



HÉROUX DEVTEK 
CREATING VALUE

ANNUAL REPORT 2012-13



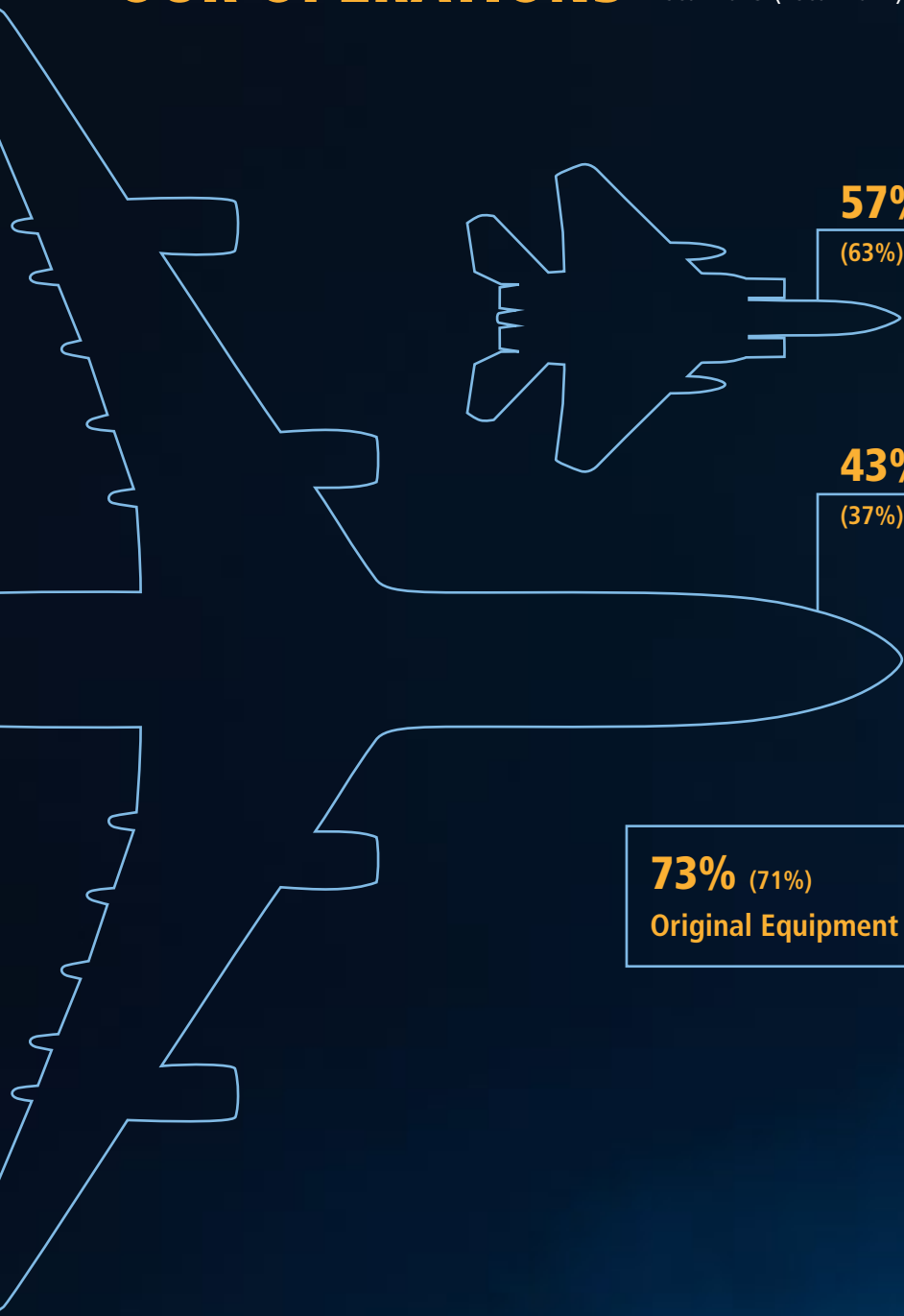
CORPORATE PROFILE

HÉROUX-DEVTEK (TSX: HRX) IS A CANADIAN COMPANY SPECIALIZING IN THE DESIGN, DEVELOPMENT, MANUFACTURE AND REPAIR AND OVERHAUL OF LANDING GEAR SYSTEMS AND COMPONENTS FOR THE AEROSPACE MARKET. THE CORPORATION IS THE THIRD LARGEST LANDING GEAR COMPANY WORLDWIDE, SUPPLYING BOTH THE COMMERCIAL AND MILITARY SECTORS OF THE AEROSPACE MARKET WITH NEW LANDING GEAR SYSTEMS AND COMPONENTS, AS WELL AS AFTERMARKET PRODUCTS AND SERVICES. APPROXIMATELY 70% OF THE CORPORATION'S SALES ARE OUTSIDE CANADA, MAINLY IN THE UNITED STATES. THE CORPORATION'S HEAD OFFICE IS LOCATED IN LONGUEUIL, QUÉBEC WITH FACILITIES IN THE GREATER MONTREAL AREA (LONGUEUIL, LAVAL AND ST-HUBERT); KITCHENER AND TORONTO, ONTARIO; AS WELL AS SPRINGFIELD AND CLEVELAND, OHIO.



OUR OPERATIONS

Fiscal 2013 (fiscal 2012)



57%

(63%)

MILITARY AEROSPACE

Manufacturing	41%	(45%)
Repair and Overhaul	16%	(18%)

43%

(37%)

COMMERCIAL AEROSPACE

Large Commercial	26%	(24%)
Business Jets	5%	(5%)
Regional Jets	4%	(2%)
Helicopters	3%	(2%)
Others	5%	(4%)

73% (71%)

Original Equipment Manufacturers

27% (29%)

Aftermarket

FUNDED (FIRM) BACKLOG

as at March 31 (in millions of dollars)



Legacy 500 (photo used with permission from Embraer)

MAJOR ACCOMPLISHMENTS

JULY 2012

Renewal of an important long-term contract with the U.S. Air Force to provide landing gear repair and overhaul services for the C-130, E-3 and KC-135R aircraft. Héroux-Devtek is also responsible for the manufacturing and delivery of aftermarket components for these aircraft. The contract is for a definite four-year term, extending to August 2016. Based on the Corporation's expectations, the contract is valued at up to \$90 million.

AUGUST 2012

Completion of the sale of substantially all of its Aerostructure and Industrial Products operations to Precision Castparts Corp. for \$297.8 million paid in cash. Taking into consideration related taxes and transaction costs, net proceeds amounted to \$234.3 million.

SEPTEMBER 2012

Héroux-Devtek received a license from The Boeing Company ("Boeing") to service the H-47 Chinook aircraft landing gear in nearly a dozen countries. The license makes Héroux-Devtek eligible to offer its services to fabricate replacement parts and carry out repair and overhaul services for the landing gear of all variants of Chinook aircraft. The agreement also includes option renewal periods beyond the initial five-year period.

NOVEMBER 2012

Award of a multi-year contract from Boeing to manufacture the landing gear for all H-47 Chinook medium-to-heavy-lift helicopters destined to the U.S. Army. Landing gear deliveries are scheduled to begin in the first half of calendar 2014 and will be spread out over a five-year period. Current program expectations call for the delivery of 155 aircraft to the U.S. Army over the contracted period. The contract also includes options, exercisable at Boeing's discretion, to fabricate the landing gear for up to 150 additional aircraft over the same period.

DECEMBER 2012

Payment of a special cash distribution of \$5.00 per common share, consisting of a partial reduction and repayment of the Corporation's issued capital of \$2.70 per common share and of a dividend of \$2.30 per common share.

MARCH 2013

Industry Canada provided the Corporation with a repayable loan contribution of up to \$48.9 million. The funds will be used to support Héroux-Devtek's engineering efforts in connection with the research and development of new technologies for complete new landing gear systems. The investment will be over a five-year period and the contribution will become gradually repayable one year following the end of that period.



C-130

E-3

KC-135R

H-47 Chinook



BOARD OF DIRECTORS (from left to right)

1. BRIAN A. ROBBINS*

President and
Chief Executive Officer
Exco Technologies Limited
Toronto, Ontario

2. JEAN-LOUIS FONTAINE*

Vice-Chairman of the Board
and Director
Bombardier Inc.
Montréal, Québec

3. PAULE DORÉ†

Corporate Director
Montréal, Québec

4. GILLES LABBÉ

President and
Chief Executive Officer
Héroux-Devtek Inc.
Longueuil, Québec

5. RÉAL RAYMOND†

Corporate Director
Montréal, Québec

6. JOHN M. CYBULSKI†

Chairman of the Board
Héroux-Devtek Inc.
Principal
Aeroglobe LLC
Bradenton, Florida (U.S.A.)

7. CLAUDE BOIVIN†

Consultant and
Member of various
Boards of Directors
Montréal, Québec

8. LOUIS MORIN*

President
Busrel Inc.
Montréal, Québec

† Member of Human Resources and Corporate
Governance Committee

* Member of Audit Committee



Dear fellow shareholders,

It has been a rewarding year for Héroux-Devtek shareholders. The Board of Directors (“Board”) clearly recognized the need to unlock value and as such, developed a strategy. The divestment of Héroux-Devtek’s Aerostructure and Industrial Product Line operations was accomplished with resounding approval and has returned the Corporation to its original core business of aircraft landing gear development and maintenance.

CHAIRMAN’S MESSAGE

Despite a steady financial performance over the last few years, our stock did not reflect the progress we were making. After careful consideration of various options to try and rectify this matter, the Board concluded that a sale of these operations would benefit all stakeholders the most. The transaction resulted in a special cash distribution of \$5.00 per share in December 2012.

The Board determined that this distribution level allowed shareholders to realize significant value as well as an adequate return on their investment, while reserving capital to provide Héroux-Devtek with the flexibility to proceed with strategic acquisitions and widen the scope of our landing gear business.

This places the Corporation in a highly advantageous position. The barriers to entry in our industry are already high. We currently enjoy a ranking as the world’s third largest player in the landing gear and related products sector. We can now further build on this status. Nonetheless, this standing does not mean we can take our future success as a given. As always, we must not let down our guard. As Gilles Labbé points out in his Message further in this annual report, the outlook is mixed with favourable signs in commercial and business jets and clouds on the horizon in the military sector due to government budgetary cutbacks.

We must remain on top of our game and continue to invest in both research and development as well as human resources. This is an on-going priority at Héroux-Devtek. Some 100 of our engineers are now grouped at the Corporation’s Engineering Development Center on Montreal’s South Shore. This is a milestone initiative and is consistent with our drive to develop world-class proprietary products.

Héroux-Devtek’s success is built on the professionalism of our teams we have in place. Our ability to expand our personnel as our business grows will further enhance our position. I thank our employees for their dedication throughout this past year and salute our Board of Directors for their extreme efforts which resulted in a gratifying year for our shareholders.

John Cybulski
Chairman of the Board

The fiscal year ended March 31, 2013 was a transformational one for Héroux-Devtek. As well as creating value for our shareholders, this transformation is part of our strategy of focusing on our core capabilities: the design and manufacture of landing gear, a sector in which the Corporation is the third largest company worldwide. In a broader perspective, this strategy is intended above all to make Héroux-Devtek a source of lasting value for its stakeholders.

MESSAGE TO SHAREHOLDERS

On August 31, 2012, Héroux-Devtek concluded the sale of substantially all of its Aerostructure and Industrial Products operations to Precision Castparts Corp. for \$234.3 million, net of related taxes and transaction costs. We have retained all of our landing gear operations and the Magtron facility in Toronto.

Following this transaction, Héroux-Devtek paid a special cash distribution of \$5.00 per share to its shareholders in December 2012. The Corporation's Board of Directors considered that this special distribution represented a judicious use of Héroux-Devtek's financial resources, providing shareholders with an appropriate return on investment while allowing the Corporation to maintain a healthy financial position to support its growth.

SLIGHT INCREASE IN SALES AND EXCELLENT FINANCIAL POSITION

For the 2013 fiscal year, Héroux-Devtek's sales from continuing operations were \$257.0 million, up 1.4% from the previous year. Net income from continuing operations was \$13.8 million, or \$0.45 per share. Including the gain from the sale transaction and net income from discontinued operations, net income was \$132.0 million, or \$4.27 per share.

Héroux-Devtek's firm order backlog at March 31, 2013 was valued at \$361 million and remains well-diversified. This order book is conservatively valued and includes only business for which the Corporation has received purchase orders.

Our cash and cash equivalents at March 31, 2013 totalled \$101.3 million, or \$3.21 per share. Long-term debt, including the current portion, was \$63.0 million and we have drawn only \$22.4 million on our authorized credit facility of \$150 million, which is expandable to \$225 million subject to lenders' consent. Thus Héroux-Devtek has more than \$300 million in funds available on which it can draw to seize any growth opportunities that may arise.

MARKET OUTLOOK: GROWTH AND PRUDENCE

Conditions in the commercial aerospace market remain favourable. Passenger air traffic growth is likely to remain near the long-term trend of approximately 5% annually. Large commercial aircraft manufacturers continue to ramp up production for certain of their main programs and their order backlogs represent approximately seven years of production at current rates.

The business jet market is showing signs of a turnaround, including increased aircraft use and fewer used aircraft for sale in proportion to the fleet as a whole. Sustained growth in shipments can be expected in the coming years, driven by improvement in the economy and the introduction of new aircraft including the Legacy 450-500, Learjet 85 and Dassault SMS models equipped with a landing gear designed and manufactured by Héroux-Devtek.



The military aviation market is more uncertain, as a result of significant cuts in the defence budgets of the industrialized countries. Despite a diversified portfolio of programs with which we are associated, as well as a balance between new-component manufacturing and aftermarket products and services, conditions in this market call for prudent management. Although the effect of austerity measures could extend beyond the current fiscal year, our diversification is likely to mitigate this impact.

RESEARCH AND DEVELOPMENT, SPEARHEAD OF VALUE CREATION

The consolidation of research and development (R&D) at our St. Hubert Engineering Development Centre puts Héroux-Devtek in an enviable position in the landing gear industry. This advanced facility brings under one roof the personnel and resources required to carry out each step of our product development cycle, including certification and testing. Our resulting capacity to offer our customers integrated landing-gear solutions sets us apart from most of our competitors.

Our R&D expertise has led to our participation as systems integrator in numerous commercial and military programs and has enabled Héroux-Devtek to build solid business relationships with several of the world's leading original equipment manufacturers.

We are committed to investing at least 5% of our sales in R&D. In this regard, in March 2013, Industry Canada provided Héroux-Devtek with a repayable loan contribution of \$48.9 million, spread over five years, to support the Corporation's engineering efforts in connection with the research and development of new technologies for complete landing gear systems. This investment will further enhance our competitive position by leveraging our world-class skills and know-how through the development of value-added products and services.

THE ULTIMATE OBJECTIVE: CREATE MORE LONG-TERM VALUE

Value creation in the aerospace industry requires a long-term view, relying as it does on program life cycles extending over many decades. For this reason, our integration of design, development, testing, manufacturing and offering of aftermarket products and services makes Héroux-Devtek a source of significant value for its customers, because it means we can support them adequately over the entire service life of their aircraft.





MESSAGE TO SHAREHOLDERS (continued)

At present, we derive approximately 10% of our revenues from products for which we own the intellectual property. Through targeted acquisitions and internal growth projects, we aim to increase this proportion as well as to increase our manufacturing of complete assemblies, which also provides greater added value to our customers. These initiatives will bring greater stability to our revenues and profitability.

The major global aircraft manufacturers are increasingly seeking partners who are willing to invest alongside them in development programs. Héroux-Devtek has all the required elements to become a leading partner in this new industry dynamic.

We also plan to extend our reach in the landing gear market by relying on our internal strengths, while taking advantage of our strong financial position to invest in R&D and in strategic acquisitions of complementary products and services such as actuation systems, door-locking systems and hydraulic equipment.

OUTLOOK

For the current year ending March 31, 2014, we expect internal sales growth to be roughly comparable to that of the year just ended. An anticipated decrease in sales to the military and the delayed entry into service of aircraft whose landing gear we designed will be offset by solid growth in the commercial aviation market.

In conclusion, Héroux-Devtek's solid reputation as a world-class company and integrated supplier of value-added products and services puts us in an excellent position to seize business opportunities as they arise and to deploy the financial and organizational resources required for their successful realization.

We have a world-class team and sincerely thank our employees for their dedication and their deep respect for our corporate values. I am grateful to the members of the Board of Directors who have guided Héroux-Devtek through this period of transformation and who will continue to consider attentively any source of value creation for shareholders. Finally, I extend thanks to our business partners, customers and suppliers for their steady support and to our shareholders for the confidence they have shown in us.

Gilles Labbé, FCPA, FCA
President and Chief Executive Officer





1. LONGUEUIL

Fully integrated facility offering manufacturing and repair & overhaul services to the major players in the landing gear industry. This facility is the centre of excellence for surface treatment and assembly of medium- to large-size landing gear systems.

2. ST-HUBERT

Engineering center housing the entire design development team as well as a laboratory designed for drop testing landing gears with capacity up to 100,000 lbs. This site also conducts complete system testing and can also accommodate fatigue and strength testing.

3. LAVAL

Centre of excellence for small- to medium-size landing gear systems and components and for flight control actuators.

4. KITCHENER

Centre of excellence for the machining of medium- to large-size landing gear components.

5. SPRINGFIELD

Specialized in manufacturing OEM and aftermarket landing gear components, mainly for the military aerospace industry and also for certain commercial programs.

6. CLEVELAND

Specialized in manufacturing and assembly of small- to medium-size landing gear and related components.

7. TORONTO

Manufacturing of electronic enclosures, heat exchangers and cabinets for suppliers of airborne radar, electro-optic systems and aircraft controls.



CENTRES OF EXCELLENCE



In fiscal 2013, Héroux-Devtek strengthened its leading position in the landing gear market by winning new contracts and continuing to meet the critical milestones set by its customers in aircraft life-cycle programs.

REVIEW OF OPERATIONS



Sales of commercial aviation products grew 17.5%, reflecting the strength of the market for large commercial aircraft as well as our ability to quickly respond to production rate increases for certain key programs. Firmer demand for our products in the business jet market reflected the initial stages of recovery in this sector. Sales of military products, on the other hand, decreased 8.2%, as fiscal austerity measures in the United States resulted in the deferral or cancellation of certain orders. This decline was also due to lower sales at the Magtron facility.

NEW CONTRACTS AND RENEWAL OF EXISTING AGREEMENTS

Héroux-Devtek won a number of large contracts in fiscal 2013. First, it renewed a major four-year agreement with the U.S. Air Force for the repair and overhaul of landing gear for the C-130, E-3 and KC-135R aircraft. We have maintained a strong business relationship with this customer for more than 40 years and based on our estimates, the value of this contract could reach \$90 million.

We have broadened the scope of our relationship with The Boeing Company for the medium-to-heavy-lift Chinook H-47 helicopter. We first obtained a licence to support the repair and overhaul of the Chinook landing gear and the fabrication of spare parts in almost a dozen countries. Even more important, Héroux-Devtek has been awarded a multi-year contract to manufacture the landing gear for all Chinook helicopters destined to the U.S. Army. This program provides for the delivery of 155 helicopters over five years beginning in the first half of calendar 2014. Boeing may also, at its discretion, exercise options for up to 150 additional aircraft. Héroux-Devtek now has three agreements in relation to the Chinook and, over the last four years, we have become the sole landing gear supplier for this important longstanding program.

Finally, the Corporation has extended for three-year periods its agreements with Messier-Bugatti-Dowty and UTC Aerospace Systems for the fabrication of major landing gear components for several large commercial aircraft programs.

INVESTMENT IN OUR CENTRES OF EXCELLENCE

The transformations affecting our industry require its players to show great flexibility and rapid adaptableness. To this end, Héroux-Devtek continuously invests in all its facilities to increase their efficiency and productivity by reducing costs, improving our processes, further enhancing production quality and reliability, while shortening our manufacturing cycles.

At our Longueuil centre of excellence for surface treatment and assembly, we have modernized assembly equipment and overhauled the logistics of production methods. In addition, we have accelerated automation at the Laval plant, which specializes in small landing gear, and increased the ratio of automated production hours at our Kitchener centre of excellence for the machining of larger components.

As with our Canadian operations, the strategic objective for the integration of Landing Gear USA's manufacturing facilities, both located in Ohio, calls for the creation of dedicated centres. Following the transfer of equipment and resources, centres of excellence in machining, at Springfield and finishing at Cleveland, are now operational. In June 2012, the latter moved into a new, modern 60,000-square-foot facility.

OUTLOOK: GROWTH THROUGH VALUE-ADDED PRODUCTS AND SERVICES

Growth will essentially stem from the expansion of our offering of value-added products and services, in particular our integrated design and development services and our capabilities to fabricate products and assemblies of greater complexity. Héroux-Devtek will leverage its hard-won reputation for excellence to take advantage of every opportunity to enhance its position as a world leader in the landing gear market.



**MANAGEMENT DISCUSSION AND ANALYSIS OF
FINANCIAL POSITION AND OPERATING RESULTS
AND CONSOLIDATED FINANCIAL STATEMENTS**

For the fiscal years ended March 31, 2013 and 2012



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MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

The purpose of this management discussion and analysis (“MD&A”) is to provide the reader with an overview of how the financial position of Héroux-Devtek Inc. and its subsidiaries (“Héroux-Devtek” or the “Corporation”) evolved between March 31, 2012 and March 31, 2013. It also compares the operating results and cash flows for the fiscal year ended March 31, 2013 to those for the previous year.

This analysis should be read in conjunction with the Corporation’s audited consolidated financial statements dated March 31, 2013. This MD&A is based on our consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), using the Canadian dollar as the reporting currency. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

Forward-Looking Statements

In the interest of providing shareholders and potential investors with information regarding Héroux-Devtek, including Management’s assessment of future plans and operations, certain statements in this MD&A are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Corporation’s actual performance to differ materially from those expressed in or implied by such statements.

Such factors include, but are not limited to: the impact of worldwide general economic conditions and, in particular, economic conditions in Canada and the United States; industry conditions including changes in laws and regulations; increased competition; the lack of availability of qualified personnel or management; availability of commodities and fluctuations in commodity prices; foreign exchange or interest rate fluctuations; stock market volatility; and the impact of accounting policies issued by international standard setters. Some of these factors are further discussed under Risks and Uncertainties in this MD&A. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive, and undue reliance should not be placed on forward-looking statements.

Although the Corporation believes that the expectations conveyed by the forward-looking statements are based on information available to it on the date such statements were made, there can be no assurance that such expectations will prove to be correct. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

On August 31, 2012, the Corporation concluded the sale of substantially all of its Aerostructure and Industrial product line operations (“sale transaction”) (See Discontinued operations below). Following this transaction, Héroux-Devtek and its subsidiaries mainly specialize in the design, development, manufacture, repair and overhaul of landing gear systems and components used principally in the Aerospace market. The Corporation has also built a strong, well-recognized design engineering team.

The Corporation is the third largest landing gear company in the world, supplying both the commercial and military sectors of the Aerospace market with new landing gear systems and components as well as aftermarket products and services (including spare parts and repair and overhaul services). In the commercial sector, the Corporation is active in the large commercial and business jet, regional aircraft and helicopter markets. On the military side, the Corporation provides parts and services for all major military aircraft, mainly in the United States. As such, a significant portion of the Corporation’s sales are made to a limited number of customers mainly located in the United States and Canada.

The Corporation’s head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Laval and St-Hubert); Kitchener and Toronto, Ontario; as well as Springfield and Cleveland, Ohio. All facilities are involved in the fabrication of landing gear systems and components with the exception of the Toronto facility (“Magtron”), which manufactures electronic enclosures, heat exchangers and cabinets for airborne radar, electro-optic systems and aircraft controls. This facility provides competencies in vacuum and dips brazing metal joining technologies and became Canada’s first facility to be Nadcap certified in aluminum vacuum brazing.

The Corporation was founded in 1942 as Héroux Machine Parts Limited, and later changed its name to Héroux Inc. The Corporation became public in 1986. In 2000, it acquired Devtek Corporation and the two entities were merged to form Héroux-Devtek Inc., one of the largest second-tier manufacturers in the Canadian aerospace industry.

On April 28, 2010, the Corporation concluded the acquisition of U.S. based Eagle Tool & Machine Co. and its subsidiary, All Tool Inc., two privately-held Ohio-based manufacturers of landing gear products mainly for the military aerospace industry (now referred to as "Landing Gear USA").

