



**HÉROUX DEVTEK** 

# PLATFORMS FOR GROWTH

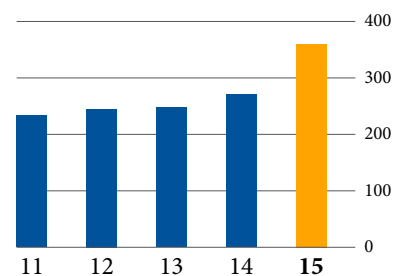
2015 Annual Report

**HÉROUX-DEVTEK (TSX: HRX)** IS AN INTERNATIONAL COMPANY SPECIALIZING IN THE DESIGN, DEVELOPMENT, MANUFACTURE AND REPAIR AND OVERHAUL OF LANDING GEAR AND ACTUATION 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. THE CORPORATION ALSO MANUFACTURES HYDRAULIC SYSTEMS, FLUID FILTRATION SYSTEMS AND ELECTRONIC ENCLOSURES. THE CORPORATION'S HEAD OFFICE IS LOCATED IN LONGUEUIL, QUÉBEC WITH FACILITIES IN THE GREATER MONTREAL AREA (LONGUEUIL, LAVAL AND ST-HUBERT); KITCHENER, CAMBRIDGE AND TORONTO, ONTARIO; SPRINGFIELD AND CLEVELAND, OHIO; WICHITA, KANSAS; EVERETT, WASHINGTON; AND RUNCORN, NOTTINGHAM AND BOLTON, UNITED KINGDOM.

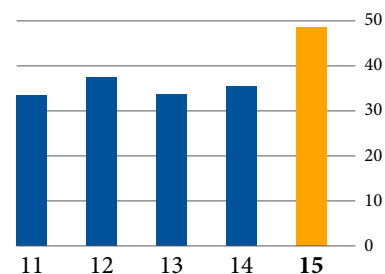


**IN MILLIONS OF DOLLARS FROM CONTINUING OPERATIONS**

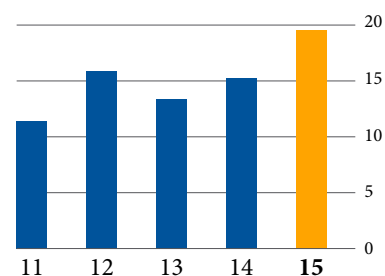
**SALES**



**ADJUSTED<sup>(1)</sup> EBITDA<sup>(2)</sup>**



**ADJUSTED<sup>(3)</sup> NET INCOME**



# FINANCIAL HIGHLIGHTS

## FISCAL YEARS ENDED MARCH 31

(in millions of dollars, except per share data and ratios)

	2015	2014	2013	2012	2011
<b>OPERATING RESULTS</b>					
Sales from continuing operations	364.9	272.0	257.0	253.5	239.0
Adjusted <sup>(1)</sup> EBITDA <sup>(2)</sup> from continuing operations	47.8	35.8	33.0	37.4	33.4
Adjusted <sup>(3)</sup> net income from continuing operations	19.4	15.3	13.4	15.9	11.9
Net income from continuing operations	3.2	9.2	13.4	15.9	11.4
Net income from discontinued operations	—	—	118.2	10.6	7.7
Net income	3.2	9.2	131.6	26.5	19.1
Cash flows from continuing operations	29.3	20.9	29.0	31.7	30.5
<b>FINANCIAL POSITION</b>					
Cash and cash equivalents	35.1	47.3	101.3	62.0	32.9
Working capital	109.7	160.8	191.2	179.5	155.1
Total assets	575.5	514.0	389.1	499.1	472.5
Long-term debt <sup>(4)</sup>	114.2	150.5	64.3	120.9	107.7
Shareholders' equity <sup>(5)</sup>	293.5	240.1	222.7	244.0	224.5
<b>PER SHARE DATA</b>					
Adjusted <sup>(3)</sup> earnings per share from continuing operations					
– Basic and diluted	0.55	0.48	0.43	0.52	0.39
Earnings per share from continuing operations					
– Basic and diluted	0.09	0.29	0.43	0.52	0.38
Earnings per share – Basic	0.09	0.29	4.25	0.87	0.64
– Diluted	0.09	0.29	4.23	0.86	0.63
Cash flows from continuing operations	0.84	0.66	0.92	1.04	1.01
Book value per common share <sup>(5)</sup>	8.16	7.59	7.07	8.01	7.44
Average number of shares outstanding (000's) – Basic	34,902	31,536	30,939	30,357	30,112
– Diluted	35,016	31,662	31,114	30,682	30,220
Shares outstanding at year end (000's)	35,949	31,620	31,511	30,442	30,174
<b>FINANCIAL RATIOS</b>					
Adjusted <sup>(1)</sup> EBITDA <sup>(2)</sup> margin	13.1%	13.2%	12.8%	14.8%	14.0%
Working capital ratio	1.75	2.59	3.59	2.76	2.52
Net debt-to-equity (cash-to-equity) <sup>(6)</sup>	0.27	0.43	(0.17)	0.24	0.33

(1) Excluding settlement of a litigation, restructuring charges and acquisition-related costs.

(2) Earnings before interest, taxes, depreciation and amortization.

(3) Excluding settlement of a litigation, impairment of finite-life intangible assets, restructuring charges and acquisition-related costs, net of taxes.

(4) Including the current portion, but excluding net deferred financing costs.

(5) Reflecting the special distribution to shareholders of \$5.00 per share made on December 19, 2012.

(6) Defined as the total long-term debt, including the current portion, but excluding net deferred financing costs, less cash and cash equivalents over shareholders' equity.



# FISCAL 2015 HIGHLIGHTS

## RECORD OPERATING RESULTS

- Sales of \$364.9 million, up \$92.9 million or 34.1% from a year earlier, including an additional contribution of \$83.5 million from the UK and Wichita operations.
- Adjusted EBITDA of \$47.8 million, or 13.1% of sales, compared with \$35.8 million, or 13.2% of sales, last year.
- Adjusted net income of \$19.4 million, or \$0.55 per share on a diluted basis, compared with \$15.3 million, or \$0.48 per share on a diluted basis, in the previous year.

## LAUNCH OF A COMPREHENSIVE \$105-MILLION CAPITAL INVESTMENT PLAN TO CARRY OUT A LONG-TERM CONTRACT TO SUPPLY THE BOEING COMPANY WITH COMPLETE LANDING GEAR SYSTEMS FOR THE B-777 AND B-777X AIRCRAFT

- New, highly automated 108,000 square-foot facility in Cambridge, Ontario that will primarily manufacture large-scale, complex landing gear components.
- Expansion of the Strongsville, Ohio facility to provide additional capacity for component finishing and a highly modern sub-assembly centre.
- Investments in machinery and equipment, as well as certain building improvements, at the Springfield, Ohio and Laval, Québec plants that will mainly manufacture smaller complex and critical components.
- Leasing of a 21,000 square foot facility in Everett, Washington for final assembly of landing gear systems to be delivered to Boeing's site located in close proximity.

## NEW CONTRACT AND CONTRACT RENEWALS

- New multi-year contract to manufacture torque tubes for the Boeing 787 Dreamliner. Shipments began in early calendar 2015.
- Five-year renewal, from calendar 2015 through calendar 2019, of a contract with Bell Helicopter for the manufacturing of components and assemblies for several helicopter programs.
- Renewal through the end of calendar 2018 of a contract with Viking Air Limited for the fabrication of the nose landing gear for the Twin Otter Series 400 aircraft.

## NOMINATION OF MARTIN BRASSARD AS VICE-PRESIDENT AND CHIEF OPERATING OFFICER OF HÉROUX-DEVTEK.

## STRATEGIC ALLIANCE WITH C&L AVIATION GROUP IN THE U.S. TO ENHANCE THE GLOBAL MAINTENANCE, REPAIR AND OVERHAUL SERVICES AND SUPPORT AVAILABLE TO OPERATORS OF ALL VARIANTS OF THE SAAB 340 AIRCRAFT FAMILY.



# MESSAGE TO SHAREHOLDERS

OVER THE LAST FISCAL YEAR, HÉROUX-DEVTEK MADE SIGNIFICANT PROGRESS ON ITS MAJOR GROWTH PLATFORMS, WHILE GENERATING RECORD OPERATING RESULTS FROM ITS LANDING GEAR OPERATIONS AND MAINTAINING A HEALTHY FINANCIAL POSITION.

During the fiscal year ended March 31, 2015, Héroux-Devtek continued to methodically execute its strategic plan aimed at enhancing its status as one of the world's leading landing gear designers and manufacturers.

We moved forward on our capital investment plan in preparation for the B-777 and B-777X contract, and progressed with the integration of the UK and Wichita operations. During the year, we also successfully delivered initial production shipsets on certain landing gear design programs, and set up a world-class, dedicated product support platform.

With rigorous execution on these important growth vectors, Héroux-Devtek is confident of reaching its goal of annual sales of approximately \$500 million by the end of fiscal 2019. This objective is based on existing contracts, assumes no additional acquisition and stable exchange rates.

## RECORD OPERATING RESULTS AND HEALTHY FINANCIAL POSITION

Fiscal 2015 sales reached \$364.9 million, up from \$272.0 million a year ago. This 34.1% increase reflects a full-year contribution from the UK and Wichita operations, solid organic growth in the commercial aerospace market, and a more favourable conversion rate on foreign currency denominated sales. These factors largely offset the anticipated pullback in organic sales to the military aerospace market. Adjusted net income, which excludes elements of a non-recurring nature, amounted to \$19.4 million, or \$0.55 per diluted share.

Our financial position remains solid, as we concluded fiscal 2015 with cash and cash equivalents of \$35.1 million, while drawing only \$56.7 million from our authorized Credit Facility of \$200 million.

As at March 31, 2015, our firm order backlog amounted to \$459 million and remains well diversified.

## EXECUTING OUR COMPREHENSIVE CAPITAL INVESTMENT PLAN

Early in fiscal 2015, Héroux-Devtek unveiled a capital investment plan mainly aimed at carrying out an important contract to supply complete landing gear systems to The Boeing Company for the B-777 and B-777X aircraft. These investments are enhancing our network, as we execute the most important landing gear contract in Héroux-Devtek's history.

Under the plan, we completed the construction of a new state-of-the-art facility in Cambridge, Ontario. This highly-automated plant will set new industry standards in terms of manufacturing technology, further building Héroux-Devtek's foundation to pursue other opportunities to supply landing gear systems. Should these opportunities materialize, we can double the size of the facility.

Important investments in machinery and equipment, as well as building improvements, were also carried out at the Laval, Québec and Springfield, Ohio facilities. These facilities will mainly manufacture complex, smaller critical components and have been equipped with Flexible Manufacturing Systems (FMS), which should result in significant productivity gains.

Furthermore, we nearly doubled the footprint of our Strongsville facility, located in the Greater Cleveland area, in Ohio. This expansion provides additional capacity for component finishing and hosts a leading-edge sub-assembly centre, which will be operational in the next few months.

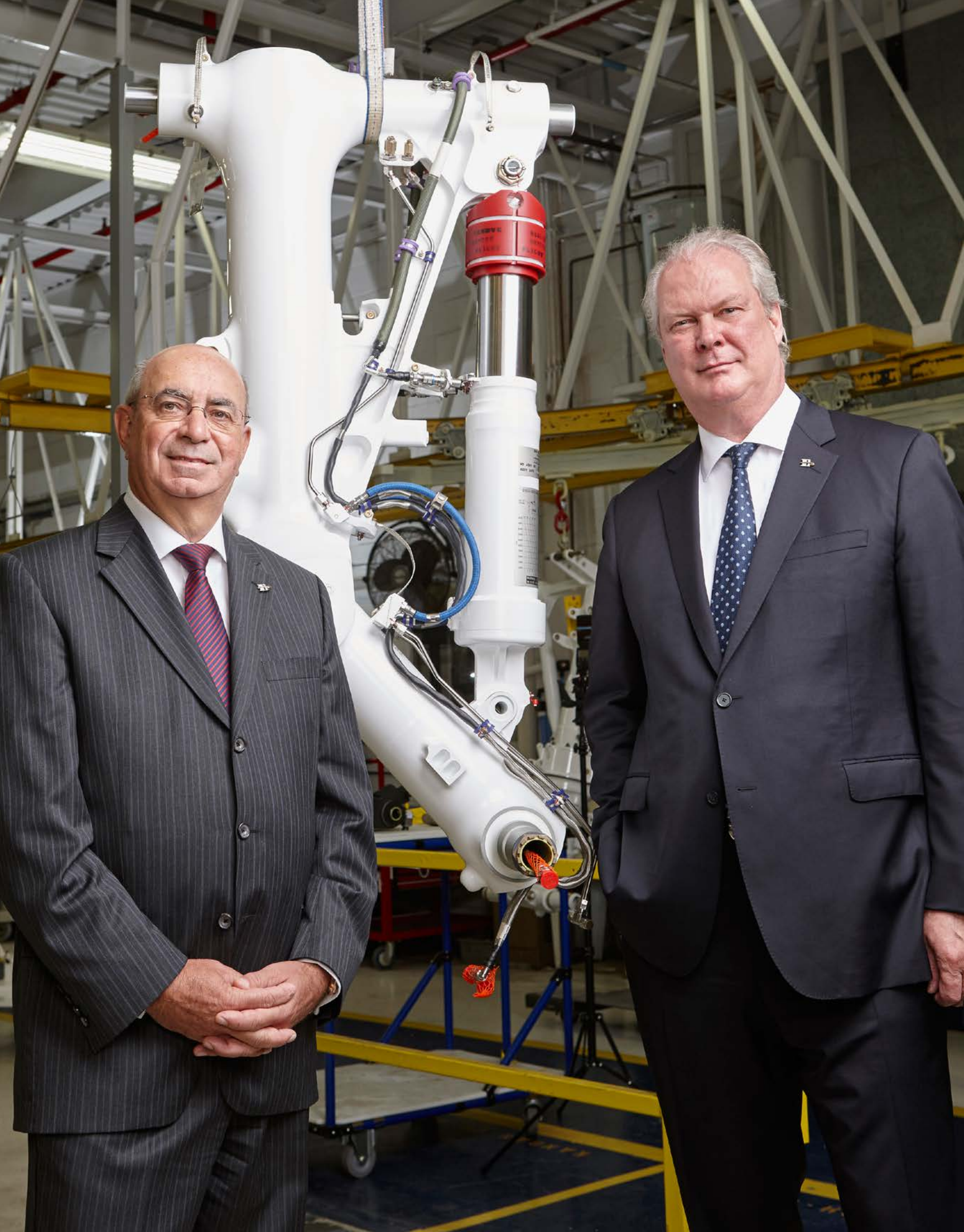
Lastly, final landing gear assembly will be performed at a dedicated facility located in Everett, Washington, in close proximity to Boeing's aircraft assembly plant. The facility will be ready in the second half of calendar 2015.

As of the end of fiscal 2015, Héroux-Devtek had invested \$69 million in regards to the plan, and total investments are expected to reach approximately \$105 million by the end of fiscal 2016. All major elements of the plan remain on schedule. As we draw closer to initial deliveries scheduled for early calendar 2017, we are eager to show our world-class capabilities.

## INTEGRATING THE UK AND WICHITA OPERATIONS

After acquiring the UK and Wichita operations late in fiscal 2014, our focus throughout fiscal 2015 was on sharing best practices across our network and applying our centre of excellence model to the new facilities. Main initiatives include the implementation of common ERP software. In addition, the upcoming combination of maintenance, repair, and overhaul activities with finishing operations under one roof in Runcorn, UK will maximize efficiency and improve competitiveness.





We will progressively realize synergies from these measures in fiscal 2016 with full benefits in the following year. More importantly, we are now well positioned to leverage our European platform by capturing business opportunities that our multi-continent, integrated product and service offering provides to major OEMs.

#### DESIGN PROGRAMS TAKING FLIGHT

Héroux-Devtek proudly managed the production ramp-up of its own designed landing gear systems throughout fiscal 2015. These systems include the Embraer Legacy 450/500 business jet, whose first end user delivery occurred in October 2014, while the initial customer delivery of the Airbus Helicopter EC-175 aircraft equipped with a landing gear designed by our UK operations took place two months later.

Driven by the ramp-up of these programs and by a full-year contribution from European operations, proprietary products accounted for 23% of sales last year, nearing our objective to reach 30% by 2020. As other programs continue to move forward, such as the Dassault Falcon 5X, Saab Gripen NG, and Sikorsky CH-53K, we are confident of achieving this target. As we execute such high value-added contracts for OEMs, our proportion of revenues stemming from these strategic customers should also further increase.

#### WORLD-CLASS PRODUCT SUPPORT PLATFORM

Acquisitions and internal growth have continuously increased the existing base of Héroux-Devtek's components and systems. For this reason, providing customers with second-to-none product support is a logical next-step; it moves us closer to our goal of having a fully-integrated product and service offering, from initial design to in-service assistance.

Accordingly, we set up a team of specialists that offers technical support, spare parts and repair services to end users around the world. We are striving to provide the same first-class service that built the solid reputation of our engineering and manufacturing operations.

#### SALES OBJECTIVE WITHIN OUR REACH

Industry forecasts call for passenger air traffic to grow above historical average in calendar 2015, which bodes well for the commercial aerospace industry.

Large commercial aircraft deliveries reached a new record in calendar 2014, and manufacturers have production rate increases for certain leading programs scheduled over several more years. Demand is also bolstered by the introduction of more fuel-efficient variants. As a result, backlogs remain at record levels with more than eight years of production at current rates.

The business jet market gained further momentum in calendar 2014 with a second consecutive year of growth. At the same time, rising aircraft utilization and fewer used aircraft for sale in proportion to the fleet suggest a continuation of this trend. Sustained global economic expansion and the entry into service of new aircraft, including the Embraer Legacy 450/500 and the Dassault Falcon 5X for which we designed the landing gear, should provide further stimulus to this market in coming years.

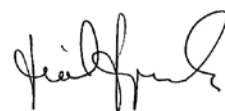
Although the military aerospace market remains uncertain given the threat of U.S. sequestration, we believe it is poised to recover modestly over the short term. Importantly, our UK operations provide diversification and position us favourably on several existing and new military programs in Europe.

Given these trends, Héroux-Devtek anticipates sales growth of approximately 10% for the fiscal year ending March 31, 2016 led by the strength of the commercial market. Such dynamics also support our longer-term objective of achieving annual sales of approximately \$500 million in fiscal 2019, as stated above.

#### TALENT TO ENHANCE OUR LEADERSHIP AND CREATE VALUE

As Héroux-Devtek embarks on the most exciting phase of its 70-plus year history, we are proud to have solid management, engineering and operational teams in place. To lead operations, we named Martin Brassard as Vice-President and Chief Operating Officer. With more than 20 years of experience with Héroux-Devtek, Martin has a thorough understanding of our industry and its strategic interests. The Board of Directors is entirely confident that his talent and leadership will further enhance our position in the landing gear market.

Héroux-Devtek's success is directly related to the skills, passion and dedication of the people who come to work in our plants and offices every day. We thank all of them for their contribution. We are also grateful to the members of the Board of Directors for their judicious advice in carrying out our business strategy and to our business partners, customers and suppliers for their trust. Finally, we extend sincere thanks to our shareholders for their confidence in our ability to create value on their investment.



Réal Raymond  
Chairman of the Board



Gilles Labbé, FCPA, FCA  
President and Chief  
Executive Officer



# B-777 AND B-777X PLATFORM







AT THE END OF FISCAL 2015, HÉROUX-DEVTEK HAD INVESTED \$69 MILLION IN NETWORK ENHANCEMENTS IN PREPARATION FOR THE EXECUTION OF THE LONG-TERM CONTRACT TO SUPPLY COMPLETE LANDING GEAR SYSTEMS TO BOEING FOR THE B-777 AND B-777X AIRCRAFT.

Total investments are expected to reach approximately \$105 million by the end of fiscal 2016. Initial deliveries to Boeing are scheduled for early calendar 2017.

Main initiatives include:

- A new, highly automated 108,000 square-foot facility in Cambridge, Ontario that primarily manufactures large-scale, complex landing gear components. The facility was inaugurated in February 2015 and is named in honour of the late John M. Cybulski, who was Chairman of the Board of Héroux-Devtek from 2007 to 2014.
- The expansion of the Strongsville, Ohio facility to provide additional capacity for component finishing and a highly modern sub-assembly centre.
- Investments in machinery and equipment, as well as certain building improvements, at the Springfield, Ohio and Laval, Québec plants that mainly manufacture smaller complex and critical components.
- The leasing of a 21,000 square foot facility in Everett, Washington for final assembly of landing gear systems to be delivered to Boeing's site located in close proximity.



