From: **Héroux-Devtek Inc.**
Gilles Labbé
President and Chief Executive Officer
Tel.: (450) 679-3330

Contact: **Héroux-Devtek Inc.**
Stéphane Arsenault
Chief Financial Officer
Tel.: (450) 679-3330

MaisonBrison
Pierre Boucher
Tel.: (514) 731-0000

PRESS RELEASE
FOR IMMEDIATE RELEASE

HÉROUX-DEVTEK REPORTS FISCAL 2018 FOURTH QUARTER RESULTS

- **Sales of $113.0 million, versus $120.9 million in the previous year**
- **Operating income of $6.7 million and net income of $5.9 million, or $0.16 per share**
- **Adjusted EBITDA[1] of $19.4 million and adjusted net income[1] of $10.4 million, or $0.29 per share**
- **For fiscal 2018, cash flow related to operating activities of $56.1 million, in line with last year**
- **For fiscal 2018, record free cash flow[1] generation of $50.8 million, as compared to $33.0 million a year ago**
- **Contract announced with AAR Corporation for a landing gear remanufacturing in support of the U.S. Air Force**
- **CESA and Beaver acquisitions expected to close during the first semester of fiscal 2019**

Longueuil, Québec, May 24, 2018 — Héroux-Devtek Inc. (TSX: HRX), ("Héroux-Devtek" or the "Corporation"), a leading international manufacturer of aerospace products, today reported its results for the fourth quarter and fiscal year ended March 31, 2018. Unless otherwise indicated, all amounts are in Canadian dollars.

"We reported fiscal 2018 results relatively in line with expectations. We had strong deliveries related to the Boeing 777 program, shipping 13 landing gears in the fourth quarter alone and 42 for the year. We ended the year with a strong backlog at $466 million, an increase of 15% over last year. We also generated record free cash flows of $51 million. Today, we are in a healthy financial position to pursue our next expansion phase, with cash and cash equivalents of $93 million and a resulting net debt of $39 million," said Gilles Labbé, President and CEO of Héroux-Devtek.

"We look to the new year with enthusiasm as we expect to leverage many opportunities for future growth, including the closing of the CESA and Beaver acquisitions, as well as the positive long-term outlook on commercial aerospace and increased defence spending commitments worldwide. In addition, we are well positioned to obtain a number of contracts on several aircraft programs given our fully integrated offering, leading-edge equipment and international network," added Mr. Labbé.

FINANCIAL HIGHLIGHTS	**Quarters ended March 31,**		**Fiscal years ended March 31,**	
(in thousands of dollars, except per share data)	**2018**	**2017**	**2018**	**2017**
Sales	**113,024**	120,886	**386,564**	406,536
Operating income	**6,697**	8,678	**23,378**	35,552
Adjusted operating income[1]	**12,089**	12,312	**30,325**	35,880
Adjusted EBITDA[1]	**19,369**	19,181	**56,904**	61,448
Net income	**5,858**	8,895	**13,674**	31,768
Per share – diluted ($)	**0.16**	0.25	**0.38**	0.88
Adjusted net income[1]	**10,439**	9,077	**24,213**	26,353
Per share ($)	**0.29**	0.25	**0.67**	0.73

[1] This is a non-IFRS measure. Please refer to the "Non-IFRS Measures" section at the end of this press release.

FOURTH QUARTER RESULTS

Consolidated sales reached $113.0 million, compared with $120.9 million last year. This 6.5% variation reflects lower sales in both the commercial and defence aerospace markets and a net negative impact on sales of $1.4 million resulting from year-over-year fluctuations in the value of the Canadian currency versus foreign currencies.

Commercial sales decreased 5.4% to $57.5 million, compared with $60.8 million last year. The decrease was mainly driven by lower large commercial programs sales, including the scheduled ending of a Tier-2 contract, and lower aftermarket customer requirements for regional aircraft. These negative factors were partly offset by increased Boeing 777 deliveries.

Defence sales decreased 7.7% to $55.5 million from $60.1 million. This variation is essentially due to lower spare parts requirements from the U.S. Government.

Gross profit decreased to $19.0 million, or 16.8% of sales, versus $20.8 million, or 17.2% of sales last year. The decrease was largely attributable to unfavourable product mix, mainly related to lower sales of spares and aftermarket requirements for regional aircraft.

Operating income stood at $6.7 million, or 5.9% of sales, compared with $8.7 million, or 7.2% of sales last year. Adjusted operating income was $12.1 million, as compared to $12.3 million last year. This quarter's adjusted operating income excluded $5.4 million of restructuring charges related to workforce adjustments, following the non-renewal of the USAF contract, and acquisition-related costs. Adjusted operating income from the fourth quarter last year excluded a $3.6 million restructuring charge related to workforce adjustments made following production rate reductions for certain aircraft programs announced by OEMs. Consequently, adjusted EBITDA, which excludes non-recurring items, was $19.4 million, or 17.1% of sales, compared with $19.2 million, or 15.9% of sales, a year ago.

Net income for the fourth quarter of fiscal 2018 was $5.9 million, or $0.16 per diluted share, compared with $8.9 million, or $0.25 per diluted share, a year ago. Excluding non-recurring items net of taxes, adjusted net income reached $10.4 million, or $0.29 per share, versus $9.1 million, or $0.25 per share last year.

As at March 31, 2018, Héroux-Devtek's funded (firm orders) backlog stood at $466 million, versus $405 million as at March 31, 2017.

YEAR-END RESULTS

For fiscal 2018, consolidated sales reached $386.6 million, versus $406.5 million in fiscal 2017. Commercial sales reached $195.1 million versus $210.8 million a year ago, while defence sales totalled $191.5 million compared with $195.7 million last year. Year-over-year fluctuations in the value of the Canadian currency versus foreign currencies decreased sales by $2.4 million.

Gross profit for fiscal 2018 amounted to $61.3 million, or 15.9% of sales, compared with $68.0 million, or 16.7% of sales, in fiscal 2017. Operating income was $23.4 million, or 6.0% of sales, versus $35.6 million, or 8.7% of sales a year ago. Adjusted operating income was $30.3 million, compared to $35.9 million last year. Adjusted EBITDA reached $56.9 million, or 14.7% of sales, versus $61.4 million, or 15.1% of sales a year earlier.

Net income was $13.7 million, or $0.38 per diluted share, in fiscal 2018, compared with $31.8 million, or $0.88 per diluted share, in fiscal 2017. Adjusted net income stood at $24.2 million, or $0.67 per share, versus $26.4 million, or $0.73 per share last year.

SOLID CASH FLOWS AND HEALTHY FINANCIAL POSITION

Cash flows related to operating activities amounted to $18.5 million in the fourth quarter of fiscal 2018, versus $29.1 million in the fourth quarter of fiscal 2017. This variation mainly reflects a less favourable variation in non-cash working capital items. Fourth quarter free cash flow was $20.0 million compared to $22.8 million last year. For fiscal 2018, cash flows related to operating activities were $56.1 million, in line with last year, with a record free cash flow amounting to $50.8 million, up significantly from $33.0 million last year, primarily as a result of lower net cash flow utilized in investing activities.