Héroux-Devtek sells mainly to original equipment manufacturers ("OEMs") such as United Technologies Airways System (UTAS), Messier-Dowty, Bombardier, LockheedMartin and Triumph, and into the aftermarket, where its main customer is the US Air Force (USAF). In fiscal 2013, sales to these six customers represented approximately 69% of total consolidated sales. More specifically, the Corporation has two customers representing 24% and 21% of its consolidated sales.

Business Management

The Corporation's Landing Gear product line and Magtron's operations are managed through decentralized operations that encourage entrepreneurship and the involvement of every employee. They have the management, engineering, manufacturing and marketing resources required to meet the needs of their specific markets. The growth and profitability of the Landing Gear product line and Magtron's operations is the responsibility respectively, of the Landing Gear Vice-President - General Manager and Magtron's General Manager. They report directly to the Corporation's President and Chief Executive Officer, while the Vice-President, Finance and Controllers report directly to the Corporation's Vice-President, Control and Information Technology, and to the Executive Vice-President and Chief Financial Officer.

The Corporation's Corporate Office is responsible for the Corporation's public financial and other reporting and disclosure requirements, and for all financial and major business development decisions. It also provides the Landing Gear product line and Magtron's operations support in establishing budget and strategic plans, developing new products and markets, and assistance for public relations, financial controls and reporting, legal counsel, tax, human resources and information technology.

Business Strategy

Héroux-Devtek's business strategy is to position itself as a key supplier for its customers. For the Corporation, being a key supplier means providing not only manufactured components but also other services, such as design, assembly and program management, in order to become a complete service provider and allow customers to focus on their core business. In order to achieve this, the Corporation aims to develop management and technical expertise so as to add value to products at competitive costs. It also seeks to grow to attain a critical mass in each of its markets, while maintaining a solid financial position and returns.

In practice, this translates into:

- A focused factory approach, with each plant specializing in a specific type of component and services;
- Standard and compatible information systems across the Corporation;
- Migration of technical and managerial know-how in its plant;
- A lean manufacturing approach in all its plants;
- Revenue stability, whenever possible, through long-term agreements with its customers;
- A balanced sales mix between civil and military aerospace sectors; and
- Building and maintaining a culture of entrepreneurship through the participation, dedication and commitment of its employees.

Héroux-Devtek seeks growth externally through acquisitions that can be easily integrated into its existing operations or that bring complementary technology, leading to greater added value. Internally, the Corporation aims to:

- Develop value-added, proprietary products through design engineering;
- Establish or enhance its presence in certain product markets, such as the after-market repair and overhaul of commercial and military landing gear, design and manufacturing of small to medium landing gear, for commercial and military aircraft OEMs; and
- Diversify the customer base, which generally means finding new OEM customers.

Key Performance Indicators

Héroux-Devtek measures its performance on a corporation-wide basis through the following elements:

- Profitability;
- Liquidity;
- Growth and competitive positioning;
- Customer satisfaction, and
- Financial situation and returns.

To do so, the Corporation developed key performance indicators (“KPI”). Presented below is a summary of these indicators as well as the elements which they measure:

Elements measured	Profitability	Liquidity	Growth and competitive positioning	Customer satisfaction	Financial situation and returns
KPIs	Gross profit	Earnings before interest, tax, depreciation and amortization (EBITDA)	Sales	On-time delivery	Working capital
	Operating income Earnings before interest and taxes (EBIT)	Free cash flow	Backlog (Purchase orders on hand)	Non-quality performance and costs	Long-term debt to equity ratio
	Cost reduction targets	Return on operating assets (RONA)	Market share in niche product markets where the Corporation evolves	—	Net-debt to equity ratio
	Manufacturing capacity utilization	—	Value added to products as a percentage of sales	—	Return on equity and RONA
What is being measured	Measures of operating performance	Measures of liquidity generation	Measures of growth, indicators of future revenue and measures of competitive positioning	Measures of commitments towards customers and product reliability	Measures of solidity of short- and long-term financial position and return to shareholders

Most of these KPIs are discussed later in this MD&A and are also included in the Financial Highlights of the Corporation’s fiscal 2013 Annual Report. Some of these KPIs are not publicly disclosed since they are of a competitive nature.

In fiscal year 2013, market trends had an obvious impact on the Corporation’s capacity utilization due to the weaker U.S. military market, which added pressure to the cost absorption for some of the Corporation’s business units. On-time delivery and non-quality costs are customers’ satisfaction indicators that are closely monitored by Héroux-Devtek. The Corporation has improved these indicators over recent years and continues to pay close attention to quality matrix and quality reports from its customers.

Furthermore, the Corporation's incentive plan is based on achievement of certain financial objectives and specific personal objectives. The financial targets are the RONA, operating income, sales, net income and earnings per share.

Risk Management

The Corporation's Risk Management process includes essentially the identification and assessment of business risks and opportunities and the implementation of strategies and controls to manage, monitor and communicate these risks. To help achieve its risk management objectives, the Corporation has included risk management activities and controls in the operational responsibilities of management in each business unit. The Corporation's Board of Directors is ultimately responsible for identifying and assessing the Corporation's principal business risks, reviewing overall business risks and ensuring the implementation of appropriate systems to manage these risks. The Human Resources and Corporate Governance Committee and the Audit Committee, composed of independent Directors, assist the Board of Directors in its general management responsibilities.

The Corporation operates in markets subject to various risks and uncertainties. Some of these risks are inherent to the nature of the Corporation's operations. *See Risks and Uncertainties* below.

Market Trends

As economic improvements remained modest in calendar 2012, key indicators in the commercial air transport market were mixed. Demand in the passenger market continued to grow, with traffic expressed in Revenue Passenger Kilometers ("RPK") increasing 5.3% over calendar 2011, but freight traffic expressed in Freight Tonne Kilometers ("FTK") decreased 2.0%¹. These trends have been sustained in the first three months of calendar 2013 with an increase of 4.2% in RPK and a 1.1% contraction in FTK².

Industry deliveries of large commercial aircraft reached a new record in calendar 2012, with 1,189 aircraft for Airbus and Boeing combined, while net new order inflow remained strong with an aggregate amount of 2,036 aircraft³. Both manufacturers are also proceeding with production rate increases on several leading programs scheduled for calendar years 2013 and 2014, although production of the B-747 will be slightly decreased in calendar 2014⁴. Based on current production rates, their respective backlogs continue to represent approximately seven years of production.

In the regional aviation market, Embraer delivered 105 aircraft in calendar year 2012⁵, while Bombardier delivered 50 during the same period⁶, including turboprops. While Bombardier's backlog increased during the year, Embraer experienced a decline.

Business jet deliveries declined slightly in calendar 2012, reaching 672 aircraft. However, certain positive signs continue to suggest improving conditions, such as a 0.7% increase in U.S. business aircraft movements and a year-over-year decrease of 0.4% in the proportion of the business aircraft fleet for sale⁷.

The military market was weaker in calendar year 2012, as governments continued to address their deficits. In the U.S., proposed funding for the fiscal 2014 base defense budget is down marginally from enacted funding for fiscal 2013⁸, including a 1.4% reduction in proposed funding for equipment, systems, research, technology development and weapons. As proposed funding for fiscal 2014 remains above budget limits set under sequestration, actual funding could be materially less if sequestration is not reversed.

1 Source: IATA Financial Forecast, March 20, 2013

2 Source: IATA press releases April 30, 2013 and May 1, 2013

3 Sources: Airbus press release January 17, 2013; Boeing press release January 3, 2013

4 Sources: Airbus press releases April 4, 2013; May 18, 2011; February 3, 2011. Boeing press releases April 19, 2013; March 18, 2013; November 12, 2012; October 23, 2012; January 10, 2012; June 15, 2011

5 Source: Embraer press release, January 14, 2013

6 Source: Bombardier press release, January 8, 2013

7 Sources: GAMA press release February 12, 2013; FAA January 2013 Business Jet Report, JetNet report January 30, 2013

8 Source: U.S. Department of Defense report, April 10, 2013

Major Achievements of Fiscal 2013

- Héroux-Devtek completed the sale of substantially all of its Aerostructure and Industrial Products operations to Precision Castparts Corp. (NYSE: PCP) for \$297.8 million paid in cash. Taking into consideration related taxes and transaction costs, net proceeds amounted to \$234.3 million. The gain of \$163.0 million on the sale transaction, net of related taxes of \$51.8 million amounted to \$111.2 million (see Discontinued operations below).
- In connection with the sale transaction, the Board of Directors of Héroux-Devtek approved a special cash distribution to shareholders of \$5.00 per common share (\$157.5 million) paid on December 19, 2012. At a Special Meeting of Shareholders held on December 18, 2012, shareholders voted in favour of a special resolution to reduce the amount of the Corporation's issued share capital by \$2.70 per share. As a result, the distribution consisted of a partial reduction and repayment of the Corporation's issued capital of \$2.70 per share and of a dividend of \$2.30 per share.
- Héroux-Devtek generated sales from continuing operations of \$257.0 million in fiscal 2013, up 1.4% from a year earlier. A solid 17.5% increase in sales to the commercial aerospace market, which reached \$111.0 million, was partially offset by an 8.2% decrease in sales to the military aerospace market to \$146.0 million. Net income from continuing operations amounted to \$13.8 million, or \$0.44 per share on a diluted basis.
- Héroux-Devtek renewed an important long-term contract with the U.S. Air Force (USAF) to provide landing gear repair and overhaul (R&O) services for the C-130, E-3 and KC-135R aircraft. The contract is for a definite four-year term, extending to August 2016. Based on the Corporation's expectations, the contract is valued at up to \$90 million. Under the terms of the agreement, Héroux-Devtek is also responsible for the manufacturing and delivery of aftermarket components for these aircraft.
- The Corporation received a license from The Boeing Company (NYSE: BA) ("Boeing") to service the H-47 Chinook aircraft landing gear in nearly a dozen countries. The license makes Héroux-Devtek eligible to offer its services to fabricate replacement parts and carry out repair and overhaul (R&O) services for the landing gear of all variants of Chinook aircraft. The agreement also includes option renewal periods beyond the initial five-year period. Héroux-Devtek also delivered, on schedule, its first H-47F complete landing gear to Boeing. Héroux-Devtek is under contract from Boeing to fabricate, assemble, test and deliver the landing gear for H-47F aircraft delivered to customers outside the United States.
- Héroux-Devtek was awarded a multi-year contract from Boeing to manufacture the landing gear for the H-47 Chinook medium-to-heavy-lift helicopter. Under the terms of the agreement, Héroux-Devtek will fabricate the landing gear for all Chinook aircraft destined for the U.S. Army. Landing gear deliveries are scheduled to begin in the first half of calendar 2014 and will be spread out over a five-year period. Current program expectations call for the delivery of 155 aircraft to the U.S. Army over the contracted period. The contract also includes options, exercisable at Boeing's discretion, to fabricate the landing gear for up to 150 additional aircraft over the same period.
- The Corporation contracted a \$48.9 million repayable loan contribution, spreading over a five-year period, from Industry Canada. The funds will be used to support Héroux-Devtek's engineering efforts in connection with the research and development of new technologies for complete new landing gear systems. The investment will be over a five-year period and the contribution will become gradually repayable one year following the end of that period. The investment is being made through the Government of Canada's Strategic Aerospace and Defence Initiative (SADI), which supports strategic industrial research and pre-competitive development projects in the aerospace, defence, space and security industries.

Discontinued Operations

On July 16, 2012, the Corporation executed a definitive agreement for the sale of substantially all of its Aerostructure and Industrial product line operations to Precision Castparts Corporation ("PCC"), a public company traded on the New York Stock Exchange. The net assets acquired by PCC include the Corporation's Dorval (Quebec), Querétaro (Mexico) and Arlington (Texas) Aerostructure product line manufacturing sites, as well as the Cincinnati (Ohio) Industrial product line manufacturing sites.

The sale transaction was concluded on August 31, 2012 with gross sale proceeds, including post-closing adjustments, of \$297.8 million paid in cash. Taking into consideration the related taxes and transaction related costs, the net proceeds amounted to \$234.3 million. The gain of \$163.0 million on the sale transaction, net of the related taxes of \$51.8 million, amounted to \$111.2 million. The gain from discontinued operations also includes a provision reversal of \$1.0 million or \$0.8 million, net of taxes, related to a business sold in prior years, as a result of the expiry of the prescribed legal delay.

Net income from discontinued operations and related to the sale transaction is comprised of the following:

(\$'000)	2013	2012
Net gain from the sale transaction	112,046	—
Net income from operations sold ⁽¹⁾	6,180	10,606
Net income from discontinued operations	118,226	10,606

⁽¹⁾ Up to August 31, 2012.

This fiscal year, concurrently to the sale transaction, the Corporation proceeded with a \$16.0 million reduction of finance lease obligations and the repayment of a \$1.0 million governmental authorities' loan related to the businesses sold. The Corporation also proceeded with a partial repayment of US\$37.5 million (\$37.0 million) against the Syndicated Banks' Credit Facility ("Credit Facility") and repurchased two of the three interest rate swap agreements in place, representing a total notional amount of US\$30.0 million, for a total cost of \$1.7 million which was recorded as transaction related costs to the sale transaction.

The sales, gross profit, operating income and EBITDA related to the continuing and discontinued operations represented the following amounts for the last fiscal year ended March 31, 2012:

	Total Consolidated	Discontinued Operations	Continuing Operations
	(\$'000)	(\$'000)	(\$'000)
Sales	380,336	126,815	253,521
Gross profit	67,630	24,923	42,707
Operating income	40,669	16,841	23,828
EBITDA	64,722	27,275	37,447

Following the sale transaction explained above, income and expenses from discontinued operations before August 31, 2012 are reported separately from income and expenses from continuing operations, down to the level of net income in the consolidated statements of income for the fiscal year ended March 31, 2013 and for the last fiscal year.

Prior to the sale transaction, the Aerostructure product line was part of the Corporation's Aerospace segment, while the Industrial product line formed the Industrial segment. Therefore, all of the operations of the businesses sold are now excluded from the Corporation's segmented information. Following this sale transaction, the Corporation operates essentially in the Aerospace segment and is comprised of the landing gear product line and Magtron operations.

Foreign Exchange

The Corporation is subject to foreign currency fluctuations from the translation of revenues (sales), expenses, assets and liabilities of its foreign operations and from transactions denominated mainly in US dollars. Transactions denominated in foreign currencies are initially recorded at the functional currency rate of exchange at the date of the transactions, but exclusive of forward foreign exchange contracts ("FFEC"), while the statement of income of foreign operations is translated at the average exchange rate for the fiscal year. FFEC, for the purpose of hedge accounting, are classified as cash flow hedges in accordance with the Corporation's accounting policies. The closing rates translate monetary assets and liabilities denominated in foreign currencies and assets and liabilities of foreign operations. The year-end and average exchange rates were as follows at March 31, 2013 and 2012 and for the fiscal years then ended:

Canada / US Exchange Rates	2013	2012
Average rate for fiscal year ended March 31	1.0013	0.9931
Closing rate at March 31	1.0160	0.9975

As shown above, the average value of the Canadian dollar when compared to its U.S. counterpart, year-over-year, was 0.8% lower, and therefore did not significantly impact the Corporation's results for this fiscal year. However, the variation in the closing rate since March 31, 2012 had a marginal favorable impact on the Corporation's U.S.-denominated balance sheet accounts at the end of this fiscal year, when compared to last year. Currency fluctuation impact on the Corporation's sales, gross profit and specific balance sheet elements can be found later in this MD&A.

The Corporation makes use of derivative financial instruments, in accordance with its hedging policy, to hedge foreign currency fluctuation exposure risks (Canadian dollar over US dollar) in an effort to mitigate these risks. At March 31, 2013, the Corporation had FFEC to sell US\$123.5 million at a weighted-average rate of 1.0325 maturing over the next three fiscal years, with the majority maturing over the next two fiscal years.

At March 31, 2013, the Corporation had also entered into FFEC to sell US\$4.7 million at a weighted-average rate of 1.2262 all maturing in fiscal 2014, to cover foreign exchange risks (Canadian dollar over US dollar) related to certain embedded derivatives.

Non-IFRS Measures

The Corporation uses earnings before interest, taxes, depreciation and amortization ("EBITDA") to assess its financial performance. EBITDA is a financial measure not prescribed by IFRS. However, the Corporation's management as well as investors, consider this metric to be useful information to assist them in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations and capital investment needs.

The Corporation's EBITDA for continuing operations is calculated as follows:

Years ended March 31

(\$'000)	2013	2012	2011
Net income	13,819	15,875	11,438
Income tax expense	3,324	4,207	3,093
Financial expenses	3,344	3,746	3,334
Amortization expense	12,533	13,619	14,248
EBITDA including restructuring charges	33,020	37,447	32,113
Restructuring charges	—	—	637
EBITDA	33,020	37,447	32,750

The \$4.4 million decrease in EBITDA from fiscal 2012 to fiscal 2013 reflects the lower operating income this fiscal year, as explained in the following sections.

Selected Annual Financial Information

The following table presents selected financial information for the past three fiscal years:

Years ended March 31

(\$'000, except per share data)	2013	2012	2011
Sales ⁽¹⁾	257,022	253,521	239,039
EBITDA ⁽¹⁾	33,020	37,447	32,750
Net income ⁽¹⁾	13,819	15,875	11,438
Earnings per share (\$) – basic ⁽¹⁾	0.45	0.52	0.38
Earnings per share (\$) – diluted ⁽¹⁾	0.44	0.52	0.38
Total assets	389,115	499,107	472,540
Long-term liabilities (including the current portion of long-term debt)	96,466	164,053	152,663
Cash and cash equivalents	101,256	62,007	32,910

⁽¹⁾ Continuing operations.

Consolidated Sales

Consolidated sales increased by \$3.5 million or 1.4% to \$257.0 million from \$253.5 million last year. This increase is the result of a 17.5% or \$16.5 million sales increase in the commercial sector, mainly resulting from higher production rates on large commercial and higher aftermarket sales, partially offset by lower aftermarket military sales. Exchange fluctuations reduced sales by \$1.4 million or 0.6%, when compared to last year.

Sales can be broken down by sector as follows:

	2013	2012	Variance	
	(\$'000)	(\$'000)	(\$'000)	%
Military ⁽¹⁾	146,035	159,035	(13,000)	(8.2)
Commercial	110,987	94,486	16,501	17.5
Total	257,022	253,521	3,501	1.4

⁽¹⁾ Includes military sales to civil customers and governments.

Military sales were \$13.0 million or 8.2% lower to \$146.0 million from \$159.0 million last year. The decrease in sales is essentially the result of a lower customer demand, including customer push-outs on certain military programs and order cancellations on the C-5 program, and mainly reflecting the weaker U.S. military market, as evidenced by the reduced U.S. funding base defence budget and the sequestration situation. The decrease in military sales is also the result of lower electronic enclosure and cabinet sales at the Magtron operations.

Commercial sales were \$16.5 million or 17.5% higher to \$111.0 million from \$94.5 million last year. This increase is the result of higher sales on large commercial programs, mainly from the higher production rates on the B-777 program and production ramp-up on the B-787 program. It also includes the impact of a higher production rate on certain business jet programs, mainly the Bombardier Challenger and Global programs, and of higher aftermarket sales for certain regional and helicopter programs and for the Bombardier LJ-45 and CL-415 programs.

Sales by Destination

The Corporation's sales by destination were as follows:

	2013	2012
	(%)	(%)
Canada	31	27
US	64	69
International	5	4
Total	100	100

The year-over-year change in the sales by destination mix mainly reflects the impact of increased aftermarket commercial sales in Canada combined with lower aftermarket military sales in the U.S.

Gross Profit

Consolidated gross profit as a percentage of sales was 15.4% this fiscal year, a decrease of 1.4% from 16.8% last year.

The US/CAD currency fluctuations negatively impacted the Corporation's gross profit in dollars this fiscal year by \$0.8 million or 0.2%, when expressed as a percentage of sales. Besides the natural hedging from the purchase of raw material in US dollars, the Corporation mitigates the currency impact by the use of FFEC.

Consolidated gross profit was impacted by a higher under-absorption of manufacturing overhead costs that resulted from lower production volume due to lower military customer demand, including customer push-outs and order cancellations, and an unfavorable military aftermarket sales product mix. This fiscal year, non-recurring costs were also incurred in the development of a new landing gear system program. These negative impacts on gross profit were partially offset by a better product mix resulting from higher commercial spare part sales and certain lower non-quality costs, when compared to last year.

Selling and Administrative Expenses

Selling and administrative expenses were as follows:

	2013	2012
Selling and administrative expenses (\$'000)	19,198	18,879
% of sales	7.5	7.4

Selling and administrative expenses stood at \$19.2 million or 7.5% of sales, an increase of \$0.3 million or 0.1% of sales from \$18.9 million or 7.4% of sales last year. This increase reflects the higher research and development expenses of \$0.7 million incurred this year, when compared to last year, for the development of new technologies and manufacturing improvements related to landing gear systems which are not capitalized. In addition, the expense related to stock-based compensation was higher by \$0.7 million, when compared to last year, reflecting the appreciation in the Corporation's stock price traded on the Toronto Stock Exchange ("TSE"). These increases were partially offset by lower professional fees, since last year, for expenses that were then incurred for certain specific projects. Selling and administrative expenses also include a negligible gain on currency translation on net monetary items denominated in foreign currencies this fiscal year, compared to a gain of \$0.2 million last year.

Operating Income

Consolidated operating income stood at \$20.5 million or 8.0% of sales for the fiscal year ended March 31, 2013, compared to \$23.8 million or 9.4% of sales last year. The lower operating income in dollars and as a percentage of sales is mainly the result of the higher under-absorption of manufacturing overhead costs, due to reduced military sales and to non-recurring costs incurred in the development of a new landing gear system program, partially offset by lower non-quality costs, as explained above.

Financial Expenses

Financial expenses stood at \$3.3 million for the fiscal year ended March 31, 2013, while it stood at \$3.7 million last year. The lower financial expenses this fiscal year, compared to last year, mainly reflects the higher interest income resulting from the increased cash position of the Corporation, following the sale transaction net of the special distribution to shareholders (see section below), partially offset by the higher stand-by fees expenses, following this year's US\$37.5 million repayment on the Credit Facility.

Income Tax Expense

For the fiscal year ended March 31, 2013, the income tax expense stood at \$3.3 million, compared to \$4.2 million last year.

This fiscal year, the Corporation's effective income tax rate was 19.4%, compared to its Canadian blended statutory income tax rate of 26.0%. The effective income tax rate reflects the favourable impact from permanent differences (\$0.2 million) partially offset by the negative impact of a higher U.S. income tax rate for the Corporation's U.S. subsidiaries (\$0.1 million). It also includes a reduction in deferred income tax liabilities in light of changes in tax audit matters, jurisprudence and tax legislation (\$1.0 million).

Last year, the Corporation's effective income tax rate was 20.9%, compared to the Corporation's Canadian blended statutory income tax rate of 27.3%. The difference can be explained by the favourable impact on the Corporation's effective income tax rate coming from permanent differences (\$1.0 million) and favourable deferred income tax adjustments (\$0.5 million), partially offset by the negative impact of a higher U.S. income tax rate for the Corporation's U.S. subsidiaries (\$0.2 million).

The reduction in the Corporation's blended statutory income tax rate this fiscal year, compared to last year, mainly reflects the reduction in the Federal income tax rate in Canada.

As at March 31, 2013 and 2012, there were no operating losses carried forward and no other temporary differences for which related income tax assets have not been recognized in the consolidated financial statements.

As at March 31, 2013, the Corporation had no federal non-capital losses available carried forward (\$5.4 million as at March 31, 2012).

Net Income

For the fiscal year ended March 31, 2013, the Corporation posted a net income from continuing operations of \$13.8 million or 5.4% of sales, compared to a net income of \$15.9 million or 6.3% of sales for the same period last year.

The net income of this fiscal year includes the net income of discontinued operations of \$118.2 million, compared to \$10.6 million last year. Net income from discontinued operations for the fiscal year ended March 31, 2013 includes a net gain from the sale transaction of \$111.2 million, as explained above (see Note 5 to the consolidated financial statements).

