notes payable	71,316	40,873
Repayment of vehicle notes payable	(21,046)	(12,128)
<b>Net cash provided by financing activities</b>	<u>3,432,578</u>	<u>1,828,745</u>
<b>Increase (decrease) in cash during the period</b>	<b>1,893,388</b>	<b>675,554</b>
<b>Cash at beginning of period</b>	<b>1,474,130</b>	<b>1,414,913</b>
<b>Cash at end of period</b>	<u><u>\$ 3,367,518</u></u>	<u><u>\$ 2,090,467</u></u>

## **Management's Responsibility for Interim Financial Statements**

The accompanying condensed consolidated unaudited interim financial statements of XPEL Technologies Corp. (the "Company") are the responsibility of management.

The condensed consolidated unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the condensed consolidated unaudited interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the condensed consolidated unaudited interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the condensed consolidated unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the condensed consolidated unaudited interim financial statements and (ii) the condensed consolidated unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the condensed consolidated unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the condensed consolidated unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the condensed consolidated unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the condensed consolidated unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Ryan L. Pape, CEO

## **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of the Company is responsible for the preparation of the accompanying condensed consolidated unaudited interim financial statements. The condensed consolidated unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor. These condensed consolidated unaudited interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
**September 30, 2015**

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**1. NATURE OF OPERATIONS**

XPEL Technologies Corp. (the "Company") is based in San Antonio, Texas and manufactures and distributes after-market automotive products. The focus of the Company is the aftermarket for automotive paint and headlight protection products which it serves through its offerings of bulk paint protection film (PPF) and pre-cut PPF and headlight protection kits.

The Company was incorporated by articles of incorporation in the state of Nevada, U.S.A. in October 2003 and its registered office is 618 W. Sunset Road, San Antonio, Texas, 78216. The Company is a public company listed on the TSX Venture Exchange trading under the symbol "DAP.U".

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

These condensed consolidated interim financial statements have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs"). These condensed consolidated interim financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in its December 31, 2014 annual financial statements. These accounting policies are based on the IFRS and IFRICs applicable at that time. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

**Basis of Consolidation**

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries ArmourfendCAD, LLC and XPEL Canada Corp, and its 85% owned subsidiary XPEL Ltd. Intercompany transactions and balances are eliminated on consolidation.

**Functional and Presentation Currency**

These consolidated financial statements have been prepared in United States dollars, which is the Company's functional and presentation currency.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Significant Accounting Judgments and Estimates**

The preparation of these condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from these estimates under different assumptions and conditions.

Significant estimates made by the Company include allowances for potentially uncollectable accounts receivable, useful life of property, plant and equipment and intangibles, measurement of warranty provision, recognition of deferred tax assets, valuation of property, plant and equipment and intangible assets for impairment, and fair value of financial instruments.

**Business Combinations**

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Acquisition costs are expensed as incurred, unless they qualify to be treated as debt issue costs, or as cost of issuing equity securities.

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Gains or losses on disposals of non-controlling interests are also recorded in equity.

**3. CREDIT FACILITIES**

On March 28, 2011, the Company entered into a \$150,000 revolving line of credit agreement with The Bank of San Antonio to support its continuing working capital needs. On June 28, 2015, the Board of Directors approved an increase to the existing limit to \$3,000,000. As at September 30, 2015, the balance was \$2,800,000 (December 31, 2014 - \$900,000). Subsequent to the period end, an increase to \$3,500,000 was approved.

The Company must satisfy certain non-financial covenants on a continuing basis. The Bank of San Antonio has been granted a security interest in substantially all of the Company's current and future assets. The line has a variable interest rate of the Wall Street Journal prime rate plus .75 per cent with a floor of 4.00 per cent and matures on June 28, 2016.



**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
**September 30, 2015**

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**4. CAPITAL STOCK**

Authorized

100,000,000 common shares with par value of \$0.001 per share

10,000,000 preferred shares with par value of \$0.001 per share

**5. RELATED PARTY TRANSACTIONS**

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions have been listed below, unless they have been disclosed elsewhere in the condensed consolidated interim financial statements.

A total of \$146,627 (2014 - \$133,430) in salaries and other short-term benefits was paid to key members of management as compensation in the third quarter of 2015, of which \$135,039 (2014 - \$123,221) is included as part of selling, general and administrative expense and \$11,588 (2014 - \$10,209) was capitalized into deferred development costs for design templates.