The new John M. Cybulski Building in Cambridge, Ontario

# OUR GROWING NETWORK



## CANADA

- 1. Longueuil
- 2. St-Hubert
- 3. Laval
- 4. Toronto
- 5. Kitchener
- 6. Cambridge

## UNITED STATES

- 7. Cleveland
- 8. Springfield
- 9. Wichita
- 10. Everett

## UNITED KINGDOM

- 11. Bolton
- 12. Runcorn
- 13. Nottingham

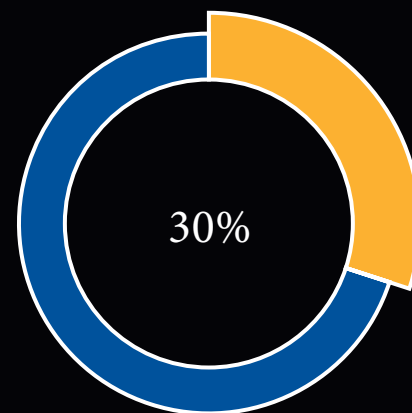


# SUPPORTING OUR GROWING PRODUCT BASE

Through acquisitions and internal growth, the base of Héroux-Devtek products in active service has steadily increased.

A team of specialists is always available to provide end users with technical support and publications, spare parts, as well as access to repair services.

Héroux-Devtek is proud to offer fully-integrated solutions, from initial design to in-service assistance.



Aftermarket products and services accounted for approximately 30% of revenues in fiscal 2015.

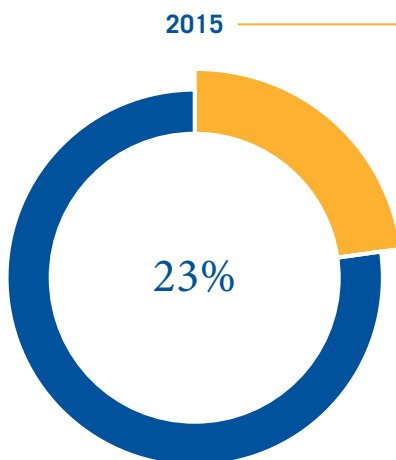


# DESIGN PROGRAMS

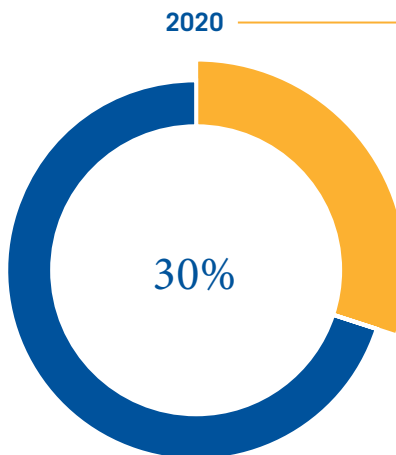
IN FISCAL 2015, CERTAIN AIRCRAFT EQUIPPED WITH HÉROUX-DEVTEK'S OWN DESIGNED LANDING GEAR SYSTEMS PROGRESSED TO THE PRODUCTION RAMP-UP PHASE:

- Embraer Legacy 450/500 business jet
- Airbus Helicopter EC-175

Shortly after year-end, on June 2, 2015, the first Falcon 5X business aircraft rolled out of Dassault Aviation's Bordeaux-Mérignac facility, in France.



Proprietary products accounted for 23% of sales in fiscal 2015 driven by a full-year contribution from European operations.



Héroux-Devtek's stated objective calls for proprietary products to reach 30% of sales by 2020.

*Airbus Helicopter EC-175*



*Embraer Legacy 500*







*Dassault Falcon 5X*

F 5



**HÉROUX DEVTEK** 

# MANAGEMENT DISCUSSION AND ANALYSIS

## OF FINANCIAL POSITION AND OPERATING RESULTS AND CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2015 and 2014



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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, 2014 and March 31, 2015. It also compares the operating results and cash flows for the fiscal year ended March 31, 2015 to those for the previous fiscal year.

This analysis should be read in conjunction with the Corporation's audited consolidated financial statements dated March 31, 2015. This MD&A is based on these 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 (including those presented in the Outlook section) 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; 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.

### Non-IFRS Measures

The Corporation uses EBITDA, adjusted EBITDA, adjusted operating income, adjusted net income and adjusted earnings per share to assess its financial performance. These financial measures are not prescribed by IFRS and are therefore unlikely to be comparative to similar measures presented by other issuers. However, the Corporation's management, as well as investors, consider these metrics 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 and adjusted EBITDA for the fiscal years ended March 31, are calculated as follows:

	2015 <sup>(3)</sup>	2014	2013 <sup>(1)</sup>
(\$'000)			
Net income	3,224	9,236	13,406
Income tax expense (recovery)	(2,523)	2,567	3,172
Financial expenses	5,860	3,816	3,852
Amortization expense	18,360	13,280	12,533
Impairment of finite-life intangible assets	7,924	—	—
<b>EBITDA</b>	<b>32,845</b>	<b>28,899</b>	<b>32,963</b>
Non-recurring charges <sup>(2)</sup>	14,936	6,901	—
<b>Adjusted EBITDA</b>	<b>47,781</b>	<b>35,800</b>	<b>32,963</b>

<sup>(1)</sup> From continuing operations following the divestiture of the Aerostructure and Industrial divisions in August 2012.

<sup>(2)</sup> Includes settlement of a litigation, restructuring charges and acquisition-related costs.

<sup>(3)</sup> Includes the results of APPH for the full year following its acquisition in February 2014.



The \$12.0 million increase in adjusted EBITDA from fiscal 2014 to fiscal 2015 mainly reflects a full-year contribution from our UK and Wichita operations, partially offset by higher selling and administrative expenses, as explained in the following sections.

The Corporation's adjusted operating income for the fiscal years ended March 31, are calculated as follows:

	2015 <sup>(3)</sup>	2014	2013 <sup>(1)</sup>
(\$'000)			
Operating income	6,561	15,619	20,430
Non-recurring charges <sup>(2)</sup>	22,860	6,901	—
<b>Adjusted operating income</b>	<b>29,421</b>	<b>22,520</b>	<b>20,430</b>

<sup>(1)</sup> From continuing operations following the divestiture of the Aerostructure and Industrial divisions in August 2012.

<sup>(2)</sup> Includes settlement of a litigation, impairment of finite-life intangible assets, restructuring charges and acquisition-related costs.

<sup>(3)</sup> Includes the results of APPH for the full year following its acquisition in February 2014.

The Corporation's adjusted net income and adjusted earnings per share for the fiscal years ended March 31, are calculated as follows:

	2015 <sup>(3)</sup>	2014	2013 <sup>(1)</sup>
(\$'000, except per share data)			
Net income	3,224	9,236	13,406
Non-recurring charges, net of taxes <sup>(2)</sup>	16,188	6,022	—
<b>Adjusted net income</b>	<b>19,412</b>	<b>15,258</b>	<b>13,406</b>
Earnings per share, basic & diluted	0.09	0.29	0.43
Non-recurring charges, net of taxes <sup>(2)</sup>	0.46	0.19	—
<b>Adjusted earnings per share - basic &amp; diluted</b>	<b>0.55</b>	<b>0.48</b>	<b>0.43</b>

<sup>(1)</sup> From continuing operations following the divestiture of the Aerostructure and Industrial divisions in August 2012.

<sup>(2)</sup> Includes settlement of a litigation, impairment of finite-life intangible assets, restructuring charges and acquisition-related costs.

<sup>(3)</sup> Includes the results of APPH for the full year following its acquisition in February 2014.

## Overview

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).

On February 3, 2014, the Corporation acquired the entire share capital of U.K.-based APPH Limited and U.S.-based APPH Wichita, Inc. (collectively "UK and Wichita"), subsidiaries of BBA Aviation Plc. The UK and Wichita operations are integrated providers of landing gear and hydraulic systems and assemblies for original equipment manufacturer ("OEM") and aftermarket applications. Their main operations are based in Runcorn, Nottingham and Bolton, United Kingdom and in Wichita, Kansas. Following the acquisition, the Corporation covers North American and European markets and has further increased and diversified its customer base.

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, in the United States and in Europe, following the acquisition of the UK and Wichita operations. As such, a significant portion of the Corporation's sales are made to a limited number of customers located in Canada, the United States and Europe.

The Corporation's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Laval and St-Hubert); Kitchener, Cambridge and Toronto, Ontario; Springfield and Cleveland, Ohio; Wichita, Kansas; as well as Bolton, Runcorn and Nottingham in the United Kingdom. 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, and the Bolton facility ("Bolton"), which manufactures fluid filters for aircraft engines.

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 located in Springfield and Cleveland, which are involved in landing gear products mainly for the military aerospace industry (now referred to as "Landing Gear USA").

Héroux-Devtek sells mainly to OEMs such as Boeing, AgustaWestland, UTC Aerospace Systems ("UTAS"), Messier-Bugatti-Dowty, BAE System and into the aftermarket, where its main customer is the US Air Force (USAF). In fiscal 2015, sales to these six customers represented approximately 60% of total consolidated sales. More specifically, the Corporation has two customers representing 15% and 13% of its consolidated sales.

## **Business Management**

The Corporation's product line 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 Bolton's operations are the responsibility, of the Chief Operating Officer, while the growth and profitability of Magtron's operations are the responsibility of Magtron's General Manager. They report directly to the Corporation's President and Chief Executive Officer, while the Vice-Presidents, Finance, Finance Director and Controllers report directly to the 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 including financing requirements and treasury management and major business development decisions. It also supports operations 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 global international player and a key supplier for its customers. For the Corporation, being a key supplier means providing not only manufactured components but also services, such as design, assembly, program management and aftermarket, including repair and overhaul and product support, 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;
- Standard and compatible information systems across the Corporation;
- Migration of technical and managerial know-how in each 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 aftermarket repair and overhaul of commercial and military landing gear, design and manufacturing of small to large landing gear, for commercial and military aircraft OEMs; and
- Diversify the customer base, which generally means to develop 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) and adjusted EBITDA	Sales	On-time delivery	Working capital
	Operating income and adjusted 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 will also be included in the Financial Highlights of the Corporation’s fiscal 2015 Annual Report.

In fiscal year 2015, the Corporation’s KPIs were affected by various market trends detailed in the “Market Trends” section below.

Furthermore, the Corporation’s incentive plan is based on achievement of certain financial objectives and specific individual 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

Key indicators in the commercial air transport market were positive in calendar 2014 driven by further improvement in the global economy. Demand in the passenger market continued to grow, with traffic expressed in Revenue Passenger Kilometers ("RPK") rising 5.9% from the previous year, while freight traffic expressed in Freight Tonne Kilometers ("FTK") increased 4.5%.<sup>1</sup> These trends have continued in the first three months of calendar 2015 with increases of 6.1% and 5.3% in RPK and FTK, respectively.<sup>2</sup>

Industry deliveries of large commercial aircraft reached a new record in calendar 2014 with 1,352 aircraft for Airbus and Boeing combined, while net new order inflow remained strong with an aggregate amount of 2,888 aircraft<sup>3</sup>. Both manufacturers are also proceeding with further production rate increases on several leading programs scheduled for through calendar 2018<sup>4</sup>. Based on current production rates, their respective backlogs represent more than eight years of production.

In the regional aviation market, Embraer delivered 92 aircraft in calendar 2014, while its order backlog stood at 459 aircraft as at December 31, 2014<sup>5</sup>. Bombardier Aerospace delivered 84 aircraft, including turboprops, during calendar 2014 and its order backlog amounted to 140 aircraft as at December 31, 2014<sup>6</sup>.

Business jet deliveries increased 6.5% in calendar 2014 to 722 aircraft. More importantly, positive signs continue to suggest further improvement in market conditions, such as a 4.0% increase in U.S. business aircraft movements and a year-over-year decrease of 1.5% in the proportion of the business aircraft fleet for sale to 11.0% as at the end of calendar 2014<sup>7</sup>.

The military market remained weak in calendar year 2014, as governments continued to address their deficits. In the U.S., the Corporation's largest military market, although sequestration cuts were eliminated through the Government's 2015 fiscal year, current funding requests beyond that horizon exceed planned budget limits. For instance, the Department of Defense fiscal year 2016 budget request calls for base funding of US\$534.3 billion, which is approximately US\$35 billion above planned budget limits set out in the Bi-Partisan Budget Act of 2013. This imbalance brings back the threat of a return to sequestration for the U.S. 2016 fiscal year<sup>8</sup>.

The Outlook section at the end of this MD&A discusses the various effects of these market trends on the Corporation's business.

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<sup>1</sup> Source: IATA Press releases February 4, 2015, February 5, 2015.

<sup>2</sup> Source: IATA Press releases May 6, 2015, May 5, 2015.

<sup>3</sup> Sources: Airbus press release January 13, 2015; Boeing press release January 6, 2015.

<sup>4</sup> Sources: Airbus press releases February 27, 2015; November 4, 2014; February 24, 2014. Boeing press releases October 2, 2014; January 24, 2014; October 31, 2013.

<sup>5</sup> Source: Embraer press release January 13, 2015.

<sup>6</sup> Source: Bombardier 2014 financial report February 12, 2015.

<sup>7</sup> Sources: GAMA press release February 11, 2015; FAA January 2015 Business Jet Report, JetNet press release February 9, 2015.

<sup>8</sup> Source: U.S. Department of Defense press release February 2, 2015.

## Major Achievements of Fiscal 2015

- Héroux-Devtek generated sales of \$364.9 million in fiscal 2015, up \$92.9 million, or 34.1%, from a year earlier. This increase mainly represents an additional contribution of \$83.5 million from the UK and Wichita operations. Excluding this factor, commercial sales increased by \$20.2 million, or 17.6%, while military sales decreased by \$10.9 million or 7.7%. Adjusted EBITDA, which excludes non-recurring charges, stood at \$47.8 million, or 13.1% of sales, up from \$35.8 million, or 13.2% of sales, a year earlier. Net income amounted to \$3.2 million or \$0.09 per share on a diluted basis (adjusted net income of \$19.4 million or \$0.55 per share on a diluted basis, excluding non-recurring charges of \$16.2 million, net of taxes), compared to a net income of \$9.2 million or \$0.29 per share on a diluted basis (adjusted net income of \$15.3 million or \$0.48 per share on a diluted basis, excluding non-recurring charges of \$6.0 million, net of taxes) last year.
- In May 2014, Héroux-Devtek announced a comprehensive capital investment plan (the "Plan") to enable the Corporation to supply Boeing with complete landing gear systems for the B-777 and B-777X programs. The Plan calls for total investment of \$105 million over the Corporation's 2015 and 2016 fiscal years. The section "Boeing 777 and 777X Contract" below provides more information about the Plan's main elements.
- In July 2014, Héroux-Devtek renewed two important long-term contracts. These renewals include:
  - A contract with Bell Helicopter for the manufacturing of components and assemblies for several helicopter programs. The renewal spans a five-year period ranging from calendar 2015 through calendar 2019 and calls for the production of components for new aircraft and the aftermarket. Based on program expectations upon renewal, the total value of this multi-year agreement could exceed \$46 million.
  - A contract with Viking Air Limited for the fabrication of the nose landing gear for the Twin Otter Series 400 aircraft. The renewal extended the existing agreement through the end of calendar 2018 and also includes the production of aftermarket components. Based on program expectations upon renewal, this multi-year agreement could have a total value of approximately \$20 million.
- In August 2014, the Corporation was awarded a multi-year contract to manufacture torque tubes for the Boeing 787 Dreamliner. Under the terms of the agreement, which represents new business for Héroux-Devtek, shipments began in early calendar 2015.
- In November 2014, Héroux-Devtek announced the nomination of Martin Brassard as Vice-President and Chief Operating Officer of Héroux-Devtek. His nomination highlights his strong skills as a manager and a leader. Over the course of his 20-year career with the Corporation, he has acquired a comprehensive knowledge of the business sector and its strategic interests, while developing productive relationships with customers, employees and numerous partners.
- In February 2015, Héroux-Devtek entered into a strategic alliance with C&L Aviation Group ("C&L") in the United States to enhance the global maintenance, repair and overhaul ("MRO") services and support available to operators of all variants of the Saab 340 aircraft family. This new alliance combines Héroux-Devtek's expertise as a landing gear designer and manufacturer with C&L's operator and aircraft service provider capability and knowledge. It also further enhances the worldwide support of the landing gear already available via Saab in Sweden, as well as REX and ACS in the Australasia market, while providing the Corporation with increased exposure in the attractive aftermarket business.

## Acquisition of APPH

As previously disclosed in last year's audited consolidated financial statements, on February 3, 2014, the Corporation signed an agreement to acquire the entire share capital of U.K.-based APPH Limited and U.S.-based APPH Wichita Inc. (collectively "APPH"), from BBA Aviation Plc (LSE : BBA), for a consideration of US\$124.2 million (\$138.7 million), net of US\$3.8 million (\$4.3 million) of cash acquired. The transaction was financed with the Corporation's available cash for US\$54.9 million (\$61.3 million) and existing Credit Facility for US\$69.3 million (\$77.4 million).

APPH is an integrated provider of landing gear and hydraulic systems and assemblies for OEM and aftermarket applications, supplying both the commercial and military sectors in the Aerospace market. APPH specializes in the design, engineering, manufacturing and aftermarket support of landing gear and hydraulic systems and assemblies for fixed and rotary wing civil and military aircraft. Héroux-Devtek acquired four plants located in the United Kingdom and one plant in Wichita, Kansas. These plants have a combined workforce of approximately 400 employees, including a design engineering department staffed with 40 professionals. APPH's main design programs include landing gear systems for the Hawk (BAE Systems), SAAB 340, SAAB 2000, SAAB Gripen, AW101 (AgustaWestland), C27J Spartan (Alenia) and EC175 aircraft (Airbus Helicopters).

APPH expands the Corporation's geographical operations into the European market, provides the Corporation with significant content on several leading programs, further increases and diversifies the Corporation's customer base, and provides greater exposure to the attractive aftermarket business. With a majority of its revenues coming from programs where it holds design authority rights on life-cycle mandates, APPH also provides Héroux-Devtek with an increased proportion of proprietary programs compared to built-to-print activities.



The Corporation's acquisition-related costs were \$5.0 million for the fiscal year ended March 31, 2014. These costs mainly pertain to professional fees, transaction fees and expenses incurred for the acquisition of APPH.

During the fiscal year ended March 31, 2015, the Corporation finalized the purchase price allocation. Adjustments and reclassifications are mainly related to the assessment of costs and liabilities associated to specific Aerospace programs.

(\$'000)	Purchase price allocation, as originally reported	Adjustments and reclassifications	Final purchase price allocation
Cash	\$ 4,264	\$ —	\$ 4,264
Accounts receivable	15,548	(3,634)	11,914
Inventories	39,310	629	39,939
Other current assets	854	764	1,618
<b>Total current assets</b>	<b>59,976</b>	<b>(2,241)</b>	<b>57,735</b>
Property, plant and equipment	14,896	—	14,896
Finite-life intangible assets <sup>(1)</sup>	25,469	—	25,469
Deferred income tax assets	1,098	1,554	2,652
<b>Total non-current assets</b>	<b>41,463</b>	<b>1,554</b>	<b>43,017</b>
Accounts payable and accrued liabilities	12,535	3,072	15,607
Accounts payable - other and, other liabilities <sup>(2)</sup>	1,698	179	1,877
Provisions	5,611	1,683	7,294
<b>Total current liabilities</b>	<b>19,844</b>	<b>4,934</b>	<b>24,778</b>
Other liabilities <sup>(2)</sup>	3,306	958	4,264
<b>Total non-current liabilities</b>	<b>3,306</b>	<b>958</b>	<b>4,264</b>
Net identifiable assets and liabilities	78,289	(6,579)	71,710
Goodwill on acquisition <sup>(3)</sup>	64,713	6,579	71,292
<b>Total consideration</b>	<b>143,002</b>	<b>—</b>	<b>143,002</b>
Cash acquired	4,264	—	4,264
<b>Net cash outflow</b>	<b>\$ 138,738</b>	<b>\$ —</b>	<b>\$ 138,738</b>

<sup>(1)</sup> Mainly customer relationships and contracts.

<sup>(2)</sup> Essentially deferred revenue.