	2013	2012
Net income from continuing operations (\$'000)	13,819	15,875
Net income from discontinued operations (\$'000)	118,226	10,606
Net income (\$'000)	132,045	26,481
Earnings per share – basic (\$)	4.27	0.87
Earnings per share – diluted (\$)	4.24	0.86
Earnings per share for continuing operations – basic (\$)	0.45	0.52
Earnings per share for continuing operations – diluted (\$)	0.44	0.52

Basic earnings per share figures are based on year-to-date weighted-averages of 30,939,184 common shares outstanding for fiscal year 2013 and 30,356,946 common shares for the same period last year, while the diluted earnings per share figures are based on year-to-date weighted-averages of 31,114,439 for fiscal 2013 and 30,682,063 for last year. The increase in the weighted-average number of outstanding common shares is mainly related to the issuance of 1,034,543 common shares under the Corporation's stock option plan (see Note 19 to the consolidated financial statements).

On May 23, 2013, the date of this MD&A, the Corporation had 31,517,729 common shares and 259,101 stock options outstanding with a weighted-average of 3.7 years to maturity.

Other Accumulated Comprehensive Income ("OACI") and Comprehensive Income

For the fiscal year ended March 31, 2013, the other comprehensive loss, included in the comprehensive income from continuing operations, is mainly the result of net gains on derivative financial instruments transferred to net income during this fiscal year, combined with net actuarial losses of the Corporation's defined benefit pension plans, resulting from the negative impact of a lower interest rate to discount the defined benefit pension plan obligations, net of the higher than expected return on plan assets. These negative variations on the comprehensive income were partially offset by a gain arising from translating the financial statements of foreign operations resulting from the appreciation of the US currency versus the Canadian currency and the net gains on valuation of derivative financial instruments.

Liquidity and Capital Resources

Special Distribution to Shareholders

On November 8, 2012, following the sale transaction, the Board of Directors of the Corporation approved a special cash distribution of \$5.00 per share paid on December 19, 2012 to shareholders of record on November 20, 2012. The Board of Directors determined that it was appropriate to proceed with this special distribution to the shareholders, following the sale transaction mentioned above, and that the Corporation would still maintain a healthy financial situation, post-special distribution, considering among other things, the expected capital and other investment requirements and results of the Corporation.

The special distribution to shareholders of \$5.00 per share which represented a cash distribution of \$157.5 million (based on 31,498,905 common shares outstanding on November 20, 2012) made on December 19, 2012 was composed of and recorded as an issued capital reduction of \$2.70 per share (\$85.0 million) and of a special cash dividend of \$2.30 per share (\$72.5 million) recorded against the retained earnings of the Corporation. The capital reduction which reduced the Corporation's issued capital was approved by the shareholders at a special shareholder meeting held on December 18, 2012. The transaction costs related to this special distribution to shareholders amounting to \$0.3 million (\$0.2 million net of income taxes) were accounted for against the issued capital and retained earnings (see Note 19 to the consolidated financial statements).

Credit Facility and Cash and Cash Equivalents

In general terms, the Corporation has a healthy financial situation and is well positioned to face its financing needs. Following the sale transaction on August 31, 2012 and the special distribution to shareholders on December 19, 2012, the Corporation had cash and cash equivalents of \$101.3 million as at March 31, 2013, compared to \$62.0 million at March 31, 2012, of which \$10.0 million had been invested in short-term deposits (\$39.9 million at March 31, 2012). The remaining cash and cash equivalents were held in investment accounts with three Canadian Banks and their U.S. affiliates or branches of the Corporation's syndicated banks.

In March 2011, the Corporation renewed and increased its Senior Secured Syndicated Revolving Credit Facility with a syndicate of five Canadian Banks and their U.S. affiliates or branches, and a Canadian branch of a U.S. Bank. This Credit Facility allows the Corporation and its subsidiaries to borrow up to \$150 million, either in Canadian or US currency equivalent and will mature in March 2016 (see Note 18 to the consolidated financial statements). It also includes an accordion feature to increase the Credit Facility up to \$225 million, during the term of the Credit Agreement, subject to approval by the lenders. Immediately following the sale transaction, the Corporation proceeded with a partial repayment of US\$37.5 million (\$37.0 million) against the Credit Facility. As a result, the Corporation only had \$22.4 million (US\$22.0 million) drawn against the Credit Facility as at March 31, 2013 compared to \$59.4 million as at March 31, 2012 (US\$59.5 million). Considering the Corporation's cash and cash equivalents position, its available Credit Facility and level of expected capital investments and results, the Corporation's management does not expect any significant liquidity risk in the foreseeable future.

At March 31, the Corporation had the following net cash (debt) position, calculated as follows:

	2013 (\$'000)	2012 (\$'000)
Cash and cash equivalents	101,256	62,007
Less: Long-term debt, including current portion ⁽¹⁾	(64,275)	(120,874)
Net cash (debt) position	36,981	(58,867)

⁽¹⁾ Excluding net deferred financing costs.

Operating Activities

The Corporation generated cash flows from continuing operations and used cash and cash equivalents for its operating activities and cash flows from discontinued operations as follows:

	2013 (\$'000)	2012 (\$'000)
Cash flows from continuing operations	29,043	31,694
Net change in non-cash items related to continuing operations	(8,395)	(8,909)
Cash flows related to operating activities from continuing operations	20,648	22,785
Cash flows related to operating activities from discontinued operations	8,273	26,733
Cash flows related to operating activities	28,921	49,518

The \$2.7 million decrease in cash flows from continuing operations, when compared with last year, essentially results from a \$2.1 million lower net income and a gain of \$0.3 million on sale of property, plant and equipment this fiscal year, compared to a loss of \$0.2 million last year.

The net change in non-cash items related to continuing operations can be summarized as follows:

	2013	2012
	(\$'000)	(\$'000)
Accounts receivable	(4,026)	(3,547)
Inventories	3,591	(2,461)
Progress billings	(5,827)	(4,831)
Income taxes payable and receivable	(1,266)	3,173
All others	(867)	(1,243)
	(8,395)	(8,909)

For the fiscal year ended March 31, 2013, the increase in accounts receivable from continuing operations mainly results from increased sales in the last month of this year, when compared to last year, combined with the impact of a higher US/CAD foreign exchange closing rate used to convert the U.S.-denominated accounts receivable year-end balances. The net reduction in inventories and progress billings mainly reflects the reduced backlog for certain military programs, partially offset by increased inventories related to the higher commercial funded backlog. The reduction in income tax payable and receivable mainly reflects a lower current income tax expense from continuing operations this fiscal year when compared to last.

For the fiscal year ended March 31, 2012, the increase in accounts receivable from continuing operations mainly resulted from increased sales in the last quarter of fiscal 2012 when compared to the previous fiscal year combined with the impact of a higher US/CAD foreign exchange closing rate used to convert the U.S.-denominated accounts receivable year-end balances. The increase in inventories reflected the increased production rates in the commercial sector while the reduction in progress billings reflected also a higher commercial funded backlog business mix, compared to military which reflects a lower backlog on certain military programs. The increase in income tax payable was the result of an increase in income before taxes from continuing operations in fiscal 2012 when compared to fiscal 2011.

Investing Activities

The Corporation's investing activities were as follows:

	2013	2012
	(\$'000)	(\$'000)
Additions to property, plant and equipment ⁽¹⁾	(11,464)	(12,489)
Net increase in finite-life intangible assets ⁽¹⁾	(5,470)	(7,797)
Proceeds on disposal of property, plant and equipment ⁽¹⁾	970	388
Net proceeds from sale of discontinued operations ⁽²⁾	223,070	—
Investing activities of discontinued operations	(4,293)	(2,783)
Cash flows relating to investing activities	202,813	(22,681)

⁽¹⁾ From continuing operations.

⁽²⁾ Gross proceeds of \$297.8 million from the sale transaction, net of the reduction in finance lease obligations of \$16.0 million related to the businesses sold and the taxes and related transaction costs paid totalling \$58.7 million.

Additions to property, plant and equipment from continuing operations shown above can be reconciled as follows:

	2013 (\$'000)	2012 (\$'000)
Gross additions made during the year (see note 13 to the consolidated financial statements)	11,609	13,600
Government assistance	(345)	(2,229)
Additions to property, plant and equipment	11,264	11,371
Variation in unpaid additions included in Accounts payable – Other at year-end	978	1,118
Machinery and equipment acquired through finance leases	(778)	—
Additions, as per statements of cash flows	11,464	12,489

In fiscal 2013, the additions to property, plant and equipment for continuing operations stood at \$11.3 million. It includes investments in the St-Hubert Engineering and Longueuil operations facilities to support requirements for the new aerospace development programs, along with maintenance capital expenditure requirements.

In fiscal 2012, the additions to property, plant and equipment included an investment for the purchase of a new Landing Gear USA facility in Cleveland along with maintenance capital expenditure requirements.

Capital expenditures for fiscal 2014 are expected to be about \$16.0 million, including \$3.0 million related to the Landing Gear USA - Cleveland operations and \$2.0 million for the engineering facility.

The increase in finite-life intangible assets mainly represents capitalized development costs for long-term contracts, essentially for business jet design programs. Sales related to some of these programs are anticipated to begin in late fiscal 2014 and will gradually increase over the following years.

Net proceeds from sale of discontinued operations in fiscal 2013 are related to the sale transaction which includes the sale proceeds received in cash, net of the finance leases obligations reduction and the related income tax and transaction costs paid.

Financing Activities

The Corporation's financing activities were as follows:

	2013 (\$'000)	2012 (\$'000)
Increase in long-term debt	5,649	6,983
Repayment of long-term debt	(45,383)	(3,340)
Issuance of common shares	6,362	1,379
Special distribution to shareholders	(157,688)	—
Financing activities of discontinued operations	(3,208)	(3,445)
Cash flows relating to financing activities	(194,268)	1,577

For the fiscal years ended March 31, 2013 and 2012, the increase in long-term debt reflects new governmental authorities loans received mainly to support the Corporation's development costs for Aerospace programs.

This year's and last year's repayment of long-term debt includes the partial repayment of US\$37.5 million (\$37.0 million) this year against the Credit Facility, following the sale transaction (see Discontinued operations above) and the repayment of governmental authorities loans, finance leases for machinery and equipment and the promissory note.

During the fiscal year ended March 31, 2013, the Corporation issued 1,034,543 common shares following the exercise of stock options for a total cash consideration of \$6,064,000. The Corporation also issued 34,533 common shares under the Corporation's stock purchase and ownership incentive plan ("stock purchase plan") during the fiscal year ended March 31, 2013, for a total cash consideration of \$298,000.

During the fiscal year ended March 31, 2012, the Corporation issued 223,656 common shares following the exercise of stock options for a total cash consideration of \$1,061,000. The Corporation also issued 44,916 common shares under its stock purchase plan during the fiscal year ended March 31, 2012, for a total cash consideration of \$318,000.

During the fiscal year ended March 31, 2013, the Corporation proceeded with the payment of a special distribution to shareholders of \$157.5 million, as previously described. The amount presented in the cash flow also includes the \$0.2 million transaction costs related to the special distribution, net of income taxes.

At March 31, 2013, the Corporation was in compliance with all its restrictive debt covenants and expects to continue to comply with these restrictive financial covenants through the next fiscal year.

Pension Plans

Some of the Corporation's employees are covered by defined benefit pension plans. The Corporation has registered and unregistered defined benefit pension plans. At March 31, the funded status of these plans is as follows:

	2013	2012	2011
	(\$'000)	(\$'000)	(\$'000)
Funded status of the plans (deficit)	(8,810)	(8,061)	(3,122)

At March 31, 2013, the pension plan deficit of \$8.8 million excludes \$4.2 million in pension plan obligations related to unregistered pension plans for former executives of Devtek Corporation, which was acquired by the Corporation in June 2000 and whose pension plan liability does not require funding. For this pension plan, funding occurs as pension benefits are paid to the retired executives.

During the fiscal year ended March 31, 2012, the Corporation decided to gradually fund certain unfunded defined benefit pension plans over a five-year period.

At March 31, 2013, the discount rate assumptions used to determine the defined benefit obligations for registered and unregistered defined benefit pension plans was 4.3%, compared to 5.0% a year earlier. This reduction in the discount rate increased the pension plan obligations by \$4.6 million this year (see Note 22 to the consolidated financial statements).

At March 31, 2013, the contributions expected to be paid to all defined benefit pension plans in fiscal 2014 amount to \$4.7 million, while the total minimum funding requirements for the registered defined benefit pension plans over the next five years represents \$15.6 million, representing approximately \$2.6 million to \$3.3 million per year.

Capital Stock, Stock Option and Stock Purchase Plans

At March 31, 2013, the Corporation had 31,511,446 common shares outstanding (30,442,370 as at March 31, 2012).

During fiscal 2013, the Corporation issued 1,034,543 common shares following the exercise of stock options at a weighted-average price of \$5.86 for a total cash consideration of \$6,064,000 and also issued 34,533 common shares, under the Corporation's stock purchase plan at a weighted-average price of \$8.63 for a total cash consideration of \$298,000.

During fiscal 2012, the Corporation issued 223,656 common shares following the exercise of stock options at a weighted-average price of \$4.75 for a total cash consideration of \$1,061,000 and also issued 44,916 common shares, under the Corporation's stock purchase plan at a weighted-average price of \$7.08 for a total cash consideration of \$318,000.

At March 31, 2013, 259,101 stock options were issued and outstanding with a weighted-average of 3.9 years to maturity and a weighted-average exercise price of \$3.30 (see below and Note 19 to the consolidated financial statements).

For the fiscal year ended March 31, 2013, the stock option plan expense and the stock purchase plan expense amounted to \$374,000 and \$160,000 respectively (\$416,000 and \$143,000 in 2012) (see Note 19 to the consolidated financial statements).

Last year, during the fiscal year ended March 31, 2012, the aggregate number of shares available for future granting or issuance under the Stock Option and Stock Purchase plans have been replenished, due to the limited number of common shares remaining under these plans and following the approval by the shareholders of the Corporation at the Annual and Special Meeting held on August 4, 2011. The total number of common shares available for future granting or to be issued under these plans, immediately following the approval of the Corporation's shareholders, were as follows:

Common Shares	Stock Option Plan	Stock Purchase Plan	Total Common Shares
Total shares	2,808,257	340,000	3,148,257

At March 31, 2013, 1,750,381 common shares had not been issued yet under the Stock Option Plan and 274,221 common shares had not been issued yet under the Stock Purchase Plan.

Stock Appreciation Right ("SAR") and Deferred Share Unit ("DSU") Plans

Until August 2010, the Corporation had a SAR plan where rights were issued to its non-employee directors. Although the SAR plan has since been replaced by a DSU plan effectively approved in May 2011 by the Corporation's Board of Directors, outstanding SARs issued prior to August 2010 are still in effect.

At March 31, 2013, 39,000 SARs were still outstanding (130,500 at March 31, 2012) at a weighted-average granted price of \$2.78 (\$6.32 at March 31, 2012), see below, which expire on various dates from fiscal 2014 to 2016. For the fiscal year ended March 31, 2013, 85,700 SARs were exercised at an average exercise price of \$5.84 (12,500 SARs at an average exercise price of \$5.00 in 2012), and 5,800 SARs were cancelled (none in 2012).

The DSU applies to the non-employee directors of the Corporation and is intended, on the one hand, to enhance the Corporation's ability to attract and retain high quality individuals to serve as members of the Board of Directors and participate in the Corporation's long-term success and, on the other hand, to promote a greater alignment of interests between the Corporation's non-employee directors and its shareholders.

The DSU enables the participants to receive compensation at the termination date, as a member of the Board of Directors, a cash amount equal to the quoted price of the Corporation's common share for each DSU. These DSUs are expensed on an earned basis and their costs are determined using a valuation model and re-measured at each reporting period. Each director can also elect, each fiscal year, to have up to 50% of his director's annual retainer fees converted into DSUs. These DSUs vest over a one-year period.

At March 31, 2013, 75,302 DSUs were outstanding (37,718 at March 31, 2012). During the fiscal year ended March 31, 2013, the Corporation issued 45,674 DSUs - see below - (37,718 in 2012) and 8,090 DSUs were exercised (none in 2012) while no DSUs were cancelled this year or last year.

For the fiscal year ended March 31, 2013, SAR expense amounted to \$494,000 (reversal of expense of \$43,000 in 2012) while DSU expense amounted to \$369,000 (\$164,000 in 2012) (see Note 19 to the consolidated financial statements).

Adjustment to Certain Stock-Based Compensation

Following the special distribution to shareholders (see above) and considering its related impact on the Corporation's stock price, the Board of Directors of the Corporation approved on January 14, 2013 an adjustment to the exercise prices of the Corporation's outstanding stock options and SARs, while it issued additional DSUs. The adjustment was made in accordance with the Corporation's related stock-based compensation plans, and was approved by the TSE as required for the adjustment to the stock options. This adjustment represented the difference between the 5-day volume weighted-average price of the Corporation's stock price traded on the TSE, immediately prior to December 20, 2012 (being the date of commencement of ex-distribution trading of the Corporation's stock, following the special distribution to shareholders) and the 5-day volume weighted-average price beginning on December 20, 2012. The Corporation also issued additional DSUs on the same basis. The impact on the number and weighted-average exercise prices of the Corporation's stock options, SARs and DSUs represents the following:

	Before Adjustment		After Adjustment	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
Stock options	266,901	\$ 7.90	266,901	\$ 3.27
SARs	39,000	\$ 7.39	39,000	\$ 2.78
DSUs	47,871	N/A	75,302	N/A

This adjustment has no impact on the consolidated statements of income of the Corporation in the current fiscal year.

Consolidated Balance Sheets

The following table itemizes and explains the significant changes in the consolidated balance sheets between March 31, 2012 and March 31, 2013:

	March 31, 2012			March 31, 2013	Variation	Reference
	Consolidated	Held for Sale	Adjusted ⁽¹⁾			
	\$'000	\$'000	\$'000	\$'000	\$'000	
ASSETS						
Current assets						
Cash and cash equivalents	62,007	—	62,007	101,256	39,249	A
Accounts receivable	59,677	(17,153)	42,524	46,550	4,026	B
Income tax receivable	1,500	(1,500)	—	858	858	
Inventories	135,323	(30,915)	104,408	100,817	(3,591)	C
Derivative financial instruments	6,471	—	6,471	2,935	(3,536)	D
Other current assets	16,492	(2,467)	14,025	12,577	(1,448)	
Total current assets	281,470	(52,035)	229,435	264,993	35,558	
Property, Plant and equipment, net	153,208	(74,785)	78,423	78,186	(237)	
Finite-life intangible assets, net	24,514	(2,688)	21,826	26,472	4,646	E
Derivative financial instruments	3,236	—	3,236	284	(2,952)	F
Goodwill	36,068	(16,986)	19,082	19,180	98	
Assets held for sale	611	146,494	147,105	—	(147,105)	G
Total assets	499,107	—	499,107	389,115	(109,992)	
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Accounts payable and accrued liabilities	56,319	(15,478)	40,841	44,302	3,461	H
Accounts payable, other	3,010	(100)	2,910	2,378	(532)	
Provisions	12,157	(2,206)	9,951	8,901	(1,050)	
Progress billings	16,393	(4,846)	11,547	10,211	(1,336)	I
Income tax payable	2,381	576	2,957	2,549	(408)	
Derivative financial instruments	827	—	827	1,655	828	
Current portion of long-term debt	10,867	(4,364)	6,503	3,808	(2,695)	J
Liabilities directly associated with the assets of a disposal group classified as held for sale	—	51,006	51,006	—	(51,006)	G
Total current liabilities	101,954	24,588	126,542	73,804	(52,738)	
Long-term debt	108,249	(14,846)	93,403	59,149	(34,254)	J
Provisions	4,866	—	4,866	5,071	205	
Progress billings	7,512	(953)	6,559	2,068	(4,491)	I
Derivative financial instruments	2,700	—	2,700	909	(1,791)	K
Deferred income tax liabilities	17,071	(8,789)	8,282	12,425	4,143	L
Other liabilities	12,788	—	12,788	13,036	248	
Total liabilities	255,140	—	255,140	166,462	(88,678)	
Shareholders' equity						
Issued capital	102,202	—	102,202	25,365	(76,837)	M
Contributed surplus	3,059	—	3,059	1,222	(1,837)	
Accumulated other comprehensive income	2,515	800	3,315	2,647	(668)	
Accumulated other comprehensive income directly associated with the assets classified as held for sale	—	(800)	(800)	—	800	
Retained earnings	136,191	—	136,191	193,419	57,228	N
Shareholders' equity	243,967	—	243,967	222,653	(21,314)	
Total liabilities and shareholders' equity	499,107	—	499,107	389,115	(109,992)	

⁽¹⁾ Adjusted for held for sale accounts related to operations sold (see discontinued operations).

The following represents the explanations of significant balance sheet variations from continuing operations between March 31, 2012 and March 31, 2013 (see Reference in previous table):

- A- The cash and cash equivalents increase of \$39.2 million is mainly the result of:
- The cash proceeds from the sale transaction of \$297.8 million, net of related debt repayment of \$54.0 million, related income taxes paid of \$50.6 million and expenses paid of \$8.2 million for the sale transaction.
 - The special distribution to the Corporation's shareholders of \$157.5 million paid to the Corporation's shareholders in the third quarter.
 - The cash flow related to operating activities from continuing operations of \$20.6 million, net of additions to property, plant and equipment of \$11.6 million.

Please refer to the consolidated statement of cash flows for more details.

- B- The accounts receivable increase of \$4.0 million mainly results from increased sales in the last month of this year, when compared to the last year, combined with the impact of a higher US/CAD exchange rate used to convert U.S.-denominated accounts receivable, when compared to March 31, 2012 (impact of \$0.7 million).
- C- The inventories decrease of \$3.6 million mainly reflects the reduced backlog for certain military programs, partially offset by higher inventories related to commercial programs resulting from the increased production rates in the large commercial and business jet programs and the impact of the higher US/CAD exchange rate used to convert the inventories of the U.S. operations (\$0.4 million).
- D- The current assets derivative financial instrument decrease of \$3.5 million reflects the variation in the Corporation's balance sheets of short-term derivative financial instruments measured at fair value. The decrease is mainly the result, year-over-year, of a lower differential between the weighted-average US/CAD rates of FFEC on hand and the closing rate used, both as of the balance sheet dates.
- E- The finite-life intangible assets variation of \$4.6 million reflects the increase in capitalized development costs for long-term contracts (\$5.0 million, net of government assistance) and in software costs (\$0.5 million), net of backlog (\$0.1 million) and software (\$0.8 million) amortization expense.
- F- The long-term assets derivative financial instrument decrease of \$3.0 million reflects the variation in the Corporation's balance sheets of long-term derivative financial instruments measured at fair value. The decrease is mainly the result, year-over-year, of a lower differential between the weighted-average US/CAD rates of FFEC on hand and the closing rate used, both as of the balance sheet dates.
- G- The assets held for sale decrease reflects the assets disposed of and also liabilities assumed by the buyer, following the sale transaction, combined with the sale of the Corporation's Rivière-des-Prairies facility, for a gross proceed of \$0.8 million.
- H- The accounts payable and accrued liabilities increase of \$3.5 million results from a higher sales volume in the last month of the fiscal year, when compared to last year, combined with the impact of a higher US/CAD exchange rate used to convert the U.S.-denominated accounts payable and accrued liabilities, when compared to last year (\$0.3 million).
- I- The progress billings decrease of \$5.8 million in current and long-term progress billings mainly reflects a higher commercial funded backlog business mix, compared to military, and a reduced backlog on certain military programs.
- J- The long-term debt (including current portion) decrease of \$36.9 million reflects:
- The partial repayment of US\$37.5 million (\$37.0 million) against the Credit Facility following the sale transaction, and the repayment of other long-term debt (\$8.4 million);

Net of:

- Governmental loan received to support Aerospace development program investments (\$5.6 million);
- New finance lease for equipment (\$0.8 million);
- Interest accretion on governmental authorities' loans (\$1.7 million);
- Amortization of deferred financing costs related to the Credit Facility (\$0.4 million).

- K- The long-term liabilities derivative financial instrument decrease of \$1.8 million reflects the variation in the Corporation's balance sheets of long-term derivative financial instruments measured at fair value. The decrease mainly reflects the repurchase of two of the three interest rate swap agreements representing a notional amount of US\$30 million for a total cost of \$1.7 million, concurrently to the sale transaction (see Discontinued operations section).
- L- The deferred income tax liabilities increase of \$4.1 million mainly reflects the utilization this fiscal year of tax attributed from previous fiscal years.
- M- The issued capital decrease of \$76.8 million reflects the \$85.0 million issued capital reduction made and paid to the Corporation's shareholders as part of the special distribution net of the related transaction costs of \$0.1 million. It also reflects the common shares issued following the exercise of stock options (\$8.0 million) and issuance of common shares under the Corporation's stock purchase and ownership incentive plan (\$0.3 million).
- N- The retained earnings increase of \$57.2 million reflects the Corporation's net income of \$132.0 million for the fiscal year ended March 31, 2013, partially offset by the \$2.3 million actuarial loss on defined benefit pension plans, net of income taxes, recorded this fiscal year, and the \$72.4 million dividend paid to the Corporation's shareholders as part of the special distribution and the related transaction costs of \$0.1 million.