**6. COMMITMENTS AND CONTINGENCIES**

**(a) Lease Commitment**

The Company has entered into lease agreements for premises. The combined future minimum payments including the extension are as follows:

Less than 1 year	\$	335,112
1-5 years		642,590
		<hr/>
		\$ 977,702
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**(b) Contingencies**

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

**(c) Supply Agreement**

During the year ended December 31, 2013, the Company signed an exclusive supply and distribution agreement with the supplier of their material. The agreement requires the Company to purchase a minimum of \$300,000 of material each month. The agreement is for a two year term with the option for further two year renewal terms. The supplier agrees to provide exclusivity to the Company for the purchase of the material.

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**7. EXPENSES BY NATURE**

Direct costs incurred by nature are as follows:

	Three months ending September 30,	
	2015	2014
Employee salaries and benefits	\$ 270,689	\$ 172,419
Materials	6,682,797	5,194,900
Freight	163,890	118,343
Other	359,238	212,098
Amortization of intangible assets	102,509	73,096
	<b>\$ 7,579,123</b>	<b>\$ 5,770,856</b>

	Nine months ending September 30,	
	2015	2014
Employee salaries and benefits	\$ 685,882	\$ 462,771
Materials	18,462,730	13,666,636
Freight	468,784	287,176
Other	900,152	517,402
Amortization of intangible assets	284,086	211,246
	<b>\$20,801,634</b>	<b>\$15,145,231</b>

Selling, general and administrative expenses incurred by nature are as follows:

	Three months ending September 30,	
	2015	2014
Employee salaries and benefits	\$ 1,455,908	\$ 983,371
Sales and marketing	250,084	163,530
Occupancy	150,637	108,531
Professional fees	154,100	319,461
Filing fees	5,458	5,038
Insurance	48,809	31,457
Office and general	425,809	249,038
Amortization of PP&E and intangibles	137,708	36,851
	<b>\$ 2,628,513</b>	<b>\$ 1,897,277</b>

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
**September 30, 2015**

	Nine months ending September 30,	
	2015	2014
Employee salaries and benefits	<b>\$ 3,869,757</b>	\$ 2,527,268
Sales and marketing	<b>637,031</b>	347,173
Occupancy	<b>412,572</b>	283,276
Professional fees	<b>509,961</b>	521,334
Filing fees	<b>24,873</b>	21,346
Insurance	<b>138,870</b>	82,868
Office and general	<b>1,085,737</b>	643,429
Amortization of PP&E and intangibles	<b>352,768</b>	98,491
	<b>\$ 7,031,569</b>	\$ 4,525,185

**8. INTANGIBLE ASSETS**

<b>Cost</b>	<b>Balance Jan 1, 2015</b>	<b>Additions</b>	<b>Balance Sept 30, 2015</b>
Design templates (internally generated)	\$2,316,255	\$ 338,506	\$2,654,761
Trademarks	92,027	10,432	102,459
DAP software platform	318,137	181,108	499,245
Patent	100,000	-	100,000
Design templates	46,906	(1,197)	45,709
Domain names	7,500	-	7,500
Contractual relationships	-	888,168	888,168
Customer relationships	-	537,379	537,379
Non-compete	-	149,272	149,272
	<b>\$2,880,825</b>	<b>\$2,103,668</b>	<b>\$4,984,493</b>

<b>Accumulated Amortization</b>	<b>Balance Jan 1, 2015</b>	<b>Additions</b>	<b>Balance Sept 30, 2015</b>
Design templates (internally generated)	\$1,961,797	\$ 259,280	\$2,221,078
DAP software platform	58,655	61,073	119,729
Patent	70,000	7,500	77,500
Design templates	5,863	16,991	22,855
Contractual relationships	-	59,210	59,211
Customer relationships	-	35,824	35,825
Non-compete	-	19,903	19,903
	<b>\$2,096,315</b>	<b>\$ 459,781</b>	<b>\$2,556,096</b>

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
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<b>Net Book Value</b>	<b>Balance Jan 1, 2015</b>	<b>Balance Sept 30, 2015</b>
Design templates (internally generated)	\$ 354,458	\$ 433,684
Trademark	92,027	102,459
DAP software platform	259,482	379,517
Patent	30,000	22,500
Design templates	41,043	22,855
Domain names	7,500	7,500
Contractual relationships	-	828,958
Customer relationships	-	501,555
Non-compete	-	129,369
	<b>\$ 784,510</b>	<b>\$2,428,397</b>

**9. ACQUISITION OF COMPANIES**

On February 5, 2015, XPEL Canada, a wholly owned subsidiary of the Company acquired 100% of the issued and outstanding securities of a distributor of paint protection and window tint products in the Canadian market. The aggregate purchase price for the acquisition was \$3,567,672.