Given this free cash flow generation, Héroux-Devtek's already healthy financial position improved further as at March 31, 2018, with cash and cash equivalents of $93.2 million, while total long-term debt was $132.0 million, including the current portion, but excluding net deferred financing costs. Long-term debt includes $54.2 million drawn against the Corporation's authorized credit facility of $200.0 million. As a result, the net debt position was $38.8 million at the end of the fourth quarter, down from $92.3 million as at March 31, 2017. The net-debt-to equity ratio was 0.10:1 as at March 31, 2018, versus 0.26:1 as at March 31, 2017.

UPDATE ON PREVIOUSLY ANNOUNCED ACQUISITIONS

Following a longer than anticipated regulatory process, the CESA acquisition is now expected to close during the second quarter of fiscal 2019. The transaction is subject to certain approvals, including by the Spanish Council of Ministers and the prior acquisition by Airbus of the stake of its minority partner in CESA. The closing of the Beaver acquisition is expected to occur during the current quarter, subject to customary closing adjustments and certain regulatory approvals.

WORKFORCE ADJUSTMENTS

Héroux-Devtek announced workforce adjustments of about 60 employees at its Longueuil facility following the non-renewal of the US Air Force contract announced on March 27, 2017. These workforce adjustments along with other restructuring costs related to the decrease in volume resulted in non-recurring charges totalling $5.0 million before taxes.

UPDATE ON DASSAULT FALCON 6X

Heroux-Devtek recently signed an amended contract for the design and manufacture of the Falcon 6X landing gear.

SUBSEQUENT EVENT

On May 16, 2018, subsequent to the end of the fiscal year, Héroux-Devtek announced the signing of a contract with AAR to perform the remanufacturing of landing gear assemblies of the KC-135 aircraft, the manufacturing of spare parts for the C-130 and KC-135 aircraft and the manufacturing of other landing gear components, all in support of a contract AAR was recently awarded from the US Air Force.The contrat's total value could exceed $65 million over the 4-year term.

GUIDANCE

For fiscal 2019, Management expects sales to be stable as compared to fiscal 2018 due to the ramp-down of the USAF contract, offset by higher defense volume from other customers and increased deliveries related to the Boeing 777 and 777x programs. Long-term sales growth guidance will be materially impacted by the acquisitions of CESA and Beaver and will be provided after the closing of these two transactions. In addition, Management expects approximately $15 million in capital expenditures in fiscal 2019.

Please see "Forward-Looking Statements" below and the Guidance section in the Corporation's MD&A for the quarter ended March 31, 2018, for further details regarding the material assumptions underlying the foregoing guidance.

CONFERENCE CALL

Héroux-Devtek Inc. will hold a conference call to discuss these results on Thursday, May 24, 2018 at 8:30 AM Eastern Time. Interested parties can join the call by dialling 1-877-223-4471 (North America) or 1-647-788-4922 (overseas). The conference call can also be accessed via live webcast at Héroux-Devtek's website, www.herouxdevtek.com/investor-relations/events or http://www.gowebcasting.com/9254.

An accompanying presentation will also be available on Héroux-Devtek's website, www.herouxdevtek.com/investor-relations/events.

If you are unable to call in at this time, you may access a tape recording of the meeting by calling 1-800-585-8367 and entering the passcode 3186266 on your phone. This tape recording will be available on Thursday, May 24, 2018 as of 12:00 PM Eastern Time until 11:59 PM Eastern Time on Thursday, May 31, 2018.

PROFILE

Héroux-Devtek Inc. (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 defence 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. Approximately 90% of the Corporation's sales are outside Canada, including about 65% in the United States. The Corporation's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Laval and St-Hubert); Kitchener, Cambridge and Toronto, Ontario; Springfield and Strongsville, Ohio; Wichita, Kansas; Everett, Washington; and Runcorn, Nottingham and Bolton, United Kingdom.

FORWARD-LOOKING STATEMENTS
Except for historical information provided herein, this press release contains information and statements of a forward-looking nature concerning the future performance of the Corporation. Forward looking statements are based on assumptions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Corporation's products and services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results. Please see the Guidance section in the Corporation's MD&A for the fiscal year ended March 31, 2018, for further details regarding the material assumptions underlying the forecasts and guidance. Such forecasts and guidance are provided for the purpose of assisting the reader in understanding the Corporation's financial performance and prospects and to present management's assessment of future plans and operations, and the reader is cautioned that such statements may not be appropriate for other purposes.

NON-IFRS MEASURES
Earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted operating income, adjusted net income, adjusted earnings per share and free cash flow are financial measures not prescribed by International Financial Reporting Standards ("IFRS") and are not likely to be comparable to similar measures presented by other issuers. Management considers these to be useful information to assist investors in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations. Refer to Non-IFRS financial measures under Operating Results in the Corporation's MD&A for definitions of these measures and reconciliations to the most comparable IFRS measures.

-30-

Note to readers: Complete audited consolidated financial statements and Management's Discussion & Analysis are available on Héroux-Devtek's website at www.herouxdevtek.com.

.

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2018

TABLE OF CONTENTS

Independent Auditors' report		**7**
Consolidated financial statements		**8**
Notes to the consolidated financial statements		**13**
Note 1	Nature of activities and corporate information	13
Note 2	Basis of preparation	13
Note 3	Significant accounting policies	13
Note 4	Significant accounting estimates and assumptions	22
Note 5	Business acquisitions	23
Note 6	Government assistance	24
Note 7	Cost of sales, selling and administrative expenses	24
Note 8	Net financial expenses (income)	24
Note 9	Non-recurring items	25
Note 10	Earnings per share	26
Note 11	Inventories	26
Note 12	Derivative financial instruments	27
Note 13	Other assets	27
Note 14	Property, plant and equipment	28
Note 15	Finite-life intangible assets	29
Note 16	Goodwill	30
Note 17	Accounts payable and accrued liabilities	31
Note 18	Accounts payable - other and other liabilities	31
Note 19	Provisions	31
Note 20	Long-term debt	32
Note 21	Other liabilities	33
Note 22	Issued capital	34
Note 23	Accumulated other comprehensive income	36
Note 24	Income taxes	36
Note 25	Pension and other retirement benefit plans	38
Note 26	Commitments	41
Note 27	Contingencies	41
Note 28	Net change in non-cash items	41
Note 29	Geographic information	42
Note 30	Executive compensation	42
Note 31	Financial instruments	42
Note 32	Financial risk management	43
Note 33	Capital risk management	46

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HÉROUX-DEVTEK INC.