At March 31, 2013 and March 31, 2012, the Corporation's working capital ratio, cash and cash equivalents, long-term debt-to-equity ratio and net debt-to-equity ratio⁽¹⁾ were as follows:

	March 31, 2013	March 31, 2012
Working capital ratio	3.59:1	2.76:1
Cash and cash equivalents	\$101.3 million	\$62.0 million
Long-term debt-to-equity ratio	0.27:1	0.44:1
Net debt-to-equity ratio ⁽¹⁾	(0.17:1)	0.23:1

⁽¹⁾ Defined as total long-term debt, including the current portion, less cash and cash equivalents, over shareholders' equity.

The summary of the following contractual obligations of the Corporation includes payments due over the next five years and thereafter, and represents the following:

Contractual obligations	Payments due by period				
	Total	1 year	2-3 years	4-5 years	After 5 years
(\$'000)					
Governmental authorities loans (including the effective accumulated interest expense)	50,516	1,883	6,524	6,030	36,079
Finance leases (including interest expense)	5,962	1,801	3,533	463	165
Promissory note (including interest expense)	406	406	—	—	—
Credit Facility	22,352	—	22,352	—	—
Sub-Total	79,236	4,090	32,409	6,493	36,244
Building, machinery and equipment acquisition commitments	1,176	480	370	289	37
Operating leases – Buildings and facilities	2,391	2,391	—	—	—
Total contractual obligations⁽¹⁾	82,803	6,961	32,779	6,782	36,281

⁽¹⁾ Excluding defined benefit pension plan obligations presented in a previous section.

Government Assistance

For fiscal 2013, the Corporation recorded as government assistance an amount of \$2.8 million (\$3.0 million last year) as a reduction of cost of sales, and an amount of \$2.3 million (\$5.1 million last year) as a reduction of the related capital expenditures or capitalized development costs, presented under Finite-life intangible assets.

This government assistance includes mainly the investment tax and other credits, grants and the discounted portion of the governmental authorities loans.

Derivatives, Off-Balance-Sheet Items and Commitments

As at March 31, 2013, the Corporation had operating lease obligations amounting to \$1.2 million for buildings and facilities. These amounts are repayable over the next six fiscal years. The Corporation also had machinery and equipment purchase commitments totalling \$2.4 million (see Note 23 to the consolidated financial statements).

The fair value of derivative financial instruments in the consolidated balance sheets is established based on the Corporation's valuation models. These models project future cash flows and discount these future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as interest rates, currency rates and price and volatility factors, as applicable. They also take into account the credit quality of the underlying financial instruments.

At March 31, 2013, the Corporation had FFEC with Canadian chartered banks to sell US\$123.5 million at a weighted-average exchange rate (Canadian dollar over US dollar) of 1.0325. These contracts relate mainly to its export sales, and mature at various dates between April 2013 and March 2016, but mainly over the next two fiscal years (see Note 29 to the consolidated financial statements). This compares to US\$145.3 million in FFEC held at March 31, 2012, at a weighted-average exchange rate of 1.0620. The lower FFEC reflects the changes in the funded backlog.

At March 31, 2013 and 2012, the Corporation had also entered into FFEC to sell US\$4.7 million at a weighted-average rate (Canadian dollar over US dollar) of 1.2262. These contracts cover foreign exchange risks related to certain embedded derivatives and all mature in fiscal 2014.

In August 2012, following the sale transaction and certain debt repayments, the Corporation repurchased two of the three interest rate swap agreements in place, representing a total notional amount of US\$30 million, for a total cost of \$1.7 million which was recorded as transaction related costs to the sale transaction. As a result, the Corporation only had one remaining interest-rate swap agreement that fixes the Libor U.S. rate at 3.91% for a notional amount of US\$10 million at March 31, 2013 that will mature in December 2015.

The credit and credit concentration risks related to these financial instruments are limited due to the fact that the Corporation deals exclusively with Canadian chartered banks and their U.S. subsidiaries or branches, and with a Canadian branch of a U.S. bank, which are high-grade financial institutions, based on the Corporation's investment policy. On that basis, the Corporation does not anticipate any breach of agreement by counterparties.

In March 2011, the Corporation designated certain long-term debt as hedge of its net investments in U.S. operations. This designation was still in effect as at March 31, 2013.

Financial and Economic Situation

Continued modest improvements in the global economy had a positive effect on most of the Corporation's markets related to commercial aerospace in its 2013 fiscal year. In the large commercial aircraft market, Boeing and Airbus shipped a record combined total of 1,189 aircraft in calendar 2012. Both manufacturers are also proceeding with production rate increases for certain leading programs and backlogs remain strong, representing approximately seven years of production at current rates. While business jet shipments declined slightly in calendar 2012, certain positive signs continue to suggest improving conditions, such as an increase in aircraft movements and a decrease in the proportion of the business aircraft fleet for sale. However, the military aerospace market has weakened, as governments are addressing their deficits.

The global economy remains fragile because of the debt situation of several countries and geopolitical instability in certain regions. Consequently, Héroux-Devtek continues to carefully monitor its strategy and risk management.

While the Corporation's backlog remains healthy, deferrals or cancellations of purchase orders could have an adverse impact on future results. The Corporation is striving to maintain a well-balanced portfolio between commercial and military sector sales, as well as between new component manufacturing and aftermarket products and services. This balance should help reduce the risks associated with any potential slowdown in specific markets.

Furthermore, the rapid fluctuations in the value of the Canadian dollar, when compared to the US currency, may put additional pressure on upcoming results. As already mentioned, and as highlighted in the Outlook section, Management maintains its focus on operational efficiencies through continued lean manufacturing initiatives, cost reduction initiatives and FFEC to remain competitive on a global basis.

From a financial standpoint, the Corporation has a solid balance sheet and is presently in compliance with all of its financial covenants and expects to be so through the next fiscal year. The Corporation does not expect to have any liquidity issues, considering that the Banks' Credit Facility was extended with a syndicate of five Canadian banks and a Canadian branch of a U.S. bank, with high-grade credit ratings, and that the major customers of the Corporation are government or worldwide leaders in their respective fields. This Credit Facility was renewed and increased in fiscal 2011 and will mature in March 2016.

In light of the above, the Corporation maintains its near-term outlook (see Outlook section below) and does not foresee any significant short-term event that could jeopardize the going concern of its operations. That being said, and understanding that the Corporation operates, in part, in sectors subject to economic volatility, Management will remain prudent (see Risks and Uncertainties and Outlook sections below).

Critical Accounting Estimates

The preparation of the Corporation's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues (sales), expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amount of assets or liabilities.

In the process of applying the Corporation's accounting policies, management has made judgments, estimates and assumptions. Key judgments, estimates and assumptions concerning the future and other sources of estimating uncertainty at the reporting date that may cause material adjustments to the carrying amounts of assets and liabilities, are discussed below.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or Corporation's cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets and observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's three-year budget and strategic plan and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the perpetual growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 15 to the consolidated financial statements.

Stock-based compensation

The Corporation measures the cost of stock options, DSU and SAR ("Stock-based awards") by reference to the fair value of the common shares at the date at which they are granted. Estimating fair value of the cost of Stock-based awards requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This can also require determining the most appropriate inputs to the valuation model including the expected life of the Stock-based awards, volatility and dividend yield of the common shares and making assumptions about them. The expected life of the Stock-based awards 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.

Deferred income tax assets

Deferred income tax assets are recognized for unused tax losses to the extent it is probable that taxable income will be available against which the losses can be utilized. Management's judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

Pensions and other retirement benefits

The cost of the defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. In determining appropriate discount rates, management considers the interest rates of high-quality corporate bonds. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The significant assumptions used to determine the defined benefit obligations and the pension expenses, including a sensitivity analysis, are further explained in Note 22 to the consolidated financial statements.

Capitalized development costs

Initial capitalization on development costs is based on management's judgment that economic feasibility is confirmed, usually when a product development project has reached a defined milestone in the project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Recovery of these costs is expected from related sales contracts through their amortization, based on pre-determined contract quantities. Production accounting quantities for a particular contract are essentially established at the inception of the contract or contract date, and are based on management's assessment of the anticipated demand for the related aircraft or product, taking into account mainly firm order and committed order backlog and options, as well as prevailing market and economic conditions. Management reviews this major assumption on a quarterly basis, and a more detailed review is made at fiscal year-end. The effect of any revision to this assumption is accounted for by way of a cumulative catch-up adjustment in the period or year in which the revision takes place.

Provisions

The Corporation has recorded provisions to cover cost exposures that could materialize in future periods. In determining the amount of the provisions, assumptions and estimates are made in relation to discount rates and the expected cost to settle such liabilities.

Financial instruments

Certain long-term debt including the current portion, at inception date, is estimated based on valuation models, using the discounted cash flow method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates for debt with similar terms and conditions.

The fair value of derivative financial instruments in the consolidated balance sheets is established based on the Corporation's valuation models. These models project future cash flows and discount these future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as interest rates, currency rates and price and volatility factors, as applicable. They also take into account the credit quality of the underlying financial instruments.

FUTURE CHANGES IN ACCOUNTING POLICIES

The standards issued but not yet effective that may apply to the Corporation are the following:

IFRS 9 *Financial Instruments*

On November 12, 2009, the IASB issued IFRS 9 - *Financial Instruments* as the first step in its project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement. This standard will be effective for the Corporation's fiscal year beginning on April 1, 2015, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

IFRS 13 Fair Value Measurement

In May 2011, the IASB released IFRS 13, *Fair Value Measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. This standard will be effective for the Corporation's fiscal year beginning on April 1, 2013, with earlier application permitted. The Corporation will adopt this new standard for its fiscal year beginning on April 1, 2013 and, this new standard will have a minimal impact on the consolidated financial statements.

IAS 1 Financial Statement Presentation

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements*. The principal change resulting from the amendments to IAS 1 is a requirement to group together items within Other Comprehensive Income ("OCI") that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendments to IAS 1 will be effective for the Corporation's fiscal year beginning on April 1, 2013, with earlier application permitted. The Corporation will adopt this new standard for its fiscal year beginning on April 1, 2013 and, this new standard will have an impact on the presentation of the consolidated statement of comprehensive income, while it will have no impact on the accumulated other comprehensive income.

IAS 19 Employee Benefits

In June 2011, the IASB amended IAS 19, *Employee Benefits*. Amongst other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). This amendment should result in a higher net financing cost for the Corporation. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendment to IAS 19 will be effective for the Corporation's fiscal year beginning on April 1, 2013. The impact of this new standard, should it have been applied to the Corporation's results for the fiscal year ended March 31, 2013, would have increased the pension expense by \$433,000 (\$318,000 net of income tax expense).

INTERNAL CONTROLS AND PROCEDURES

In compliance with the Canadian Securities Administrators' Multilateral Instrument 52-109 ("MI 52-109"), the Corporation has filed certificates signed by the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that, among other things, report on disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Disclosure controls and procedures

The CEO and CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Corporation has been made known to them and has been properly disclosed in the annual regulatory filings.

At March 31, 2013, an evaluation, under the supervision of the CEO and CFO, of the design and effectiveness of the Corporation's disclosure controls and procedures was also carried out, as defined in MI 52-109. Based on this evaluation, the CEO and CFO concluded that the design and operation of these disclosure controls and procedures were effective. This evaluation took into account the Corporation's disclosure policy and its disclosure committee.

Internal controls over financial reporting

The Corporation's CEO and CFO have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

At March 31, 2013, an evaluation, under the supervision of the CEO and CFO, of the design and effectiveness of the Corporation's internal controls over financial reporting was carried out, as defined in MI 52-109. Based on this evaluation, the CEO and CFO concluded that the design and effectiveness of these internal controls over financial reporting were effective to provide reasonable assurance that the Corporation's financial reporting is reliable and that the Corporation's consolidated financial statements were prepared in accordance with IFRS.

However, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Changes in internal controls over financial reporting

No changes were made to the Corporation's internal controls over financial reporting during the fiscal year ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in industry segments with a variety of risk factors and uncertainties that could have a material adverse effect on the Corporation's business, financial condition and results of operations. Such risks and uncertainties include, but are not limited to, those mentioned below.

Reliance on Large Customers

The Corporation has exposure due to its reliance on certain large contracts and customers. The Corporation's six largest customers account for approximately 69% of its sales. Any loss or delay in certain orders from any of these customers could have a negative impact on the Corporation's results.

The Corporation mitigates this risk through the increase of long-term sales contracts, when possible, with its main customers.

Availability and Cost of Raw Materials

The main raw materials purchased by the Corporation are steel, aluminum and titanium. Supply and cost of these materials is somewhat outside the Corporation's control. Difficulty in procuring raw materials in sufficient quantities and in a timely fashion, along with cost increases for these materials, could also have a material adverse effect on the Corporation's operations and financial condition.

In the last fiscal year, with the modest improvements of the global economy, the Corporation has continued to take steps to mitigate this risk. It includes clauses in its long-term sales contracts of importance to share the risk of raw materials availability and cost with its customers. It also negotiates certain long-term supply agreements with its suppliers of raw materials, and has increased its monitoring of the supply chain to ensure timely deliveries.

Operational Risks

The activities conducted by the Corporation are subject to operational risks that include competition from other businesses, performance of key suppliers, product performance warranties, regulatory risks, successful integration of new acquisitions, dependence on key personnel and reliance on information systems, all of which could affect the Corporation's ability to meet its obligations.

However, the Corporation has implemented certain risk-mitigation strategies and controls, in light of these operational risks, which include the following:

- Processes to ensure proper bid approvals, planning, execution and use of quality standards at all stages of new design or built-to-print products and assemblies, and repair and overhaul services. This includes the risk assessment of achieving the targeted revenues (firm-fixed price contracts, escalation clauses, etc.) and related product costs as well as the development of long-term agreements and competitive bidding processes with main suppliers.
- Use of proper cash flow arrangements through the use of customer advances, with certain customers, and foreign exchange hedging.

Impact of Terrorist Activity and Political Instability

There continues to be uncertainty over the future impact in the commercial aerospace sector from the threat of terrorist activity and the ongoing situations in the Middle East. Such issues typically have a negative impact on commercial air traffic and a positive impact on defence spending.

General Economic Conditions

Unfavourable economic conditions may adversely affect the Corporation's business. For example, the large civil aerospace industry has experienced considerable uncertainty in prior years, especially the market for planes with more than 100 seats. Since fiscal 2006, the regional jet market has been negatively impacted by lower demand and the business jet market is closely related to the state of the economy. This could adversely affect the Corporation's financial condition and results of operation. Although long-term growth is gradually resuming, these sectors will remain cyclical. In addition, curtailment of production activities due to unfavourable economic conditions could result in the Corporation incurring significant costs associated with temporary layoffs or termination of employees.

Military Spending

The military aerospace market remains uncertain, as governments address their deficits. Military expenses are approved by governments on a yearly basis and are subject to the political climate and changing priorities. Despite its diversified military portfolio, balanced between new component manufacturing and aftermarket products and services, the Corporation is affected by austerity measures, particularly in the U.S. military market. However, its diversification should lessen this impact.

Foreign Currency Fluctuations

The Corporation is exposed to risks resulting from foreign currency fluctuations arising either from carrying on business in Canada in foreign currencies or through operations in the United States. In an effort to mitigate those risks, the Corporation makes use of derivative contracts to hedge this exposure.

The Corporation's foreign exchange hedging policy requires it to mitigate the foreign currency exposure, essentially to the US currency, arising from its Canadian operations.

The hedging policy requires the hedging of 50% to 75%, on average, of the identified foreign currency exposure, mainly over the next two fiscal years, of the forecasted cash inflows generated by sales in US currency made by its Canadian operations and related to long-term sales contracts, net of the forecasted cash outflows in US currency related essentially to its raw and certain other material costs. This hedging policy also applies to the net forecasted cash inflows/outflows as described above, for certain specific long-term sales contracts, on a very limited basis, for an additional period of one to three fiscal years.

Liquidity and Access to Capital Resources

The Corporation requires continued access to capital markets to support its activities. To satisfy its financing needs, the Corporation relies on long-term and short-term debt and cash flow from operations. Any impediments to the Corporation's ability to access capital markets, including significant changes in market interest rates, general economic conditions or the perception in the capital markets of the Corporation's financial condition or prospects, could have a material adverse effect on the Corporation's financial condition and results of operation.

Restrictive Debt Covenants

The indentures governing certain of the Corporation's indebtedness and, in particular, its Credit Facility, contain covenants that, among other things, restrict the Corporation's ability to:

- sell all or substantially all of its assets;
- incur secured indebtedness;
- engage in mergers or consolidations;
- engage in transactions with affiliates.

The Corporation is subject to various financial covenants under its Credit Facility which must be met on a quarterly basis. It includes financial covenants requiring a minimum EBITDA to debt service ratio, a maximum net funded debt to EBITDA ratio and a maximum net funded debt to capital ratio, all calculated on a consolidated basis. These terms and ratios are defined in the Credit Facility agreement and do not necessarily correspond to the Corporation's financial metrics or the specific terms used in the MD&A.

In addition, the Corporation is subject to various financial covenants under certain finance leases and governmental authorities loans. It includes financial covenants requiring minimum working capital ratio and maximum long-term debt to equity ratio based on the Corporation's consolidated balance sheet and also minimum equity requirements for certain subsidiaries of the Corporation.

These restrictions could impair the Corporation's ability to finance its future operations or its capital needs, or to engage in other business activities that may be in its interest.

Changing Interest Rates

The Corporation's profitability may be directly affected by the level of and fluctuations in interest rates. When appropriate, the Corporation considers using derivatives as an integral part of its asset/liability management program to mitigate or reduce its overall financial risk.

To mitigate these fluctuations, the Corporation has established a short-term investment policy that dictates the level and type of investments it should seek. The Corporation also maintains a well-balanced portfolio of financing, choosing between fixed and variable rates.

External Business Environment

The Corporation faces a number of external risk factors, specifically including general economic conditions, government policies and changing priorities or possible spending cuts by governments.

Warranty Casualty Claim Losses

The products manufactured by the Corporation are complex and sophisticated and may contain defects that are difficult to detect and correct. Errors may be found in the Corporation's products after they are delivered to the customers. If so, the Corporation may not be able to correct such errors. The occurrence of errors and failures in the Corporation's products could result in warranty claims or the loss of customers. Any claims, errors or failures could have an adverse effect on the Corporation's operating results and business. In addition, due to the nature of the Corporation's business, the Corporation may be subject to liability claims involving its products or products for which it provides services. The Corporation cannot be certain that its insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that the Corporation will be able to obtain insurance coverage at acceptable levels and cost in the future. See under 'Operational Risks', above.

Environmental Matters

The Corporation's activities are subject to environmental laws and regulations associated with risks to human health and the environment. Changes to these laws and regulations could have a significant adverse effect on the Corporation's operations and financial situation. The Corporation monitors these risks through environmental management systems and policies.

Collective Bargaining Agreements

The Corporation is party to some collective bargaining agreements that expire at various times in the future. If the Corporation is unable to renew these agreements or others as they become subject to renegotiation from time to time, it could result in work stoppages and other labour disturbances, which could have a material adverse effect on the Corporation's business.

In April 2011 and December 2011, the Corporation renewed its collective agreements, respectively, with its Landing Gear Longueuil plant employees and Landing Gear Laval plant employees, both for three-year periods.

Skilled Labour

Héroux-Devtek's ability to meet its future goals and objectives depends in part on its ability to attract and retain the necessary skilled labour. The skilled labour market in the aerospace industry is expected to continue to be highly competitive in the future. The Corporation's inability to attract and retain skilled labour, particularly engineers, machinists and programmers, could adversely affect its financial condition and results of operations.

The Corporation is addressing this risk by developing its human resource strengths internally and by working to retain the skilled employees that it currently has and attract the best talent by fostering a strong sense of corporate culture. Héroux-Devtek therefore does not anticipate a substantial increase in its manpower requirements over the next few years.

Pension Plan Liability

The economic cycles have a negative impact on the funding of the Corporation's defined benefit pension plans and the related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact its operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. This risk is mitigated by policies and procedures instituted by the Corporation and its pension committee to monitor investment risk and pension plan funding.

SELECTED QUARTERLY FINANCIAL INFORMATION

	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
(\$'000 Except per share data and exchange rates)					
<i>For the fiscal year ended March 31, 2013</i>					
Average exchange rate used to translate revenues (sales) and expenses ⁽¹⁾ (\$Canadian / 1 equivalent \$US)	1.0013	1.0102	0.9948	0.9913	1.0089
Sales from continuing operations	257,022	63,780	57,684	61,742	73,816
EBITDA from continuing operations	33,020	8,253	6,972	7,654	10,141
Net Income from continuing operations	13,819	3,025	2,724	3,296	4,774
Net Income from discontinued operations	118,226	3,258	110,000	1,289	3,679
Net income	132,045	6,283	112,724	4,585	8,453
Earnings per share for continuing operations (\$) – Basic	0.45	0.10	0.09	0.11	0.15
Earnings per share for continuing operations (\$) – Diluted	0.44	0.10	0.09	0.11	0.15
Earnings per share (\$) – Basic	4.27	0.21	3.68	0.15	0.27
Earnings per share (\$) – Diluted	4.24	0.20	3.64	0.15	0.27

For the fiscal year ended March 31, 2012

Average exchange rate used to translate revenues (sales) and expenses ⁽¹⁾ (\$Canadian / 1 equivalent \$US)	0.9931	0.9676	0.9802	1.0231	1.0012
Sales from continuing operations	253,521	61,292	55,464	61,988	74,777
EBITDA from continuing operations	37,447	8,494	7,300	10,241	11,412
Net Income from continuing operations	15,875	3,285	2,481	4,507	5,602
Net Income from discontinued operations	10,606	2,512	2,331	2,403	3,360
Net income	26,481	5,797	4,812	6,910	8,962
Earnings per share for continuing operations (\$) – Basic	0.52	0.11	0.08	0.15	0.18
Earnings per share for continuing operations (\$) – Diluted	0.52	0.11	0.08	0.15	0.18
Earnings per share (\$) – Basic	0.87	0.19	0.16	0.23	0.29
Earnings per share (\$) – Diluted	0.86	0.19	0.16	0.23	0.29

⁽¹⁾ Exclusive of forward foreign exchange contracts.

Historically, the second quarter of a fiscal year has traditionally been somewhat a slower period owing to seasonal factors, such as plant shutdowns and summer vacations.

Fourth Quarter 2013 Results

Consolidated sales decreased by \$1.0 million or 1.3% to \$73.8 million from \$74.8 million last year. This decrease is the result of a \$7.0 million or 14.4% decrease in military sales, partially offset by a \$6.0 million or 23.0% sales increase in the commercial sector, mainly resulting from higher production rate on the B-777 large commercial program and higher commercial aftermarket sales for certain regional and helicopter programs and also, for the Bombardier CL-415 program. The lower military sales is explained by a lower throughput at Landing Gear Product Line due to certain manufacturing inefficiencies, combined with a lower military customer demand due to customer push-outs on certain military programs and order cancellations on the C-5 program, reflecting the weaker U.S. military market. Currency fluctuations reduced sales by \$0.1 million or 0.1%, when compared to last year.

For the quarter ended March 31, 2013, consolidated gross profit as a percentage of sales was 16.3%, a decrease of 2.7% from 19.0% last year, including a 0.1% unfavorable impact resulting from US/CAD currency fluctuations. The decrease is the result of an unfavorable military aftermarket sales product mix and higher under-absorption of certain manufacturing overhead costs explained by the reduced sales volume explained above.

For the quarter ended March 31, 2013, consolidated operating income stood at \$6.9 million or 9.4% of sales, a decrease of \$1.2 million or 1.4% of sales from the \$8.1 million or 10.8% of sales last year, mainly resulting from the reduced gross margin explained above. The Corporation posted a net income from continuing operations of \$4.8 million or \$0.15 per share, fully diluted, compared to \$5.6 million or \$0.18 per share, fully diluted, last year. Net income for the quarter ended March 31, 2013 amounted to \$8.5 million or \$0.27 per share, fully diluted, including \$3.7 million from discontinued operations, mainly reflecting a final favorable adjustment of \$2.8 million, net of income taxes, to the net gain from the sale transaction. Last year's net income for the quarter ended March 31, 2012 of \$9.0 million included net income of discontinued operations of \$3.4 million.