The Company has allocated the purchase price as follows:

Accounts receivable	\$ 586,940
Inventory	503,063
Property and equipment	83,879
Contractual relationships	957,831
Customer relationships	579,528
Non-compete	160,980
Goodwill	1,152,304
Deferred tax liability	<u>(456,853)</u>
	<b><u>\$ 3,567,672</u></b>

Consideration is comprised of:

Cash payment	\$ 1,851,270
Promissory note	<u>1,716,402<sup>a</sup></u>
	<b><u>\$ 3,567,672</u></b>

Acquisition cost incurred related to the acquisition totaled \$90,545 (2014 - \$20,711; 2015 - \$69,834), which is included in Selling, General and Administrative expenses.

<sup>a</sup> The promissory note is non-interest bearing, is payable in 20 quarterly installments of CD\$120,413, and is discounted at a rate of 4.75%.

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(Expressed in United States Dollars)  
**September 30, 2015**

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**9. ACQUISITION OF COMPANIES (Cont'd)**

On September 11, 2014, XPEL Ltd, a subsidiary of the Company, acquired 100% of the issued and outstanding securities of a pattern design company located in the United Kingdom. The aggregate purchase price for the acquisition was \$368,750.

The Company has allocated the purchase price as follows:

Design templates	\$ 50,000
Goodwill	318,750
	<u>\$ 368,750</u>

Consideration comprised of:

Cash payment	\$ 295,000
Shares issued of XPEL Ltd.	73,750
	<u>\$ 368,750</u>

Acquisition cost incurred related to the acquisition totaled \$55,502, which was included in Selling, General and Administrative expenses in 2014.

On September 11, 2014, ArmourfendCAD LLC, a subsidiary of the Company, acquired 100% of the net business assets of a pattern design company located in the United States. The aggregate purchase price for acquisition was \$37,194.

The Company has allocated the purchase price as follows:

Cash	\$ 294
Account receivable	31,900
Goodwill	5,000
	<u>\$ 37,194</u>

Consideration comprised of:

Cash payment	\$ 37,194
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Acquisition cost incurred related to the acquisition totaled \$10,037, which was included in Selling, General and Administrative expenses in 2014.

**XPEL Technologies Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**9. ACQUISITION OF COMPANIES (Cont'd)**

On September 11, 2014, XPEL Ltd, a subsidiary of the Company, acquired 100% of the net business assets of an installation company located in the United Kingdom. The aggregate purchase price was GBP100,000.

The Company has allocated the purchase price as follows:

Goodwill	\$161,994 (GBP100,000)
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Consideration comprised of:

Cash payment	\$161,994 (GBP100,000)
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Acquisition cost incurred related to the acquisition totaled \$9,829, which was included in selling, general and administrative expenses in 2014.

The Company has followed guidance provided by IFRS 3 - Business Combinations, which allows the Company one year to finalize purchase price allocation of an acquired company fixed assets and liabilities. Over the next year, the Company will analyze the acquired assets and liabilities and make final allocation at this time.

**10. ECONOMIC DEPENDENCY**

The Company depends directly or indirectly on several sole suppliers to supply goods and services necessary for carrying on its core business, including a sole manufacturing facility, sole urethane supplier and sole adhesive supplier and other sole suppliers of other intermediate manufacturing elements. Approximately 90% of the Company's inventory purchases are dependent on these direct and indirect sole suppliers. If any of these suppliers were unwilling or unable to provide such products in the future, the Company's ability to provide products and services to its customers may be adversely affected and the Company might not be able to obtain similar products or services from alternate suppliers on a timely basis or on terms favorable to the Company.

**11. BANK LOAN PAYABLE**

The Company entered into a loan during the first quarter of 2015 with the Company's primary lender, The Bank of San Antonio, to help fund the acquisition. The loan is for \$1,900,000, payable monthly. The loan has a three year term and is based on a five year amortization schedule and bears an interest rate of 4.5%. The Bank of San Antonio has been granted a security interest in substantially all of the Company's current and future assets.