<sup>(3)</sup> Mainly allocated to Landing Gear product line.

Throughout this MD&A, Management has explained the consolidated results which include the results of APPH (now referred to as "UK and Wichita"). Last year's results for the UK and Wichita operations are for the period from February 3, 2014 to March 31, 2014, which is less than a full year, when compared to this year. For all significant elements explained, Management has singled out this impact on this year's results to help readers understand year-over-year variations.

### Boeing 777 and 777X Contract

In December 2013, Héroux-Devtek's wholly-owned subsidiary HDI Landing Gear USA Inc. signed a long-term contract with The Boeing Company ("Boeing") to supply complete landing gear systems for the Boeing B-777 and B-777X programs ("B-777"). This contract is the largest ever awarded to Landing Gear operations.

Under the terms of the long-term contract, HDI Landing Gear USA Inc. will supply complete landing gear systems, including the main and nose landing gears, and the nose landing gear drag strut. The contract also includes manufacturing parts for Boeing to sell in the aftermarket. Under the multi-year contract, deliveries will begin in early calendar 2017, with an option to extend the contract through 2028.

In order to successfully carry out this important long-term contract, the Corporation has put in place a comprehensive capital investment plan, which calls for total investment of \$105 million over the Corporation's 2015 and 2016 fiscal years. Main constituents of this plan include:

- The construction of a new, state-of-the-art 108,000 square foot facility in Cambridge, Ontario has been completed. The plant was inaugurated on February 26, 2015 and leading-edge equipment is being installed. This facility will primarily manufacture large-scale, complex landing gear components.

- The expansion of the Cleveland, Ohio facility to provide the site with additional capacity for component finishing and a highly modern sub-assembly centre. The building expansion, which nearly doubled its footprint to approximately 100,000 square feet, was completed at the end of fiscal 2015, while finishing capabilities are expected to be in place by the first half of fiscal 2016.
- Investments in machinery and equipment, as well as certain building improvements, at the Springfield, Ohio and Laval, Québec plants. These facilities will mainly perform the manufacturing of smaller complex and critical components. Component machining began at the Springfield facility in December 2014.
- The leasing of a new 21,000 square foot facility in Everett, Washington. This facility will assure final assembly of landing gear systems to be delivered to Boeing's site located in close proximity. The plant should be operational near the end of calendar 2015.

As at March 31, 2015, the Corporation had invested \$68.8 million related to this plan which included addition to property, plant and equipment of \$47.2 million (all in the fiscal year ended March 31, 2015) and cumulative deposits on machinery and equipment of \$21.6 million (over the fiscal years ended March 31, 2014 and 2015).

Financing of this plan is secured by the Corporation's available cash, its existing Credit Facility and through finance leases.

## SELECTED ANNUAL FINANCIAL INFORMATION

The following table presents selected financial information for the past three fiscal years ended March 31:

(\$'000, except per share data)	2015	2014	2013 <sup>(1)</sup>
Sales	364,916	272,034	257,022
EBITDA	32,845	28,899	32,963
Adjusted EBITDA	47,781	35,800	32,963
Net income	3,224	9,236	13,406
Adjusted net income	19,412	15,258	13,406
Earnings per share (\$) - basic & diluted	0.09	0.29	0.43
Adjusted earnings per share (\$) - basic & diluted	0.55	0.48	0.43
Total assets	575,453	513,967	389,115
Long-term financial liabilities <sup>(2)</sup>	127,729	158,046	76,902
Cash and cash equivalents	35,098	47,347	101,256

<sup>(1)</sup> From continuing operations following the divestiture of the Aerostructure and Industrial divisions in August 2012.

<sup>(2)</sup> Represents the long-term debt including the current portion, derivative financial instruments, the pension and other retirement benefit plan liabilities included in other liabilities.

## Foreign Exchange

The Corporation is subject to foreign currency fluctuations from the translation of revenues (sales), expenses, assets and liabilities of its foreign operations (US and U.K.) 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. FFEC, for the purpose of hedge accounting, are classified and accounted for as cash flow hedges in accordance with the Corporation's accounting policies. At balance sheet dates, the closing rates translate monetary assets and liabilities denominated in foreign currencies and assets and liabilities of foreign operations.

The closing and average exchange rates were as follows as at March 31, 2015 and 2014 and for the fiscal years then ended:

	2015	2014
<b>\$ Canadian / 1 US \$ equivalent</b>		
Average rate for fiscal year ended March 31	1.1392	1.0538
Closing rate as at March 31	1.2666	1.1055
<b>\$ Canadian / 1 British pound ("GBP") equivalent</b>		
Average rate for fiscal year ended March 31	1.8322	1.8262
Closing rate as at March 31	1.8792	1.8430

As shown above, the average values of the Canadian dollar was 8.1% lower, when compared to its U.S. counterpart, year-over-year, and had a positive impact on the U.S.-denominated sales and results of the Corporation, exclusive of FFEC fluctuations, including essentially those from its Canadian operations. The average value of the Canadian dollar was slightly lower when compared to the GBP and had a marginal impact on the Corporation's consolidated sales. Since March 31, 2014, the variations in the above closing rates ("foreign currency rates") had a favorable impact (gain) on the Corporation's balance sheet accounts denominated in U.S. and GBP currencies. The impact of currency fluctuations 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. As at March 31, 2015, the Corporation had FFEC totaling US\$119.0 million at a weighted-average rate of 1.1297 maturing at various dates between April 2015 and March 2018, with the majority maturing over the next two fiscal years.

## Consolidated Sales

Consolidated sales increased by \$92.9 million or 34.1% to \$364.9 million this year from \$272.0 million last year. This increase mainly represents an additional contribution of \$83.5 million from a full year of UK and Wichita sales. Excluding this factor, commercial sales increased \$20.2 million or 16.6% mainly as a result of higher sales on certain large commercial programs and entry into production of Héroux-Devtek Inc.'s new landing gear designs, while military sales decreased \$10.9 million or 7.3% mainly as a result of lower spare parts requirements with the U.S. government. Foreign exchange fluctuations increased sales by \$13.0 million or 4.8%, when compared to last year.

Sales can be broken down by sector as follows:

	2015	2014	Variance	
	(\$'000)	(\$'000)	(\$'000)	%
Military <sup>(1)</sup>	<b>191,048</b>	150,279	40,769	27.1
Commercial	<b>173,868</b>	121,755	52,113	42.8
<b>Total</b>	<b>364,916</b>	272,034	92,882	34.1

<sup>(1)</sup> Includes military sales to civil customers and governments.

Military sales were \$40.8 million or 27.1% higher to \$191.0 million this year from \$150.3 million last year. This increase mainly represents an additional contribution of \$51.7 million from a full year of UK and Wichita military sales. Excluding this factor, military sales decreased \$10.9 million or 7.3% mainly as a result of lower spare parts requirements with the U.S. government mainly on the C-5A, P-3 and F-18 programs, reflecting the reduced funding of the U.S. base defense budget in recent years, partially offset by increased sales volume on the F-35 and CH-47 helicopter programs and, favorable foreign exchange fluctuations of \$6.5 million when compared to last year.

Commercial sales were \$52.1 million or 42.8% higher to \$173.9 million this year from \$121.8 million last year. This increase mainly represents an additional contribution of \$31.9 million from a full year of UK and Wichita commercial sales, including the new landing gear system design for the Airbus Helicopter EC-175. Excluding this factor, commercial sales increased \$20.2 million or 16.6% mainly as a result of higher production rates on the B-777 and B-787 large commercial programs, entry into production of Héroux-Devtek Inc.'s new landing gear system design for the Embraer Legacy 450/500 program and favorable foreign exchange fluctuations amounting to \$6.5 million, partially offset by lower aftermarket sales on the CL-415 program. The new designs that entered into production this year included the Embraer Legacy 450/500 and the Airbus Helicopter EC-175 programs.



## Sales by Destination

The Corporation's sales by destination were as follows:

	2015	2014
	(%)	(%)
Canada	23	29
US	49	62
United Kingdom	14	3
Other countries	14	6
<b>Total</b>	<b>100</b>	<b>100</b>

The year-over-year change in the sales by destination mix mainly reflects the impact of increased sales to United Kingdom and other countries, mainly to European customers, as a result of a full-year contribution from the UK and Wichita operations.

## Gross Profit

Consolidated gross profit was \$59.2 million this year, or 16.2% of sales, an increase of \$16.7 million, or 0.6% of sales, from \$42.4 million, or 15.6% of sales last year. This increase mainly represents an additional contribution of \$18.1 million from the UK and Wichita operations. Excluding this factor, gross profit decreased by \$1.4 million, or 1.0% of sales despite a favorable impact of 0.4% resulting from foreign exchange currency fluctuations. The decrease in gross profit in dollars and as a percentage of sales is explained by a less favorable product mix and a higher under-absorption of manufacturing overhead costs, both resulting from lower aftermarket sales, when compared to last year.

Besides the natural hedging from the purchase of raw materials in US dollars, the Corporation mitigates the currency impact by the use of FFEC.

## Selling and Administrative Expenses

Selling and administrative expenses for the fiscal years ended March 31, were as follows:

	2015	2014
Selling and administrative expenses (\$'000)	29,755	19,908
% of sales	8.2	7.3

Selling and administrative expenses stood at \$29.8 million this year or 8.2% of sales, compared to \$19.9 million or 7.3% of sales last year. Excluding the effect of the full year expenses of the UK and Wichita operations, selling and administrative expenses increased by \$1.7 million or 0.6% of sales. This increase in dollars and as a percentage of sales is mainly explained by an expense of \$1.0 million related to the newly adopted Performance Share Unit Plan ("PSU Plan") and increased stock option expense of \$1.0 million. This increase was partially offset by a gain on currency translation on net monetary items denominated in foreign currencies of \$1.4 million incurred this year, compared to a gain of \$1.1 million last year, excluding UK and Wichita operations.

## Non-recurring charges

Non-recurring charges for the fiscal years ended March 31, comprise the following:

	2015 (\$'000)	2014 (\$'000)
Settlement of a litigation	11,610	—
Impairment of finite-life intangible assets	7,924	—
Restructuring charges	3,326	1,884
Acquisition-related costs	—	5,017
	<b>22,860</b>	<b>6,901</b>

### *Settlement of a litigation*

On February 5, 2014, Goodrich Corporation, member of UTC Aerospace Systems (« UTAS ») group, filed a request for arbitration against the Corporation to the ICC International Court of Arbitration based on alleged violation of a non-compete covenant contained in an agreement between Goodrich Corporation and Devtek Aerospace Inc. relating to manufacturing the pistons.

On May 27, 2015, the Corporation executed a Memorandum of Settlement with UTAS in regards to a litigation and the final settlement is expected to be completed in the following days, subject to an agreement on the terms for the extension of two existing contracts with UTAS for the supply of various aircraft parts. The Corporation recorded a charge of \$11.6 million, including incurred legal fees, for the fiscal year ended March 31, 2015. An amount of \$10.1 million is recorded under Litigations and other short-term provisions in the Corporation's Consolidated balance sheet at March 31, 2015.

### *Impairment of finite-life intangible assets*

On January 15, 2015, Bombardier, a Canadian public corporation, announced its decision to pause the Learjet 85 business aircraft program due to weak demand of the light business aircraft category and downward revision of business aircraft market forecast. The Corporation is the developer and supplier of the complete landing gear system for this aircraft. Following the decision of Bombardier, the Corporation performed an impairment test on the Learjet 85 costs, which principally consists of capitalized development costs, inventories, and obligations, and recorded an impairment charge of \$7.9 million on the capitalized development costs associated to this program.

To determine the impairment charge, the Corporation has established a recoverable amount for the capitalized development costs based on the higher of the fair value less costs to sell and its value in use. The calculation is most sensitive to:

- the discount rate used, established at 7.8% and,
- the expected future cash flows.

The following table presents the sensitivity of the recoverable amount and the associated impact on the impairment charge of an increase in the discount rate or a decrease in the expected future cash flows used in isolation from one another, and assuming all other assumptions remain unchanged.

	Increased impairment charge (\$'000)
100-basis point increase in the discount rate	161
10% decrease of expected future cash flows	576

### *Restructuring charges*

Last year, on January 16, 2014, given the substantial reduction in military aftermarket products with the U.S. government, the Corporation announced a plan to optimize and consolidate manufacturing capacity, while further enhancing productivity throughout the organization. These initiatives are in line with the Corporation's operating strategy of focusing on specialized centers of excellence but resulted in certain restructuring charges. Furthermore, following the acquisition of APPH, the Corporation incurred restructuring charges related to the integration of APPH's operations, personnel and technology with its pre-acquisition operations. These initiatives have been substantially completed as at March 31, 2015.

For the fiscal year ended March 31, 2015, these restructuring charges amounted to \$3.3 million (\$1.9 million in 2014), and include employee termination benefits of \$2.1 million (\$1.4 million in 2014), a marginal write-down of equipment (\$0.2 million in 2014), equipment dismantling of \$0.9 million (none in 2014) and other related costs of \$0.3 million (\$0.3 million in 2014). As at March 31, 2015, the unpaid portion of the restructuring charges of \$1.4 million (\$0.9 million as at March 31, 2014) is presented under short-term provisions and under other liabilities for \$0.4 million (\$0.3 million as at March 31, 2014) in the Corporation's consolidated balance sheets.

#### *Acquisition-related costs*

Last year, the Corporation's acquisition-related costs were \$5.0 million. These costs mainly pertained to professional fees and expenses incurred for the acquisition of the UK and Wichita operations, as explained above.

#### **Operating Income**

Consolidated operating income stood at \$6.6 million or 1.8% of sales for the fiscal year ended March 31, 2015 (\$29.4 million, or 8.1% of sales, when excluding non-recurring charges), compared to \$15.6 million or 5.7% of sales last year (\$22.5 million, or 8.3% of sales last year, when excluding non-recurring charges). Excluding the additional contribution of \$9.9 million from the UK and Wichita operations and non-recurring charges, the Corporation's operating income stood at \$19.4 million, or 6.9% of sales, reflecting the lower gross profit combined with higher selling and administrative expenses, as explained above.

#### **Financial Expenses**

Financial expenses stood at \$5.9 million for the fiscal year ended March 31, 2015, while it stood at \$3.8 million last year. The increase in financial expenses, compared to last year, is mainly explained by additional interest expense of \$0.9 million partially offset by a lower standby fees expense of \$0.2 million, both resulting from the increased drawings against the Corporation's Credit Facility following the acquisition of the UK and Wichita operations. The increase is also explained by additional interest accretion on increased governmental authorities' loans of \$0.7 million and additional expense resulting from discount rate adjustments related to asset retirement obligations of \$0.9 million, reflecting the decrease in the discount rate this year.

#### **Income Tax Expense**

For the fiscal year ended March 31, 2015, the income tax recovery stood at \$2.5 million, while it represented an expense of \$2.6 million last year. The computation of the income tax expense (recovery) for the fiscal years ended March 31, 2015 and 2014 is as follows:

	<b>2015</b>	<b>2014</b>
	(\$'000)	(\$'000)
Income taxes at combined Federal and Provincial statutory tax rates of 26.7%	<b>187</b>	3,151
Income tax rate differential – foreign subsidiaries	<b>(3,032)</b>	(607)
Permanent differences	<b>467</b>	1,160
Other items	<b>(145)</b>	(1,137)
<b>Income tax expense (recovery)</b>	<b>(2,523)</b>	2,567

For the fiscal years ended March 31, 2015 and 2014, other items include a reduction of \$0.1 million and \$1.1 million, respectively, in deferred income tax liabilities in light of changes in tax audit matters, jurisprudence and tax legislation. For the fiscal year ended March 31, 2015, permanent differences are mainly related to the non-deductible stock base compensation expense while last year permanent differences were mainly related to acquisition-related costs, as explained above.

As at March 31, 2015 and 2014, 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, 2015, the Corporation had \$6.0 million (\$0.4 million in 2014) in federal and \$22.5 million in UK non-capital losses available for carry-forward.

As at March 31, 2015, the temporary differences associated with investments in subsidiaries, for which a deferred income tax liability has not been recognized, aggregate to \$10.3 million (none in 2014).

## Net Income

For the fiscal year ended March 31, 2015, the Corporation posted a net income of \$3.2 million or 0.9% of sales (adjusted net income of \$19.4 million or 5.3% of sales, when excluding non-recurring charges of \$16.2 million, net of taxes), compared to a net income of \$9.2 million or 3.4% of sales (adjusted net income of \$15.3 million or 5.6% of sales, when excluding non-recurring charges of \$6.0 million, net of taxes) last year.

	2015	2014
Net income (\$'000) <sup>(1)</sup>	3,224	9,236
Earnings per share - basic and diluted (\$)	0.09	0.29

<sup>(1)</sup> Net of non-recurring charges amounting to \$16.2 million and \$6.0 million, both net of taxes, for the fiscal years ended March 31, 2015 and 2014, respectively.

Basic earnings per share figures are based on year-to-date weighted-averages of 34,901,780 common shares outstanding for fiscal year 2015 and 31,536,316 common shares last year, while the diluted earnings per share figures are based on year-to-date weighted-averages of 35,016,396 for fiscal 2015 and 31,661,839 last year. The year-over-year increase in the weighted average common shares is mainly related to the issuance of common shares pursuant to the public offering and concurrent private placements on June 26, 2014 (see below).

On May 27, 2015, the date of this MD&A, the Corporation had 35,958,037 common shares and 747,346 common stock options outstanding with a weighted-average of 5.24 years to maturity.

## Accumulated Other Comprehensive Income ("AOCI") and Comprehensive Income

For the fiscal year ended March 31, 2015, the other comprehensive loss, included in the comprehensive income, is mainly the result of net losses on valuation of derivative financial instruments and net losses on hedge of net investments in foreign operations, both resulting from the appreciation of the US currency, compared to the Canadian currency. It also includes net losses from re-measurement of the Corporation's defined benefit pension plans resulting from a lower interest rate to discount the defined benefit pension plans obligations, net of gains from higher than expected return on plan assets. These unfavorable variations on the comprehensive income were partially offset by gains arising from the translation of the financial statements of foreign operations, resulting from the appreciation of the US and GBP currencies, compared to the Canadian currency.

## Liquidity and Capital Resources

### *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. As at March 31, 2015, the Corporation had cash and cash equivalents of \$35.1 million, compared to \$47.3 million as at March 31, 2014.

The Corporation has in place a Senior Secured Syndicated Revolving Credit Facility ("Credit Facility") with five Canadian syndicated 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 \$200 million, either in Canadian, US, British Pound or Euro equivalent currencies and will mature in March 2019. It also includes an accordion feature to increase the Credit Facility by an additional \$75 million, during the term of the Credit Agreement, subject to the approval of the lenders.

As at March 31, 2015, the Corporation had \$56.7 million drawn against the Credit Facility following the repayment made during the fiscal year (see below), compared to \$100.9 million as at March 31, 2014. 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.



As at March 31, the Corporation had the following net debt position, calculated as follows:

	2015	2014
	(\$'000)	(\$'000)
Long-term debt, including current portion <sup>(1)</sup>	114,202	150,466
Less: Cash and cash equivalents	35,098	47,347
Net debt position	79,104	103,119

<sup>(1)</sup> Excluding net deferred financing costs of \$1.3 million (\$1.6 million in 2014).

### Operating Activities

The Corporation generated cash flows from operations and related operating activities and used cash and cash equivalents for its discontinued operations, following the divestiture of the Aerostructure and Industrial divisions in August 2012, as follows:

	2015	2014
	(\$'000)	(\$'000)
Cash flows from operations	29,347	20,935
Net change in non-cash items related to continuing operations	17,955	8,897
Cash flows related to operating activities from continuing operations	47,302	29,832
Net change in non-cash items related to discontinued operations	(1,082)	(3,792)
Cash flows related to operating activities	46,220	26,040

The \$8.4 million increase in cash flows from operations, when compared to last year, is mainly the result of the full-year contribution from the UK and Wichita operations partially offset by the charge associated with the settlement of a litigation as explained above.

For the fiscal year ended March 31, 2015, net change in non-cash items related to discontinued operations includes mainly final tax payments related to fiscal year 2013, while last fiscal year it included a payment of income taxes for fiscal year 2013.