Cash flows from continuing operations yielded \$9.1 million, compared to \$9.5 million in the fourth quarter last year, mainly as a result of a lower net income this year. The net change in non-cash items related to continuing operations represented an outflow of \$0.3 million, compared to an inflow of \$2.2 million in the last quarter of last year. This quarter's outflow essentially resulted from higher accounts receivables (\$10.1 million) partially offset by lower inventories (\$7.9 million) and higher accounts payable and accrued liabilities, accounts payable – other, and other liabilities (\$1.9 million), compared to the previous quarter ended December 31, 2012. Last year's inflow mainly resulted from lower inventories (\$8.1 million) combined with higher accounts payable and accrued liabilities, accounts payable – other, and other liabilities (\$2.9 million) partially offset by higher accounts receivables (\$8.9 million), compared to the quarter ended December 31, 2011. These variations are the result of higher sales volume in the fourth quarter, compared to the third quarter.

Outlook

Conditions remain mostly favourable in the commercial aerospace market. The IATA's most recent forecast calls for 5.4% growth in the passenger market for calendar 2013, following a 5.3% increase in calendar 2012, while air cargo volume is expected to rise 2.7% in calendar 2013, after contracting by 2.0% in calendar 2012.⁹

In the large commercial aircraft segment, Boeing and Airbus are proceeding with production rate increases on several certain leading programs scheduled for calendar years 2013 and 2014, although production of the B-747 will be slightly decreased in calendar 2014¹⁰. Reflecting these new production rates, both manufacturers are forecasting higher deliveries in calendar 2013 than in the previous year. Their backlogs remain strong, representing approximately seven years of production at current rates.

In the business jet market, although deliveries declined slightly in calendar 2012, certain indicators point to an imminent recovery, such as increased aircraft utilization and a reduction in the number of used aircraft for sale, as a percentage of the fleet. More importantly, industry sources are calling for sustained growth over up to possibly five years, a period spanning the planned entry into service of several business jet models for which Héroux-Devtek has designed the landing gear.¹¹

9 Source : IATA Industry Financial Forecast March 20, 2013.

10 Sources: Airbus press releases April 4, 2013; May 18, 2011; February 3, 2011. Boeing press releases April 19, 2013; March 18, 2013; November 12, 2012; October 23, 2012; January 10, 2012; June 15, 2011.

11 Sources: JETNET, FAA, Teal Group, Forecast International.

Conditions in the military aerospace market are expected to remain difficult, as governments are addressing their deficits. In the U.S., proposed funding for the fiscal 2014 base defense budget is down marginally from enacted funding for fiscal 2013¹², including a 1.4% reduction in proposed funding for equipment, systems, research, technology development and weapons. As proposed funding for fiscal 2014 remains above budget limits set under sequestration, actual funding could be materially less if sequestration is not reversed. The Corporation may be affected by U.S. defense cutbacks beyond the fiscal year ending March 31, 2014, despite having a diversified military portfolio, balanced between new component manufacturing and aftermarket products and services, that should lessen this impact.

The Corporation's balance sheet remains solid with cash and cash equivalents of \$101.3 million as at March 31, 2013. This amount, combined with funds available under its Credit Facility, will allow Héroux-Devtek to fund expected capital expenditures of approximately \$16 million in fiscal 2014 as well as to consider other strategic acquisitions that would complement its product portfolio and its technologies.

As at March 31, 2013, Héroux-Devtek's funded (firm orders) backlog stood at \$361 million, versus \$388 million, from continuing operations, at the end of the previous fiscal year. Despite this solid backlog and strong customer relationships, the Corporation will continue to enhance productivity and streamline its cost base to remain competitive in light of the increasingly global character of the aerospace industry.

Based on its backlog and current market trends, and assuming the Canadian dollar remains at parity versus the US currency and considering FFEC, the Corporation expects that internal sales growth for the fiscal year ending March 31, 2014 will be similar to that achieved in the fiscal year ended March 31, 2013. Driven by sustained strength in the large commercial aircraft segment and the recovery of the business jet market, commercial sales could grow by more than 10%, while military sales are expected to further decline as a result of U.S. budgetary restrictions. These restrictions could also affect the timing of military product and service sales. Over the long-term, Héroux-Devtek remains committed to its stated goal of growing, internally and through strategic alliances, at 10% per year, on average, assuming a stable currency environment.

Additional Information and Continuous Disclosure

This MD&A was approved by the Audit Committee on May 22, 2013 and by the Board of Directors on May 23, 2013. Updated information on the Corporation can be found on the SEDAR website, at www.sedar.com.

¹² Source: U.S. Department of Defense report, April 10, 2013.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements and Management Discussion and Analysis of Financial Position and Operating Results ("MD&A") of Héroux-Devtek Inc. (the "Corporation") and all other information in this Annual Report are the responsibility of management and have been reviewed and approved by its Board of Directors. The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. The MD&A has been prepared in accordance with the requirements of Canadian securities regulators. The consolidated financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the consolidated financial statements and MD&A are presented fairly in all material respects. Financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements. All figures presented in these consolidated financial statements are expressed in Canadian dollars unless otherwise indicated.

Héroux-Devtek Inc.'s Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"), or have caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards and that material information related to the Corporation has been made known to them and has been properly disclosed in the accompanying consolidated financial statements and MD&A. Héroux-Devtek Inc.'s CEO and CFO have also evaluated the effectiveness of such ICFR and DC&P as of the end of fiscal year 2013. As of March 31, 2013, management concludes that the ICFR and DC&P effectively provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards and that material information related to the Corporation has been disclosed in the consolidated financial statements and MD&A. Also, based on this assessment, the CEO and the CFO determined that there were no material weaknesses in the ICFR and DC&P. Héroux-Devtek Inc.'s CEO and CFO have provided a certification related to Héroux-Devtek Inc.'s annual disclosure documents to the Canadian Securities Administrators in accordance with Multilateral Instrument 52-109, including the consolidated financial statements and MD&A.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors and consists entirely of independent and financially literate directors.

The Audit Committee meets periodically with management, as well as with the external auditors, to review the consolidated financial statements, the external auditors' report, MD&A, auditing matters and financial reporting issues, to discuss ICFR, and to satisfy itself that each party is properly discharging its responsibilities. In addition, the Audit Committee has the duty to review the appropriateness of the accounting policies and significant estimates and judgments underlying the consolidated financial statements as presented by management, and to review and make recommendations to the Board of Directors with respect to the fees of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the consolidated financial statements and MD&A for issuance to shareholders.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Shareholders. The external auditors have full and free access to the Audit Committee to discuss their audit and related matters.



Gilles Labbé, FCPA, FCA
President and Chief Executive Officer



Réal Bélanger, CPA, CA
Executive Vice-President and Chief Financial Officer

May 23, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Héroux-Devtek Inc.

We have audited the accompanying consolidated financial statements of Héroux-Devtek Inc., which comprise the consolidated balance sheets as at March 31, 2013 and 2012 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended March 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

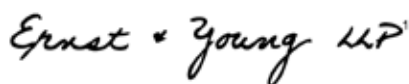
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Héroux-Devtek Inc. as at March 31, 2013 and 2012 and the financial performance and its cash flows for the years ended March 31, 2013 and 2012, in accordance with International Financial Reporting Standards.

The logo for Ernst & Young LLP is written in a cursive, handwritten style. The text "Ernst & Young" is in a larger font, and "LLP" is smaller and positioned to the right.

Montréal, Québec

May 23, 2013

¹ CPA Auditor, CA, public accountancy permit no. A118111

CONSOLIDATED BALANCE SHEETS

As at March 31, 2013 and 2012 (In thousands of Canadian dollars)

	Notes	March 31, 2013	March 31, 2012
Assets	18		
Current assets			
Cash and cash equivalents	9	\$ 101,256	\$ 62,007
Accounts receivable		46,550	59,677
Income tax receivable		858	1,500
Inventories	10	100,817	135,323
Derivative financial instruments	11	2,935	6,471
Other current assets	12	12,577	16,492
		264,993	281,470
Property, plant and equipment, net	6, 13	78,186	153,208
Finite-life intangible assets, net	6, 14	26,472	24,514
Derivative financial instruments	11	284	3,236
Goodwill	15	19,180	36,068
Asset held for sale		—	611
Total assets		\$ 389,115	\$ 499,107
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	16	\$ 44,302	\$ 56,319
Accounts payable - other		2,378	3,010
Provisions	17	8,901	12,157
Progress billings		10,211	16,393
Income tax payable		2,549	2,381
Derivative financial instruments	11	1,655	827
Current portion of long-term debt	18	3,808	10,867
		73,804	101,954
Long-term debt	18	59,149	108,249
Provisions	17	5,071	4,866
Progress billings		2,068	7,512
Derivative financial instruments	11	909	2,700
Deferred income tax liabilities	21	12,425	17,071
Other liabilities – Pension and other retirement benefit plans	22	13,036	12,788
		166,462	255,140
Shareholders' equity			
Issued capital	19	25,365	102,202
Contributed surplus	19	1,222	3,059
Accumulated other comprehensive income	20	2,647	2,515
Retained earnings		193,419	136,191
		222,653	243,967
		\$ 389,115	\$ 499,107

Discontinued operations, Commitments and Contingencies (notes 5, 23 and 24).

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

On behalf of the Board of Directors



Louis Morin
Director



Gilles Labbé
Director

CONSOLIDATED STATEMENTS OF INCOME

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except per share data)

	Notes	2013	2012
Continuing operations	5		
Sales		\$ 257,022	\$ 253,521
Cost of sales	6, 7, 10	217,337	210,814
Gross profit		39,685	42,707
Selling and administrative expenses	7, 19	19,198	18,879
Operating income		20,487	23,828
Financial expenses	18	3,344	3,746
Income before income tax expense from continuing operations		17,143	20,082
Income tax expense	21	3,324	4,207
Net income from continuing operations		13,819	15,875
Discontinued operations	5	118,226	10,606
Net income		\$ 132,045	\$ 26,481
Earnings per share from continuing operations – basic	8	\$ 0.45	\$ 0.52
Earnings per share from continuing operations – diluted	8	\$ 0.44	\$ 0.52
Earnings per share – basic	8	\$ 4.27	\$ 0.87
Earnings per share – diluted	8	\$ 4.24	\$ 0.86

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars)

	Notes	2013	2012
	20		
Other comprehensive loss from continuing operations:			
Gain arising from translating the financial statements of foreign operations		\$ 3,227	\$ 756
Cash flow hedges:			
Net gains on valuation of derivative financial instruments, net of income tax expense of \$548 (\$236 in 2012)		1,452	650
Net gains on derivative financial instruments transferred to net income, net of income tax expense of \$2,330 (\$3,108 in 2012)		(6,416)	(8,407)
Net losses on hedge of net investments in U.S. operations, net of income tax recovery of \$47 (\$118 in 2012)		(312)	(496)
Defined benefit pension plans:			
Actuarial losses, net of income tax recovery of \$825 (\$970 in 2012)		(2,281)	(2,658)
Net change in asset limit and minimum funding requirements, net of income tax expense of \$449 in 2012		—	1,238
Other comprehensive loss from continuing operations		(4,330)	(8,917)
Discontinued operations	5	2,181	65
Other comprehensive loss		\$ (2,149)	\$ (8,852)
Comprehensive income			
Continuing operations:			
Net income		\$ 13,819	\$ 15,875
Other comprehensive loss		(4,330)	(8,917)
Comprehensive income from continuing operations		9,489	6,958
Discontinued operations:			
Net income	5	118,226	10,606
Other comprehensive income	5	2,181	65
Comprehensive income from discontinued operations		120,407	10,671
Comprehensive income		\$ 129,896	\$ 17,629

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars)

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Shareholders' equity
Balance as at March 31, 2012		\$ 102,202	\$ 3,059	\$ 2,515	\$ 136,191	\$ 243,967
Common shares:	19					
Issued under the Stock option plan		8,017	(1,953)	—	—	6,064
Issued under the Stock purchase and ownership incentive plan		298	—	—	—	298
Stock options cancelled		—	(258)	—	—	(258)
Stock-based compensation expense	19	—	374	—	—	374
Special distribution to shareholder	19	(85,152)	—	—	(72,536)	(157,688)
Net income		—	—	—	132,045	132,045
Other comprehensive income (loss)		—	—	132	(2,281)	(2,149)
Balance as at March 31, 2013		\$ 25,365	\$ 1,222	\$ 2,647	\$ 193,419	\$ 222,653

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Shareholders' equity
Balance as at March 31, 2011		\$ 100,136	\$ 3,330	\$ 9,947	\$ 111,130	\$ 224,543
Common shares:	19					
Issued under the Stock option plan		1,748	(687)	—	—	1,061
Issued under the Stock purchase and ownership incentive plan		318	—	—	—	318
Stock-based compensation expense	19	—	416	—	—	416
Net income		—	—	—	26,481	26,481
Other comprehensive loss		—	—	(7,432)	(1,420)	(8,852)
Balance as at March 31, 2012		\$ 102,202	\$ 3,059	\$ 2,515	\$ 136,191	\$ 243,967

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars)

	Notes	2013	2012
Cash and cash equivalents provided by (used for):			
Operating activities			
Net income from continuing operations		\$ 13,819	\$ 15,875
Items not requiring an outlay of cash:			
Amortization expense	7, 13, 14	12,533	13,619
Deferred income tax recovery	21	(17)	(1,020)
Loss (gain) on sale of property, plant and equipment ⁽¹⁾		(271)	201
Amortization of deferred financing costs	18	440	440
Interest accretion expense and discount rate adjustments	18	2,165	2,163
Stock-based compensation expense	19	374	416
Cash flows from continuing operations		29,043	31,694
Net change in non-cash items related to continuing operations	25	(8,395)	(8,909)
Cash flows related to operating activities from continuing operations		20,648	22,785
Cash flows related to operating activities from discontinued operations		8,273	26,733
Cash flows related to operating activities		28,921	49,518
Investing activities			
Additions to property, plant and equipment	13	(11,464)	(12,489)
Net increase in finite-life intangible assets	14	(5,470)	(7,797)
Proceeds on disposal of property, plant and equipment ⁽¹⁾		970	388
Net proceeds from sale of discontinued operations	5	223,070	—
Cash flows related to investing activities of discontinued operations		(4,293)	(2,783)
Cash flows related to investing activities		202,813	(22,681)
Financing activities			
Increase in long-term debt		5,649	6,983
Repayment of long-term debt	5	(45,383)	(3,340)
Issuance of common shares	19	6,362	1,379
Special distribution to shareholders	19	(157,688)	—
Cash flows related to financing activities of discontinued operations		(3,208)	(3,445)
Cash flows related to financing activities		(194,268)	1,577
Effect of changes in exchange rates on cash and cash equivalents		1,783	683
Change in cash and cash equivalents during the year		39,249	29,097
Cash and cash equivalents at beginning of year		62,007	32,910
Cash and cash equivalents at end of year		\$ 101,256	\$ 62,007
Interest and taxes reflected in operating activities:			
Interest paid for continuing operations		\$ 1,633	\$ 1,726
Interest received from continuing operations		\$ 725	\$ 151
Income taxes paid for continuing operations		\$ 5,663	\$ 2,117
Interest paid for discontinued operations		\$ 821	\$ 1,940
Income taxes paid for discontinued operations		\$ 50,565	\$ 2,272

⁽¹⁾ Includes sale proceed of \$744 and gain of \$133 on asset held for sale.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 1. Nature of activities and corporate information

Héroux-Devtek Inc. is incorporated under the laws of Québec. Its head office is domiciled at Complexe St-Charles, 1111 St-Charles Street West, suite 658, East Tower, Longueuil (Québec), Canada. Héroux-Devtek Inc. and its subsidiaries (the "Corporation") specialize in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic flight control actuators and fracture-critical components. It also includes the manufacture of electronic enclosures, heat exchangers and cabinets for airborne radar, electro-optic systems and aircraft controls through its Magtron operations (see Note 5 – Discontinued operations).

Note 2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for cash and cash equivalents and for derivative financial instruments that have been measured at fair value.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB") and were approved for issue by the Board of Directors of the Corporation on May 23, 2013.

Basis of consolidation

The consolidated financial statements include the accounts of Héroux-Devtek Inc. and its subsidiaries, all of which are wholly-owned.

The principal wholly-owned subsidiaries included in these consolidated financial statements are Devtek Aerospace Inc., and HDI Landing Gear (USA) Inc.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as Héroux-Devtek Inc., using consistent accounting policies.

All inter-company transactions and account balances are eliminated in full.

Note 3. Summary of significant accounting policies

A. Foreign currency

The consolidated financial statements are presented in Canadian dollars. Each entity in the Corporation accounts for transactions in its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

The functional currency of Héroux-Devtek Inc. and of the Canadian operations is the Canadian dollar. The functional currency of the U.S. operations is the U.S. dollar. The functional currency is the currency that is representative of an operation's primary economic environment.

a. Conversion of transactions and account balances

Transactions denominated in foreign currencies are initially recorded at the functional currency rate of exchange at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date. All differences are included in the consolidated statements of income.

Non-monetary items denominated in foreign currencies are translated at the exchange rate at the date of the transactions.

b. Translation of financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange at the reporting date and the statements of income are translated at the average exchange rate for the fiscal year. Exchange differences arising from the translation are recognized in other comprehensive income and remain in accumulated other comprehensive income until the disposal of the related net investment, at which time they are recognized in the consolidated statements of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

B. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and short-term deposits with an original maturity of three months or less.

C. Inventories

Inventories include raw materials, direct labour and related manufacturing overhead costs. If applicable, they include the amount of amortization of capitalized development costs of the related sales contracts.

Inventories consist of raw materials, work-in-progress and finished goods which are valued at the lower of cost (unit cost method) and net realizable value.

The unit cost method is the cost method under which the actual production costs are charged to each unit produced and recognized in the consolidated statements of income as the unit is delivered. Estimates of net realizable value are based on the most reliable evidence available, of the amount for which the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period.

D. Property, plant and equipment

• Assets acquired

Property, plant and equipment are stated at cost less accumulated amortization and accumulated impairment losses, if any (see H). Such cost includes the cost of replacing a major part of the property, plant and equipment and, in this situation, the carrying amount of the replaced part is derecognized. Cost also includes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (see F).

Amortization is calculated on a straight-line basis over the useful life of the asset as follows:

- Buildings and leasehold improvements - 5 to 50 years,
- Machinery and equipment - 3 to 15 years,
- Tooling related to specific contracts - based on pre-determined contract quantities, not exceeding the lower of ten years or the useful life. Contract quantities are assessed at the beginning of the production stage considering, among other factors, existing firm orders and options. The Corporation's management conducts quarterly and annual reviews of the contract quantities.
- Standard and general tooling - 5 years.
- Automotive equipment – 3 to 10 years.
- Computer and office equipment – 3 to 5 years.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the net carrying amount of the asset) is included in the consolidated statements of income in the fiscal year the asset is derecognized. The asset's residual value, useful life and method of amortization are reviewed and adjusted annually at year-end, or when warranted by specific circumstances.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to section L – Provisions of this note and Significant accounting judgments, estimates and assumptions (note 4) for further information about the recorded decommissioning provision.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

D. Property, plant and equipment (cont'd)

- **Assets leased**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A finance lease is capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, computed by using the implicit interest rate of the lease contract. Lease payments are apportioned between interest expense and the reduction of the lease liability. Interest expense is reflected in the consolidated statements of income. Capitalized leased assets are accounted for in the categories of property, plant and equipment corresponding to their nature. Capitalized leased assets are amortized over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognized as an expense as incurred.

E. Finite-life intangible assets

Finite-life intangible assets include capitalized development costs, backlog and software. They are measured on initial recognition at cost. The cost of these intangible assets acquired in a business combination is fair value at the date of acquisition. Following initial recognition, they are carried at cost less accumulated amortization and impairment losses, if any.

Development costs on an individual sales contract are capitalized as an intangible asset when the Corporation can demonstrate:

- the feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete,
- its ability to use or sell the asset,
- how the asset will generate future economic benefits,
- the availability of resources to complete the asset, and
- the ability to measure reliably the expenditure during the development phase.

Capitalized development costs (design engineering, manufacturing engineering costs and other related costs) related to sales contracts are amortized based on predetermined contract quantities. They are presented net of related government assistance and amounts contributed by customers.

Contract quantities are established based on management's assessment at the beginning of the production stage for each contract, taking into consideration, among other factors, existing firm orders and options. The Corporation's management conducts quarterly reviews as well as a detailed annual review in the fourth quarter of the contract quantities and its capitalized development costs, and their recoverability.

Following initial recognition of capitalized development costs as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization begins when development is complete and the asset is available for use. During the period of development, the asset is tested for impairment annually.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

E. Finite-life intangible assets (cont'd)

Finite-life intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite-life are reviewed at least at each fiscal year-end or when warranted by specific circumstances. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied are accounted for as changes in accounting estimates (note 4).

Software is amortized over 3 to 5 years. Backlog is amortized based on the units delivered of related sales contracts.

The gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the net carrying amount of the asset and is recognized in the consolidated statements of income.

F. Borrowing costs

Borrowing costs are recognized as an expense when incurred, except when they are capitalized as part of the cost of a qualifying asset. Borrowing costs are capitalized when the Corporation:

- incurs expenditures for the asset;
- incurs borrowing costs; and
- undertakes activities that are necessary to prepare the asset for its intended use or sale, to the extent that these activities are performed over a period exceeding the normal operating cycle of the Corporation (12 months).

Conversely, the Corporation ceases capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

G. Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

The cost of a business acquisition is measured as the fair value of assets given, equity instruments issued and liabilities assumed at the date of acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed are measured initially at fair value at the date of acquisition. Acquisition costs incurred are expensed and included in selling and administrative expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Corporation's cash generating units ("CGU") or group of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

H. Impairment of goodwill and other non-financial assets

Goodwill is tested for impairment, annually on March 31 and when warranted by specific circumstances. Prior year's impairment test may be used in the annual impairment test when specific criteria are met. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. A CGU's recoverable amount is the higher of a CGU's fair value less costs to sell and its value in use. The Corporation uses the discounted cash flow method to estimate value in use, consisting of future cash flows derived from the most recent three-year budget and strategic plan approved by the Corporation's management and Board of Directors. These future cash flows consider each CGU's past performance, market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The perpetual growth rate is determined with regard to the specific markets in which the CGUs participate. The discount rate used by the Corporation for cash flows is a pre-tax rate based on the weighted-average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risks specific to the assets. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

For non-financial assets other than goodwill, the Corporation assesses at each reporting date whether there is an indication that the carrying value may be impaired. If any such indication exists, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the recoverable amount is determined by reference to the CGU's value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are 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 asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For non-financial assets other than goodwill, a previously recognized impairment loss is reversed if there has been a change in the estimated recoverable amount since the last impairment loss was recognized. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income.

I. Financial assets

Assets at fair value

At initial recognition, financial assets are classified either as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("L&R") or effective hedging instruments ("Hedges").

When financial assets are recognized initially, they are measured at fair value, plus in the case of a financial asset other than FVTPL, the directly attributable transaction costs. Purchases and sales of financial assets are recognized on the transaction date, which is the date that the Corporation commits to purchase or sell the assets.

FVTPL

FVTPL are acquired for the purpose of selling in the near term. They include cash and cash equivalents, derivative financial instruments, except those that are designated as Hedges. FVTPL are carried at fair value with gains and losses recognized in the consolidated statements of income. The Corporation assesses whether embedded derivative financial instruments are required to be separated from host contracts when the Corporation first becomes party to the contract.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

I. Financial assets (cont'd)

L&R

L&R are non-derivative financial assets with fixed or determinable payments not quoted in an active market. L&R are comprised of trade and other receivables excluding sales tax receivable, investment and other tax credits receivable included in the other current assets. L&R are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statements of income. In the event that there is objective evidence that an impairment loss on L&R has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance for doubtful accounts and the loss is recognized in the consolidated statements of income.

If, in a subsequent period, the amount of the 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 by adjusting the allowance for doubtful account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Corporation will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance for doubtful account.

Hedges

These include forward foreign exchange contracts and interest rate swap agreements. They are carried at fair value. The change in the fair value of the effective portion of hedges is recognized in other comprehensive income, while the ineffective portion is recognized in the consolidated statements of income.