We have audited the accompanying consolidated financial statements of Héroux-Detek Inc., which comprise the consolidated balance sheets as at March 31, 2018 and 2017 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 the 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, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Québec
May 23, 2018

[1] CPA Auditor, CA, public accountancy permit no. A121006

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)

As at	Notes	March 31, 2018	March 31, 2017
Assets	20		
Current assets			
Cash and cash equivalents		**$ 93,209**	$ 42,456
Accounts receivable		**73,469**	71,135
Income tax receivable		**1,412**	1,228
Inventories	11	**134,327**	143,866
Derivative financial instruments	12	**1,776**	3,509
Other current assets	13	**6,456**	7,365
		310,649	269,559
Property, plant and equipment, net	6, 14	**179,503**	192,847
Finite-life intangible assets, net	6, 15	**35,856**	45,467
Derivative financial instruments	12	**3,421**	292
Deferred income tax assets	24	**7,388**	9,964
Goodwill	16	**91,137**	86,049
Other long-term assets	13	**4,208**	3,108
Total assets		**$ 632,162**	$ 607,286
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	17	**$ 65,057**	$ 63,391
Accounts payable - other and other liabilities	18	**2,534**	2,556
Provisions	19	**16,869**	20,170
Customers advances		**12,577**	6,442
Progress billings		**2,945**	1,924
Income tax payable		**3,023**	1,106
Derivative financial instruments	12	**389**	2,055
Current portion of long-term debt	20	**5,356**	6,792
		108,750	104,436
Long-term debt	20	**125,685**	127,347
Provisions	19	**5,921**	6,398
Derivative financial instruments	12	**2,389**	508
Deferred income tax liabilities	24	**3,767**	5,942
Other liabilities	21	**6,616**	6,787
		253,128	251,418
Shareholders' equity			
Issued capital	22	**78,105**	77,217
Contributed surplus		**4,227**	3,735
Accumulated other comprehensive income	23	**14,217**	6,298
Retained earnings		**282,485**	268,618
		379,034	355,868
		$ 632,162	$ 607,286

Commitments and Contingencies (notes 26 and 27)

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

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

For the fiscal years ended March 31,	Notes	2018	2017
Sales		**$ 386,564**	$ 406,536
Cost of sales	6, 7, 11	**325,288**	338,567
Gross profit		**61,276**	67,969
Selling and administrative expenses	6, 7	**30,951**	32,089
Non-recurring items	9	**6,947**	328
Operating income		**23,378**	35,552
Net financial expenses (income)	8, 9	**2,537**	(546)
Income before income tax expense		**20,841**	36,098
Income tax expense	9, 24	**7,167**	4,330
Net income		**$ 13,674**	$ 31,768
Earnings per share – basic and diluted	10	**$ 0.38**	$ 0.88

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of Canadian dollars)

For the fiscal years ended March 31,	Notes	2018	2017
Other comprehensive income (loss):			
Items that may be reclassified to net income			
Gains (losses) arising from translating the financial statements of foreign operations	23	**$ 5,860**	$ (11,435)
Cash flow hedges:	23		
Gains (losses) on valuation of derivative financial instruments		**4,450**	(3,378)
Net losses (gains) on derivative financial instruments transferred to net income		**(3,704)**	3,536
Deferred income taxes		**(201)**	(36)
		545	122
Gains (losses) on hedges of net investments in foreign operations	23	**1,701**	(1,310)
Deferred income taxes		**(187)**	133
		1,514	(1,177)
Items that are never reclassified to net income			
Defined benefit pension plans:	25		
Gains from remeasurement		**261**	5,078
Deferred income taxes		**(68)**	(1,355)
		193	3,723
Other comprehensive income (loss)		**$ 8,112**	$ (8,767)
Comprehensive income			
Net income		**$ 13,674**	$ 31,768
Other comprehensive income (loss)		**8,112**	(8,767)
Comprehensive income		**$ 21,786**	$ 23,001

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars)

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Shareholders' equity
Balance as at March 31, 2017	23	**$ 77,217**	**$ 3,735**	**$ 6,298**	**$ 268,618**	**$ 355,868**
Common shares:	22					
Issued under the stock purchase and ownership incentive plan		590	—	—	—	590
Issued under the stock option plan		298	(116)	—	—	182
Stock-based compensation expense	22	—	608	—	—	608
Net income		—	—	—	13,674	13,674
Other comprehensive income		—	—	7,919	193	8,112
Balance as at March 31, 2018		**$ 78,105**	**$ 4,227**	**$ 14,217**	**$ 282,485**	**$ 379,034**

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Shareholders' equity
Balance as at March 31, 2016	23	**$ 75,916**	**$ 3,283**	**$ 18,788**	**$ 233,127**	**$ 331,114**
Common shares:	22					
Issued under the stock purchase and ownership incentive plan		571	—	—	—	571
Issued under the stock option plan		730	(261)	—	—	469
Stock-based compensation expense	22	—	713	—	—	713
Net income		—	—	—	31,768	31,768
Other comprehensive income (loss)		—	—	(12,490)	3,723	(8,767)
Balance as at March 31, 2017		**$ 77,217**	**$ 3,735**	**$ 6,298**	**$ 268,618**	**$ 355,868**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

For the fiscal years ended March 31,	Notes	2018	2017
Cash and cash equivalents provided by (used for):			
Operating activities			
Net income		**$ 13,674**	$ 31,768
Items not requiring an outlay of cash:			
Amortization expense	14, 15	**26,579**	25,568
Deferred income taxes	24	**67**	(1,604)
Losses (gains) on sale of property, plant and equipment and software		**52**	(262)
Write-down of property, plant and equipment	9, 14	**886**	—
Non-cash net financial expenses (income)	8	**758**	(3,341)
Stock-based compensation expense	22	**608**	713
Cash flows from operations		**42,624**	52,842
Net change in non-cash items	28	**13,498**	3,306
Cash flows related to operating activities		**56,122**	56,148
Investing activities			
Additions to property, plant and equipment	14	**(9,930)**	(20,633)
Net decrease (increase) in finite-life intangible assets	15	**4,761**	(3,774)
Proceeds on disposal of property, plant and equipment		**173**	304
Cash flows related to investing activities		**(4,996)**	(24,103)
Financing activities			
Increase in long-term debt		**3,821**	23,021
Repayment of long-term debt		**(4,634)**	(32,797)
Fees incurred to renew the Credit Facility	20	**(524)**	—
Issuance of common shares	22	**772**	1,040
Cash flows related to financing activities		**(565)**	(8,736)
Effect of changes in exchange rates on cash and cash equivalents		**192**	(121)
Change in cash and cash equivalents during the year		**50,753**	23,188
Cash and cash equivalents, beginning of year		**42,456**	19,268
Cash and cash equivalents, end of year		**$ 93,209**	$ 42,456
Interest and income taxes reflected in operating activities:			
Interest paid		**$ 2,359**	$ 2,829
Interest received		**$ 580**	$ 34
Income taxes paid		**$ 5,282**	$ 3,609

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, 2018 and 2017

(In thousands of Canadian dollars, except per 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 ("Héroux-Devtek" or the "Corporation") specialize in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic flight control actuators and fracture-critical components. It also includes the manufacture of electronic enclosures, heat exchangers and cabinets for airborne radar, electro-optic systems and aircraft controls through its Magtron operations as well as fluid filters products through its Bolton operations.