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

	2015	2014
	(\$'000)	(\$'000)
Accounts receivable	(9,103)	(3,944)
Inventories	3,723	6,079
Accounts payable and accrued liabilities, accounts payable-other, and other liabilities (referred to as "accounts payable")	5,500	(1,120)
Customer advances	8,917	9,409
Provisions	10,565	436
Progress billings	(958)	(4,569)
Income taxes payable and receivable	(3,226)	2,283
All others including effect of changes in exchange rate	2,537	323
	17,955	8,897

For the fiscal year ended March 31, 2015, the increase in accounts receivable and accounts payable mainly reflects higher sales in the fourth quarter compared to the last year's fourth quarter, combined with a higher foreign exchange rate used to convert foreign currency-denominated accounts receivable and accounts payable. The net reduction in inventories and progress billings mainly reflects the reduced backlog in certain military programs, partially offset by increased inventories related to the higher commercial funded backlog. The increase in customer advances at year-to-date mainly reflects payments received from a customer in relation to a long-term contract while the increase in provision mainly

reflects the additional provision associated with the settlement of a litigation. The increase in income tax receivable mainly reflects a lower current income tax expense when compared to the previous fiscal year.

For the fiscal year ended March 31, 2014, the increase in accounts receivable from continuing operations mainly reflected the impact of a higher USD/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 reflected the reduced backlog for certain military programs, partially offset by increased inventories related to the higher commercial funded backlog. The increase in customer advances last year, compared to the previous fiscal year, mainly reflected payments received from a customer in relation to a long-term contract. The reduction in income tax payable and receivable mainly reflected a higher current income tax expense from continuing operations last fiscal year, when compared to the previous fiscal year, net of the final payment made last year for the previous year's income taxes.

### *Investing Activities*

The Corporation's investing activities were as follows:

	<b>2015</b>	<b>2014</b>
	(\$'000)	(\$'000)
Business acquisition	—	(138,738)
Additions to property, plant and equipment	<b>(52,292)</b>	(9,726)
Deposits on machinery and equipment	<b>(10,438)</b>	(12,634)
Net increase in finite-life intangible assets	<b>(2,643)</b>	(7,942)
Proceeds on disposal of property, plant and equipment	<b>415</b>	192
Cash flows relating to investing activities	<b>(64,958)</b>	(168,848)

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

	<b>2015</b>	<b>2014</b>
	(\$'000)	(\$'000)
Gross additions made during the year (see note 15 to the consolidated financial statements)	<b>61,182</b>	12,622
Government assistance	<b>(1,494)</b>	(1,771)
Additions to property, plant and equipment	<b>59,688</b>	10,851
Variation in unpaid additions included in Accounts payable - other and, other liabilities at year-end	<b>(4,402)</b>	32
Machinery and equipment acquired through finance leases	<b>(2,994)</b>	(1,157)
Additions, as per statements of cash flows	<b>52,292</b>	9,726

During the fiscal years ended March 31, 2015 and 2014, the additions to property, plant and equipment stood at \$59.7 million and \$10.9 million respectively while the deposits on machinery and equipment amounted to \$10.4 million and \$12.6 million respectively. The additions to property, plant and equipment, for the fiscal year ended March 31, 2015 mainly include investments related to the Boeing B-777 contract and amounted to \$47.2 million. Deposits on machinery and equipment are essentially related to the Boeing B-777 contract representing cumulative deposits of \$21.6 million made over fiscal 2014 and 2015. Additions to property, plant and equipment for fiscal 2016 are expected to be about \$75 million, including \$58 million related to the Boeing B-777 contract, of which \$23.3 million of deposits on machinery and equipment had already been made as at March 31, 2015.

The increase in finite-life intangible assets mainly includes capitalized development costs for long-term contracts, essentially for business jet programs.

As already mentioned, during fiscal year ended March 31, 2014, the Corporation invested \$138.7 million for the acquisition of the UK and Wichita operations.

## Financing Activities

The Corporation's financing activities were as follows:

	2015	2014
	(\$'000)	(\$'000)
Increase in long-term debt	22,873	85,650
Repayment of long-term debt	(67,772)	(3,838)
Increase in deferred financing costs	—	(716)
Issuance of common shares	48,406	575
Cash flows relating to financing activities	3,507	81,671

On June 26, 2014, the Corporation issued 4,255,871 common shares for net proceeds of \$47.9 million as a result of the public offering and concurrent private placements (see below). During the fiscal years ended March 31, 2015 and 2014, the Corporation also received total cash considerations of \$0.4 million and \$0.3 million, following the issuance of common shares under the Corporation's stock purchase and ownership incentive plan ("stock purchase plan") and \$0.2 million and \$0.3 million, respectively, following the issuance of common shares under the stock option plan.

During the fiscal year ended March 31, 2015, the net proceeds of \$47.9 million from the public offering and concurrent private placements along with a \$16.2 million drawing against the Corporation's Credit Facility was used to repay US\$59.3 million (\$63.6 million) of debt against the Credit Facility. This year's and last year's repayments of long-term debt also include the scheduled repayment of governmental authorities' loans and finance leases for machinery and equipment.

Last year, on March 31, 2014, in conjunction with the amendment and increase of the Credit Facility, the Corporation capitalized \$0.8 million in financing costs, which are amortized using the effective interest rate method over a five-year period.

During the fiscal years ended March 31, 2015 and 2014, the increase in long-term debt also includes new governmental authorities' loans received of \$6.7 million and \$8.3 million, respectively, to support development program investments while during fiscal year ended March 31, 2014, the increase in long-term debt included US\$69.3 million (\$77.4 million) drawing from the Corporation's Credit Facility to finance the acquisition of the UK and Wichita operations.

As at March 31, 2015, the Corporation was in compliance with all its restrictive debt covenants and expects to continue to comply with these restrictive financial covenants through the current 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. As at March 31, the funded status of these plans is as follows:

	2015	2014	2013
	(\$'000)	(\$'000)	(\$'000)
Funded status of the plans (deficit)	(6,180)	(3,062)	(8,810)

As at March 31, 2015, the pension plan deficit of \$6.2 million excludes \$3.1 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.

As at March 31, 2015, the discount rate assumptions used to determine the defined benefit obligations for registered and unregistered defined benefit pension plans was 3.6%, compared to 4.4% a year earlier. The lower discount rate this year, compared to last year, increased the pension plan obligations by \$6.1 million this year (see note 26 to the consolidated financial statements).

As at March 31, 2015, the contributions expected to be paid to all defined benefit pension plans in fiscal 2016 amount to \$2.7 million, while the total minimum funding requirements for the registered defined benefit pension plans over the next five years represents \$7.7 million, or approximately \$1.5 million per year.

## Capital Stock, Stock Option and Stock Purchase Plans

As at March 31, 2015, the Corporation had 35,949,445 common shares outstanding (31,620,482 as at March 31, 2014).

During the fiscal year ended March 31, 2015, the Corporation issued 4,328,963 common shares as follows:

- i. On June 26, 2014, the Corporation issued 4,255,871 common shares at a price of \$11.75 per share for gross proceeds of \$50.0 million pursuant to the public offering and concurrent private placements. The net proceeds of \$47.9 million received by the Corporation, net of underwriting commissions and other issuance costs of \$1.6 million and \$0.5 million respectively, were used to repay indebtedness under its Credit Facility. Deferred income taxes of \$0.6 million were recorded related to the issuance costs.
- ii. The Corporation issued 38,092 common shares at weighted-average prices of \$9.69 under the Corporation's stock purchase and ownership incentive plan for total cash considerations of \$369,000.
- iii. During the second quarter, the Corporation issued 35,000 common shares, following the exercise of stock options for a total cash consideration of \$184,000. The initial fair value of these stock options, amounting to \$136,000, was credited to issued capital and debited to contributed surplus. The weighted-average share price of stock options exercised during fiscal year ended March 31, 2015 was \$11.00.

During fiscal 2014, the Corporation issued 75,600 common shares following the exercise of stock options at a weighted-average price of \$3.94 for total cash considerations of \$298,000 and also issued 33,436 common shares, under the Corporation's stock purchase plan at a weighted-average price of \$8.28 for total cash considerations of \$277,000.

During the fiscal year ended March 31, 2015, the Corporation granted 96,345 stock options to officers and key employees (502,500 in 2014). As at March 31, 2015, 747,346 stock options were issued and outstanding with a weighted-average of 5.4 years to maturity and a weighted-average exercise price of \$9.84.

For the fiscal year ended March 31, 2015, the stock option plan expense and the stock purchase plan expense amounted to \$1,292,000 and \$170,000 respectively (\$272,000 and \$128,000 in 2014).

As at March 31, 2015, 1,639,781 common shares had not been issued yet under the Stock Option Plan and 202,693 common shares had not been issued yet under the Stock Purchase Plan.

## Stock Appreciation Right ("SAR"), Deferred Share Unit ("DSU") and Performance Share Unit ("PSU") Plans

As at March 31, 2015, 6,000 SARs were still outstanding (17,000 as at March 31, 2014) at a weighted-average granted price of \$0.01 (\$1.72 as at March 31, 2014) which expire in fiscal 2016. For the fiscal year ended March 31, 2015, 11,000 SARs were exercised at an average exercise price of \$2.66 (22,000 SARs at an average exercise price of \$3.60 in 2014), and no SARs were cancelled in 2015 and 2014.

As at March 31, 2015, 83,158 DSUs were outstanding (64,825 as at March 31, 2014). During the fiscal year ended March 31, 2015, the Corporation issued 18,333 DSUs (17,565 in 2014) and no DSUs were exercised or cancelled (27,084 and 958 in 2014).

For the fiscal year ended March 31, 2015, SAR reversal of expense amounted to \$10,000 (expense of \$81,000 in 2014) while DSU expense amounted to \$108,000 (\$371,000 in 2014).

On August 15, 2014, the Corporation adopted a PSU plan as part of a long-term incentive plan for management and key employees. The PSU plan is non-dilutive and is settled in cash. PSUs vest over a period of three years. The PSU enables the participants to receive compensation at the expiry or termination date representing a cash amount equal to the quoted price of the Corporation's common shares for each PSU vested, conditional on the achievement of selected financial targets.

The PSUs are expensed on an earned basis and their costs are determined using a valuation model and re-measured 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 PSUs are paid or cancelled at the expiry or termination date.

For the fiscal year ended March 31, 2015, the Corporation granted 115,879 PSUs and no PSUs were cancelled or exercised. As at March 31, 2015, these PSUs were still outstanding.

For the fiscal year ended March 31, 2015, PSU expenses amounted to \$952,000.



## Consolidated Balance Sheets

The following table itemizes and explains the significant changes in the consolidated balance sheets between March 31, 2015 and March 31, 2014:

Item	March 31, 2015 (\$ million)	March 31, 2014 (\$ million)	Change (\$ million)	Final PPA <sup>(1)</sup> (\$ million)	Net Change (\$ million)	Explanation
Cash and cash equivalents	35.1	47.3	(12.2)	—	(12.2)	See consolidated statements of cash flows.
Accounts receivable	71.5	66.0	5.5	(3.6)	9.1	Mainly reflects higher sales in the fourth quarter compared to the last year's fourth quarter, combined with higher foreign exchange rates (impact of \$6.1 million) used to convert foreign currency-denominated accounts receivable, when compared to March 31, 2014.
Inventories	131.0	134.0	(3.0)	0.6	(3.6)	Mainly reflects the reduction in inventories on reduced backlog for certain military programs net of increased inventories related to the higher commercial funded backlog, partially offset by a higher foreign exchange rates (\$2.6 million) used to convert the inventories of the foreign operations.
Property, plant and equipment, net (PPE)	142.1	92.3	49.8	—	49.8	Mainly reflects the additions (\$59.7 million, net of government assistance) combined with higher foreign exchange rates used to convert the PPE of the foreign operations (\$5.4 million), partially offset by amortization expense (\$14.9 million), and disposal of property, plant and equipment (\$0.4 million).
Finite-life intangible assets, net	50.6	59.1	(8.5)	—	(8.5)	Mainly reflects the impairment of finite-life intangible assets <sup>(2)</sup> (\$7.9 million), the amortization expense (\$3.5 million), partially offset by increased capitalized development costs and software (\$1.8 million, net of government assistance) and a higher GBP/CAD currency rate used to convert the intangible assets of the foreign operations (\$1.1 million).
Deposits on machinery and equipment	23.3	12.9	10.4	—	10.4	Reflects increased deposits made on machinery and equipment mainly in relation to the Boeing B-777 contract.
Goodwill	93.5	84.4	9.1	6.6	2.5	Reflects a higher foreign exchange rates used to convert the goodwill of the foreign operations, when compared to March 31, 2014 (impact of \$2.5 million).
Accounts payable and accrued liabilities	69.2	57.6	11.6	3.1	8.5	Mainly reflects higher sales in the fourth quarter compared to the last year's fourth quarter, combined with higher foreign exchange rates (impact of \$3.6 million) used to convert foreign currency-denominated accounts payable and accrued liabilities, when compared to March 31, 2014.
Accounts payable - other, and other liabilities	8.2	3.8	4.4	0.2	4.2	Mainly reflects additional unpaid PPE additions (\$4.4 million), when compared to March 31, 2014.
Provisions (current and long-term)	32.2	19.8	12.4	1.7	10.7	Reflects mainly the costs associated with the settlement of a litigation (see non-recurring charges above), when compared to March 31, 2014.
Customer Advances	18.3	9.4	8.9	—	8.9	Reflects payments received from a customer in relation to a long-term contract.

Item	March 31, 2015	March 31, 2014	Change	Final PPA <sup>(1)</sup>	Net Change	Explanation
	(\$ million)	(\$ million)	(\$ million)	(\$ million)	(\$ million)	
Derivative financial instruments (current and long-term liabilities)	17.2	7.3	9.9	—	9.9	Reflects the variation in the Corporation's balance sheets of derivative financial instruments measured at fair value. The increase is mainly the result of a higher differential between the closing rates of conversion used and the weighted average USD/CAD rates of forward foreign exchange contracts on hand, as of both balance sheet dates.
Long-term debt (including current portion)	112.9	148.9	(36.0)	—	(36.0)	Reflects the repayment of US\$59.3 million (\$63.6 million) under the Credit Facility and scheduled payments of long-term debt (\$4.2 million). The decrease was partially offset by a drawing on the Credit Facility (\$16.2 million), new governmental loans received this year to support development program investments (\$6.7 million), new finance lease put in place to finance machinery and equipment (\$3.0 million), interest accretion on increased governmental authorities' loans (\$2.4 million), amortization of deferred financing costs related to the Credit Facility (\$0.3 million) and the impact of foreign exchange fluctuations on the U.S.-denominated long-term debt (\$3.2 million).
Other liabilities	13.6	10.0	3.6	—	3.6	Increase mainly resulting from losses on re-measurement of the Corporation's defined benefit pension plans (\$3.4 million), partially offset by scheduled payments for pension plans made during the current fiscal year.
Issued capital	75.3	26.2	49.1	—	49.1	Increase from the net proceeds (\$47.9 million) received from the public offering and concurrent private placements - see note 23 to the consolidated financial statements, combined with favorable deferred income taxes (\$0.6 million) recorded and related to the issuance costs. It also includes the issuance of common shares following the exercise of stock options (\$0.3 million) and issuance under the stock purchase plan (\$0.4 million).
Retained earnings	206.7	205.9	0.8	—	0.8	Increase reflects the Corporation's net income of \$3.2 million in fiscal year 2015, partially offset by net losses of \$2.5 million from re-measurement of the Corporation's defined benefit pension plans.

<sup>(1)</sup> UK and Wichita operations final purchase price allocation ("PPA") adjustments and reclassification impact on the consolidated balance sheet.

<sup>(2)</sup> Impairment charge of \$7.9 million on the capitalized development costs related to the LJ-85 business aircraft program.

As at March 31, 2015 and March 31, 2014, the Corporation's working capital ratio, cash and cash equivalents, long-term debt-to-equity ratio and net debt-to-equity ratio<sup>(1)</sup> were as follows:

	2015	2014
Working capital ratio	1.75:1	2.59:1
Cash and cash equivalents	\$35.1 million	\$47.3 million
Long-term debt-to-equity ratio	0.36:1	0.60:1
Net debt-to-equity ratio <sup>(1)</sup>	0.27:1	0.43:1

<sup>(1)</sup> Defined as total long-term debt, including the current portion but excluding deferred financing costs, 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, as at March 31, 2015:

Contractual obligations (\$'000)	Total	Payments due by period			
		1 year	2-3 years	4-5 years	After 5 years
Governmental authorities' loans (including the effective accumulated interest expense)	67,016	3,752	8,922	13,159	41,183
Finance leases (including interest expense)	6,817	2,412	1,841	1,531	1,033
Credit facility	60,224	883	1,766	57,575 <sup>(2)</sup>	—
<b>Sub-Total</b>	<b>134,057</b>	<b>7,047</b>	<b>12,529</b>	<b>72,265</b>	<b>42,216</b>
Building, machinery and equipment acquisition commitments	34,845	34,845	—	—	—
Operating leases - Buildings and facilities	4,164	787	1,117	701	1,559
<b>Total contractual obligations<sup>(1)</sup></b>	<b>173,066</b>	<b>42,679</b>	<b>13,646</b>	<b>72,966</b>	<b>43,775</b>

<sup>(1)</sup> Excluding defined benefit pension plan obligations presented in a previous section.

<sup>(2)</sup> Credit Facility matures on March 16, 2019.

### Government Assistance

During the fiscal years ended March 31, government assistance deducted from the cost of the related assets or recognized as a reduction of expenses, are as follows:

	2015 (\$'000)	2014 (\$'000)
Deposits on machinery and equipments	2,097	—
Property, plant and equipment	1,494	1,771
Finite-life intangible assets	1,565	2,488
Cost of sales, selling and administrative expenses	3,120	3,220

The government assistance includes mainly the research and development tax credits, other credits and grants.

### Commitments, Derivatives, Off-Balance-Sheet Items and Contingencies

#### Commitments

As at March 31, 2015, the Corporation had operating lease obligations amounting to \$4.2 million for buildings and facilities. These lease obligations will end at the latest in fiscal 2026. The Corporation also had building, machinery and equipment purchase commitments totaling \$34.8 million, of which \$32.4 million is related to the Boeing B-777 contract (see note 27 to the consolidated financial statements).

#### Derivatives, Off-Balance-Sheet Items

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.

As at March 31, 2015, the Corporation had FFEC with Canadian chartered banks to sell US\$119.0 million at a weighted-average exchange rate (Canadian dollar over US dollar) of 1.1297. These contracts relate mainly to its export sales, and mature at various dates between April 2015 and March 2018, with the majority maturing over the next two fiscal years (see note 33 to the consolidated financial statements). This compares to US\$127.4 million of FFEC held as at March 31, 2014, at a weighted-average exchange rate of 1.0628.

As at March 31, 2014 and 2015, the Corporation had entered into an interest-rate swap agreement for a total notional amount of US\$10 million with a fixed Libor U.S. rate at 2.04%, maturing in December 2015. Also, the Corporation had entered into two additional interest-rate swap agreements for a total notional amount of US\$15 million. These interest-rate swap agreements fix the Libor U.S. rate until maturity in December 2018 at 1.65% for the first tranche of US\$5 million commencing on March 2014, and at 2.38% for the second tranche of US\$10 million commencing in December 2015.

The interest-rate swap rates referred to above excludes the additional bank relevant margin (see note 21 to the consolidated financial statements). The cash flows related to the interest-rate-swap agreements are expected to occur in the same periods as they are expected to affect the net income.

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 and February 2014, the Corporation designated certain long-term debt as hedge of its net investments in foreign operations. This designation was still in effect as at March 31, 2015.

#### *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.

#### **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 and 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, which 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 amount 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 five-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, to 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 9 and 17 to the consolidated financial statements.



### *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.

### *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, 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 pension plans obligations and the pension expenses, including a sensitivity analysis, are further explained in note 26 to the consolidated financial statements.

### *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. For purpose of impairment testing, the Corporation exercises judgment to identify the cash inflows and outflows. The recoverable amount is based on fair value less costs of disposal, generally determined using a discounted cash flow model. Other assumptions used to determine the recoverable amount include the applicable discount rate, the expected future cash flows which include costs to complete the development activities.

### *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.

## **CHANGE IN ACCOUNTING POLICIES**

On April 1, 2014, the Corporation adopted retrospectively the IFRIC 21 standard below. The adoption of the new standard had no impact on prior periods' comparative figures.

### **IFRIC 21 Levies**

IFRIC 21 clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment. Levies are required to be applied retrospectively for periods beginning April 1, 2014. The Corporation adopted IFRIC 21 on April 1, 2014 and the adoption of this standard had no impact on the Corporation's consolidated financial statements.