The Corporation assesses at each reporting date whether any financial asset is impaired.

Derecognition of financial assets

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay these cash flows in full without material delay to a third party under a "pass through" arrangement; or
- the Corporation has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impaired receivables are derecognized when they are assessed as uncollectible.

J. Financial liabilities

Liabilities at fair value

Financial liabilities classified at fair value through profit or loss (FVTPL) are comprised of derivative financial instruments, except those that are designated as Hedges. They are carried at fair value with gains and losses recognized in the consolidated statements of income. Gains and losses on Hedges are recognized in other comprehensive income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

J. Financial liabilities (cont'd)

Other financial liabilities

All debts, borrowings, accounts payable and accrued liabilities are initially recognized at fair value less directly attributable transaction costs, and when they have not been designated as FVTPL.

After initial recognition, they are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation underlying the liability is discharged, cancelled or has expired.

K. Derivative financial instruments and hedges

Derivative financial instruments

The Corporation uses derivative financial instruments such as forward foreign exchange contracts and interest rate swap agreements to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into. They are subsequently measured at fair value. Derivative financial instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of forward foreign exchange contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap agreements is determined by reference to market values for similar instruments.

Cash flow hedges

For the purpose of hedge accounting, all hedges are classified as cash flow hedges except for hedges of net investments in U.S. operations (see below). Hedging exposure to variability in cash flows is attributable to a risk associated with a recognized liability or a highly probable forecast transaction in foreign currency.

At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which the Corporation wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed quarterly to determine that they actually have been highly effective throughout the designated periods.

The change in the fair value of the effective portion of hedges is recognized in other comprehensive income, while the ineffective portion is recognized in the consolidated statements of income. Amounts recognized in other comprehensive income are transferred to the consolidated statements of income when the hedged transaction affects income, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. In the event that the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in accumulated other comprehensive income are transferred to the consolidated statements of income.

Hedge of net investments in U.S. operations

The Corporation designates certain long-term debt as a hedge of its net investments in U.S. operations. The portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in other comprehensive income, while the ineffective portion is recorded in the consolidated statements of income. The amounts recognized in other comprehensive income are reclassified in the consolidated statements of income upon disposal of the net investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

L. Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) 1) as a result of a past event, 2) when it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation and 3) a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is accounted for in the consolidated statements of income, net of any reimbursement.

If the expected settlement date exceeds twelve months from the date of recognition, provisions are discounted using a current pre-tax interest rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense. Provisions are reviewed periodically and adjusted as appropriate.

Onerous contracts

These represent anticipated negative margins on sales contracts in progress or in the funded backlog (firm customer purchase orders).

Asset retirement obligations

The Corporation's asset retirement obligations represent essentially environmental rehabilitation costs related to one of the Corporation's manufacturing sites in Canada. The fair value of these obligations is measured in the year in which they are identified and when a reasonable estimate of their fair value can be made. The fair value of the obligations is determined as the sum of the estimated discounted future cash flows of the legal obligations associated with the future retirement of these rehabilitation costs. These asset retirement costs are capitalized as part of the property, plant and equipment and amortized over the relevant assets' useful lives, while changes to the present value of the obligations are reflected in the consolidated statements of income.

Product warranty

This provision covers the cost of known or anticipated defects on products under terms of guarantee.

Litigations

Due to the nature of its business activities including the purchase or sale of businesses, the Corporation is exposed to the risks of technical and business litigations. On the basis of information at its disposal at the reporting date, the Corporation carried out a review of the financial risks to which the Corporation could be exposed. The recorded provision covers the risks associated with these litigations.

M. Progress billings

Progress billings represent amounts received from customers for costs incurred on specific contracts. These amounts are reversed to sales at such time as the related units are delivered and billed to customers.

N. Deferred financing costs

Deferred financing costs related to long-term debt are amortized using the effective interest rate method over a five-year period which represents the duration of the related long-term debt.

O. Pensions and other retirement benefits

The Corporation has defined contribution pension plans as well as funded and unfunded defined benefit pension plans that provide pension benefits to its employees.

With respect to defined benefit pension plans, retirement benefits are based on either years of service and flat amount or years of service and final average salary, or set out by individual agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

O. Pensions and other retirement benefits (cont'd)

The actuarial determination of defined benefit obligations for pensions uses the projected unit credit method which incorporates management's best estimate of future salary levels, when applicable, other cost escalations, retirement ages of employees and other actuarial factors.

For the purpose of calculating the expected return on the fair value of plan assets, those assets are valued at fair value.

Actuarial gains (losses) arise from the difference between the actual rate of return on the fair value of plan assets for a period and the expected long-term rate of return on the fair value of plan assets for that period and from changes in actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are accounted for in other comprehensive income. Such actuarial gains (losses) are also immediately recognized in retained earnings and are not reclassified to net income in subsequent period.

Vested past service costs arising from plan amendments are recognized immediately in the consolidated statements of income. Non-vested past service costs are recognized on a straight-line basis over the average period until the benefits become vested.

Recognition of a defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan and any cumulative unrecognized non-vested past service costs. In addition, minimum funding requirements may restrict the availability of refunds or reductions in future contributions, and may even trigger a liability. Adjustments arising from the asset limit and minimum funding requirements are recognized in full immediately in other comprehensive income.

P. Stock-based payments

Stock option plan

The Corporation has a stock option plan where options to purchase common shares are issued essentially to officers and key employees. The Corporation uses the binomial valuation model to determine the fair value of stock options. The resulting fair value of stock options is amortized to income over their earned period, using the graded amortization method. The related compensation expense is included in selling and administrative expenses and its counterpart is accounted for in contributed surplus.

Stock purchase and ownership incentive plan

The Corporation has a stock purchase and ownership incentive plan allowing key management employees to subscribe, by salary deduction, to a number of common shares issued by the Corporation. The subscription price of the common shares represents 90% of the average closing quoted price (based on the five preceding days) of the Corporation's common share on the Toronto Stock Exchange ("TSE"). The common share issuance is accounted for in issued capital. Also, the Corporation matches 50% of the employee's contribution, which cannot exceed 10% of the employee's annual base salary, by awarding to the employee, additional common shares acquired on the TSE at market price. However, the Corporation's matching award cannot exceed 4% of the employee's annual base salary. Common shares purchased by the Corporation on behalf of the employee are accounted for as a compensation expense which is included in selling and administrative expenses.

Stock appreciation right ("SAR") plan

Until August 2010 (see below), the Corporation had a SAR plan where rights were issued to its non-employee directors. Although the SAR plan has since been replaced by a deferred share unit ("DSU") plan, outstanding SARs issued prior to August 2010 are still in effect. The SAR enables the participants to receive by way of bonus, on the exercise date of a SAR, a cash amount equal to the excess of the quoted price of a common share on the exercise date of the SAR over its granted price. The SARs are expensed on an earned basis and their costs are determined using a valuation model and remeasured at each reporting period. The related compensation expense is included in selling and administrative expenses and its counterpart is accounted for in accounts payable and accrued liabilities until the SARs are exercised or cancelled.

In August 2010, the Board of Directors decided not to continue the SAR plan and replaced it with a DSU plan (see below), which was effectively approved in May 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

P. Stock-based payments (cont'd)

DSU plan

Since May 2011, the Corporation has a DSU plan, which replaced the SAR plan (see above), under which rights are issued to its non-employee directors. The DSU enables the participants to receive compensation at the termination date, as a member of the Board of Directors, representing a cash amount equal to the quoted price of the Corporation's common share for each DSU.

These DSUs are expensed on an earned basis and their costs are determined using a valuation model and remeasured at each reporting period. Each director can also elect, each fiscal year, to have up to 50% of his director's annual retainer fees converted into DSUs. These DSUs vest over a one-year period. The related compensation expense is included in selling and administrative expenses and its counterpart is accounted for in accounts payable and accrued liabilities.

Q. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding sales tax and duty. The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods, which includes repair & overhaul works, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenues from the sale of goods are recognized as the related units are delivered, the sale price is determinable and collectability is reasonably assured.

Interest income

Revenue is recognized as interest accrues, using the effective interest rate method. Interest income is presented as a deduction of financial expenses (see Note 18).

R. Government assistance

Government assistance, which mainly includes investment and other tax credits, grants and the discount portion of the governmental authorities loans, is recognized where there is reasonable assurance that it will be received and all related conditions will be complied with. When the government assistance relates to an expense item, it is recognized as a reduction of expense over the period necessary to match the government assistance on a systematic basis to the costs that it is intended to compensate. Where the government assistance relates to an asset, it is deducted from the cost of the related asset (property, plant and equipment, capitalized development costs or inventories).

Forgivable loans from governmental authorities are accounted for as government assistance when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

Benefits derived from governmental authorities loans with below-market interest rates are measured at the inception of the loans as the difference between the cash received and the amount at which the loans are initially recognized in the consolidated balance sheets. At initial recognition, the fair value of a loan with a below-market rate of interest is estimated as the present value of all future cash disbursements, discounted using a prevailing market rate of interest for a similar instrument with a similar credit rating.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

S. Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognized directly in shareholders' equity is recognized in shareholders' equity and not in the consolidated statements of income or in the consolidated statements of comprehensive income.

Deferred income tax

Deferred income tax is provided for using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are recognized for all deductible and taxable temporary differences, except:

- where the deferred income tax asset or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income or loss nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date. Deferred income tax assets and liabilities are measured at the income tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on income tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in shareholders' equity is recognized directly in shareholders' equity and not in the consolidated statements of income or in the consolidated statements of comprehensive income. Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. All deferred income tax assets and liabilities are classified as non-current.

Sales tax

Sales, expenses and assets are recognized net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other current assets or accounts payable and accrued liabilities in the consolidated balance sheets.

T. Earnings per share

The earnings per share amounts are determined using the weighted-average number of common shares outstanding during the year. The calculation of diluted earnings per share takes into consideration the exercise of all dilutive elements. This method assumes that the proceeds of the Corporation's in-the-money stock options would be used to purchase common shares at the average market price during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 3. Summary of significant accounting policies (cont'd)

U. Future changes in accounting policies

The standards issued but not yet effective that may apply to the Corporation are the following:

IFRS 9 *Financial Instruments*

On November 12, 2009, the IASB issued IFRS 9 - *Financial Instruments* as the first step in its project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement. This standard will be effective for the Corporation's fiscal year beginning on April 1, 2015, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

IFRS 13 *Fair Value Measurement*

In May 2011, the IASB released IFRS 13, *Fair Value Measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. This standard will be effective for the Corporation's fiscal year beginning on April 1, 2013. The Corporation will adopt this new standard for its fiscal year beginning on April 1, 2013 and, this new standard will have a minimal impact on the consolidated financial statements.

IAS 1 *Financial Statement Presentation*

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements*. The principal change resulting from the amendments to IAS 1 is a requirement to group together items within Other Comprehensive Income ("OCI") that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendments to IAS 1 will be effective for the Corporation's fiscal year beginning on April 1, 2013. The Corporation will adopt this new standard for its fiscal year beginning on April 1, 2013 and, this new standard will have an impact on the presentation of the consolidated statement of comprehensive income, while it will have no impact on the accumulated other comprehensive income.

IAS 19 *Employee Benefits*

In June 2011, the IASB amended IAS 19, *Employee Benefits*. Amongst other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). This amendment should result in a higher net financing cost for the Corporation. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendment to IAS 19 will be effective for the Corporation's fiscal year beginning on April 1, 2013. The impact of this new standard, should it have been applied to the Corporation's results for the fiscal year ended March 31, 2013, would have increased the pension expense by \$433 (\$318 net of income tax expense).

Note 4. Significant accounting judgments, estimates and assumptions

The preparation of the Corporation's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amount of assets or liabilities.

In the process of applying the Corporation's accounting policies, management has made judgments, estimates and assumptions. Key judgments, estimates and assumptions concerning the future and other sources of estimating uncertainty at the reporting date that may cause material adjustments to the carrying amounts of assets and liabilities, are discussed below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 4. Significant accounting judgments, estimates and assumptions (cont'd)

A. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets and observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's three-year budget and strategic plan and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the perpetual growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 15.

B. Stock-based compensation

The Corporation measures the cost of stock options, DSU and SAR ("Stock-based awards") by reference to the fair value of the common shares at the date at which they are granted. Estimating fair value of the cost of Stock-based awards requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the Stock-based awards, volatility and dividend yield of the common shares and making assumptions about them. The expected life of the Stock-based awards 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.

C. Deferred income tax assets

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized for unused tax losses to the extent it is probable that taxable income will be available against which the losses can be utilized. Management's judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

D. Pensions and other retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. In determining appropriate discount rates, management considers the interest rates of high-quality corporate bonds. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

E. Capitalized development costs

Development costs are capitalized in accordance with the accounting policy described in Note 3. Initial capitalization is based on management's judgment that economic feasibility is confirmed, usually when a product development project has reached a defined milestone in the project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied, the expected period of benefits and contract quantities.

F. Provisions

The Corporation has recorded provisions to cover cost exposures that could materialize in future periods. In determining the amount of the provisions, assumptions and estimates are made in relation to discount rates and the expected cost to settle such liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 4. Significant accounting judgments, estimates and assumptions (cont'd)

G. Financial instruments

The carrying amount of cash and cash equivalents (classified as FVTPL), at inception date, accounts receivable and other receivables (classified as L&R), accounts payable and accrued liabilities and accounts payable – other (classified as other than FVTPL) approximates their fair value since these items will be realized within one year or are collectible or due on demand.

Certain long-term debt including the current portion (classified as other than FVTPL), at inception date, is estimated based on valuation models, using the discounted cash flow method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates for debt with similar terms and conditions.

Derivative financial instruments

The Corporation has considered the following value hierarchy that reflects the significance of the inputs used in measuring these financial instruments accounted for at fair value in the consolidated balance sheets:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable external market data for the asset or liability, either directly or indirectly;
- Level 3: inputs that are not based on observable market data.

The fair value of derivative financial instruments in the consolidated balance sheets is established based on the Corporation's valuation models. These models project future cash flows and discount these future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as interest rates, currency rates and price and volatility factors, as applicable (Level 2 inputs). They also take into account the credit quality of the underlying financial instruments.

Note 5. Discontinued operations

On July 16, 2012, the Corporation executed a definitive agreement for the sale of substantially all of its Aerostructure and Industrial product line operations to Precision Castparts Corporation ("PCC"), a public company traded on the New York Stock Exchange ("sale transaction"). The net assets acquired by PCC include the Corporation's Dorval (Quebec), Querétaro (Mexico) and Arlington (Texas) Aerostructure product line manufacturing sites, as well as the Cincinnati (Ohio) Industrial product line manufacturing sites. Prior to the sale transaction, the Aerostructure product line was part of the Corporation's Aerospace segment, while the Industrial product line formed the Industrial segment. Therefore, all of the operations of the businesses sold are now excluded from the Corporation's segmented information. Following this sale transaction, the Corporation is now operating only in the Aerospace segment and is comprised essentially of the landing gear product line and Magtron operations.

The sale transaction was concluded on August 31, 2012 with gross sale proceeds, including post-closing adjustments, of \$297.8 million paid in cash. Taking into consideration the related taxes and transaction related costs, the net proceeds amounted to \$234.3 million. The gain of \$163.0 million on the sale transaction, net of the related taxes of \$51.8 million, amounted to \$111.2 million. The gain from the sale and the net income from discontinued operations also include a provision reversal of \$965 and of \$840 respectively related to a business sold in prior years, as a result of the prescribed legal delay.

This fiscal year, concurrently to the sale transaction, the Corporation proceeded with a \$16 million reduction of finance lease obligations and the repayment of a \$1 million governmental authorities' loan related to the businesses sold. The Corporation also proceeded with a partial repayment of US\$37.5 million (\$37.0 million) against the Syndicated Banks' Credit Facility ("Credit Facility") and repurchased two of the three interest rate swap agreements in place, representing a total notional amount of US\$30 million, for a total cost of \$1.7 million which was recorded as transaction related costs to the sale transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 5. Discontinued operations (cont'd)

Following the sale transaction explained above, income and expenses from discontinued operations before August 31, 2012 are reported separately from income and expenses from continuing operations, down to the level of net income in the consolidated statements of income for the fiscal years ended March 31, 2013 and 2012.

Net income related to the discontinued operations for the fiscal years ended March 31, are presented as follows:

	2013	2012
Sales	\$ 58,081	\$ 126,815
Cost of sales	45,423	101,892
Gross profit	12,658	24,923
Selling and administrative expenses	3,207	8,082
Operating income	9,451	16,841
Financial expenses	1,047	2,561
Gain from sale of discontinued operations	163,933	—
Income before income tax expense	172,337	14,280
Income tax expense related to discontinued operations	2,224	3,674
Income tax expense related to the gain from sale of discontinued operations	51,887	—
Net income from discontinued operations	\$ 118,226	\$ 10,606
Earnings per share – basic from discontinued operations	\$ 3.82	\$ 0.35
Earnings per share – diluted from discontinued operations	\$ 3.80	\$ 0.35

Comprehensive income related to the discontinued operations for the fiscal years ended March 31, are presented as follows:

	2013	2012
Other comprehensive income:		
Gain arising from translating the financial statements of foreign operations	\$ 759	\$ 2,046
Cash flow hedges:		
Net gains (losses) on valuation of derivative financial instruments, net of income tax expense (recovery) of \$365 (\$435) in 2012	989	(1,135)
Net gains (losses) on hedge of net investments in U.S. operations, net of income tax expense (recovery) of \$64 (\$201) in 2012	433	(846)
Other comprehensive income from discontinued operations	2,181	65
Net income from discontinued operations	118,226	10,606
Comprehensive income from discontinued operations	\$ 120,407	\$ 10,671

For the fiscal year ended March 31, 2013, the net proceeds of \$223,070 presented in the statement of cash flows represents essentially the cash consideration received, net of the reduction in the finance lease obligations of the businesses sold and the related income taxes and transaction costs paid.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 6. Government assistance

During the fiscal year ended March 31, 2013, the Corporation recorded as government assistance an amount of \$2,764 as a reduction of cost of sales (\$3,006 in 2012) and an amount of \$2,301 (\$5,135 in 2012) as a reduction of the related property, plant and equipment or capitalized development costs, presented under Finite-life intangible assets.

Note 7. Cost of sales, selling and administrative expenses

The main components for the fiscal years ended March 31, are as follows:

	2013	2012
Raw materials and purchased parts	\$ 101,233	\$ 91,646
Employee costs	92,572	93,425
Amortization of property, plant and equipment and finite-life intangible assets (notes 13, 14)	12,533	13,619
Others	30,197	31,003
	\$ 236,535	\$ 229,693

Foreign exchange gains or losses resulting from the translation of net monetary items denominated in foreign currencies are included in the Corporation's selling and administrative expenses. In fiscal 2013, the foreign exchange gain included in the Corporation's selling and administrative expenses amounted to \$22 (\$219 in 2012).

Note 8. Earnings per share

The following table sets forth the elements used to compute basic and diluted earnings per share for the fiscal years ended March 31:

	2013	2012
Weighted-average number of common shares outstanding	30,939,184	30,356,946
Effect of dilutive stock options of the Corporation	175,255	325,117
Weighted-average number of common diluted shares outstanding	31,114,439	30,682,063

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options of the Corporation since their impact is anti-dilutive. However, during the fiscal year ended March 31, 2013, no stock options of the Corporation's plan (335,000 in 2012), were excluded from the diluted earnings per share calculation.

Note 9. Cash and cash equivalents

	March 31, 2013	March 31, 2012
Cash at banks	\$ 91,236	\$ 22,073
Short-term deposits	10,020	39,934
	\$ 101,256	\$ 62,007

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods up to three months and earn interest at the respective short-term deposit rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 10. Inventories

	March 31, 2013	March 31, 2012
Raw materials	\$ 43,023	\$ 50,300
Work-in-progress	55,948	78,733
Finished goods	1,846	6,290
	\$ 100,817	\$ 135,323

The amount of inventories recognized as cost of sales for the fiscal year ended March 31, 2013 is \$196,854 (\$193,115 in 2012).

Write-downs related to inventories for the fiscal years ended March 31, are as follows:

	2013	2012
Write-downs recognized as cost of sales	\$ 4,286	\$ 7,039
Reversal of prior-period write-downs recognized as a reduction of cost of sales	\$ 5,150	\$ 6,691

The reversal of prior-period write-downs results from the revaluation, at each reporting date, of the net realizable value of inventories, based on related sales contracts and production costs. It also includes the charges against this reserve for products delivered during the period for which a net realizable value reserve was required and recorded in prior periods for an amount of \$1,956 for the fiscal year ended March 31, 2013 (\$3,966 in 2012).

Note 11. Derivative financial instruments

The fair value of derivative financial instruments in the consolidated balance sheets is as follows:

	March 31, 2013	March 31, 2012
Current Assets		
Forward foreign exchange contracts and embedded derivative financial instruments	\$ 2,935	\$ 6,471
	\$ 2,935	\$ 6,471
Long-term Assets		
Forward foreign exchange contracts and embedded derivative financial instruments	\$ 284	\$ 3,236
	\$ 284	\$ 3,236
Current Liabilities		
Forward foreign exchange contracts and embedded derivative financial instruments	\$ 1,483	\$ 328
Interest rate swap agreements	172	499
	\$ 1,655	\$ 827
Long-term Liabilities		
Forward foreign exchange contracts and embedded derivative financial instruments	\$ 622	\$ 1,369
Interest rate swap agreements	287	1,331
	\$ 909	\$ 2,700

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 12. Other current assets

	March 31, 2013	March 31, 2012
Investment and other tax credits receivable	\$ 9,051	\$ 10,845
Sales tax receivable	1,405	1,488
Deposits on machinery and equipment (note 23)	234	292
Prepaid expenses	1,540	2,533
Others	347	1,334
	\$ 12,577	\$ 16,492

Note 13. Property, plant & equipment

	Land	Buildings and leasehold improvements	Machinery, equipment and tooling	Other	Construction in progress	Total
Cost:						
As at March 31, 2012	\$ 4,779	\$ 65,509	\$ 247,181	\$ 9,890	\$ 609	\$ 327,968
Discontinued operations (note 5)	(2,908)	(29,098)	(116,788)	(2,996)	(74)	(151,864)
Continuing operations	1,871	36,411	130,393	6,894	535	176,104
Additions	—	3,539	6,268	949	853	11,609
Government assistance (note 6)	—	(21)	(304)	(20)	—	(345)
Construction in process	—	—	535	—	(535)	—
Disposals	—	(21)	(1,306)	(84)	—	(1,411)
Effect of changes in exchange rate	17	113	161	9	1	301
As at March 31, 2013	\$ 1,888	\$ 40,021	\$ 135,747	\$ 7,748	\$ 854	\$ 186,258
Accumulated amortization:						
As at March 31, 2012	\$ —	\$ 22,415	\$ 147,440	\$ 4,905	\$ —	\$ 174,760
Discontinued operations (note 5)	—	(6,986)	(67,852)	(2,241)	—	(77,079)
Continuing operations	—	15,429	79,588	2,664	—	97,681
Amortization expense	—	1,862	8,968	802	—	11,632
Disposals	—	(14)	(1,229)	(73)	—	(1,316)
Effect of changes in exchange rate	—	14	57	4	—	75
As at March 31, 2013	\$ —	\$ 17,291	\$ 87,384	\$ 3,397	\$ —	\$ 108,072
Net book value as at						
March 31, 2013	\$ 1,888	\$ 22,730	\$ 48,363	\$ 4,351	\$ 854	\$ 78,186

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 13. Property, plant & equipment (cont'd)

	Land	Buildings and leasehold improvements	Machinery, equipment and tooling	Other	Construction in progress	Total
Cost:						
As at March 31, 2011	\$ 4,370	\$ 62,047	\$ 230,936	\$ 7,144	\$ 1,682	\$ 306,179
Additions	434	3,710	17,817	3,112	588	25,661
Government assistance (note 6)	(83)	(875)	(1,273)	(20)	—	(2,251)
Construction in progress	—	—	1,682	—	(1,682)	—
Disposals	—	(61)	(4,261)	(357)	—	(4,679)
Effect of changes in exchange rate	58	688	2,280	11	21	3,058
As at March 31, 2012	\$ 4,779	\$ 65,509	\$ 247,181	\$ 9,890	\$ 609	\$ 327,968
Accumulated amortization:						
As at March 31, 2011	\$ —	\$ 19,680	\$ 131,365	\$ 4,457	\$ —	\$ 155,502
Amortization expense	—	2,666	18,214	876	—	21,756
Disposals	—	(56)	(3,394)	(596)	—	(4,046)
Effect of changes in exchange rate	—	125	1,255	168	—	1,548
As at March 31, 2012	\$ —	\$ 22,415	\$ 147,440	\$ 4,905	\$ —	\$ 174,760
Net book value as at March 31, 2012	\$ 4,779	\$ 43,094	\$ 99,741	\$ 4,985	\$ 609	\$ 153,208

The additions to property, plant and equipment of \$11,464 for the fiscal year ended March 31, 2013 (\$12,489 in 2012) presented in the consolidated statements of cash flows are shown net of \$2,032 (\$3,010 in 2012) of machinery and equipment which was delivered in the last two months of each fiscal year but not yet paid as at March 31, which are included in Accounts payable - other. The additions to property, plant and equipment are also presented net of machinery and equipment of \$778 (\$9,605 in 2012) which were acquired through finance leases during the years then ended.