The Corporation operates as 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") as issued by the International Accounting Standards Board ("IASB") and were approved for issue by the Board of Directors of the Corporation on May 23, 2018.

Reclassification of prior year presentation

Certain comparative figures have been reclassified to conform to the March 31, 2018 presentation.

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:

Name	Location
Devtek Aerospace Inc.	Canada
HDI Landing Gear USA Inc.	United States
APPH Limited	United Kingdom

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. 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.

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.

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.

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 materials 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 25 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 - 3 to 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 of this note and *note 4 - Significant accounting estimates and assumptions* for further information about provisions for asset retirement obligations.

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 to the Corporation. 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 at cost upon initial recognition. The cost of 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 finite-life intangible assets are reviewed 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 associated with finite-life intangible assets 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 of 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 the intangible asset and use or sell it;
- its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development and to use or sell the intangible asset; and,
- the ability to measure reliably the expenditure attributable to the intangible asset during its 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 tested for impairment annually.

Customer relationships and contracts

Customer relationships and contracts are amortized on a straight-line basis over the estimated useful life of the related customer relationship and contracts, which represents a period of up to 12 years.

Software
Software is amortized over 3 to 7 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 combination 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. A 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 of disposal 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, economic trends, 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 CGU participates. 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 of disposal 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 a 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 and 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 mainly comprised of accounts receivable. 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 accounts. 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 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, interest rate swap agreements, cross-currency interest rate swap agreements and equity swap agreements to hedge its risks associated with foreign currency, interest rate and other price 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.

Hedges 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 from 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) when 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 known 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 mainly consist of 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 costs associated with the legal obligations for future rehabilitation. 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 statements of income as financial expenses. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs are recognized in the consolidated statements of income as changes occur.

Product warranty

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

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 statements of income while the administrative costs related to these pension plans are included in selling and administrative expenses. The net interest income or expense on the net surplus or deficit is recorded in financial expenses.

The actuarial determination of the 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 rates 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.

Remeasurements on defined benefit plans include actuarial gains and losses, changes in the effect of the asset ceiling and the return on plan assets, excluding the amount included in net interest on the net defined liability or assets. Remeasurements are charged or credited to other comprehensive income in the period in which they arise.

Past service costs arising from the plan amendments are recognized in full immediately in the consolidated statements of income.

P. Share-based payments

Stock option plan
The Corporation has a stock option plan in which options to purchase common shares are issued to officers and key employees. The Corporation uses a binomial valuation model to determine the fair value of stock options when granted. The resulting fair value 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 members of management to subscribe, by payroll deductions of a maximum of 10% of their annual base salary, 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"). Common shares thus issued are accounted for as issued capital. The Corporation matches 50% of such employee contributions in the form of additional common shares acquired on the TSE at market price. 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 in selling and administrative expenses.

Deferred share unit ("DSU") plan
The Corporation has a DSU plan under which rights are issued to its non-employee directors. The DSU enables the participants to receive compensation at the end of their mandate as a member of the Board of Directors, representing a cash amount equal to one time the quoted price of the Corporation's common share for each DSU.

These DSUs are expensed on an earned basis, their value is equal to that of the underlying shares and is remeasured at each reporting period. Each director can also elect, each fiscal year, to have up to 100% 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 the end of each director's mandate.

Performance share unit ("PSU") plan
The Corporation has a PSU plan as part of the incentive plan for management and key employees. 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 certain financial targets.

PSUs are expensed on an earned basis, their value is equal to that of the underlying shares and is 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 duties. However specific recognition criteria must also be met before revenue is recognized. Revenue from the sale of goods, which includes repair and overhaul works, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, the sales price is determinable and collectability is reasonably assured. Generally these conditions are met upon delivery of goods.

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 when 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 subsidize. Where government assistance relates to an asset, it is deducted from the cost of the related asset.

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 government authority 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 sheet. At initial recognition, the fair value of a loan with a below-market rate of interest is estimated at 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.

After initial recognition, the loan is accounted for as a financial liability measured at amortized cost using the effective interest method. Repayments are mainly based on the Corporations sales growth, or sales of specific programs. Assumptions underlying expected sales are reviewed at least annually, and are used to derive expected repayment schedules. When expected repayment schedule changes, the Corporation recalculates the carrying value of the loan using the original effective interest rate, with the corresponding gain or loss accounted for in financial expenses.

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 basis 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 other 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 authorities, 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, if applicable.

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 sheet.

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. Future changes in accounting policies

IFRS 9 - Financial Instruments

In July 2014, the International Accounting Standards Board ("IASB") completed a three-phased approach to replace *IAS 39 - Financial Instruments: Recognition and Measurement* with *IFRS 9 - Financial Instruments.*

The first phase, Classification and Measurement, introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply.

The second phase, Impairment, introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses.

The third phase, Hedge Accounting, represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

The Corporation has completed its assessment of IFRS 9 and concluded that it will not have a significant impact on the consolidated financial statements. The Corporation will incorporate the new disclosure requirements of IFRS 9 upon its adoption on April 1, 2018.

IFRS 15 - Revenue from Contracts with Customers

In May 2015, the IASB released *IFRS 15 - Revenue from Contracts with Customers*. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Corporation is required to apply this standard retrospectively for its fiscal year beginning April 1, 2018. In fiscal 2018, the Corporation completed its analysis of the impact of IFRS 15 adoption. The new standard will not result in material changes aside from disclosure requirements.

IFRS 16 - Leases

In January 2016, the IASB released *IFRS 16 - Leases.* The new standard, which represents a major revision of the way in which companies account for leases, sets out the principles that both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"), apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lessee is required to recognize assets and liabilities arising from a lease, following a single model where previously leases were classified as either finance leases or operating leases. Most leases will be recognized on the Corporation's consolidated balance sheet. Certain exemptions will apply for short-term leases and leases of low-value assets. The Corporation anticipates the adoption of the IFRS will have an impact on the balance sheet and statement of income as all operating leases will be capitalized with a corresponding lease liability while the rent expense will be replaced by the amortization expense of the right to use the related assets and interest accretion expense from the liability recorded.

The Corporation is required to apply this standard retrospectively for its fiscal year beginning April 1, 2019. Many of the Corporation's leases are already accounted for as finance leases on the Corporation's consolidated balance sheet. Certain other operating leases will be required to be brought on balance sheet. The Corporation continues to assess the impact of adopting this standard on its consolidated financial statements.

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. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the Corporation's financial results or the carrying amount of assets or liabilities.

Key estimates and assumptions are as follows:

A. Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or 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 may enhance the performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model, the expected future cash flows and the perpetual growth rate used for extrapolation. The key assumptions used to determine the recoverable amount of the CGUs, including sensitivity analysis, are further explained in note 16.