## **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***

The IFRS 9, *Financial Instruments* simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a new hedge accounting model more closely aligned with risk management activities undertaken by corporations. The standard is required to be applied retrospectively for periods beginning April 1, 2018. The Corporation has not yet assessed the impact of these amendments.

### **IFRS 15**

IFRS 15, *Revenue from contracts with customers*, establishes a single framework for determining the timing and the amount of revenue that can be recognized. These amendments are required to be applied retrospectively for periods beginning April 1, 2017, with earlier application permitted. The International accounting standards Board decided to defer for one year the effective date before the application. The Corporation has not yet assessed the impact of these amendments.

## **INTERNAL CONTROLS AND PROCEDURES**

In compliance with the Canadian Securities Administrators' Regulation 52-109, the Corporation has filed certifications 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.

As at March 31, 2015, 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 Regulation 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.

As at March 31, 2015, 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 Regulation 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, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **RISKS AND UNCERTAINTIES**

Héroux-Devtek operates in an 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 60% of its sales. Any loss or delay in certain orders from any of these customers could have a negative material 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.

The Corporation mitigates this risk with the inclusion of 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 monitors 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 and in particular, for proprietary products and major sales contracts, regulatory risks, successful integration of new acquisitions, dependence on key personnel and reliance on information systems, all of which could materially 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 or progress billings with certain customers, and foreign exchange hedging.

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.

### ***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 and Ukraine. Such issues typically have a negative impact on commercial air traffic and a positive impact on defense spending.

## **General Economic Conditions**

Unfavorable 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. In addition, 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 unfavorable 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 and United Kingdom. The rapid fluctuations in the value of the Canadian dollar, when compared to the U.S. or British Pound currencies, may add volatility to the results of the Corporation. 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 (see note 33 to the consolidated financial statements).

## **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 or certain other 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 and a maximum net funded debt to EBITDA 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 (see note 33 to the consolidated financial statements).

### ***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 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 and, financial situation. 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. These laws and regulations and the related charges 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 2014 and in December 2013, the Corporation renewed its collective agreements, respectively, with its Landing Gear Longueuil plant employees for three years to May 2017 and Landing Gear Laval plant employees for five years to December 2018.

### ***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 results of operations and financial condition.

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.



### ***Pension Plan Liability***

The economic cycles have a negative impact on the funding of the Corporation's defined benefit pension plans and the related costs. There is no guarantee that the costs 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.

### ***Risks associated with any possible acquisitions and integrations***

The Corporation intends to continue making acquisitions from time to time as part of its strategy to grow its business. Acquisitions, if they occur, will increase the size of the Corporation's operations and may increase the amount of indebtedness that the Corporation has to service. These acquisitions may change the scale of the Corporation's business and may expose it to new geographic, political, operating and financial risks. There is no assurance that the Corporation will be able to identify suitable acquisition targets and acquire operations on satisfactory terms, or at all. Further, the successful integration and management of acquired businesses involve numerous risks that could adversely affect the Corporation's growth and profitability including the risk that the Corporation may not be able to successfully manage the acquired operations and, that the integration may place significant demands on the management of the Corporation, diverting their attention from existing operations.

### ***Risk of litigation***

The Corporation is subject to the risk of litigation in the ordinary course of business by employees, customers, suppliers, competitors, shareholders, government agencies, or others, through private actions, class actions, administrative proceedings, regulatory actions or other litigations. The outcome of litigation is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. Regardless of outcome, litigation could result in substantial costs to the Corporation. In addition, litigation could divert management's attention and resources away from the day-to-day operations of the Corporation's business.

### ***Information technology security and efficiency***

The Corporation relies upon information technology systems which are essential to daily operations. These information systems could be vulnerable to a cyber-attack, a cyber-spying, a computer viruses, a power failure, a system breakdown, a human error, a natural disaster, an act of war or terrorism or other similar situations. The continuity of the Corporation's operations would be directly affected in case of non-availability of these information technology systems. Furthermore, unauthorized access to confidential information would have a negative effect on the Corporation's reputation, business, prospects, results of operations and financial condition. In order to reduce technology-related risks, controls such as a disaster recovery plan and controls over unauthorized access have been put in place.

## SELECTED QUARTERLY FINANCIAL INFORMATION

(\$'000 Except per share data)	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
<i>For the fiscal year ended March 31, 2015</i>					
Sales	364,916	86,408	84,086	88,368	106,054
EBITDA <sup>(1)</sup>	32,845	10,009	9,215	10,942	2,679
Adjusted EBITDA <sup>(1)</sup>	47,781	10,360	9,978	11,544	15,899
Net Income (loss)	3,224	3,500	3,273	(1,909)	(1,640)
Adjusted Net Income <sup>(1)</sup>	19,412	3,756	3,839	4,361	7,456
Earnings (loss) per share (\$) - Basic & Diluted	0.09	0.11	0.09	(0.05)	(0.05)
Adjusted Earnings per share (\$) - Basic & Diluted <sup>(1)</sup>	0.55	0.12	0.11	0.12	0.21
<i>For the fiscal year ended March 31, 2014</i>					
Sales	272,034	62,972	56,402	61,448	91,212
EBITDA <sup>(1)</sup>	28,899	7,747	6,254	7,170	7,728
Adjusted EBITDA <sup>(1)</sup>	35,800	7,747	6,518	8,286	13,249
Net Income	9,236	2,814	2,584	2,608	1,230
Adjusted Net Income <sup>(1)</sup>	15,258	2,814	2,794	3,697	5,953
Earnings per share (\$) - Basic & Diluted	0.29	0.09	0.08	0.08	0.04
Adjusted Earnings per share (\$) - Basic & Diluted <sup>(1)</sup>	0.48	0.09	0.08	0.12	0.19

<sup>(1)</sup> See Non-IFRS measures above.

### Fourth Quarter 2015 Results

Consolidated sales increased by \$14.8 million or 16.3% to \$106.1 million this year from \$91.2 million last year. This increase mainly represents an additional contribution of \$11.4 million from the UK and Wichita operations due to an additional month of sales, when compared to last year's same quarter (the acquisition of the UK and Wichita operations occurred on February 3, 2014 in the last fiscal year). Excluding this factor, sales increased by \$3.4 million, or 3.8%, as a result of higher commercial sales of \$9.7 million partially offset by lower military sales of \$6.3 million. Foreign exchange fluctuations increased sales by \$6.4 million or 7.0%, when compared to last year.

Military sales were \$0.2 million or 0.5% lower to \$53.0 million this year from \$53.2 million last year. Excluding the additional contribution of \$6.1 million from the UK and Wichita operations, military sales decreased due to lower spare part requirements mainly on the C-5A and P-3 programs with the U.S. government despite favorable foreign exchange fluctuations of \$3.2 million or 6.0%, when compared to last year.

Commercial sales were \$15.1 million or 39.7% higher to \$53.1 million this year from \$38.0 million last year. Excluding the additional contribution of \$5.3 million from the UK and Wichita operations, commercial sales increased as a result of higher production rates on certain large commercial programs, essentially the B-777 program and entry into production of the Corporation's new landing gear designs (Embraer Legacy 450/500, and Airbus Helicopter EC-175 programs). The foreign exchange fluctuations also increased commercial sales by \$3.2 million or 8.4%, when compared to last year.

Consolidated gross profit reached \$17.3 million this year, or 16.3% of sales, up from \$15.4 million, or 16.9% of sales, last year. The increase in dollars reflects the additional contribution from the UK and Wichita operations, while the decrease as a percentage of sales is mainly due to a less favorable aftermarket product mix. Currency variation had a positive effect equivalent to 1.4% of sales on gross profit compared with last year's fourth quarter.

Consolidated operating loss stood at \$2.5 million this year or 2.3% of sales (operating income of \$10.7 million, or 10.1% of sales when excluding non-recurring charges) compared to \$3.9 million or 4.3% of sales last year (\$9.4 million, or 10.3% of sales last year when excluding non-recurring charges). The higher operating income in dollars excluding non-recurring charges is mainly explained by the additional contribution of \$1.8 million from the UK and Wichita operations.

For the quarter ended March 31, 2015, the corporation posted a net loss of \$1.6 million, net of non-recurring charges of \$9.1 million, net of taxes. For the quarter ended March 31, 2014, net income was \$1.2 million, net of non-recurring charges of \$4.7 million, net of taxes.

## OUTLOOK

Conditions remain mostly favorable in the commercial aerospace market. The International Air Transport Association ("IATA") most recent forecast calls for robust growth of 7.0% growth in the passenger market for calendar 2015, following a 5.9% increase in calendar 2014, while air cargo volume is expected to rise 4.5% in calendar 2015, an increase similar to calendar 2014 <sup>9</sup>.

In the large commercial aircraft segment, Boeing and Airbus are proceeding with production rate increases on several leading programs scheduled through calendar 2018. Their backlogs remain strong, representing more than eight years of production at current rates <sup>10</sup>.

In the business jet market, deliveries increased 6.5% in calendar 2014 to 722 aircraft and positive signs continue to suggest further improvement in market conditions, such as increasing U.S. business aircraft movements and a year-over-year decrease in the proportion of the business aircraft fleet for sale. More importantly, industry sources are calling for sustained growth over up to possibly five years, a period spanning the planned entry into service and ramp-up of several business jet models for which Héroux-Devtek has designed the landing gear <sup>11</sup>.

Conditions in the military aerospace market are expected to remain difficult, as governments address their deficits. In the U.S., although sequestration cuts were eliminated through the Government's 2015 fiscal year, current funding requests beyond that horizon exceed planned budget limits. For instance, the U.S. Department of Defense fiscal year 2016 budget request calls for base funding of US\$534.3 billion, which is approximately US\$35 billion above planned budget limits set out in the Bi-Partisan Budget Act of 2013. This imbalance brings back the threat of a return to sequestration for the U.S. 2016 fiscal year, which could affect the Corporation. However, UK operations reduce the Corporation's relative exposure to the U.S. military market, as a more geographically diversified military portfolio, mainly composed of leading programs, and also balanced between new component manufacturing and aftermarket products and services, should lessen this impact.

The Corporation's balance sheet remains healthy with cash and cash equivalents of \$35.1 million as at March 31, 2015. This amount, combined with funds available under its Credit Facility, will allow Héroux-Devtek to fund expected capital expenditures of approximately \$55 million in fiscal 2016, including mainly investments related to the Boeing B-777 landing gear contract.

As of March 31, 2015, Héroux-Devtek's funded (firm orders) backlog stood at \$459 million, up from \$456 million 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.

In the current fiscal year ending March 31, 2016, Héroux-Devtek anticipates an organic sales growth of approximately 10%, assuming stable currencies. Given forces driving its main markets and stable currencies, the Corporation anticipates organic sales to the commercial aerospace market to grow in excess of 10%, while organic sales to the military aerospace market should experience single-digit growth.

Over a longer-term horizon, Héroux-Devtek's performance will be driven by the growth of European operations, the start-up of the Boeing B-777 contract, the ramp-up of certain landing gear design programs, the achievement by large aircraft manufacturers of their scheduled production rate increases, a sustained recovery in the business jet market, and stable conditions in the military market.

With these key drivers, the Corporation believes that it can achieve sales of approximately \$500 million by its 2019 fiscal year, assuming no further acquisitions and stable exchange rates between the Canadian dollar, the US dollar and the British pound, as well as considering its FFEC.

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<sup>9</sup> Source: Economic Performance of the Airline Industry, IATA, December 2014.

<sup>10</sup> Sources: Airbus press releases February 27, 2015; November 4, 2014; February 24, 2014. Boeing press releases October 2, 2014; January 24, 2014; October 31, 2013.

<sup>11</sup> Sources: GAMA, FAA, JetNet, Teal Group.

### Additional Information and Continuous Disclosure

This MD&A was approved by the Audit Committee and by the Board of Directors on May 27, 2015. Updated information on the Corporation can be found on the SEDAR website, at [www.sedar.com](http://www.sedar.com).

# 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 2015. As of March 31, 2015, 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 Regulation 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



Stéphane Arsenault, CPA, CA  
Chief Financial Officer

May 27, 2015

# 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, 2015 and 2014 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the consolidated financial statements**

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

## **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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Héroux-Devtek Inc. as at March 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended, 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 in a smaller font to the right.

Montréal, Québec  
May 27, 2015

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<sup>1</sup> CPA Auditor, CA, public accountancy permit no. A118111



## CONSOLIDATED BALANCE SHEETS

As at March 31, 2015 and 2014

(In thousands of Canadian dollars)	Notes	March 31, 2015	March 31, 2014
<b>Assets</b>	<b>21</b>		
<b>Current assets</b>			
Cash and cash equivalents	11	\$ 35,098	\$ 47,347
Accounts receivable		71,511	66,042
Income tax receivable		3,771	508
Inventories	12	130,954	134,048
Derivative financial instruments	13	283	283
Other current assets	14	14,326	14,053
		<b>255,943</b>	<b>262,281</b>
<b>Property, plant and equipment, net</b>	<b>6, 15</b>	<b>142,112</b>	<b>92,305</b>
<b>Finite-life intangible assets, net</b>	<b>6, 9, 16</b>	<b>50,557</b>	<b>59,139</b>
<b>Deposits on machinery and equipment</b>	<b>27</b>	<b>23,306</b>	<b>12,868</b>
<b>Derivative financial instruments</b>	<b>13</b>	<b>4</b>	<b>276</b>
<b>Deferred income tax assets</b>	<b>25</b>	<b>10,004</b>	<b>2,720</b>
<b>Goodwill</b>	<b>17</b>	<b>93,527</b>	<b>84,378</b>
<b>Total assets</b>		<b>\$ 575,453</b>	<b>\$ 513,967</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	18	\$ 69,182	\$ 57,623
Accounts payable - other and, other liabilities	19	8,196	3,791
Provisions	9, 20	26,241	14,990
Customer advances		18,326	9,409
Progress billings		6,405	6,529
Income tax payable		220	690
Derivative financial instruments	13	11,685	4,781
Current portion of long-term debt	21	5,972	3,648
		<b>146,227</b>	<b>101,461</b>
<b>Long-term debt</b>	<b>21</b>	<b>106,955</b>	<b>145,224</b>
<b>Provisions</b>	<b>20</b>	<b>5,967</b>	<b>4,853</b>
<b>Progress billings</b>		<b>347</b>	<b>1,181</b>
<b>Derivative financial instruments</b>	<b>13</b>	<b>5,527</b>	<b>2,477</b>
<b>Deferred income tax liabilities</b>	<b>25</b>	<b>3,331</b>	<b>8,638</b>
<b>Other liabilities</b>	<b>9, 22</b>	<b>13,644</b>	<b>9,994</b>
		<b>281,998</b>	<b>273,828</b>
<b>Shareholders' equity</b>			
Issued capital	23	75,304	26,187
Contributed surplus	23	2,403	1,247
Accumulated other comprehensive income	24	9,056	6,768
Retained earnings		206,692	205,937
		<b>293,455</b>	<b>240,139</b>
		<b>\$ 575,453</b>	<b>\$ 513,967</b>

Commitments and Contingencies (notes 27 and 28)

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, 2015 and 2014

(In thousands of Canadian dollars, except per share data)

	<b>Notes</b>	<b>2015</b>	<b>2014</b>
Sales		\$ 364,916	\$ 272,034
Cost of sales	6, 7, 12	305,740	229,606
Gross profit		59,176	42,428
Selling and administrative expenses	6, 7, 23	29,755	19,908
Non-recurring charges	9	22,860	6,901
Operating income		6,561	15,619
Financial expenses	8	5,860	3,816
Income before income tax expense		701	11,803
Income tax expense (recovery)	25	(2,523)	2,567
Net income		\$ 3,224	\$ 9,236
Earnings per share – basic and diluted	10	\$ 0.09	\$ 0.29

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the fiscal years ended March 31, 2015 and 2014

(In thousands of Canadian dollars)

	Notes	2015	2014
	<b>24</b>		
Other comprehensive income (loss):			
Items that may be reclassified to net income			
Gain arising from translating the financial statements of foreign operations	\$	12,065	\$ 9,941
Cash flow hedges:			
Losses on valuation of derivative financial instruments		(10,053)	(6,377)
Net losses (gains) on derivative financial instruments transferred to net income		619	(87)
Deferred income taxes		2,517	1,721
		(6,917)	(4,743)
Losses on hedge of net investment in foreign operations		(3,151)	(1,158)
Deferred income taxes		291	81
		(2,860)	(1,077)
Items that are never reclassified to net income			
Defined benefit pension plans:			
Gains (losses) from remeasurement	26	(3,368)	4,477
Deferred income taxes		899	(1,195)
		(2,469)	3,282
Other comprehensive income (loss)	\$	(181)	\$ 7,403
Comprehensive income			
Net income	\$	3,224	\$ 9,236
Other comprehensive income (loss)		(181)	7,403
Comprehensive income	\$	3,043	\$ 16,639

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, 2015 and 2014

(In thousands of Canadian dollars)

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Shareholders' equity
<b>Balance as at March 31, 2014</b>		\$ 26,187	\$ 1,247	\$ 6,768	\$ 205,937	\$ 240,139
Common shares:	23					
Issued pursuant to the Public offering and concurrent private placements		48,428	—	—	—	48,428
Issued under the Stock option plan		320	(136)	—	—	184
Issued under the Stock purchase and ownership incentive plan		369	—	—	—	369
Stock-based compensation expense	23	—	1,292	—	—	1,292
Net income		—	—	—	3,224	3,224
Other comprehensive income (loss)		—	—	2,288	(2,469)	(181)
<b>Balance as at March 31, 2015</b>		\$ 75,304	\$ 2,403	\$ 9,056	\$ 206,692	\$ 293,455

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Shareholders' equity
<b>Balance as at March 31, 2013</b>		\$ 25,365	\$ 1,222	\$ 2,647	\$ 193,419	\$ 222,653
Common shares:	23					
Issued under the Stock option plan		545	(247)	—	—	298
Issued under the Stock purchase and ownership incentive plan		277	—	—	—	277
Stock-based compensation expense	23	—	272	—	—	272
Net income		—	—	—	9,236	9,236
Other comprehensive income		—	—	4,121	3,282	7,403
<b>Balance as at March 31, 2014</b>		\$ 26,187	\$ 1,247	\$ 6,768	\$ 205,937	\$ 240,139

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the fiscal years ended March 31, 2015 and 2014

(In thousands of Canadian dollars)

	Notes	2015	2014
<b>Cash and cash equivalents provided by (used for):</b>			
<b>Operating activities</b>			
Net income		\$ 3,224	\$ 9,236
Items not requiring an outlay of cash:			
Amortization expense	7, 15, 16	18,360	13,280
Deferred income tax recovery	25	(5,101)	(4,525)
Loss (gain) on sale of property, plant and equipment		(40)	10
Impairment of finite-life intangible assets and write-down of assets	9, 15, 16	7,956	193
Non-cash financial expenses	8	3,656	2,469
Stock-based compensation expense	23	1,292	272
Cash flows from operations		29,347	20,935
Net change in non-cash items related to continuing operations	29	17,955	8,897
<b>Cash flows related to operating activities from continuing operations</b>		<b>47,302</b>	<b>29,832</b>
Net change in non-cash items related to discontinued operations		(1,082)	(3,792)
<b>Cash flows related to operating activities</b>		<b>46,220</b>	<b>26,040</b>
<b>Investing activities</b>			
Business acquisition	5	—	(138,738)
Additions to property, plant and equipment	15	(52,292)	(9,726)
Deposits on machinery and equipment		(10,438)	(12,634)
Net increase in finite-life intangible assets	16	(2,643)	(7,942)
Proceeds on disposal of property, plant and equipment		415	192
<b>Cash flows related to investing activities</b>		<b>(64,958)</b>	<b>(168,848)</b>
<b>Financing activities</b>			
Increase in long-term debt		22,873	85,650
Repayment of long-term debt		(67,772)	(3,838)
Increase in deferred financing costs	21	—	(716)
Issuance of common shares	23	48,406	575
<b>Cash flows related to financing activities</b>		<b>3,507</b>	<b>81,671</b>
<b>Effect of changes in exchange rates on cash and cash equivalents</b>		<b>2,982</b>	<b>7,228</b>
<b>Change in cash and cash equivalents during the year</b>		<b>(12,249)</b>	<b>(53,909)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>47,347</b>	<b>101,256</b>
<b>Cash and cash equivalents at end of year</b>		<b>\$ 35,098</b>	<b>\$ 47,347</b>
<b>Interest and taxes reflected in operating activities:</b>			
Interest paid for continuing operations		\$ 2,411	\$ 1,755
Interest received from continuing operations		\$ 207	\$ 406
Income taxes paid for continuing operations		\$ 5,753	\$ 4,950
Income taxes paid for discontinued operations		\$ 507	\$ 3,792

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2015 and 2014

(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, aircraft controls through its Magtron operations and fluid filters products through its Bolton operations (see note 5).