As at March 31, 2013, cost of machinery, equipment and tooling includes assets acquired through finance leases amounting to \$18,435 (\$48,435 as at March 31, 2012) with accumulated amortization of \$7,328 (\$15,985 as at March 31, 2012).

As at March 31, 2013 and 2012, construction in progress includes the cost related to machinery and equipment being installed at these dates.

As at March 31, 2013, the cost of property, plant and equipment still in use and fully depreciated is \$71,355 (\$86,006 as at March 31, 2012).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 14. Finite-life intangible assets

	Capitalized Development Costs	Software	Backlog	Total
Cost:				
As at March 31, 2012	\$ 21,233	\$ 14,409	\$ 8,644	\$ 44,286
Discontinued operations (note 5)	(480)	(3,560)	(7,276)	(11,316)
Continuing operations	20,753	10,849	1,368	32,970
Additions	6,931	495	—	7,426
Government assistance (note 6)	(1,956)	—	—	(1,956)
Effect of changes in exchange rate	—	15	—	15
As at March 31, 2013	\$ 25,728	\$ 11,359	\$ 1,368	\$ 38,455
Accumulated amortization:				
As at March 31, 2012	\$ 507	\$ 12,672	\$ 6,593	\$ 19,772
Discontinued operations (note 5)	—	(3,387)	(5,309)	(8,696)
Continuing operations	507	9,285	1,284	11,076
Amortization expense	50	767	84	901
Effect of changes in exchange rate	—	6	—	6
As at March 31, 2013	\$ 557	\$ 10,058	\$ 1,368	\$ 11,983
Net book value at March 31, 2013	\$ 25,171	\$ 1,301	\$ —	\$ 26,472

	Capitalized Development Costs	Software	Backlog	Total
Cost:				
As at March 31, 2011	\$ 13,649	\$ 13,743	\$ 8,401	\$ 35,793
Additions	10,445	635	—	11,080
Government assistance (note 6)	(2,884)	—	—	(2,884)
Disposals	—	(54)	—	(54)
Effect of changes in exchange rate	23	85	243	351
As at March 31, 2012	\$ 21,233	\$ 14,409	\$ 8,644	\$ 44,286
Accumulated amortization:				
As at March 31, 2011	\$ 403	\$ 11,778	\$ 5,126	\$ 17,307
Amortization expense	104	881	1,312	2,297
Disposals	—	(54)	—	(54)
Effect of changes in exchange rate	—	67	155	222
As at March 31, 2012	\$ 507	\$ 12,672	\$ 6,593	\$ 19,772
Net book value as at March 31, 2012	\$ 20,726	\$ 1,737	\$ 2,051	\$ 24,514

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 15. Goodwill

	March 31, 2013	March 31, 2012
Cost:		
Balance at beginning of the year	\$ 36,068	\$ 35,887
Discontinued operations (note 5)	(16,986)	—
Effect of changes in exchange rate	98	181
Goodwill	\$ 19,180	\$ 36,068

As at March 31, the net carrying amount of goodwill is allocated to the following CGUs:

	March 31, 2013	March 31, 2012
CGU		
Aerospace		
Landing Gear Product Line	\$ 16,672	\$ 16,574
Magtron operations	2,508	2,508
	19,180	19,082
Discontinued operations (note 5)	—	16,986
Goodwill	\$ 19,180	\$ 36,068

As allowed under IFRS, the recoverable amount calculated as at March 31, 2012 for the Landing Gear Product Line, was used in the impairment test as at March 31, 2013 for this Product Line. As a result, the pre-tax discount rate and the perpetual growth rate are identical as at March 31, 2013.

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed as at March 31, 2012 for the Landing Gear Product Line and as at March 31, 2013 for the Magtron operations:

CGU	Pre-tax discount rate	Perpetual growth rate
Aerospace		
Landing Gear Product Line	12.0%	3.2%
Magtron operations	19.2%	2.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 15. Goodwill (cont'd)

Sensitivity of recoverable amounts

The following table presents, for each CGU, the change in the discount rate or in the perpetual growth rate used in the most recently performed tests that would have been required to recover the carrying value of CGU as at March 31:

CGU	Incremental increase in pre-tax discount rate	Incremental decrease in perpetual growth rate
Aerospace		
Landing Gear Product Line	5.3%	7.8%
Magtron operations	3.7%	6.2%

Note 16. Accounts payable and accrued liabilities

	March 31, 2013	March 31, 2012
Trade payables ⁽¹⁾	\$ 28,165	\$ 34,517
Accrued liabilities ⁽²⁾	16,137	21,802
Accounts payable and accrued liabilities	\$ 44,302	\$ 56,319

⁽¹⁾ Trade payables are normally settled on 30 to 60-day terms.

⁽²⁾ Accrued liabilities mainly include payroll-related liabilities.

Note 17. Provisions

	Onerous contract	Asset retirement obligations	Product warranty	Litigations and other	Total
As at March 31, 2012	\$ 2,268	\$ 5,228	\$ 1,547	\$ 7,980	\$ 17,023
Discontinued operations (note 5)	(1,065)	—	—	(1,141)	(2,206)
Continuing operations	1,203	5,228	1,547	6,839	14,817
Arising during the year	187	50	726	1,111	2,074
Interest accretion expense	—	157	—	—	157
Utilized	(665)	(170)	(496)	(188)	(1,519)
Reversed	(68)	—	(478)	(1,383)	(1,929)
Discount rate adjustments	29	323	4	—	356
Effect of changes in exchange rate	—	—	11	5	16
As at March 31, 2013	686	5,588	1,314	6,384	13,972
Less: current portion	576	627	1,314	6,384	8,901
Long-term portion	\$ 110	\$ 4,961	\$ —	\$ —	\$ 5,071

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 18. Long-term debt

	March 31, 2013	March 31, 2012
Senior Secured Syndicated Revolving Credit Facility ("Credit Facility") of up to \$150,000 - either in Canadian or U.S. currency equivalent, maturing on March 15, 2016, which bears interest at Libor plus 1.875% representing an effective interest rate of 2.1% as at March 31, 2013 and March 31, 2012. As at March 31, 2013, the Corporation used US\$22,000 (US\$59,500 as at March 31, 2012) on the Credit Facility. ⁽¹⁾	\$ 22,352	\$ 59,351
Governmental authorities loans, repayable in variable annual instalments, with various expiry dates until fiscal year 2030. ⁽¹⁾	36,101	34,825
Obligations under finance leases, all bearing fixed interest rates between 3.3% and 6.5% (3.1% and 9.3% in 2012) maturing from January 2016 to July 2019, with amortization periods ranging from five to seven years, secured by the related property, plant and equipment, net of interest of \$542 (\$2,862 as at March 31, 2012). ⁽¹⁾	5,420	25,161
Promissory note, repayable in monthly instalments over 40 months up to July 2013, bearing fixed interest at 5% and guaranteed by the Corporation.	402	1,537
Deferred financing costs, net	(1,318)	(1,758)
	62,957	119,116
Less: current portion	3,808	10,867
	\$ 59,149	\$ 108,249

⁽¹⁾ See Note 5 – Discontinued operations.

Senior Secured Syndicated Revolving Credit Facility

In March 2011, the Corporation renewed and increased its Senior Secured Syndicated Revolving Credit Facilities through one Senior Secured Syndicated Revolving Credit Facility with a syndicate of five Canadian Banks and their U.S. subsidiaries or branches and, with a Canadian branch of a U.S. Bank.

This Credit Facility allows the Corporation and its subsidiaries to borrow up to \$150 million (either in Canadian or U.S. currency equivalent) and is used for working capital, capital expenditures and other general corporate purposes. It is secured by all assets of the Corporation and its subsidiaries, and is subject to certain covenants and corporate guarantees granted by the Corporation and its subsidiaries. The Credit Facility also includes an accordion feature to increase the Credit Facility up to \$225 million, during the term of the Credit Agreement, subject to the approval of the lenders. This Credit Facility will mature on March 15, 2016.

Interest rates vary based on prime, bankers' acceptance, Libor or U.S. base rates plus a relevant margin depending on the level of the Corporation's indebtedness and cash flows.

Governmental authorities loans

Governmental authorities loans represent essentially government assistance for the purchase of certain equipment or tooling, for the modernization or additions to the Corporation's facilities or for development costs capitalized or expensed for aerospace programs. They were granted as incentives under certain federal programs and provincial industrial programs to promote the development of the industry in Canada. These loans are either repayable according to certain specific terms, in particular depending on the Corporation's sales and the Corporation's sales of certain predetermined aircraft products within specific timeframes, and/or based on fixed repayment schedules, or at maturity of the loans. The conditional loan repayments are reviewed at least annually based, in particular, on the latest estimate of the related sales.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 18. Long-term debt (cont'd)

Governmental authorities loans (cont'd)

Governmental authorities loans usually bear no or below-market interest. They are measured at a discounted value using a corresponding market rate of interest each time they are received, and the related discount is accreted to income using the effective interest rate method and included in the consolidated statements of income as a financial expense.

The effective interest rates for these loans are in the range of 3.7% to 7.2% (3.9% to 7.2% in 2012).

Covenants

Long-term debt is subject to certain general and financial covenants related, among others, to the working capital, indebtedness, cash flows and equity of the Corporation and/or certain subsidiaries. As at March 31, 2013, the Corporation had complied with all covenants.

Minimum repayments

Minimum repayments of long-term debt during the next five years are as follows:

Fiscal years ending March 31:

Years	Repayments on finance leases	Repayments on governmental authorities loans	Repayments of promissory note	Repayment of Credit Facility	Total
2014	1,801	1,883	406	—	4,090
2015	1,801	1,967	—	—	3,768
2016	1,732	4,557	—	22,352	28,641
2017	337	2,707	—	—	3,044
2018	126	3,323	—	—	3,449
Beyond 5 years	165	36,079	—	—	36,244
Sub-Total	\$ 5,962	\$ 50,516	\$ 406	\$ 22,352	\$ 79,236
Less: Interest	542	14,415	4	—	14,961
Debt balance	\$ 5,420	\$ 36,101	\$ 402	\$ 22,352	\$ 64,275⁽¹⁾

⁽¹⁾ Before net deferred financing costs.

Financial expenses

Financial expenses for the fiscal years ended March 31 comprise the following:

	2013	2012
Interest expense	\$ 954	\$ 905
Interest accretion on governmental authorities loans	1,652	1,568
Amortization of deferred financing costs	440	440
Standby fees	518	389
Other interest accretion expense and discount rate adjustments	513	595
	4,077	3,897
Gain on financial instruments classified as FVTPL – Interest income	733	151
	\$ 3,344	\$ 3,746

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 19. Issued capital

Authorized

Voting common shares, without par value	Unlimited
First preferred shares, issuable in series, without par value	Unlimited
Second preferred shares, issuable in series, without par value	Unlimited

The rights, privileges, restrictions and conditions related to the preferred shares are established by the Board of Directors.

For the fiscal years ended March 31, 2013 and 2012, variations in common shares issued are as follows:

	March 31, 2013		March 31, 2012	
	Number	Issued capital	Number	Issued capital
Common shares issued and fully paid				
Opening balance	30,442,370	\$ 102,202	30,173,798	\$ 100,136
Issued for cash on exercise of stock options	1,034,543	8,017	223,656	1,748
Issued for cash under the stock purchase and ownership incentive plan	34,533	298	44,916	318
Special distribution to shareholders	—	(85,152)	—	—
Closing balance	31,511,446	\$ 25,365	30,442,370	\$ 102,202

Special distribution to shareholders

On November 8, 2012, following the sale transaction (see Note 5 – Discontinued operations), the Board of Directors of the Corporation approved a special cash distribution of \$5.00 per share paid on December 19, 2012 to shareholders of record on November 20, 2012 ("special distribution").

The special distribution to shareholders of \$5.00 per share which represented a cash distribution of \$157,495 (based on 31,498,905 common shares outstanding on November 20, 2012) made on December 19, 2012 was composed of and recorded as an issued capital reduction of \$2.70 per share (\$85,047) and of a special cash dividend of \$2.30 per share (\$72,448) recorded against retained earnings. The transaction costs related to this special distribution to shareholders amounted to \$193, net of income taxes, of which \$105 was recorded as a reduction of issued capital and \$88 against retained earnings.

Issuance of common shares

During the fiscal year ended March 31, 2013, the Corporation issued 1,069,076 common shares at a weighted-average price of \$5.95 for a total cash consideration of \$6,362. This includes 1,034,543 common shares which were issued following the exercise of stock options for a total cash consideration of \$6,064. The initial fair value of the stock options, amounting to \$1,953, was credited to issued capital and debited to contributed surplus. The remainder of 34,533 common shares were issued under the Corporation's stock purchase and ownership incentive plan for a total cash consideration of \$298.

During the fiscal year ended March 31, 2012, the Corporation issued 268,572 common shares at a weighted-average price of \$5.14 for a total cash consideration of \$1,379. This includes 223,656 common shares which were issued following the exercise of stock options for a total cash consideration of \$1,061. The initial fair value of the stock options, amounting to \$687, was credited to issued capital and debited to contributed surplus. The remainder of 44,916 common shares were issued under the Corporation's stock purchase and ownership incentive plan for a total cash consideration of \$318.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 19. Issued capital (cont'd)

A. Stock option plan

During the fiscal year ended March 31, 2012, the aggregate number of shares available for future issuance under the stock option plan has been replenished, due to the limited number of common shares remaining under this plan and following the approval by the shareholders of the Corporation at the Annual and Special Meeting of shareholders held on August 4, 2011. The number of common shares reserved for issuance represents 2,808,257 of which 1,750,381 shares had not been issued yet as at March 31, 2013.

During the fiscal year ended March 31, 2013, the Corporation granted no stock options. During the fiscal year ended March 31, 2012, the Corporation granted 242,000 stock options to officers and key employees, representing a total fair value of \$797 or a weighted-average fair value per stock option of \$3.29 calculated using a binomial valuation model assuming a six-year expected life, expected volatility of 45%, no expected dividend distribution and a compounded risk-free interest rate of 3.0%. Stock option cost is amortized over their vesting period and a stock option expense of \$374 (\$416 in 2012) was accounted for in selling and administrative expenses with its counterpart in the contributed surplus of the Corporation's shareholders' equity).

As at March 31, 2013, 259,101 stock options were issued and outstanding as follows:

Range of exercise price	Outstanding options			Vested options	
	Number	Weighted-average years to maturity	Weighted-average exercise price ⁽¹⁾	Number	Weighted-average exercise price
\$1.00 to \$2.49	65,201	4.38	1.31	20,401	1.31
\$2.50 to \$4.00	109,700	5.37	3.01	11,000	3.01
\$4.01 to \$5.50	84,200	1.56	5.21	80,000	5.27
	259,101	3.88	3.30	111,401	4.32

During the fiscal years ended March 31, the number of stock options varied as follows:

	2013		2012	
	Weighted-average exercise price ⁽¹⁾	Number of stock options	Weighted-average exercise price	Number of stock options
Balance at beginning of the year	\$ 6.48	1,411,344	\$ 6.00	1,393,000
Granted	—	—	7.68	242,000
Exercised	5.86	(1,034,543)	4.75	(223,656)
Cancelled / forfeited	8.46	(117,700)	—	—
Balance at end of the year	\$ 3.30	259,101	\$ 6.48	1,411,344

⁽¹⁾ Reflects adjustment to certain stock-based compensation (see E below).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 19. Issued capital (cont'd)

B. Stock purchase and ownership incentive plan

During the fiscal year ended March 31, 2013, 34,533 common shares were issued (44,916 in 2012) and 14,171 common shares were attributed to the participating employees (18,277 in 2012), under the stock purchase and ownership incentive plan. For the fiscal year ended March 31, 2013, the expense related to the attributed common shares amounted to \$160 (\$143 in 2012).

During the fiscal year ended March 31, 2012, the aggregate number of shares available for future issuance under the stock purchase and ownership incentive plan has been replenished, due to the limited number of common shares remaining under this plan and following the approval by the shareholders of the Corporation at the Annual and Special Meeting of shareholders held on August 4, 2011. The number of common shares reserved for issuance represents 340,000 of which 274,221 had not been issued yet under this plan as at March 31, 2013.

C. SAR plan

As at March 31, 2013, on a cumulative basis, 39,000 SARs were still outstanding (130,500 as at March 31, 2012) at a weighted-average granted value of \$2.78 - see E below (\$6.32 as at March 31, 2012) which expire on various dates from fiscal 2014 to 2016.

SAR expense amounted to \$494 for the fiscal year ended March 31, 2013 (reversal of expense of \$43 in 2012).

During the fiscal year ended March 31, 2013, no SARs were granted (none in 2012), 5,800 SARs were cancelled (none in 2012) and 85,700 SARs were exercised (12,500 in 2012).

D. DSU plan

As at March 31, 2013, on a cumulative basis, 75,302 DSUs were outstanding - see E below (37,718 as at March 31, 2012).

During the fiscal year ended March 31, 2013, DSU expense amounted to \$369 (\$164 in 2012).

During the fiscal year ended March 31, 2013, 45,674 DSUs were issued (37,718 in 2012) and 8,090 DSUs were exercised (none in 2012) while no DSUs were cancelled (none in 2012).

E. Adjustment to certain stock-based compensation

Following the special distribution to shareholders (see above) and considering its related impact on the Corporation's stock price, the Board of Directors of the Corporation approved on January 14, 2013 an adjustment to the exercise prices of the Corporation's outstanding stock options and SARs, while it issued additional DSUs. The adjustment was made in accordance with the related Corporation's stock-based compensation plans and, was approved by the TSE as required for the adjustment to the stock options. This adjustment represented the difference between the 5-day volume weighted-average price of the Corporation's stock price traded on the TSE, immediately prior to December 20, 2012 (being the date of commencement of ex-distribution trading of the Corporation's stock, following the special distribution to shareholders) and the 5-day volume weighted-average price beginning on December 20, 2012. The Corporation also issued additional DSUs on the same basis. The impact on the number and weighted-average exercise prices of the Corporation's stock options, SARs and DSUs represents the following:

	Before Adjustment		After Adjustment	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
Stock options	266,901	\$ 7.90	266,901	\$ 3.27
SARs	39,000	\$ 7.39	39,000	\$ 2.78
DSUs	47,871	N/A	75,302	N/A

This adjustment had no impact on the consolidated statement of income of the Corporation during the fiscal year ended March 31, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 20. Accumulated other comprehensive income

Changes in accumulated other comprehensive income are as follows:

	Exchange differences on translation of foreign operations	Cash flow hedges	Hedge of net investments in U.S operations	Total
Balance as at March 31, 2012	\$ (771)	\$ 4,038	\$ (752)	\$ 2,515
Other comprehensive income (loss) from discontinued operations (note 5)	759	989	433	2,181
Continuing operations	(12)	5,027	(319)	4,696
Other comprehensive income (loss) from continuing operations	3,227	(4,964)	(312)	(2,049)
Balance as at March 31, 2013	\$ 3,215	\$ 63	\$ (631)	\$ 2,647
Balance as at March 31, 2011	\$ (3,573)	\$ 12,930	\$ 590	\$ 9,947
Other comprehensive income (loss) from continuing operations	756	(7,757)	(496)	(7,497)
Other comprehensive income (loss) from discontinued operations (note 5)	2,046	(1,135)	(846)	65
Balance as at March 31, 2012	\$ (771)	\$ 4,038	\$ (752)	\$ 2,515

Note 21. Income taxes

	2013	2012
Income tax expense is as follows:		
Consolidated statements of income		
Current income tax expense	\$ 3,341	\$ 5,227
Deferred income tax recovery	(17)	(1,020)
Income tax expense reported in the consolidated statements of income	\$ 3,324	\$ 4,207
Consolidated statements of changes in equity		
Deferred income tax recovery related to items charged or credited directly to Shareholders' equity	\$ (862)	\$ (521)
Deferred income tax recovery related to items charged or credited directly to other comprehensive income	(1,500)	(3,508)
Deferred income tax recovery related to items charged or credited directly to issued capital	(38)	—
Income tax recovery reported directly in Shareholders' equity	\$ (2,400)	\$ (4,029)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 21. Income taxes (cont'd)

The computation of income tax expense is as follows:

	2013	2012
Income taxes at combined Federal and Provincial statutory tax rates of 26.0% (27.3% in 2012)	\$ 4,460	\$ 5,480
Permanent differences	(228)	(1,046)
Income tax rate differential – U.S. subsidiaries	119	237
Other items	(1,027)	(464)
Income tax expense	\$ 3,324	\$ 4,207

The decrease in the Corporation's statutory combined income tax rate from fiscal 2012 to fiscal 2013 is primarily due to the decrease in the Canadian federal income tax rate prorated for the Corporation's March 31st fiscal year.

Income tax expense includes an amount of \$1,026 (\$200 in 2012) with respect to the favorable resolution of income tax matters and a reduction in deferred income tax liabilities in light of changes in tax audit matters.

Deferred income taxes relate to the following:

	March 31, 2013	March 31, 2012
Deferred income tax liabilities		
Non-deductible reserves	\$ (972)	\$ 448
Inventories	(2,877)	(5,281)
Receivables	(89)	(115)
Derivative financial instruments	19	1,435
Investment and other tax credits	2,614	2,133
Property, plant and equipment	11,872	17,924
Goodwill	(195)	1,972
Governmental authorities loans	(98)	142
Deferred tax benefits from tax losses	—	(1,587)
Outside basis difference in subsidiary	2,151	—
	\$ 12,425	\$ 17,071

As at March 31, 2013 and 2012, there were no operating losses carried forward or other temporary differences for which related deferred income tax assets have not been recognized in the consolidated financial statements.

As at March 31, 2013, the Corporation had no federal non-capital losses available for carry-forward (\$5,421 as at March 31, 2012).

Deferred income tax is not recognized on the unremitted earnings of subsidiaries where the Corporation is able to control the timing of the remittance and it is probable that there will be no remittance in the foreseeable future.

The temporary differences associated with investments in subsidiaries for which a deferred income tax liability has not been recognized aggregate to an insignificant amount (\$13,918 in 2012). If these earnings were remitted, withholding tax at a rate of 5% would apply.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 22. Pension and other retirement benefit plans

Description of benefit plans

The Corporation has funded and unfunded defined benefit pension plans as well as defined contribution pension plans that provide pension benefits to its employees. Retirement benefits provided by the defined benefit pension plans are based on either years of service and flat amount, years of service and final average salary, or set out by individual agreements.

Benefits provided by the post-retirement benefit plans are set out by individual agreements, which mostly provide for life insurance coverage and health care benefits. Since their amount is not significant, they are not included in the figures below.

Total cash payments

For fiscal year 2013, total cash payments for employee future benefits for fiscal year 2013, consisting of cash contributed by the Corporation to its funded defined benefit pension plans and cash payments directly to beneficiaries for its unfunded defined benefit pension plans amounted to \$4,104 (\$3,738 in 2012) while the cash contributed to its defined contribution plans amounted to \$1,554 (\$2,456 including \$1,578 for continuing operations in 2012).

Defined benefit plans

The Corporation measures the fair value of plan assets for accounting purposes as at March 31 of each year while its defined benefit obligations are valued as at December 31 of each year and projected to March 31 for all plans, except one for which the valuation is made as at March 31. The most recent actuarial valuations for funding purposes of the Union Registered Pension Plan was performed as at December 31, 2012 and will be filed with regulatory authorities no later than September 30, 2013. The most recent actuarial valuations for funding purposes of the Executive Registered Pension Plans were as at December 31, 2011. The next required actuarial valuations for these plans will be conducted as at December 31, 2012 and will be filed with regulatory authorities no later than September 30, 2013. Actuarial valuations will also be conducted for all registered pension plans as at December 31, 2013.