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 and deductible temporary differences to the extent it is probable that taxable income will be available against which the losses and deductible temporary differences 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 expense, including a sensitivity analysis, are further explained in note 25.

D. Capitalized development costs

Development costs are capitalized in accordance with the accounting policy described in note 3. 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 and 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.

F. Government authorities loans

The Corporation has outstanding loans with government authorities with variable repayment schedules. Annual repayments of these loans generally vary based on the sales of certain of the Corporation's programs or segments. In order to account for the present value of these loans under the effective interest method, or for government assistance upon initial recognition, management must estimate the future sales growth of these programs or segments over the expected duration of the loan. These forecasts are used to determine effective interest rates and expected repayment schedules. In determining these amounts, management must rely on market rates of interest and assumptions such as, but not limited to, current and future order intake, industry order backlogs, Original Equipment Manufacturer ("OEM") production rates, expected economic conditions, the stability of foreign exchange rates and the Corporation's ability to deliver on key contract initiatives.

NOTE 5. BUSINESS ACQUISITIONS

Agreement to acquire CESA

On October 2, 2017, the Corporation announced an agreement to acquire Compañia Española de Sistemas Aeronauticos S.A. ("CESA"), a subsidiary of Airbus SE, for €140,000 ($222,000). Headquartered in Madrid, Spain, CESA is a leading European provider of fluid mechanical and electromechanical systems for the aerospace industry with annual sales of approximately €94,000 ($149,000). Its main product lines include landing gear, actuation and hydraulic systems.

The transaction will be financed through:

- A $50,000, seven-year unsecured subordinated term loan provided by the *Fonds de solidarité FTQ*;
- The assumption of debt amounting to approximately $46,000;
- The Corporation's existing credit facility, whose limit will be increased to a fully committed amount of $250,000; and,
- The Corporation's available cash balance.

Closing of the transaction is expected during the Corporation's second quarter of fiscal 2019 and is subject to certain approvals, including authorization by the Spanish Council of Ministers.

Agreement to acquire Beaver

On February 27, 2018, the Corporation announced an agreement to acquire the shares of Beaver Aerospace & Defense Inc. and its wholly-owned subsidiary PowerTHRU Inc. ("Beaver"), from Phillips Service Industries Inc., for a purchase price of approximately US$23,500 ($30,000). The transaction will be financed through the Corporation's existing revolving credit facility and is expected to close during the Corporation's first quarter of fiscal 2019, subject to customary closing adjustments and certain regulatory approvals.

These transactions expose the Corporation to new foreign exchange and interest rate risks. Refer to note 32 for further information on these risks and how they are being mitigated. In connection with these acquisitions, the Corporation incurred acquisition-related costs which are presented in note 9.

NOTE 6. GOVERNMENT ASSISTANCE

Government assistance deducted from the cost of the related assets or recognized as a reduction of expenses, was as follows, for fiscal year:

		2018		2017
Finite-life intangible assets	**$**	**332**	$	197
Property, plant and equipment		**619**		1,499
Cost of sales and, selling and administrative expenses		**1,929**		2,828

Government assistance includes research and development tax credits, other credits and grants.

NOTE 7. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

The main components of these expenses were as follows, for fiscal year:

		2018		2017
Raw materials and purchased parts	**$**	**140,361**	$	144,135
Employee costs		**126,292**		135,769
Amortization of property, plant and equipment and finite-life intangible assets (notes 14, 15)		**26,579**		25,568
Others		**63,007**		65,184
	$	**356,239**	$	370,656

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, 2018, the foreign exchange gain amounted to $148 ($2,874 in 2017).

NOTE 8. NET FINANCIAL EXPENSES (INCOME)

Net financial expenses (income) comprise the following, for fiscal year:

		2018		2017
Interest accretion on governmental authorities loans	**$**	**2,300**	$	2,253
Net losses on certain derivative financial instruments (note 9)		**344**		—
Revision of governmental authorities loans repayment estimates (notes 9, 20)		**(1,834)**		(6,375)
Interest on net defined benefit obligations (note 25)		**153**		330
Amortization of deferred financing costs		**238**		319
Other non-cash financial expenses (income)		**(443)**		132
Non-cash net financial expenses (income)		**758**		(3,341)
Interest expense		**2,299**		2,447
Net gains on certain derivative financial instruments (note 9)		**(255)**		—
Standby fees		**315**		382
Interest income on cash and cash equivalents		**(580)**		(34)
	$	**2,537**	$	(546)

NOTE 9. NON-RECURRING ITEMS

Non-recurring items comprise the following, for fiscal year:

		2018		2017
Non-recurring items in operating income				
Restructuring charges	**$**	**4,990**	$	3,634
Acquisition-related costs		**1,957**		—
Gain on settlement of a litigation		**—**		(5,247)
Legal and other professional fees		**—**		1,941
	$	**6,947**	$	328
Non-recurring items in net financial expenses (income)				
Net losses on certain derivative financial instruments	**$**	**89**	$	—
Revision of governmental authorities loans repayment estimates		**—**		(6,375)
	$	**89**	$	(6,375)
Non-recurring items in income tax expense				
Impact of US Tax Reform	**$**	**4,912**	$	—
	$	**4,912**	$	—

Restructuring Charges

In March 2018, the Corporation announced workforce adjustments of about 60 employees at its Longueuil facility following the non-renewal of the U.S. Air Force contract. These adjustments along with other costs related to the decrease in volume resulted in restructuring charges totaling $4,990 accounted for during the quarter, including termination benefits of $2,729 and other costs related to the reduction in volume totaling $2,261. The unpaid portion of these restructuring charges, which amounted to $2,545 as at March 31, 2018, is included in other liabilities and short-term provisions on the Corporation's consolidated balance sheet. Refer to note 19, under caption *Other*.

In February 2017, following production rate reductions for certain aircraft programs announced by OEMs, the Corporation announced workforce adjustments of approximately 90 employees throughout its offices and plants. This initiative, which was completed in calendar 2017, resulted in restructuring charges of $3,634, mainly comprised of employee-related costs.

Acquisition-related costs

During fiscal year 2018, the Corporation's incurred acquisition-related costs of $1,957. These costs mainly pertain to professional fees and expenses in connection with the agreements to acquire CESA and Beaver. Refer to note 5 for further details.

Gain on settlement of a litigation, legal and other professional fees

In January 2016, the Corporation filed an arbitration claim related to representations and warranties. During fiscal 2017, the Corporation reached an agreement outside of arbitration with the counterparty resulting in a favourable $US 4,000 ($5,247) settlement. Non-recurring legal and other professional fees incurred during fiscal 2017 totaled $1,941.

Net losses on certain derivative financial instruments

These losses are related to certain financial instruments acquired in order to mitigate foreign currency and interest rate risks related to the purchase price and financing of CESA. Refer to note 32 for further details.