The Corporation operates in one reporting segment, which is the Aerospace segment.

### 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") and were approved for issue by the Board of Directors of the Corporation on May 27, 2015. Deposits on machinery and equipment comparative figures have been reclassified from other current assets to Deposits on machinery and equipment to conform to the March 31, 2015 presentation. Also, the Fiscal 2014 non-recurring charges have been reclassified being part of the operating income.

#### 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 the following:

APPH Limited	HDI Landing Gear USA Inc.
APPH Wichita Inc.	Devtek Aerospace 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 and the functional currency of the U.K. operations is the British pound. 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 translated 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.

**B. Cash and cash equivalents**

Cash and cash equivalents comprise cash.

**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 except for certain raw material that are valued at the weighted average 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 may include 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 asset retirement obligations provision.

- **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 obligation. 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, customer relationships and contracts and software. They are measured on initial recognition at cost. The cost of these intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, they are carried at cost less accumulated amortization and impairment losses, if any.

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.

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.

### *Development costs*

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 expected quantities to be sold. They are presented net of related government assistance and amounts contributed by customers.

The expected quantities to be sold 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, 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. Usually, the development phase represents a period of 4 to 7 years. During the period of development, the asset is usually tested for impairment annually.

### *Customer relationships and contracts*

Customer relationships and contracts are amortized based on sales over estimated related customer relationships and contracts sales, which represent a period of up to 15 years.

### *Software*

Software is amortized over 3 to 5 years.

## **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-related costs associated with the business combinations are expensed as incurred.

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.

## **H. Impairment of goodwill and other non-financial assets**

Goodwill is tested for impairment, annually on March 31 or 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 budget and strategic plan, which cover five years, 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 five-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 amount 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**

### **Initial recognition**

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.

### **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 (such as the probability of insolvency or significant financial difficulties of the debtor), 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.

### **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.

## **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.

### **Other financial liabilities**

All debts, 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.

### **Cash flow hedges**

For the purpose of hedge accounting, all hedges are classified as cash flow hedges except for hedges of net investments in foreign 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 foreign operations**

The Corporation designates certain long-term debt as a hedge of its net investments in foreign 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 related net investments.

## **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 present value of these obligations is measured in the year in which they are identified and when a reasonable estimate of their present value can be made. The present 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. The discount fluctuation is expensed as incurred and recognized in the consolidated statement of income as financial expenses. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are recognized in the consolidated statements of income as cost of sales when the related assets are fully amortized.

### *Product warranty*

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

### *Litigations and other*

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.

Restructuring provisions are recognized when the Corporation has put in place a detailed restructuring plan which has been communicated in sufficient detail to create a constructive obligation. Restructuring provisions include only costs directly related to the restructuring plan, and are measured at the best estimate of the amount required to settle the Corporation's obligations.

### **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. The current and past service costs of these pension plans are recorded within the cost of sales and selling and administrative expenses under "Employee costs" in the Consolidated Financial Statements while the administrative costs related to these pension plans are presented in the selling and administrative expenses. The net interest income or expense on the net surplus or deficit is recorded in the financial expenses.

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.

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, discount rate and other actuarial factors.

The Pension and other retirement benefit plans liabilities included in Other liabilities in the consolidated balance sheets represent the present value of the defined benefit obligations reduced by the fair value of plan assets.

Actuarial gains (losses) arise from the difference between the actual rate of return on plan assets for a period and the expected return on plan assets for that period or from changes in actuarial assumptions used to determine the defined benefit obligations.

Remeasurements comprising of actuarial gains and losses from changes in demographic assumptions, changes in financial assumptions, experience gains, the effect of the asset limit, the effect of minimum funding requirements and the return on plan assets are recognized immediately in other comprehensive income in the period in which they arise. Such remeasurements 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, as member of the Board of Directors. Although the SAR plan has since been replaced by a deferred share unit 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.

### **Deferred share unit ("DSU") plan**

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 until the DSUs are exercised and paid at termination date.

### **Performance share unit ("PSU") plan**

The Corporation has a PSU plan as part of a long-term incentive plan for management and key employees. The PSU plan is non-dilutive and is settled in cash. PSUs vest over a period of three years. The PSU enables the participants to receive compensation at the expiry or termination date representing a cash amount equal to the quoted price of the Corporation's common share for each PSU vested, conditional on the achievement of selected financial targets.

The PSUs 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 PSUs are paid or cancelled at the expiry or termination date.

## **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. Revenue from the sale of goods is 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 8).

## **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.

## **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.

## **U. Change in accounting policies**

On April 1, 2014, the Corporation adopted retrospectively the IFRIC 21 standard below. The adoption of the new standard had no impact on prior periods comparative figures.

### **IFRIC 21 Levies**

IFRIC 21 clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment. Levies are required to be applied retrospectively for periods beginning April 1, 2014. The Corporation adopted IFRIC 21 on April 1, 2014 and the adoption of this standard had no impact on the Corporation's consolidated financial statements.

## **V. Future changes in accounting policies**

### **IFRS 9 *Financial Instruments***

The IFRS 9, *Financial Instruments* simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a new hedge accounting model more closely aligned with risk management activities undertaken by corporations. The standard is required to be applied retrospectively for periods beginning April 1, 2018. The Corporation has not yet assessed the impact of these amendments.

### **IFRS 15**

The IFRS 15, *revenue from contracts with customers*, establishes a single framework for determining the timing and the amount of revenue that can be recognized. These amendments are required to be applied retrospectively for periods beginning April 1, 2017, with earlier application permitted. The International accounting standards Board decided to defer for one year the effective date before the application. The Corporation has not yet assessed the impact of these amendments.

## **Note 4. Significant accounting estimates and assumptions**

The preparation of the Corporation's consolidated financial statements requires management to make 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 estimates and assumptions. Key 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:

#### **A. Impairment of non-financial assets**

Impairment exists when the carrying amount 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 five-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-flows 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 9 and 17.

#### **B. 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.

#### **C. 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, 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. The significant assumptions used to determine the defined benefit obligations and the pension expenses, including a sensitivity analysis, are further explained in note 26.

#### **D. 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. For purpose of impairment testing, the Corporation exercises judgment to identify the cash inflows and outflows. The recoverable amount is based on fair value less costs of disposal, generally determined using a discounted cash flow model. Other assumptions used to determine the recoverable amount include the applicable discount rate, the expected future cash flows which include costs to complete the development activities.

#### **E. 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.

### **Note 5. Business acquisition**

On February 3, 2014, the Corporation signed an agreement to acquire the entire share capital of U.K. - based APPH Limited and U.S. - based APPH Wichita Inc. (collectively "APPH"), from BBA Aviation Plc (LSE : BBA), for a consideration of US\$124,184 (\$138,738), net of US\$3,816 (\$4,264) of cash acquired. The acquisition was financed with the Corporation's available cash for US\$54,884 (\$61,316) and existing credit facility for US\$69,300 (\$77,422). The transaction was treated as a business combination.

APPH is an integrated provider of landing gear and hydraulic systems and assemblies for original equipment manufacture ("OEM") and aftermarket applications, supplying both the commercial and military sectors in the Aerospace market. This acquisition expands the Corporation's geographical operations into the European market and further increases and diversifies its customer base.

During the fiscal year ended March 31, 2015, the Corporation finalized the purchase price allocation. Adjustments and reclassifications are mainly related to the assessment of costs and liabilities associated to specific Aerospace programs.

	Purchase price allocation, as originally reported	Adjustments and reclassifications	Final purchase price allocation
Cash	\$ 4,264	\$ —	\$ 4,264
Accounts receivable	15,548	(3,634)	11,914
Inventories	39,310	629	39,939
Other current assets	854	764	1,618
<b>Total current assets</b>	<b>59,976</b>	<b>(2,241)</b>	<b>57,735</b>
Property, plant and equipment	14,896	—	14,896
Finite-life intangible assets <sup>(1)</sup>	25,469	—	25,469
Deferred income tax assets	1,098	1,554	2,652
<b>Total non-current assets</b>	<b>41,463</b>	<b>1,554</b>	<b>43,017</b>
Accounts payable and accrued liabilities	12,535	3,072	15,607
Accounts payable - other and, other liabilities <sup>(2)</sup>	1,698	179	1,877
Provisions	5,611	1,683	7,294
<b>Total current liabilities</b>	<b>19,844</b>	<b>4,934</b>	<b>24,778</b>
Other liabilities <sup>(2)</sup>	3,306	958	4,264
<b>Total non-current liabilities</b>	<b>3,306</b>	<b>958</b>	<b>4,264</b>
Net identifiable assets and liabilities	78,289	(6,579)	71,710
Goodwill on acquisition <sup>(3)</sup>	64,713	6,579	71,292
<b>Total consideration</b>	<b>143,002</b>	<b>—</b>	<b>143,002</b>
Cash acquired	4,264	—	4,264
<b>Net cash outflow</b>	<b>\$ 138,738</b>	<b>\$ —</b>	<b>\$ 138,738</b>

<sup>(1)</sup> Mainly customer relationships and contracts.

<sup>(2)</sup> Essentially deferred revenue.

<sup>(3)</sup> Mainly allocated to Landing Gear product line.

## Note 6. Government assistance

During the fiscal years ended March 31, government assistance deducted from the cost of the related assets or recognized as a reduction of expenses, are as follows:

	2015	2014
Deposits on machinery and equipment	\$ 2,097	\$ —
Property, plant and equipment	1,494	1,771
Finite-life intangible assets	1,565	2,488
Cost of sales and, selling and administrative expenses	3,120	3,220

The government assistance includes mainly the research and development tax credits, other credits and grants.



## Note 7. Cost of sales and selling and administrative expenses

The main components of these expenses related to operations for the fiscal years ended March 31, are as follows:

	2015	2014
Raw materials and purchased parts	\$ 139,508	\$ 110,850
Employee costs	121,805	95,762
Amortization of property, plant and equipment and finite-life intangible assets (notes 15, 16)	18,360	13,280
Others	55,822	29,622
	<b>\$ 335,495</b>	<b>\$ 249,514</b>

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. During the fiscal year ended March 31, 2015, the foreign exchange gain included in the Corporation's selling and administrative expenses amounted to \$1,831 (\$1,074 in 2014).

## Note 8. Financial expenses

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

	2015	2014
Interest accretion on governmental authorities loans	\$ 2,406	\$ 1,740
Interest on net defined benefit obligations (note 26)	239	465
Amortization of deferred financing costs (note 21)	319	440
Other interest accretion expense and discount rate adjustments	692	(176)
Non-cash financial expenses	3,656	2,469
Interest expense	2,050	1,187
Standby fees	361	566
Interest income on cash and cash equivalents	(207)	(406)
	<b>\$ 5,860</b>	<b>\$ 3,816</b>

## Note 9. Non-recurring charges

Non-recurring charges for the fiscal years ended March 31, comprise the following:

	2015	2014
Settlement of a litigation	\$ 11,610	\$ —
Impairment of finite-life intangible assets	7,924	—
Restructuring charges	3,326	1,884
Acquisition-related costs	—	5,017
	<b>\$ 22,860</b>	<b>\$ 6,901</b>

### Settlement of a litigation

On February 5, 2014, Goodrich Corporation, member of UTC Aerospace Systems (« UTAS ») group, filed a request for arbitration against the Corporation to the ICC International Court of Arbitration based on alleged violation of a non-compete covenant contained in an agreement between Goodrich Corporation and Devtek Aerospace Inc. relating to manufacturing the pistons.

On May 27, 2015, the Corporation executed a Memorandum of Settlement with UTAS in regards to a litigation and the final settlement is expected to be completed in the following days, subject to an agreement on the terms for the extension of two existing contracts with UTAS for the supply of various aircraft parts. The Corporation recorded a charge of \$11,610, including incurred legal fees, for the fiscal year ended March 31, 2015. An amount of \$10,133 is recorded under Litigations and other short-term provisions (note 20) in the Corporation's Consolidated balance sheet at March 31, 2015.

## Impairment of finite-life intangible assets

On January 15, 2015, Bombardier, a Canadian public corporation, announced its decision to pause the Learjet 85 business aircraft program due to weak demand of the light business aircraft category and downward revision of business aircraft market forecast. The Corporation is the developer and supplier of the complete landing gear system for this aircraft. Following the decision of Bombardier, the Corporation performed an impairment test on the Learjet 85 costs, which principally consists of capitalized development costs, inventories, and obligations, and recorded an impairment charge of \$7,924 on the capitalized development costs associated to this program.

To determine the impairment charge, the Corporation has established a recoverable amount for the capitalized development costs based on the higher of the fair value less costs to sell and its value in use. The calculation is most sensitive to:

- the discount rate used established at 7.8% and,
- the expected future cash flows.

The following table presents the sensitivity of the recoverable amount and the associated impact on the impairment charge of an increase in the discount rate or a decrease in the expected future cash flows used in isolation from one another and, assuming all other assumptions remain unchanged.

	Increased impairment charge
100-basis point increase in the discount rate	\$161
10% decrease of expected future cash flows	\$576

## Restructuring charges

Last year, on January 16, 2014, given the substantial reduction in military aftermarket products with the U.S. government, the Corporation announced a plan to optimize and consolidate manufacturing capacity, while further enhancing productivity throughout the organization. These initiatives are in line with the Corporation's operating strategy of focusing on specialized centers of excellence but resulted in certain restructuring charges. Furthermore, following the acquisition of APPH, the Corporation incurred restructuring charges related to the integration of APPH's operations, personnel and technology with its pre-acquisition operations. These initiatives have been substantially completed as at March 31, 2015.

For the fiscal year ended March 31, 2015, these restructuring charges amounted to \$3,326 (\$1,884 in 2014), and include employee termination benefits of \$2,126 (\$1,367 in 2014), the write-down of equipment for \$32 (\$193 in 2014), equipment dismantling costs of \$883 (none in 2014) and other related costs of \$285 (\$324 in 2014). As at March 31, 2015, the unpaid portion of the restructuring charges of \$1,447 (\$890 as at March 31, 2014) is presented under short-term provisions (note 20) and under other liabilities (note 26) for \$360 (\$319 as at March 31, 2014) in the Corporation's Consolidated balance sheets.

## Acquisition-related costs

For the fiscal year ended March 31, 2014, the acquisition-related costs amounted to \$5,017. These costs mainly pertain to professional fees, transaction fees and expenses incurred for the acquisition of APPH (note 5).

## Note 10. 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:

	2015	2014
Weighted-average number of common shares outstanding	34,901,780	31,536,316
Effect of dilutive stock options of the Corporation	114,616	125,523
Weighted-average number of common diluted shares outstanding	35,016,396	31,661,839

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. During the fiscal year ended March 31, 2015, 598,845 stock options of the Corporation's plan (502,500 in 2014) were excluded from the diluted earnings per share calculation.

**Note 11. Cash and cash equivalents**

	March 31, 2015	March 31, 2014
Cash at banks	\$ 35,098	\$ 47,347

Cash at banks earns interest at floating rates based on daily bank deposit rates.

**Note 12. Inventories**

	March 31, 2015	March 31, 2014
Raw materials	\$ 62,193	\$ 62,934
Work-in-progress	66,923	69,431
Finished goods	1,838	1,683
	<b>\$ 130,954</b>	<b>\$ 134,048</b>

The amount of inventories recognized as cost of sales for the fiscal year ended March 31, 2015 is \$249,757 (\$194,739 in 2014).

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

	2015	2014
Write-downs recognized as cost of sales	\$ 7,758	\$ 5,874
Reversal of prior-period write-downs recognized as a reduction of cost of sales	\$ 5,964	\$ 4,702

For the fiscal year ended March 31, 2015, the reversal of prior-period write-downs includes the charges against the inventory reserve of \$1,153 (\$2,103 in 2014) for products delivered or written-off during the year for which a net realizable value reserve was required and recorded in prior years. It also includes the results from the revaluation, at each reporting date, of the net realizable value of inventories, based on related sales contracts and production costs. The revaluation takes into consideration the variations in selling price and number of units to deliver for new contracts signed and also the reduction in production costs resulting from improvements in manufacturing processes.

**Note 13. Derivative financial instruments**

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

	March 31, 2015	March 31, 2014
<b>Current Assets</b>		
Forward foreign exchange contracts and embedded derivative financial instruments	\$ 283	\$ 283
	<b>\$ 283</b>	<b>\$ 283</b>
<b>Long-term Assets</b>		
Forward foreign exchange contracts	\$ 4	\$ 276
	<b>\$ 4</b>	<b>\$ 276</b>
<b>Current Liabilities</b>		
Forward foreign exchange contracts and embedded derivative financial instruments	\$ 11,374	\$ 4,576
Interest rate swap agreements	311	205
	<b>\$ 11,685</b>	<b>\$ 4,781</b>
<b>Long-term Liabilities</b>		
Forward foreign exchange contracts	\$ 5,149	\$ 2,317
Interest rate swap agreements	378	160
	<b>\$ 5,527</b>	<b>\$ 2,477</b>

**Note 14. Other current assets**

	March 31, 2015	March 31, 2014
Investment and other tax credits receivable	\$ 5,099	\$ 8,762
Sales tax receivable	3,358	1,761
Prepaid expenses	3,757	2,748
Others	2,112	782
	<b>\$ 14,326</b>	<b>\$ 14,053</b>

**Note 15. Property, plant and equipment**

	Land	Buildings and leasehold improvements	Machinery, equipment and tooling	Other	Construction in progress	Total
<b>Cost:</b>						
As at March 31, 2014	\$ 2,953	\$ 43,786	\$ 154,956	\$ 8,909	\$ 1,278	\$ 211,882
Additions	3,331	2,732	24,155	1,639	29,325	61,182
Government assistance (note 6)	—	(213)	(1,248)	(33)	—	(1,494)
Construction in progress	—	92	977	209	(1,278)	—
Retirements and disposals	—	(91)	(373)	(203)	—	(667)
Effect of changes in exchange rates	213	1,413	3,540	171	1,502	6,839
As at March 31, 2015	<b>\$ 6,497</b>	<b>\$ 47,719</b>	<b>\$ 182,007</b>	<b>\$ 10,692</b>	<b>\$ 30,827</b>	<b>\$ 277,742</b>
<b>Accumulated amortization:</b>						
As at March 31, 2014	\$ —	\$ 18,600	\$ 96,375	\$ 4,602	\$ —	\$ 119,577
Amortization expense	—	2,335	11,571	1,003	—	14,909
Write-down (note 9)	—	—	32	—	—	32
Retirements and disposals	—	(76)	(20)	(196)	—	(292)
Effect of changes in exchange rates	—	269	1,055	80	—	1,404
As at March 31, 2015	<b>\$ —</b>	<b>\$ 21,128</b>	<b>\$ 109,013</b>	<b>\$ 5,489</b>	<b>\$ —</b>	<b>\$ 135,630</b>
<b>Net book value as at March 31, 2015</b>	<b>\$ 6,497</b>	<b>\$ 26,591</b>	<b>\$ 72,994</b>	<b>\$ 5,203</b>	<b>\$ 30,827</b>	<b>\$ 142,112</b>

	Land	Buildings and leasehold improvements	Machinery, equipment and tooling	Other	Construction in progress	Total
<b>Cost:</b>						
As at March 31, 2013	\$ 1,888	\$ 40,021	\$ 135,747	\$ 7,748	\$ 854	\$ 186,258
Additions – Business acquisition (note 5)	987	2,288	10,470	59	1,092	14,896
Additions	—	2,434	9,380	808	—	12,622
Government assistance (note 6)	—	(574)	(1,189)	(8)	—	(1,771)
Construction in progress	—	—	672	—	(672)	—
Retirements and disposals	—	(1,105)	(779)	(27)	—	(1,911)
Effect of changes in exchange rates	78	722	655	329	4	1,788
As at March 31, 2014	\$ 2,953	\$ 43,786	\$ 154,956	\$ 8,909	\$ 1,278	\$ 211,882
<b>Accumulated amortization:</b>						
As at March 31, 2013	\$ —	\$ 17,291	\$ 87,384	\$ 3,397	\$ —	\$ 108,072
Amortization expense	—	2,116	9,369	802	—	12,287
Write-down (note 9)	—	—	193	—	—	193
Retirements and disposals	—	(1,083)	(599)	(27)	—	(1,709)
Effect of changes in exchange rates	—	276	28	430	—	734
As at March 31, 2014	\$ —	\$ 18,600	\$ 96,375	\$ 4,602	\$ —	\$ 119,577
<b>Net book value as at March 31, 2014</b>	<b>\$ 2,953</b>	<b>\$ 25,186</b>	<b>\$ 58,581</b>	<b>\$ 4,307</b>	<b>\$ 1,278</b>	<b>\$ 92,305</b>

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

	March 31, 2015	March 31, 2014
Gross Additions	\$ 61,182	\$ 12,622
Government assistance (note 6)	(1,494)	(1,771)
Additions to property, plant and equipment	59,688	10,851
Variation in unpaid additions included in Accounts payable - other and, other liabilities at year-end (note 19)	(4,402)	32
Machinery and equipment acquired through finance leases (note 21)	(2,994)	(1,157)
Additions, as per statements of cash flows	\$ 52,292	\$ 9,726

As at March 31, 2015, cost of machinery, equipment and tooling includes assets acquired through finance leases amounting to \$23,088 (\$19,693 as at March 31, 2014) with accumulated amortization of \$10,537 (\$8,850 as at March 31, 2014).