The reconciliation of the present value of the defined benefit obligations and the fair value of plan assets to the amounts recognized in the consolidated balance sheets is as follows:

	March 31, 2013	March 31, 2012
Present value of defined benefit obligations of funded plans	\$ 46,027	\$ 38,937
Fair value of plan assets	37,217	30,876
Funded status of the plan – surplus (deficit)	(8,810)	(8,061)
Present value of defined benefit obligations of unfunded plans	(4,226)	(4,727)
Amount recognized in other long-term liabilities	\$ (13,036)	\$ (12,788)

The total pension expense for these plans recognized in the consolidated statements of income for the fiscal years ended March 31, is as follows:

	2013	2012
Current service cost	\$ 1,176	\$ 1,013
Interest cost on defined benefit obligations	2,117	2,102
Expected return on the fair value of plan assets	(2,047)	(1,855)
Past service cost	—	190
Total pension expense recognized in the consolidated statements of income	\$ 1,246	\$ 1,450

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 22. Pension and other retirement benefit plans (cont'd)

Defined benefit plans (cont'd)

The total amount recognized in other comprehensive income for the fiscal years ended March 31, is as follows:

	2013	2012
Net actuarial loss	\$ (3,106)	\$ (3,628)
Effect of the additional liability recognized due to asset limit and minimum funding requirements	—	1,687
Other comprehensive loss	\$ (3,106)	\$ (1,941)

The actual return on the fair value of plan assets for the fiscal years ended March 31, is as follows:

	2013	2012
Actual return on the fair value of plan assets	\$ 3,541	\$ 650

The present value of the defined benefit obligations as at March 31, is as follows:

	2013	2012
Defined benefit obligations at beginning of the year	\$ 43,664	\$ 38,817
Current service cost	1,176	1,013
Interest cost	2,117	2,102
Contributions by plan participants	747	768
Actuarial losses	4,600	2,423
Benefits paid	(2,051)	(1,649)
Past service cost	—	190
Defined benefit obligations at end of the year	\$ 50,253	\$ 43,664

The fair value of plan assets as at March 31, is as follows:

	2013	2012
Fair value of plan assets at beginning of the year	\$ 30,876	\$ 27,369
Expected return	2,047	1,855
Actuarial gains (losses)	1,494	(1,205)
Contributions by the employer	4,104	3,738
Contributions by plan participants	747	768
Benefits paid	(2,051)	(1,649)
Fair value of plan assets at end of the year	\$ 37,217	\$ 30,876

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 22. Pension and other retirement benefit plans (cont'd)

Defined benefit plans (cont'd)

The plan assets as at March 31, consist of:

Asset category ⁽¹⁾	2013	2012
Equity securities	61%	62%
Debt securities	32%	34%
Other	7%	4%
Total	100%	100%

⁽¹⁾ Measured as of the measurement date of March 31 of each year.

Significant assumptions

The significant assumptions used are as follows (weighted-average):

	2013	2012
Defined benefit obligations as at March 31:		
Discount rate	4.30%	5.00%
Rate of compensation increase	3.50%	3.50%
Benefit costs for years ended March 31:		
Discount rate	5.00%	5.60%
Expected long-term rate of return on the fair value of plan assets	6.50%	6.50%
Rate of compensation increase	3.50%	3.50%

A one percent (1%) increase/decrease in one of the following actuarial assumptions would have the following effects, all other actuarial assumptions remaining unchanged:

Increase/Decrease	March 31, 2013 Pension Expense	March 31, 2013 Defined Benefit Obligations
Discount rate increase	\$ 183	\$ 7,729
Expected long-term rate of return on the fair value of plan assets decrease	\$ 315	N/A
Rate of compensation increase	\$ (11)	\$ (93)

The expected long-term rate of return on the fair value of Plan assets for the defined benefit plans has been determined based on the long-term return expectation stipulated in the Statement of Investment Policy and Procedures of the plans, as well as the target asset mix of each fund manager comprised in the Plan investment portfolio (equity and debt securities and other).

The contributions expected to be paid to these plans in fiscal year 2014 amount to \$4,658.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 22. Pension and other retirement benefit plans (cont'd)

Defined benefit plans (cont'd)

Amounts for the current and previous annual fiscal years are as follows:

	2009	2010	2011	2012	2013
Defined benefit obligations	\$ 28,833	\$ 35,044	\$ 38,817	\$ 43,664	\$ 50,253
Fair value of plan assets	19,232	24,254	27,369	30,876	37,217
Deficit	\$ (9,601)	\$ (10,790)	\$ (11,448)	\$ (12,788)	\$ (13,036)
Experience adjustments on defined benefit obligations – increase (decrease)	N/A	N/A	458	(434)	336
Experience adjustments on the fair value of plan assets – increase (decrease)	N/A	N/A	246	(1,205)	1,494

Defined contribution pension plans

The defined contribution pension costs for continuing operations are as follows:

	2013	2012
Defined contribution pension costs	\$ 1,554	\$ 1,578

Note 23. Commitments

Building lease contracts

The Corporation has entered into leases for buildings which are used for manufacturing operations and administration. The total commitments as at March 31, 2013 amounted to \$1,176 excluding escalation clauses. The minimum annual lease payments over the next five years are: \$480 in 2014, \$224 in 2015, \$146 in 2016, \$141 in 2017 and \$148 in 2018.

Building, machinery and equipment acquisition commitments

The Corporation has released purchase orders relating to machinery and equipment which have not been delivered yet to the Corporation's facilities. These outstanding purchase orders as at March 31, 2013 amounted to \$2,391 (\$2,843 in 2012) for which an amount of \$234 (\$292 in 2012) in deposits on machinery and equipment were made and are included in the Corporation's other current assets (see Note 12 to the consolidated financial statements).

Guarantees

The Corporation executes agreements that provide for indemnification and guarantees to counterparties in transactions such as business disposition and the sale of assets.

These indemnification undertakings and guarantees may require the Corporation to compensate the counterparties for costs or losses incurred as a result of various events including breaches of representations and warranties, intellectual property right infringement, loss of or damage to property environmental liabilities, changes in or in the interpretation of laws and regulations (including tax legislation), valuation differences or as a result of litigation that may be suffered by the counterparties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 23. Commitments (cont'd)

Guarantees (cont'd)

In the sale of all or a part of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation may be subjected to indemnify against claims from its past conduct of the business. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability that could be required under guarantees, since these events have not occurred yet. As at March 31, 2013, the duration of these indemnification agreements could extend up to fiscal year 2024. As at March 31, 2013 and 2012, an amount of \$6,000 was provided for in the Corporation's provision in respect to these items and is classified as short-term provision given the undetermined date of settlement.

Note 24. Contingencies

The Corporation is involved in litigations and claims in the normal course of business. Management is of the opinion that any resulting settlements would not materially affect the financial position and operating results of the Corporation.

Note 25. Net change in non-cash items related to continuing operations

For the fiscal years ended March 31, the net change in non-cash items related to continuing operations is detailed as follows:

	2013	2012
Accounts receivable	\$ (4,026)	\$ (3,547)
Income tax receivable	(858)	(784)
Inventories	3,591	(2,461)
Other current assets	1,684	(1,169)
Accounts payable and accrued liabilities, and other liabilities	(828)	212
Accounts payable - other	446	(1,098)
Provisions	(1,711)	259
Progress billings	(5,827)	(4,831)
Income tax payable	(408)	3,957
Effect of changes in exchange rate ⁽¹⁾	(458)	553
	\$ (8,395)	\$ (8,909)

⁽¹⁾ Reflects the total impact of changes in exchange rate during the related year on non-cash items listed above for the Corporation's U.S. subsidiaries.

Note 26. Segment information

Following the sale transaction (see Note 5 – Discontinued operations), the Corporation operates essentially in one reporting segment, which is the Aerospace segment. Consequently, the information by operating segment is no longer relevant and required.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 26. Segment information (cont'd)

Geographic information

Geographic information related to the continuing operations represents the following:

	2013			2012		
	Canada	U.S.	Total	Canada	U.S.	Total
Continuing operations						
Sales	\$ 210,140	\$ 46,882	\$ 257,022	\$ 201,841	\$ 51,680	\$ 253,521
Property, plant and equipment, net	65,827	12,359	78,186	65,999	12,424	78,423
Finite-life intangible assets, net	26,132	340	26,472	21,227	599	21,826
Goodwill	13,838	5,342	19,180	13,838	5,244	19,082
Export sales ⁽¹⁾	\$ 130,860			\$ 132,799		

During the fiscal years ended March 31, 2013 and 2012, 64% and 69% of the Corporation's sales, respectively, were made to U.S. customers.

⁽¹⁾ Export sales are attributed to countries based on customer location.

Note 27. Executive compensation

The executive compensation expense to key management personnel is as follows:

	2013	2012
Short-term employee benefits and other benefits	\$ 4,069	\$ 3,758
Pension and other post-retirement benefits	407	398
Share-based payments	1,092	442
Total compensation to key management personnel	\$ 5,568	\$ 4,598

Note 28. Financial instruments

As at March 31, 2013 and 2012, the carrying amounts and fair values of the Corporation's financial assets and liabilities were essentially the same, except for the long-term debt, including the current portion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 28. Financial instruments (cont'd)

As at March 31, 2013 and 2012, the classification of financial instruments and their carrying amounts and fair values, were as follows:

	March 31, 2013				March 31, 2012					
	Carrying value			Fair Value	Carrying value			Fair Value		
	FVTPL	L&R	Hedging items	Total ⁽¹⁾	FVTPL	L&R	Hedging items	Total ⁽¹⁾		
Financial assets										
Cash and cash equivalents	\$ 101,256	\$ —	\$ —	\$ 101,256	\$ 101,256	\$ 62,007	\$ —	\$ —	\$ 62,007	\$ 62,007
Accounts receivable ⁽²⁾	—	46,550	—	46,550	46,550	—	59,677	—	59,677	59,677
Other current assets ⁽³⁾	—	22	—	22	22	—	750	—	750	750
Derivative financial instruments	951	—	2,268	3,219	3,219	1,241	—	8,466	9,707	9,707
	\$ 102,207	\$ 46,572	\$ 2,268	\$ 151,047	\$ 151,047	\$ 63,248	\$ 60,427	\$ 8,466	\$ 132,141	\$ 132,141

	March 31, 2013				March 31, 2012					
	Carrying value			Fair Value	Carrying value			Fair Value		
	FVTPL	Other than FVTPL	Hedging items	Total ⁽¹⁾	FVTPL	Other than FVTPL	Hedging items	Total ⁽¹⁾		
Financial liabilities										
Accounts payable and accrued liabilities ⁽⁴⁾	\$ —	\$ 44,302	\$ —	\$ 44,302	\$ 44,302	\$ —	\$ 56,319	\$ —	\$ 56,319	\$ 56,319
Derivative financial instruments	612	—	1,952	2,564	2,564	1,171	—	2,356	3,527	3,527
Long-term debt, including current portion	—	64,275	—	64,275	68,165	—	120,874	—	120,874	123,682
	\$ 612	\$ 108,577	\$ 1,952	\$ 111,141	\$ 115,031	\$ 1,171	\$ 177,193	\$ 2,356	\$ 180,720	\$ 183,528

⁽¹⁾ Represents only the carrying values of financial assets and liabilities included in the corresponding balance sheet caption.

⁽²⁾ Comprising trade receivables.

⁽³⁾ Comprising certain other receivables.

⁽⁴⁾ Comprising trade accounts payable and accrued liabilities, including interest and certain payroll-related liabilities.

For the fiscal year ended March 31, 2013, an income before tax of \$269 (\$70 in 2012) was accounted for on financial instruments designated as FVTPL, in addition to the interest income disclosed in Note 18 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 29. Financial risk management

The Corporation is exposed primarily to market risk, credit and credit concentration risks, and liquidity risk as a result of holding financial instruments.

Market risk	Risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is primarily exposed to the following market risks: <ul style="list-style-type: none"> • Foreign exchange risk • Interest rate risk
Credit and credit concentration risks	Credit risk – Risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Credit concentration risk – Risk that the business is concentrated on a limited number of customers and financial institutions, which could cause an increased credit risk as defined above.
Liquidity risk	Risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities.

Market risk

Foreign exchange risk

The Corporation is exposed to risks resulting from foreign currency fluctuations arising either from carrying on business in Canada in foreign currencies or through operations in the United States of America. Based on the fiscal year ended March 31, 2013, the Corporation's sales made and costs incurred from its Canadian and American operations and in the related currencies were as follows (calculated based on the Corporation's total consolidated sales and costs):

	CANADIAN OPERATIONS		U.S. OPERATIONS		TOTAL	
	Sales	Costs	Sales	Costs	Sales	Costs
U.S. Currency	62%	29%	18%	20%	80%	49%
Canadian Currency	20%	51%	—	—	20%	51%
% of Consolidated Sales/Costs	82%	80%	18%	20%	100%	100%

As at March 31, the total financial instruments denominated in U.S. dollars⁽¹⁾ in the Corporation's consolidated balance sheets, are as follows:

	2013	2012
Current financial assets	\$ 112,841	\$ 88,852
Total financial assets	\$ 112,841	\$ 88,852
Current financial liabilities	\$ 18,586	\$ 30,501
Long-term financial liabilities	22,894	71,299
Total financial liabilities	\$ 41,480	\$ 101,800

⁽¹⁾ Does not include the derivative financial instruments related to forward foreign exchange contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 29. Financial risk management (cont'd)

Market risk (cont'd)

Foreign exchange risk (cont'd)

In an effort to mitigate the foreign currency fluctuation exposure on sales, the Corporation makes use of derivative contracts to hedge this exposure, essentially to the U.S. currency and arising from its Canadian operations.

The Corporation's foreign exchange policy requires the hedging of 50% to 75%, on average, of the identified foreign currency exposure, mainly over the next two fiscal years, of the forecasted cash inflows generated by sales in U.S. currency made by its Canadian operations and related to sales contracts, net of the forecasted cash outflows in U.S. currency made by its Canadian operations and related essentially to raw material and certain other material costs. This hedging policy also applies to the net forecasted cash inflows/outflows as described above, for certain specific long-term sales contracts, on a very limited basis, for an additional period of one to three fiscal years.

As at March 31, 2013, the Corporation, in accordance with the foreign exchange policy explained above, had forward foreign exchange contracts totalling US\$123.5 million at a weighted-average rate of 1.0325 (Canadian dollar over U.S. dollar, "cad/usd") (US\$145.3 million at a weighted-average rate of 1.0620 cad/usd as at March 31, 2012). As at March 31, 2013, these contracts mature at various dates between April 2013 and March 2016, with the majority maturing over the next two fiscal years.

As at March 31, 2013 and 2012, the Corporation had also entered into forward foreign exchange contracts totalling US\$4.7 million at a weighted-average rate of 1.2262 cad/usd, all maturing in fiscal 2014, to cover foreign exchange risk related to certain embedded derivatives.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments including the above-mentioned forward foreign exchange contracts as at the consolidated balance sheets dates. As at March 31, 2013, a 1% strengthening of the Canadian dollar over the U.S. currency, while all other variables would remain fixed, would have decreased consolidated net income by \$149 (\$167 in 2012) and decreased comprehensive income by \$50 (\$366 in 2012) while a 1% reduction would have had an opposite impact of essentially the same amounts.

Interest rate risk

The Corporation is exposed to interest rate fluctuations primarily due to its variable interest rate on its long-term debt's Bank Credit Facility (see Note 18 to the consolidated financial statements). In addition, the interest rate fluctuations could also have an impact on the Corporation's interest income which is derived from its cash and cash equivalents.

The Corporation's interest rate policy generally requires maintaining an appropriate mix of fixed and variable interest rates debt to mitigate the net impact of fluctuating interest rate.

As at March 31, 2013, the Corporation had entered into one interest-rate swap agreement for a notional amount of US\$10 million, which fix the Libor U.S. rate at 3.91%, and will mature in December 2015. As at March 31, 2012, the Corporation had entered into three interest-rate swap agreements for a total notional amount of US\$40 million. The agreements which fix the Libor U.S. rate at 3.90% for an amount of US\$20 million and at 3.91% for amounts totalling US\$20 million, will mature in December 2015. In August 2012, following the sale transaction (see Note 5 – Discontinued Operations), the Corporation repurchased for a cost of US\$1,695, two interest-rate swap agreements outstanding for a total notional amount of US\$30 million.

As at March 31, 2013, the interest rate risk sensitivity is calculated on the floating rate liability at the end of the year. Assuming a 100-basis point increase/decrease in the interest rate, while all other variables would remain fixed, this would have reduced/increased the Corporation's consolidated net income for the year then ended by \$87 (\$143 in 2012). For the derivative financial instruments (interest-rate swap agreements), a shift of 100-basis point increase in the yield curve, as at March 31, 2013, would have increased the Corporation's comprehensive income for the year then ended by \$191 (\$1,014 in 2012) while a 100-basis point decrease would have reduced it by \$196 (\$1,052 in 2012).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 29. Financial risk management (cont'd)

Credit and credit concentration risks

The credit and credit concentration risks represent counterparty risks where the parties, with which the Corporation enters into the related agreements or contracts, could be unable to fulfill their commitments.

Credit risks are primarily related to the potential inability of customers to discharge their obligations with regards to the Corporation's accounts receivable and, of financial institutions with regards to the Corporation's cash and cash equivalents and derivative financial instruments.

Credit concentration risks are related to the fact that a significant portion of the Corporation's fiscal 2013 sales, approximately 69% (59% in 2012), are made to a limited number of customers (six customers) and that the Corporation deals mainly with a limited number of financial institutions. More specifically, in fiscal 2013, the Corporation had two customers representing 24% and 21% (18% and 14% in 2012) of its consolidated sales.

Accounts receivable

The credit and credit concentration risks related to this financial instrument are limited due to the fact that the Corporation deals generally with large corporations and Government agencies, with the exception of sales made to private small businesses in North America and non-governmental agencies outside North America which represent together approximately 7% in fiscal 2013 (5% in 2012) of the Corporation's consolidated sales.

As at March 31, 2013, besides a significant accounts receivable write-off made in fiscal 2010, following the filing for bankruptcy of a publicly traded U.S. customer, the Corporation has historically not made any significant write-off of accounts receivable and the number of days in accounts receivable was at acceptable levels in the industries in which the Corporation operates.

The credit quality of accounts receivable is monitored on a regular basis through the Corporation's decentralized operations.

Changes in the allowance for doubtful accounts were as follows for the fiscal year ended March 31, 2013:

	2013
Balance at beginning of year	\$ 831
Discontinued operations (note 5)	(251)
Arising during the year	510
Reversed	(510)
Amounts written off	—
Effect of foreign exchange rate changes	2
Balance at end of year	\$ 582

The Corporation's trade receivables that are past due but not impaired amounted to \$6,050 (\$5,262 in 2012) as at March 31, 2013, of which \$128 (\$159 in 2012) were more than 90 days past due.

Cash and cash equivalents and derivative financial instruments

The credit and credit concentration risks related to these financial instruments are limited due to the fact that the Corporation deals exclusively with Canadian chartered banks and their U.S. subsidiaries or branches and, with a Canadian branch of a U.S. bank, which are high-grade financial institutions, based on the Corporation's investment policy. On that basis, the Corporation does not anticipate any breach of agreement by counterparties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 29. Financial risk management (cont'd)

Credit and credit concentration risks (cont'd)

Cash and cash equivalents and derivative financial instruments (cont'd)

At as March 31, 2013, the maximum exposure to credit risk for financial instruments represented the following (See Note 28 to the consolidated financial statements):

	FVTPL	Hedging items ⁽¹⁾	Loans and receivables (L&R)
Cash and cash equivalents	\$ 101,256	\$ —	\$ —
Accounts receivable	—	—	46,550
Other current assets	—	—	22
Derivative financial instruments	951	2,268	—

⁽¹⁾ Represents the fair value of derivative financial instruments designated in a hedging relationship.

Liquidity risk

The Corporation is exposed to the risk of being unable to honour its financial commitments by the deadlines set and under the terms of such commitments and at a reasonable price. The Corporation manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of long-term sales contracts and planned capital expenditures.

As at March 31, 2013, the maturity analysis of financial liabilities represented the following and includes the Corporation's Senior Credit Facility negotiated and contracted solely with Canadian chartered banks and their U.S. subsidiaries or branches and, with a Canadian branch of a U.S. bank (See Note 18):

	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 44,302	\$ —	\$ —	\$ —	\$ 44,302
Accounts payable – other	2,378	—	—	—	2,378
Long-term debt ⁽²⁾	4,090	32,409 ⁽¹⁾	6,493	36,244	79,236
Derivative financial instruments	2,564	—	—	—	2,564

⁽¹⁾ Includes the used Bank's Credit Facility of \$22,352 maturing on March 15, 2016.

⁽²⁾ Includes interest accretion on governmental authorities loans.

Note 30. Capital risk management

The general objectives of the Corporation's management, in terms of capital management, reside essentially in the preservation of the Corporation's capacity to continue operating, to continue providing benefits to its stakeholders and also, in providing an adequate return on investment to its shareholders by selling its products and services at a price commensurate with the level of operating risk assumed by the Corporation.

The Corporation thus determines the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risk characteristics of the underlying assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2013 and 2012 (In thousands of Canadian dollars, except share data)

Note 30. Capital risk management (cont'd)

In order to maintain or adjust its capital structure, the Corporation can:

- Issue new common shares from treasury;
- Repurchase common shares;
- Sell certain assets to reduce indebtedness;
- Return capital to shareholders;
- Modify dividends paid to shareholders (however, the Corporation does not anticipate paying dividends on its outstanding common shares in the near future).

In the Corporation's current activity sectors involving long-term contracting and major capital expenditures, the total cash flows generated by the Corporation must be consistent with its net debt-to-equity ratio and comparable with widespread practices in these sectors. This net debt-to-equity ratio, represented by net debt divided by shareholders' equity, is the overriding factor in the Corporation's capital management and monitoring practices.

The net debt is equal to total debt representing the current portion of long-term debt and long-term debt, less cash and cash equivalents. Shareholders' equity includes issued capital, contributed surplus, accumulated other comprehensive income and retained earnings. In some cases, shareholders' equity may be adjusted by amounts recorded in accumulated other comprehensive income, particularly those related to cash flow hedges, depending on their nature and materiality. Moreover, in some cases and for the same reasons as those indicated above, total debt and shareholders' equity may be adjusted by the amount of subordinated or unsecured loans and off-balance sheet items, if any.

During fiscal 2013, the Corporation pursued the same capital management strategy as last year, which consists in generally maintaining a sufficient net debt-to-equity ratio, so as to allow access to financing at a reasonable or acceptable cost in relation to risk taken.

	2013	2012
Current portion of long-term debt	\$ 3,808	\$ 10,867
Long-term debt	59,149	108,249
Less: Cash and cash equivalents	(101,256)	(62,007)
	\$ (38,299)	\$ 57,109
Shareholders' equity	222,653	243,967
Net debt-to-equity ratio	(0.17:1)	0.23:1

Moreover, the Corporation is not subject to any regulatory capital requirements and the Corporation's capital management has not changed since the prior year.

Note 31. Reclassification

Comparative figures for the consolidated financial statements as at March 31, 2012 and for the year then ended have been reclassified to conform to the March 31, 2013 presentation.



CORPORATE MANAGEMENT (from left to right)

1. GHISLAIN LEMIEUX

Manager,
Internal Audit and Conformity

2. RÉMY LANGELIER

Director,
Business Development

3. DOMINIC BOLDUC

Director,
Tax and Corporate Affairs

4. RÉAL BÉLANGER

Executive Vice-President,
Chief Financial Officer
and Vice-President,
Business Development

5. GILLES LABBÉ

President and
Chief Executive Officer

6. MARTIN BRASSARD

Vice-President,
General Manager,
Landing Gear

7. STÉPHANE ARSENAULT

Assistant Chief Financial Officer
and Vice-President,
Control and Information Technology

8. GILBERT GUÉRIN

Corporate Director,
Human Resources

9. MICHEL ROBILLARD

Vice-President,
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SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

Thursday, August 1, 2013 at 11:00 A.M.
Pierre-de-Coubertin Room
Hôtel Omni Mont-Royal
1050 Sherbrooke Street West
Montréal, Québec
Canada

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