Government authorities loans

Refer to note 20 for details regarding the revision of assumptions underlying the valuation of government authorities loans during fiscal 2017.

Other tax impact from non-recurring items

During fiscal year 2018, the Corporation income tax expense included a tax rate adjustment related to the US Tax Reform of $4,912. Refer to note 24 for further details.

NOTE 10. EARNINGS PER SHARE

The following table sets forth the elements used to compute basic and diluted earnings per share, for fiscal year:

	2018	2017
Weighted-average number of common shares outstanding	**36,154,272**	36,071,025
Effect of dilutive stock options of the Corporation	**177,342**	213,282
Weighted-average number of common diluted shares outstanding	**36,331,614**	36,284,307
Options excluded from diluted earnings per share calculation[1]	**356,500**	113,000

[1] *Excluded from diluted earnings per share calculation due to anti-dilutive impact.*

NOTE 11. INVENTORIES

As at	**March 31, 2018**	March 31, 2017
Raw materials	**$ 62,902**	$ 63,879
Work-in-progress	**69,118**	76,662
Finished goods	**2,307**	3,325
	$ 134,327	$ 143,866

The amount of inventories recognized as cost of sales for the fiscal year ended March 31, 2018 is $267,753 ($284,689 in 2017).

Reserves related to inventories are as follows, for fiscal year:

	2018	2017
Reserves recognized as cost of sales	**$ 7,312**	$ 8,502
Reversal of prior-period reserves	**13,639**	12,364

For fiscal year 2018, the reversal of prior-period reserves includes charges of $5,568 ($5,411 in 2017) for products delivered or written-off during the year for which a net realizable value reserve was recorded in prior years with no effect on income. 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 contracts signed and also the reduction in production costs resulting from improvements in manufacturing processes.

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS

As at	March 31, 2018	March 31, 2017
Current Assets		
Forward foreign exchange contracts	**$ 1,776**	$ 1,766
Equity swap agreement	**—**	1,743
	$ 1,776	$ 3,509
Long-term Assets		
Forward foreign exchange contracts	**$ 1,172**	$ 292
Equity swap agreement	**2,249**	—
	$ 3,421	$ 292
Current Liabilities		
Forward foreign exchange contracts	**$ 382**	$ 1,905
Interest rate swap agreements	**7**	150
	$ 389	$ 2,055
Long-term Liabilities		
Forward foreign exchange contracts	**$ 76**	$ 396
Cross-currency interest-rate swap agreements	**2,313**	112
	$ 2,389	$ 508

NOTE 13. OTHER ASSETS

As at	March 31, 2018	March 31, 2017
Investment and other tax credits receivable	**$ 523**	$ 1,371
Sales tax receivable	**1,676**	1,028
Prepaid expenses	**3,614**	3,917
Others	**643**	1,049
Other current assets	**$ 6,456**	$ 7,365
Tax credits receivable	**3,165**	3,108
Others	**1,043**	—
Other long-term assets	**$ 4,208**	$ 3,108

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leasehold improvements	Machinery, equipment and tooling	Other	Construction in progress	Total
Cost:						
As at March 31, 2017	$ 6,502	$ 90,553	$ 233,182	$ 14,607	$ 4,915	$ 349,759
Additions	—	1,034	10,984	1,299	(2,626)	10,691
Government assistance (note 6)	—	(15)	(557)	(47)	—	(619)
Retirements and disposals	—	(1,018)	(7,078)	(1,244)	—	(9,340)
Effect of changes in exchange rates	(2)	(465)	(1,120)	(41)	19	(1,609)
As at March 31, 2018	$ 6,500	$ 90,089	$ 235,411	$ 14,574	$ 2,308	$ 348,882
Accumulated amortization:						
As at March 31, 2017	$ —	$ 26,769	$ 121,797	$ 8,346	$ —	$ 156,912
Amortization expense	—	3,770	15,234	1,811	—	20,815
Write-down (note 9)	—	—	886	—	—	886
Retirements and disposals	—	(1,005)	(6,979)	(1,169)	—	(9,153)
Effect of changes in exchange rates	—	(102)	43	(22)	—	(81)
As at March 31, 2018	$ —	$ 29,432	$ 130,981	$ 8,966	$ —	$ 169,379
Net book value as at March 31, 2018	**$ 6,500**	**$ 60,657**	**$ 104,430**	**$ 5,608**	**$ 2,308**	**$ 179,503**

	Land	Buildings and leasehold improvements	Machinery, equipment and tooling	Other	Construction in progress	Total
Cost:						
As at March 31, 2016	$ 6,530	$ 75,660	$ 231,424	$ 13,184	$ 14,448	$ 341,246
Additions	—	14,921	13,918	1,512	(9,457)	20,894
Government assistance (note 6)	—	(127)	(1,363)	(9)	—	(1,499)
Retirements and disposals	—	(415)	(10,927)	(107)	—	(11,449)
Effect of changes in exchange rates	(28)	514	130	27	(76)	567
As at March 31, 2017	$ 6,502	$ 90,553	$ 233,182	$ 14,607	$ 4,915	$ 349,759
Accumulated amortization:						
As at March 31, 2016	$ —	$ 23,731	$ 117,625	$ 6,747	$ —	$ 148,103
Amortization expense	—	3,472	15,077	1,684	—	20,233
Retirements and disposals	—	(476)	(10,824)	(107)	—	(11,407)
Effect of changes in exchange rates	—	42	(81)	22	—	(17)
As at March 31, 2017	$ —	$ 26,769	$ 121,797	$ 8,346	$ —	$ 156,912
Net book value as at March 31, 2017	**$ 6,502**	**$ 63,784**	**$ 111,385**	**$ 6,261**	**$ 4,915**	**$ 192,847**

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

	2018	2017
Gross additions	**$ 10,691**	$ 20,894
Government assistance (note 6)	**(619)**	(1,499)
Additions to property, plant and equipment	**10,072**	19,395
Variation in unpaid additions included in Accounts payable - other and other liabilities at year-end (note 18)	**(142)**	1,238
Additions, as per statements of cash flows	**$ 9,930**	$ 20,633

As at March 31, 2018, cost of machinery, equipment and tooling includes assets acquired through finance leases amounting to $40,151 ($40,184 as at March 31, 2017) with accumulated amortization of $6,847 ($4,038 as at March 31, 2017).

As at March 31, 2018 and 2017, construction in progress included mainly the cost related to machinery and equipment. As at March 31, 2018, the cost of property, plant and equipment still in use and fully depreciated is $87,188 ($84,826 as at March 31, 2017).