As at March 31, 2015 and 2014, construction in progress includes the cost related to buildings and, machinery and equipment being installed at these dates.

As at March 31, 2015, the cost of property, plant and equipment still in use and fully depreciated is \$66,317 (\$68,783 as at March 31, 2014).

## Note 16. Finite-life intangible assets

	Capitalized development costs		Software		Customer relationships and contracts		Total
<b>Cost:</b>							
As at March 31, 2014	\$	33,501	\$	12,234	\$	25,080	\$ 70,815
Additions		2,030		1,368		—	3,398
Government assistance (note 6)		(1,565)		—		—	(1,565)
Retirements and disposals		—		(33)		—	(33)
Effect of changes in exchange rates		—		151		1,017	1,168
As at March 31, 2015	\$	33,966	\$	13,720	\$	26,097	\$ 73,783
<b>Accumulated amortization:</b>							
As at March 31, 2014	\$	672	\$	10,818	\$	186	\$ 11,676
Amortization expense		617		879		1,955	3,451
Impairment (note 9)		7,924		—		—	7,924
Retirements and disposals		—		(33)		—	(33)
Effect of changes in exchange rates		—		133		75	208
As at March 31, 2015	\$	9,213	\$	11,797	\$	2,216	\$ 23,226
<b>Net book value as at March 31, 2015</b>	<b>\$</b>	<b>24,753</b>	<b>\$</b>	<b>1,923</b>	<b>\$</b>	<b>23,881</b>	<b>\$ 50,557</b>

	Capitalized development costs		Software		Customer relationships and contracts		Total
<b>Cost:</b>							
As at March 31, 2013	\$	25,728	\$	11,359	\$	1,368	\$ 38,455
Additions – business acquisition (note 5)		—		360		25,109	25,469
Additions		10,219		460		—	10,679
Government assistance (note 6)		(2,448)		(40)		—	(2,488)
Retirements and disposals		—		—		(1,368)	(1,368)
Effect of changes in exchange rates		2		95		(29)	68
As at March 31, 2014	\$	33,501	\$	12,234	\$	25,080	\$ 70,815
<b>Accumulated amortization:</b>							
As at March 31, 2013	\$	557	\$	10,058	\$	1,368	\$ 11,983
Amortization expense		115		694		184	993
Retirements and disposals		—		—		(1,368)	(1,368)
Effect of changes in exchange rates		—		66		2	68
As at March 31, 2014	\$	672	\$	10,818	\$	186	\$ 11,676
<b>Net book value as at March 31, 2014</b>	<b>\$</b>	<b>32,829</b>	<b>\$</b>	<b>1,416</b>	<b>\$</b>	<b>24,894</b>	<b>\$ 59,139</b>

## Note 17. Goodwill

	March 31, 2015		March 31, 2014	
<b>Cost:</b>				
Balance at beginning of the year	\$	84,378	\$	19,180
Business acquisition (note 5)		6,579		64,713
Effect of changes in exchange rate		2,570		485
<b>Goodwill</b>	<b>\$</b>	<b>93,527</b>	<b>\$</b>	<b>84,378</b>

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

CGU	March 31, 2015	March 31, 2014
Aerospace - Landing Gear Product Line	\$ 89,621	\$ 80,678
Aerospace - Other products	3,906	3,700
<b>Goodwill</b>	<b>\$ 93,527</b>	<b>\$ 84,378</b>

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed as at March 31, 2015 for the Aerospace - Landing Gear Product Line and other products:

CGU	Pre-tax discount rate	Perpetual growth rate
Aerospace - Landing Gear Product Line	17.1%	2.6%
Aerospace - Other products	15.5% and 16.8%	2.0%

#### *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 amount of CGU as at March 31, 2015:

CGU	Incremental increase in pre-tax discount rate	Incremental decrease in perpetual growth rate
Aerospace - Landing Gear Product Line	3.1%	4.7%
Aerospace - Other products	15.8% and 22.5%	52.0%

#### **Note 18. Accounts payable and accrued liabilities**

	March 31, 2015	March 31, 2014
Trade payables <sup>(1)</sup>	\$ 45,365	\$ 36,092
Accrued liabilities <sup>(2)</sup>	23,817	21,531
<b>Accounts payable and accrued liabilities</b>	<b>\$ 69,182</b>	<b>\$ 57,623</b>

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

<sup>(2)</sup> Accrued liabilities mainly include payroll-related liabilities.

#### **Note 19. Accounts payable - other and, other liabilities**

	March 31, 2015	March 31, 2014
Unpaid machinery and equipment	\$ 6,402	\$ 2,000
Deferred revenue	904	1,422
Other payables	890	369
<b>Account payable - other and, other liabilities</b>	<b>\$ 8,196</b>	<b>\$ 3,791</b>



## Note 20. Provisions

	Onerous contracts	Asset retirement obligations	Product warranty	Litigations and other	Total
As at March 31, 2014	\$ 27	\$ 5,171	\$ 6,936	\$ 7,709	\$ 19,843
Business acquisition (note 5)	—	—	2,017	(334)	1,683
Arising during the year (note 9)	79	104	761	11,856	12,800
Interest accretion expense (note 8)	—	161	—	—	161
Utilized	(23)	—	(357)	(1,403)	(1,783)
Reversed	—	—	(651)	(622)	(1,273)
Discount rate adjustments (note 8)	—	531	—	—	531
Effect of changes in exchange rate	3	—	189	54	246
As at March 31, 2015	86	5,967	8,895	17,260	32,208
Less: current portion	86	—	8,895	17,260	26,241
Long-term portion	\$ —	\$ 5,967	\$ —	\$ —	\$ 5,967

## Note 21. Long-term debt

	March 31, 2015	March 31, 2014
Senior Secured Syndicated Revolving Credit Facility ("Credit Facility") of up to \$200,000 (either in Canadian, U.S., Euro or British Pound currency equivalent), maturing on March 16, 2019. At March 31, 2015, the Corporation used US\$32,000 (US\$91,300 as at March 31, 2014) which bears interest at Libor plus 1.1% representing an effective interest rate of 1.3% (1.7% at March 31, 2014) and \$16,200 (none as at March 31, 2014) which bears interest at the Bankers' Acceptance rate plus 1.1% representing an effective rate of 2.2%.	\$ 56,731	\$ 100,932
Governmental authorities loans, repayable in variable annual instalments, with various expiry dates until fiscal year 2027.	51,172	44,463
Obligations under finance leases, all bearing fixed interest rates between 2.4% and 6.5% as at March 31, 2015, maturing from January 2016 to March 2022, with amortization periods ranging from five to seven years, secured by the related property, plant and equipment, net of interest of \$518 (\$436 as at March 31, 2014).	6,299	5,071
Deferred financing costs, net	(1,275)	(1,594)
	<b>112,927</b>	<b>148,872</b>
Less: current portion	5,972	3,648
Long-term debt	\$ 106,955	\$ 145,224

### Senior Secured Syndicated Revolving Credit Facility

On June 26, 2014, the Corporation repaid US\$59.3 million (\$63.6 million) of debt against its Credit Facility through the use of the net proceeds received of \$47.9 million from the issuance of 4,255,871 common shares pursuant to the public offering and concurrent private placements (see note 23) and through an amount of \$16.2 million drawn against the Credit Facility.

The Credit Facility allows the Corporation and its subsidiaries to borrow up to \$200 million (either in Canadian, U.S., Euro or British Pound currency equivalent). The Credit Facility also includes an accordion feature to increase the Credit Facility up to \$275 million during the term of the Credit Agreement, subject to the approval of the lenders.

This Credit Facility is used for working capital, capital expenditures and other general corporate purposes of the Corporation and its subsidiaries, including acquisitions. 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.

Last year, on March 31, 2014, in conjunction with the amendment and increase of the Credit Facility, the Corporation capitalized \$716 in financing costs, which are amortized using the effective interest rate method over a five-year period.

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.

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% as at March 31, 2015 and 2014.

### 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. The Corporation complied with all covenants during the fiscal year ended March 31, 2015.

### 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	Repayment of Credit Facility	Total
2016	\$ 2,412	\$ 3,752	\$ 883	\$ 7,047
2017	1,023	3,264	883	5,170
2018	818	5,658	883	7,359
2019	818	6,023	57,575 <sup>(2)</sup>	64,416
2020	713	7,136	—	7,849
Beyond 5 years	1,033	41,183	—	42,216
<b>Sub-Total</b>	<b>6,817</b>	<b>67,016</b>	<b>60,224</b>	<b>134,057</b>
Less: Interest	518	15,844	3,493	19,855
<b>Debt balance<sup>(1)</sup></b>	<b>\$ 6,299</b>	<b>\$ 51,172</b>	<b>\$ 56,731</b>	<b>\$ 114,202</b>

<sup>(1)</sup> Before net deferred financing costs.

<sup>(2)</sup> Credit Facility matures on March 16, 2019.

### Note 22. Other liabilities

	March 31, 2015	March 31, 2014
Deferred revenue (note 5)	\$ 4,369	\$ 3,297
Pension and other retirement benefit plans (note 26)	9,275	6,697
<b>Other Liabilities</b>	<b>\$ 13,644</b>	<b>\$ 9,994</b>

## Note 23. 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, 2015 and 2014, variations in common shares issued are as follows:

	March 31, 2015		March 31, 2014	
	Number	Issued capital	Number	Issued capital
<b>Common shares issued and fully paid</b>				
Opening balance	31,620,482	\$ 26,187	31,511,446	\$ 25,365
Issued for cash pursuant to the public offering and concurrent private	4,255,871	48,428	—	—
Issued for cash on exercise of stock options	35,000	320	75,600	545
Issued for cash under the stock purchase and ownership incentive plan	38,092	369	33,436	277
<b>Closing balance</b>	<b>35,949,445</b>	<b>\$ 75,304</b>	<b>31,620,482</b>	<b>\$ 26,187</b>

### Issuance of common shares

During the fiscal years ended March 31, 2015 and 2014, the Corporation issued 4,328,963 and 109,036 common shares respectively, as follows:

- i. On June 26, 2014, the Corporation issued 4,255,871 common shares at a price of \$11.75 per share for gross proceeds of \$50.0 million pursuant to the public offering and concurrent private placements. The net proceeds of \$47.9 million received by the Corporation, net of underwriting commissions and other issuance costs of \$1.6 million and \$0.5 million, respectively, were used to repay indebtedness under the Credit Facility. Deferred income taxes of \$0.6 million were recorded related to the issuance costs.
- ii. During the fiscal year ended March 31, 2015, the Corporation issued 35,000 common shares (75,600 in 2014), following the exercise of stock options for a total cash consideration of \$184 (\$298 in 2014). The initial fair value of these stock options, amounting to \$136 (\$247 in 2014), was credited to issued capital and debited to contributed surplus. The weighted-average share price of stock options exercised during fiscal year ended March 31, 2015 was \$11.00 (\$11.66 in 2014).
- iii. During the fiscal year ended March 31, 2015, the Corporation issued 38,092 common shares (33,436 in 2014), at weighted-average prices of \$9.69 (\$8.28 in 2014), under the Corporation's stock purchase and ownership incentive plan, for total cash considerations of \$369 (\$277 in 2014).

### A. Stock option plan

During the fiscal year ended March 31, 2015, the Corporation granted 96,345 stock options to officers and key employees (502,500 in 2014), representing a total fair value of \$387 (\$2,056 in 2014) or a weighted-average fair value per stock option of \$4.02 (\$4.09 in 2014) calculated using a binomial valuation model assuming a 4.5 year expected life, expected volatility of 40% taking into account the average historical volatility of the share price over the expected life of the options granted, expected forfeiture not exceeding 4.8%, with no expected dividend distribution and a compounded risk-free interest rate of 1.7%. Stock option cost is amortized over their vesting period and a stock option expense of \$1,292 (\$272 in 2014) 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, 2015, the number of common shares reserved for issuance of stock options represents 2,808,257 of which 1,639,781 (1,674,781 in 2014) shares had not been issued yet. The options are granted at a subscription price representing the average closing price of the Corporation's common shares on the TSX for the five trading days preceding the grant date. Options granted under the plan vest over a period of four years, with the exception of certain key management employees for which the vesting period is two and three years following the grant date. The options are exercisable over a period no greater than seven years after the grant date.

As at March 31, 2015, 747,346 stock options were issued and outstanding as follows:

Exercisable price	Outstanding options			Vested options	
	Number	Weighted-average years to maturity	Weighted-average exercise price	Number	Weighted-average exercise price
\$1.00 to \$4.09	148,501	3.05	\$2.51	114,201	\$2.34
\$11.31 to \$11.71	598,845	5.98	11.65	153,125	11.71
	747,346	5.39	\$9.84	267,326	\$7.71

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

	2015		2014	
	Weighted-average exercise price	Number of stock options	Weighted-average exercise price	Number of stock options
Balance at beginning of period	\$9.39	686,001	\$3.30	259,101
Granted	11.35	96,345	11.71	502,500
Exercised	5.27	(35,000)	3.94	(75,600)
Balance at end of period	\$9.84	747,346	\$9.39	686,001

#### B. Stock purchase and ownership incentive plan

During the fiscal year ended March 31, 2015, 38,092 common shares were issued (33,436 in 2014) and 15,700 common shares were attributed to the participating employees (13,767 in 2014), under the stock purchase and ownership incentive plan. For the fiscal year ended March 31, 2015, the expense related to the attributed common shares amounted to \$170 (\$128 in 2014).

As at March 31, 2015, under the stock purchase and ownership incentive plan, the aggregate number of shares reserved for issuance represents 340,000 of which 202,693 had not been issued yet under this plan.

#### C. SAR plan

As at March 31, 2015, 6,000 SARs were still outstanding (17,000 in 2014) at a weighted-average granted value of \$0.01 (\$1.72 in 2014) which expire in fiscal 2016.

SAR reversal of expense amounted to \$10 for the fiscal year ended March 31, 2015 (expense of \$81 in 2014). As at March 31, 2015, the fair value of the outstanding SARs amounted to \$60 (\$196 in 2014) and is included in Accounts payable and accrued liabilities.

During the fiscal year ended March 31, 2015, no SARs were granted or cancelled (none in 2014) and 11,000 SARs were exercised (22,000 in 2014).

#### D. DSU plan

As at March 31, 2015, 83,158 DSUs were outstanding (64,825 in 2014).

During the fiscal year ended March 31, 2015, DSU expense amounted to \$108 (\$371 in 2014). As at March 31, 2015, the fair value of the vested outstanding DSUs amounted to \$801 (\$850 in 2014) and is included in Accounts payable and accrued liabilities.

During the fiscal year ended March 31, 2015, 18,333 DSUs were issued (17,565 in 2014) and no DSUs were exercised or cancelled (27,084 and 958 in 2014).

#### E. PSU plan

As at March 31, 2015, 115,879 PSUs were outstanding. During the fiscal year ended March 31, 2015, 115,879 PSUs were issued and no PSUs were exercised or cancelled while the PSU expense amounted to \$952. As at March 31, 2015, the fair value of the vested outstanding PSUs amounted to \$952 and is included in Accounts payable and accrued liabilities.

## Note 24. 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 foreign operations	Total
<b>Balance as at March 31, 2014</b>	\$ 13,156	\$ (4,680)	\$ (1,708)	\$ 6,768
Other comprehensive income (loss)	12,065	(6,917)	(2,860)	2,288
<b>Balance as at March 31, 2015</b>	\$ 25,221	\$ (11,597)	\$ (4,568)	\$ 9,056
<b>Balance as at March 31, 2013</b>	\$ 3,215	\$ 63	\$ (631)	\$ 2,647
Other comprehensive income (loss)	9,941	(4,743)	(1,077)	4,121
<b>Balance as at March 31, 2014</b>	\$ 13,156	\$ (4,680)	\$ (1,708)	\$ 6,768

## Note 25. Income taxes

Income tax expense is as follows:

	2015	2014
<b>Consolidated statements of income</b>		
Current income tax expense	\$ 2,578	\$ 7,092
Deferred income tax recovery	(5,101)	(4,525)
<b>Income tax expense (recovery) reported in the consolidated statements of income</b>	\$ (2,523)	\$ 2,567
<b>Consolidated statements of changes in shareholders' equity</b>		
Income tax expense (recovery) related to items charged or credited directly to retained earnings	\$ (899)	\$ 1,195
Income tax recovery related to items charged or credited directly to other comprehensive income	(2,545)	(1,707)
Income tax recovery related to items charged or credited directly to issued capital (note 23)	(576)	—
<b>Income tax recovery reported directly in shareholders' equity</b>	\$ (4,020)	\$ (512)

The computation of income tax expense is as follows:

	2015	2014
Income taxes at combined Federal and Provincial statutory tax rates of 26.7%	\$ 187	\$ 3,151
Income tax rate differential – foreign subsidiaries	(3,032)	(607)
Permanent differences	467	1,160
Other items	(145)	(1,137)
<b>Income tax expense (recovery)</b>	\$ (2,523)	\$ 2,567

Income tax expense (recovery) includes an amount of \$145 (\$1,137 in 2014) 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.

Significant deferred income tax assets and liabilities arising from the effect of temporary differences are as follows:

	March 31, 2015	March 31, 2014
<b>Deferred income tax assets</b>		
Non-deductible reserves	\$ 6,068	\$ 3,173
Inventories	5,705	7,516
Receivables	119	75
Derivative financial instruments	4,222	1,704
Goodwill	—	64
Governmental authorities loans	1,032	436
Deferred tax benefits from tax losses	5,461	63
<b>Total deferred income tax assets</b>	<b>\$ 22,607</b>	<b>\$ 13,031</b>
<b>Deferred income tax liabilities</b>		
Investment and other tax credits	(2,085)	(1,605)
Property, plant and equipment	(8,044)	(11,567)
Customer relationships and contracts	(5,805)	(5,777)
<b>Total deferred income tax liabilities</b>	<b>\$ (15,934)</b>	<b>\$ (18,949)</b>
<b>Net deferred income tax assets (liabilities)</b>	<b>\$ 6,673</b>	<b>\$ (5,918)</b>

The net deferred income tax assets (liabilities) is included under the following captions on the consolidated balance sheets:

	March 31, 2015	March 31, 2014
Deferred income tax assets	\$ 10,004	\$ 2,720
Deferred income tax liabilities	(3,331)	(8,638)
<b>Net deferred income tax assets (liabilities)</b>	<b>\$ 6,673</b>	<b>\$ (5,918)</b>

As at March 31, 2015 and 2014, 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, 2015, the Corporation had \$5,974 (\$391 in 2014) in federal and \$22,507 in U.K. non-capital losses available for carry-forward.

As at March 31, 2015, deferred income tax assets of \$11,238 and deferred income tax liabilities of \$2,468 are expected to be recovered or settled in less than one year.

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. As at March 31, 2015 and 2014, the temporary differences associated with investments in subsidiaries for which a deferred income tax liability has not been recognized aggregate to \$10,277 (none in 2014).

## Note 26. 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 2015, total cash payments for employee future benefits, 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 \$2,415 (\$4,182 in 2014) while the cash contributed to its defined contribution plans amounted to \$2,636 (\$1,747 in 2014).

### 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 valuation for funding purposes of the Unionized Registered Pension Plan was performed as at December 31, 2014 and will be filed with regulatory authorities no later than September 30, 2015. The most recent actuarial valuations for funding purposes of the Executive Registered Pension Plans were as at December 31, 2013. The next required actuarial valuations for these plans will be conducted as at December 31, 2014 and will be filed with regulatory authorities no later than September 30, 2015. Actuarial valuations will also be conducted for all registered pension plans as at December 31, 2015.

The defined benefit plans expose the Corporation to actuarial risks such as life expectancy risk, currency risk, interest rate risk and volatility risk. The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan members. Life expectancy risk exists because an increase in the life expectancy of plan members will increase the plan liability. A change in the valuation of the plans' foreign equities assets due to changes in foreign exchange rates exposes the plans to currency risk. A decrease in the bond interest rate used to calculate the present value of the defined benefit obligation will increase the plan liability. This interest rate risk will be partially offset by an increase in the value of the plan's bond holdings. Investment risk occurs if the return on plan assets is lower than the corporate bond interest rate used to determine the discount rate. Currently, the plans have a balanced investment mix of 63% in equity funds, 31% in debt securities and 6% in other funds. Due to the long-term nature of plans' defined benefit obligations, the Corporation considers to be appropriate that a reasonable portion of the plans' assets be invested in equity, debt securities and other funds to generate additional long term return.

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, 2015	March 31, 2014
Present value of defined benefit obligations of funded plans	\$ 57,380	\$ 49,077
Fair value of plan assets	51,200	46,015
Funded status of the plans – surplus (deficit)	\$ (6,180)	\$ (3,062)
Present value of defined benefit obligations of unfunded plan	(3,095)	(3,635)
Amount recognized in other long-term liabilities	\$ (9,275)	\$ (6,697)

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

	2015	2014
Current service cost	\$ 1,094	\$ 1,404
Interest on net defined benefit obligations (note 8)	239	465
Termination benefits (note 9)	109	319
Administrative costs	183	132
Total pension expense recognized in the consolidated statements of income	\$ 1,625	\$ 2,320



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

	2015	2014
Remeasurements		
Loss from changes in demographic assumptions	\$ (205)	\$ (1,254)
Gain (loss) from changes in financial assumptions	(6,118)	669
Experience gains (losses)	(78)	578
Return on plan assets, excluding interest income on plan assets	3,033	4,484
Other comprehensive gain (loss)	\$ (3,368)	\$ 4,477

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

	2015	2014
Actual return on the fair value of plan assets	\$ 5,060	\$ 6,142

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

	2015	2014
Defined benefit obligations, at beginning of the fiscal year	\$ 52,712	\$ 50,253
Current service cost	1,094	1,404
Interest expense	2,266	2,123
Contributions by plans' participants	643	690
Loss from change in demographic assumptions	205	1,254
(Gain) loss from changes in financial assumptions	6,118	(669)
Experience gains (losses)	78	(578)
Benefits paid	(2,750)	(2,084)
Termination benefits (note 9)	109	319
Defined benefit obligations, at end of the fiscal year	\$ 60,475	\$ 52,712

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

	2015	2014
Fair value of plans' assets, at beginning of the fiscal year	\$ 46,015	\$ 37,217
Interest income on plans' assets	2,027	1,658
Return on plans' assets, excluding interest income on plans' assets	3,033	4,484
Contributions by the employer	2,415	4,182
Contributions by plans' participants	643	690
Benefits paid	(2,750)	(2,084)
Administrative costs	(183)	(132)
Fair value of plans' assets, at end of the fiscal year	\$ 51,200	\$ 46,015

The plans' assets as at March 31, consist of:

Asset category <sup>(1)</sup>	2015	2014
Equity securities	63%	66%
Debt securities	31%	30%
Other	6%	4%
Total	100%	100%

<sup>(1)</sup> Measured as of the measurement date of March 31 of each year.

## Significant assumptions

The significant assumptions used at the reporting date are as follows (weighted-average):

	2015	2014
Defined benefit obligations as at March 31:		
Discount rate	3.60%	4.40%
Rate of compensation increase	3.50%	3.50%
Average life expectancies based on a pension at 65 years of age		
Male, 45 years of age at reporting date	88	87
Female, 45 years of age at reporting date	90	90
Male, 65 years of age at reporting date	86	86
Female, 65 years of age at reporting date	88	89

The significant actuarial assumptions for the determination of the defined benefit obligations are the discount rate, the rate of compensation increase and the average life expectancy. The calculation of the net defined benefit obligations is sensitive to these assumptions. The following table summarizes the effects of the changes in these actuarial assumptions on the pension expense and the defined benefit obligations at March 31, 2015:

Increase (Decrease)	Pension expense	Defined benefit obligations
	%	%
<b>Discount rate</b>		
Increase of 0.5%	(11.0)	(6.6)
Decrease of 0.5%	19.4	7.8
<b>Rate of compensation</b>		
Increase of 0.5%	0.2	—
Decrease of 0.5%	(0.1)	—
<b>Average life expectancies</b>		
Increase of 1 year	5.4	2.3
Decrease of 1 year	(4.1)	(2.4)

## Corporation's pension benefits future cash flows

The cash contributions expected to be made to these plans in fiscal year 2016 amount to \$2,700.

The duration of the defined benefit obligations at March 31, 2015 is 11.5 years (12.6 in 2014). The expected maturity of undiscounted pension benefits for the Unionized Pension Plan is presented as follows:

	March 31, 2015	March 31, 2014
Less than a year	\$ 1,510	\$ 1,358
Between 1-2 years	1,567	1,420
Between 2-5 years	5,067	4,650
Over 5 years	91,037	89,365
<b>Total</b>	<b>\$ 99,181</b>	<b>\$ 96,793</b>

### **Defined contribution pension plans**

The defined contribution pension plan costs for the fiscal years ended March 31, are as follows:

	2015	2014
Defined contribution pension plan costs	\$ 2,636	\$ 1,747

### **Note 27. Commitments**

#### **Building lease contracts**

The Corporation has entered into leases for buildings which are used for operations and administration. As at March 31, 2015, the total commitments amounted to \$4,164 excluding escalation clauses. The minimum annual lease payments over the next five years are: \$787 in 2016, \$580 in 2017, \$537 in 2018, \$434 in 2019, \$267 in 2020 and \$1,559 thereafter.

#### **Building and, machinery and equipment acquisition commitments**

The Corporation has released purchase orders relating to building and, machinery and equipment which have not been delivered yet to the Corporation's facilities. As at March 31, 2015, these outstanding purchase orders amounted to \$34,845 (\$42,203 in 2014) net of the related deposits on machinery and equipment of \$23,306 (\$12,868 in 2014) which are included in the Corporation's balance sheet.

#### **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.

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, 2015, the duration of these indemnification agreements could extend up to fiscal year 2024. As at March 31, 2015, an amount of \$5,600 (\$6,000 in 2014) was provided for in the Corporation's provision in respect to these items and is classified as short-term provision (note 20) given the undetermined date of settlement.

### **Note 28. 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 29. Net change in non-cash items

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

	2015	2014
Accounts receivable	\$ (9,103)	\$ (3,944)
Income tax receivable	(3,263)	350
Inventories	3,723	6,079
Other current assets	491	(856)
Accounts payable and accrued liabilities, accounts payable – other and other liabilities	5,500	(1,120)
Provisions	10,565	436
Customer advances	8,917	9,409
Progress billings	(958)	(4,569)
Income tax payable	37	1,933
Effect of changes in exchange rate <sup>(1)</sup>	2,046	1,179
	\$ 17,955	\$ 8,897

<sup>(1)</sup> Reflects the total impact of changes in exchange rate during the fiscal year on non-cash items listed above for the Corporation's foreign subsidiaries.

For the fiscal years ended March 31, 2015 and 2014, net decrease in non-cash items related to operating activities from discontinued operations following the sale in fiscal 2013 of substantially all of its Aerostructure and Industrial product line operations, amounted to \$1,082 and \$3,792, respectively, mainly as a result of final tax payments related to fiscal year 2013.

## Note 30. Geographic information

Geographic information represents the following:

At March 31,	2015				2014			
	Canada	U.S.	U.K.	Total	Canada	U.S.	U.K.	Total
Property, plant and equipment, net	\$ 81,437	\$ 47,136	\$ 13,539	\$ 142,112	\$ 63,638	\$ 17,220	\$ 11,447	\$ 92,305
Finite-life intangible assets, net	26,451	4,593	19,513	50,557	33,745	4,375	21,019	59,139
Goodwill	13,838	9,519	70,170	93,527	13,838	8,524	62,016	84,378

For the fiscal years ended March 31, the geographic sales based on customer's location are detailed as follows:

	2015	2014
Canada	\$ 85,668	\$ 80,056
U.S.	180,440	169,048
United Kingdom	49,947	7,018
Other countries	48,861	15,912
	\$ 364,916	\$ 272,034

### Note 31. Executive compensation

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

		2015		2014
Short-term employee benefits and other benefits	\$	3,524	\$	3,064
Pension and other post-retirement benefits		310		400
Share-based payments		1,432		809
<b>Total compensation to key management personnel</b>	<b>\$</b>	<b>5,266</b>	<b>\$</b>	<b>4,273</b>

### Note 32. Financial instruments

As at March 31, 2015 and 2014, the classifications of financial instruments as well as their carrying amounts and fair values are summarized as follows:

	March 31, 2015			March 31, 2014		
	Fair value hierarchy	Carrying amount <sup>(1)</sup>	Fair Value	Fair value hierarchy	Carrying amount <sup>(1)</sup>	Fair Value
<b>Financial assets</b>						
Cash and cash equivalents	Level 2	\$ 35,098	\$ 35,098	Level 2	\$ 47,347	\$ 47,347
Derivative financial instruments	Level 2	\$ 287	\$ 287	Level 2	\$ 559	\$ 559
		\$ 35,385	\$ 35,385		\$ 47,906	\$ 47,906
<b>Financial Liabilities</b>						
Derivative financial instruments	Level 2	\$ 17,212	\$ 17,212	Level 2	\$ 7,258	\$ 7,258
Long-term debt, including current portion	Level 2	114,202	123,885	Level 2	150,466	154,846
		\$ 131,414	\$ 141,097		\$ 157,724	\$ 162,104

<sup>(1)</sup> Represents only the carrying amount of financial assets and liabilities included in the corresponding balance sheet caption.

Derivative financial instruments - The fair value of derivative financial instruments recognized in the consolidated balance sheets has been determined using Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instruments and factors observable in external markets data, such as period-end swap rates and foreign exchange rates (Level 2 inputs).

Long-term debt – The fair value of long-term debt has been determined by calculating the present value of the interest rate spread that exists between the actual long-term debt using the rate that would be negotiated with the economic conditions at year-end.

#### Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated balance sheets are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3: unobservable inputs for the asset or liability.

For the fiscal year ended March 31, 2015, a loss before tax of \$173 (\$225 in 2014) was accounted for on financial instruments designated as FVTPL, in addition to the interest income disclosed in note 8 to the consolidated financial statements.

### Note 33. 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"><li>• Foreign exchange risk</li><li>• Interest rate risk</li></ul>
Credit and credit concentration risks	Credit risk – Risk that one party to a financial instrument will cause a financial loss to 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 and the United Kingdom.

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 and United Kingdom 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 and United Kingdom operations and related to sales contracts, net of the forecasted cash outflows in U.S. currency made by its Canadian and United Kingdom operations and related essentially to raw materials and certain other material costs.

As at March 31, 2015, the Corporation, in accordance with the foreign exchange policy explained above, had forward foreign exchange contracts totalling US\$119.0 million at a weighted-average rate of 1.1297 (Canadian dollar over U.S. dollar, "cad/usd") - US\$127.4 million at a weighted-average rate of 1.0628 cad/usd as at March 31, 2014. As at March 31, 2015, these contracts mature at various dates between April 2015 and March 2018, with the majority maturing over the next two fiscal years.

The foreign exchange rate sensitivity shown below is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments including the forward foreign exchange contracts as at the consolidated balance sheets dates.

As at March 31, 2015, a 1% strengthening of the Canadian dollar over foreign currencies, while all other variables would remain fixed, would have impacted the consolidated net income and the other comprehensive income as follows:

	U.S. dollar impact	British pound impact
Decrease in net income	(177)	(18)
Increase (decrease) in other comprehensive income	685	(1,320)

##### *Interest rate risk*

The Corporation is exposed to interest rate fluctuations primarily due to its variable interest rate on its long-term debt's Credit Facility (see note 21). 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, 2015 and 2014, the Corporation had entered into an interest-rate swap agreement for a total notional amount of US\$10 million. The agreement fixed the Libor U.S. rate at 2.04%, maturing in December 2015. Also, the Corporation had entered into two additional interest-rate swap agreements for a total notional amount of US\$15 million. These interest-rate swap agreements fixed the Libor U.S. rate at 1.65% for

the first tranche of US\$5 million commencing on March 2014, and at 2.38% for the second tranche of US\$10 million commencing on December 2015, both until their maturity in December 2018.

The interest-rate swap rates mentioned above excludes the additional bank relevant margin (see note 21). The cash flows related to the interest-rate-swaps are expected to occur in the same periods as they are expected to affect the net income.

As at March 31, 2015, 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 decreased/increased the Corporation's consolidated net income for the year then ended by \$204 (\$165 in 2014). As at March 31, 2015, for the derivative financial instruments (interest-rate swap agreements), a shift of 100-basis point increase in the yield curve, would have increased the Corporation's comprehensive income for the year then ended by \$486 (\$550 in 2014) while a 100-basis point decrease would have reduced it by \$504 (\$439 in 2014).

### 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 2015 sales, approximately 60% (65% in 2014), 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 2015, the Corporation had two customers representing 15% and 13% (19% and 18% in 2014) 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 which represent together approximately 2% in fiscal 2015 (6% in 2014) of the Corporation's consolidated sales.

As at March 31, 2015, 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 industry 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, 2015:

	2015
Balance at beginning of year	\$ 436
Reversed	(218)
Effect of foreign exchange rate changes	10
Balance at end of year	\$ 228

The details of the Corporation's trade receivables are the following:

	2015	2014
Not past due	\$ 64,188	\$ 52,761
Past due less than 90 days	7,076	12,894
Past due more than 90 days	247	387
Impaired	228	436
	71,739	66,478
Allowance for doubtful accounts	(228)	(436)
Balance as of end of year	\$ 71,511	\$ 66,042



#### 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.

At as March 31, 2015, the maximum exposure to credit risk for financial instruments represented the following (see note 32):

		FVTPL	Hedging items <sup>(1)</sup>	Loans and receivables (L&R)
Cash and cash equivalents	\$	35,098	\$ —	\$ —
Accounts receivable		—	—	71,511
Derivative financial instruments		247	40	—

<sup>(1)</sup> 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, 2015, the maturity analysis of financial liabilities represented the following and includes the Corporation's 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 21):

	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 69,182	\$ —	\$ —	\$ —	\$ 69,182
Accounts payable – other	8,196	—	—	—	8,196
Customer advances	18,326	—	—	—	18,326
Long-term debt <sup>(1)</sup>	7,047	12,529	72,265	42,216	134,057
Derivative financial instruments	11,685	5,527	—	—	17,212

<sup>(1)</sup> Includes the used Credit Facility of \$56,731 maturing on March 16, 2019 and, interest on long-term debt and interest accretion on governmental authorities loans.

#### Note 34. 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, and 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.

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;

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 (excluding net deferred financing costs), 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 year ended March 31, 2015, 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.

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Current portion of long-term debt	<b>\$ 5,972</b>	\$ 3,648
Long-term debt	<b>106,955</b>	145,224
Deferred financing costs, net	<b>1,275</b>	1,594
Less: Cash and cash equivalents	<b>(35,098)</b>	(47,347)
	<b>\$ 79,104</b>	\$ 103,119
Shareholders' equity	<b>293,455</b>	240,139
<b>Net debt-to-equity ratio</b>	<b>0.27:1</b>	0.43:1

Moreover, the Corporation is not subject to any regulatory capital requirements.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Réal Raymond**  
Chairman of the Board  
Montreal, Québec

**Jean-Louis Fontaine**  
Vice-Chairman of the Board and Director  
Bombardier Inc.  
Montreal, Québec

**Brian A. Robbins**  
President and Chief Executive Officer  
Exco Technologies Limited  
Toronto, Ontario

**James J. Morris**  
Corporate Director  
Seattle, Washington

**Gilles Labbé**  
President and Chief Executive Officer  
Montreal, Québec

**Louis Morin**  
President, Busrel  
Montreal, Québec

**Paule Doré**  
Corporate Director  
Montreal, Québec

**Andrew John Stevens**  
Corporate Director  
Cheltenham, U.K.

## CORPORATE MANAGEMENT

**Gilles Labbé**  
President and Chief  
Executive Officer

**Martin Brassard**  
Vice President and Chief  
Operating Officer

**Gilbert Guérin**  
Corporate Director,  
Human Resources

**Fanny D'Ambroise**  
Manager, Internal Audit and  
Conformity

**Réal Bélanger**  
Executive Vice President,  
Business Development and  
Special Projects

**Stéphane Arsenault**  
Chief Financial Officer

**Rémy Langelier**  
Director, Business Development

**Éric Sauvageau**  
Manager, Financial Reporting

**Michel Robillard**  
Vice President, Corporate Controller

**Dominic Bolduc**  
Director, Tax

**Jean-Philippe Sanche**  
Manager, Legal Affairs

## LANDING GEAR OPERATIONS

**Longueuil**  
755 Thurber Street  
Longueuil, Québec  
Canada J4H 3N2  
450 679-5454

**Kitchener**  
1665 Highland Rd. W.  
Kitchener, Ontario  
Canada N2N 3K5  
519 576-8910

**Saint-Hubert**  
4925, Chemin de la Savane  
Saint-Hubert, Québec  
Canada J3Y 9G1  
450 646-9432

**Springfield**  
663 Montgomery Ave.  
Springfield, Ohio  
U.S.A. 45506  
937 325-1586

**Nottingham**  
Urban Rd  
Kirkby in Ashfield, Nottingham  
Nottinghamshire  
NG17 8AP  
United Kingdom  
+44(0) 1623 754355

**Laval**  
3675 Industrial Blvd.  
Laval, Québec  
Canada H7L 4S3  
450 629-3454

**Cambridge**  
47 Heroux Devtek Drive  
Cambridge, Ontario  
Canada N3E 0A7  
519 576-8910

**Cleveland**  
15900 Foltz  
Industrial Parkway  
Strongsville, Ohio  
U.S.A. 44149  
440 783-5255

**Wichita**  
1445 Sierra Drive,  
Wichita, Kansas  
U.S.A. KS67209  
316 943-5752

**Runcorn**  
8 Pembroke Court,  
Manor Park,  
Runcorn, Cheshire  
WA7 1TG  
United Kingdom  
+44(0) 1928 530530

## OTHER OPERATIONS

### ELECTRONIC ENCLOSURES

**Toronto**  
1480 Birchmount Rd.  
Toronto, Ontario  
Canada M1P 2E3  
416 757-2366

### FILTERS

**Bolton**  
Unit 1003  
Great Bank Road  
Westhoughton, Lancashire  
BL5 3XU  
United Kingdom  
+44(0) 1928 530530

# SHAREHOLDER INFORMATION

## ANNUAL GENERAL MEETING

Friday, August 7, 2015 at 9:00 A.M.  
Salon Pierre de Coubertin  
Hôtel Omni Mont-Royal  
1050 Sherbrooke Street West  
Montreal, Québec  
Canada

## REGISTRAR AND TRANSFER AGENT

Computershare Trust  
1500 University Street, 7th Floor  
Montreal, Québec  
Canada H3A 3S8  
514 982-7555 /  
1-800-564-6253

## AUDITORS

Ernst & Young LLP  
800 René Lévesque Blvd. West,  
Suite 1900  
Montreal, Québec  
Canada H3B 1X9  
514 875-6060

## SHARE LISTING

Shares are traded on the Toronto  
Stock Exchange  
Ticker Symbol: HRX

## INVESTOR RELATIONS

450 679-3330  
ir@herouxdevtek.com

## MAISONBRISON COMMUNICATIONS

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## DESIGNED AND WRITTEN BY

MaisonBrisson Communications

Pour obtenir la version française de ce rapport,  
veuillez contacter les relations avec les investisseurs.

**HÉROUX DEVTEK** 

[www.herouxdevtek.com](http://www.herouxdevtek.com)