NOTE 15. FINITE-LIFE INTANGIBLE ASSETS

	Capitalized development costs	Software	Customer relationships and contracts	Total
Cost:				
As at March 31, 2017	$ 37,073	$ 17,773	$ 23,918	$ 78,764
Additions	1,053	1,523	—	2,576
Customers funding	(7,005)	—	—	(7,005)
Government assistance (note 6)	—	(332)	—	(332)
Retirements and disposals	—	(520)	—	(520)
Effect of changes in exchange rates	39	197	1,486	1,722
As at March 31, 2018	$ 31,160	$ 18,641	$ 25,404	$ 75,205
Accumulated amortization:				
As at March 31, 2017	$ 10,907	$ 12,902	$ 9,488	$ 33,297
Amortization expense	586	1,683	3,495	5,764
Retirements and disposals	—	(482)	—	(482)
Effect of changes in exchange rates	—	49	721	770
As at March 31, 2018	$ 11,493	$ 14,152	$ 13,704	$ 39,349
Net book value as at March 31, 2018	**$ 19,667**	**$ 4,489**	**$ 11,700**	**$ 35,856**

	Capitalized development costs	Software	Customer relationships and contracts	Total
Cost:				
As at March 31, 2016	$ 35,365	$ 16,211	$ 26,061	$ 77,637
Additions	2,026	2,265	—	4,291
Customers funding	(320)	—	—	(320)
Government assistance (note 6)	—	(197)	—	(197)
Retirements and disposals	—	(295)	—	(295)
Effect of changes in exchange rates	2	(211)	(2,143)	(2,352)
As at March 31, 2017	$ 37,073	$ 17,773	$ 23,918	$ 78,764
Accumulated amortization:				
As at March 31, 2016	$ 10,122	$ 11,865	$ 6,905	$ 28,892
Amortization expense	785	1,339	3,211	5,335
Retirements and disposals	—	(295)	—	(295)
Effect of changes in exchange rates	—	(7)	(628)	(635)
As at March 31, 2017	$ 10,907	$ 12,902	$ 9,488	$ 33,297
Net book value as at March 31, 2017	**$ 26,166**	**$ 4,871**	**$ 14,430**	**$ 45,467**

NOTE 16. GOODWILL

Goodwill varied as follows, during fiscal year:

	2018	2017
Balance at beginning of the year	**$ 86,049**	$ 93,253
Effect of changes in exchange rates	**5,088**	(7,204)
Balance, end of year	**$ 91,137**	$ 86,049

The net carrying amount of goodwill was allocated to the following CGUs, as at:

	March 31, 2018	March 31, 2017
Aerospace - Landing Gear CGU	**$ 87,282**	$ 82,301
Aerospace - Other CGUs	**3,855**	3,748
Goodwill	**$ 91,137**	$ 86,049

The following key assumptions were used to determine recoverable amounts for the impairment tests performed as at March 31, 2018:

	Pre-tax discount rate	Perpetual growth rate
Aerospace - Landing Gear CGU	15.0%	2.8%
Aerospace - Other CGUs	15.5% and 16.2%	2.8%

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 the CGU as at March 31, 2018:

	Incremental increase in pre-tax discount rate	Incremental decrease in perpetual growth rate
Aerospace - Landing Gear CGU	1.6%	1.5%
Aerospace - Other CGUs	0.1% and 24%	0.1% and -%

NOTE 17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	March 31, 2018	March 31, 2017
Trade payables [1]	$ 41,645	$ 40,966
Accrued liabilities [2]	23,412	22,425
Accounts payable and accrued liabilities	**$ 65,057**	$ 63,391

[1] *Trade payables are normally settled on 30 to 60 day terms.*

[2] *Accrued liabilities mainly include employees-related liabilities.*

NOTE 18. ACCOUNTS PAYABLE - OTHER AND OTHER LIABILITIES

As at	March 31, 2018	March 31, 2017
Unpaid machinery and equipment	$ 2,364	$ 2,222
Deferred revenue	154	129
Other payables	16	205
Accounts payable - other and other liabilities	**$ 2,534**	$ 2,556

NOTE 19. PROVISIONS

	Onerous contracts	Asset retirement obligations	Product warranty	Other (notes 9, 26)	Total
As at March 31, 2017	$ 110	$ 6,056	$ 8,409	$ 11,993	$ 26,568
Arising during the year (note 9)	199	118	1,238	3,122	4,677
Interest accretion expense	—	139	—	—	139
Utilized	(70)	(110)	(892)	(4,214)	(5,286)
Reversed	—	—	(1,679)	(1,627)	(3,306)
Discount rate adjustment	—	(433)	—	—	(433)
Effect of changes in exchange rates	4	—	380	47	431
As at March 31, 2018	**$ 243**	**$ 5,770**	**$ 7,456**	**$ 9,321**	**$ 22,790**
Less: current portion	243	—	7,456	9,170	16,869
Long-term portion	**$ —**	**$ 5,770**	**$ —**	**$ 151**	**$ 5,921**

NOTE 20. LONG-TERM DEBT

As at	March 31, 2018	March 31, 2017
Senior Secured Syndicated Revolving Credit Facility ("Credit Facility")	**$ 54,155**	$ 55,856
Governmental authorities loans	**52,540**	49,133
Obligations under finance leases	**25,269**	29,787
Deferred financing costs, net	**(923)**	(637)
	131,041	134,139
Less: current portion	**5,356**	6,792
Long-term debt	**$ 125,685**	$ 127,347

Credit Facility

The relevant terms and drawings on the Credit Facility are as follows:

As at	March 31, 2018	March 31, 2017
Limit, in Canadian, US$, Euro or British Pound equivalent [1]	**$ 200,000**	$ 200,000
US$ Drawings		
Amount	**US$ 42,000**	US$ 42,000
Rate	**Libor + 1.125%**	Libor + 1.4%
Effective rate	**3.0%**	2.4%

[1] *Includes an accordion feature to increase the Credit Facility up to $300 million during the term of the credit agreement, subject to lenders' approval.*

During fiscal 2018, the Corporation reached an agreement with its syndicate of banks to extend the term of the Credit Facility through May 24, 2022. The authorized amount remains $200,000 and most other key terms remain unchanged, though the amount of the accordion feature, which is subject to lenders approval, has increased from $75,000 to $100,000. Financing costs totaling $524 were deferred and are amortized over the term of the related loans using the effective interest rate method. The Credit Facility is secured by all assets of the Corporation and its subsidiaries.

Governmental authorities loans

Governmental authorities loans represent 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 and provincial industrial programs to promote industry development.

These loans have varying terms governing the timing and amount to be refunded. Repayments are mainly based on sales of specific programs or the growth in sales of all or certain of Héroux-Devtek's product lines. Assumptions underlying loan repayments are reviewed at least annually.

During fiscal 2018 and 2017, the following adjustments were made to these assumptions:

> As at March 31, 2018, the Corporation updated the estimated repayment schedule for certain of its government authorities loans, taking into account revised assumptions mainly related to sales forecasts. This resulted in a non-cash gain of $1,834, which was included in Net financial expenses (income) (see note 8).
>
> As at March 31, 2017, the Corporation updated the estimated repayment schedule for one of its government authorities loans, mainly taking into account an agreement with the related government authority extending the duration of the investment period of the loan by three years. These adjustments resulted in a non-cash gain of $6,375 which were included in Net financial expenses (income) (see note 8) and classified by management as a Non-recurring item (see note 9).

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 were in the range of 2.2% to 7.2% as at March 31, 2018 (2.5% to 7.2% as at March 31, 2017).

Finance leases

Obligations under finance leases bear fixed interest rates between 2.4% and 3.7% as at March 31, 2018 and March 31, 2017, maturing from July 2019 to December 2023, with amortization periods of approximately seven years, secured by the related property, plant and equipment, net of interest of $1,928 ($2,178 as at March 31, 2017).

Covenants

Long-term debt is subject to certain general and financial covenants related, among others, 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, 2018.

Minimum repayments

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

Fiscal years	Finance leases	Governmental authorities loans	Credit Facility	Total
2019	$ 5,839	$ 208	$ 1,625	$ 7,672
2020	5,732	2,256	1,625	9,613
2021	5,648	2,752	1,625	10,025
2022	5,420	5,458	1,625	12,503
2023	3,339	5,915	54,391	63,645
Beyond 5 years	1,219	56,266	—	57,485
Sub-Total	27,197	72,855	60,891	160,943
Less: Interest	1,928	20,315	6,736	28,979
Debt balance (1)	$ 25,269	$ 52,540	$ 54,155	$ 131,964

(1) *Before net deferred financing costs.*

The following table presents reconciliation between the opening and closing balances for the Long-term debt.

	March 31, 2018	March 31, 2017
Long-term debt, at beginning of the fiscal year	**$ 134,139**	$ 146,284
Increase in long-term debt	**3,821**	23,021
Repayment of long-term debt	**(4,634)**	(32,797)
Amortization of financing costs (note 8)	**238**	319
Fees incurred to renew the Credit Facility	**(524)**	—
Interest accretion and adjustments on governmental authorities loans (note 8)	**466**	(4,122)
Effects of fluctuations in exchange rates	**(2,465)**	1,434
Long-term debt, at end of the fiscal year	**$ 131,041**	$ 134,139

NOTE 21. OTHER LIABILITIES

As at	**March 31, 2018**	**March 31, 2017**
Deferred revenue	**$ 2,639**	$ 3,099
Net defined benefit obligations (note 25)	**3,958**	3,610
Progress billings	**19**	78
Other Liabilities	**$ 6,616**	$ 6,787

NOTE 22. 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

No preferred shares are outstanding.

Variations in common shares issued and fully paid were as follows, for fiscal year:

			2018			2017
	Number		Issued capital	Number		Issued capital
Balance, beginning of year	**36,122,050**	**$**	**77,217**	36,006,935	$	75,916
Issued for cash on exercise of stock options	**48,750**		**298**	70,750		730
Issued for cash under the stock purchase and ownership incentive plan	**47,772**		**590**	44,365		571
Balance, end of year	**36,218,572**	**$**	**78,105**	36,122,050	$	77,217

Stock-based compensation

A. Stock option plan

The Corporation grants stock options at a subscription price representing the average closing price of the Corporation's common shares on the Toronto Stock Exchange for the five trading days preceding the grant date. Options granted under the plan mainly vest over a period of four years. The options are exercisable over a period not exceeding seven years after the grant date.

Variations in stock options outstanding and related compensation expense were as follows, for fiscal year:

			2018			2017
	Number of stock options		Weighted-average exercise price	Number of stock options		Weighted-average exercise price
Balance, beginning of year	**914,295**	**$**	**10.88**	879,545	$	10.02
Granted	**243,500**		**14.93**	113,000		15.01
Exercised	**(48,750)**		**3.71**	(70,750)		6.63
Cancelled / forfeited	**(3,750)**		**11.71**	(7,500)		11.71
Balance, end of year	**1,105,295**	**$**	**12.09**	914,295	$	10.88
Stock-based compensation expense		**$**	**608**		$	713

The weighted-average share price at the date of exercise of stock options in fiscal 2018 was $14.44 ($14.70 in 2017).

Details of stock options granted were as follows, for fiscal year:

		2018		2017
Number of stock options granted		**243,500**		113,000
Weighted average fair value per stock option	**$**	**3.84**	$	4.76
Total fair value	**$**	**935**	$	538
Expected life		**4.9 years**		3.9 years
Expected volatility		**25%**		38%
Expected forfeiture		**4.5%**		—%
Expected dividend distribution		**None**		None
Compounded risk-free interest rate		**1.6%**		0.6%

As at March 31, 2018, 2,808,257 common shares are reserved for issuance of stock options, of which 1,514,481 remained to be issued, compared to 1,563,231 as at March 31, 2017.

As at March 31, 2018, 1,105,295 stock options were issued and outstanding and can be detailed as follows:

	Outstanding options			Vested options	
Exercisable price	Number	Weighted-average years to maturity	Weighted-average exercise price	Number	Weighted-average exercise price
$3.01 to $4.09	65,200	0.36	$3.08	65,200	$3.08
$10.71 to $11.71	683,595	3.24	11.45	592,571	11.53
$14.93 to $15.01	356,500	6.41	14.95	92,625	14.96
	1,105,295	4.09	$12.09	750,396	$11.22

B. Stock purchase and ownership incentive plan

Movements in common shares and related expenses related to the stock purchase and ownership incentive plan were as follows, for fiscal year:

	2018	**2017**
In number of common shares		
Issued	**47,772**	44,365
Attributed to participating employees	**18,800**	16,755
Expense related to common shares attributed	**$ 260**	$ 239

As at March 31, 2018, 340,000 shares are reserved for issuance under the stock purchase and ownership incentive plan, of which 58,866 remained to be issued, compared to 106,638 as at March 31, 2017.

C. Deferred Share Unit ("DSU") and Performance Share Unit ("PSU") plans

Movements in outstanding DSUs and related expense were as follows, for fiscal year:

	2018	2017
In number of DSUs		
Balance, beginning of year	**135,815**	124,333
Issued	**32,588**	33,740
Settled	**(32,233)**	(22,258)
Closing balance of DSUs outstanding	**136,170**	135,815
DSU expense	**$ 910**	$ 273
Fair value of outstanding DSUs, end of year	**$ 1,962**	$ 1,517

Movements in outstanding PSUs and related expense were as follows, for fiscal year:

	2018	2017
In number of PSUs		
Balance, beginning of year	**114,434**	151,392
Issued	**100,650**	58,500
Cancelled/forfeited	**(3,802)**	(1,941)
Settled	**(23,334)**	(93,517)
Closing balance of PSUs outstanding	**187,948**	114,434
PSU expense	**$ 163**	$ 635
Fair value of vested outstanding PSUs, end of year	**$ 842**	$ 1,004

NOTE 23. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income were as follows:

	Exchange differences on translation of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at March 31, 2017	$ 14,256	$ (521)	$ (7,437)	$ 6,298
Other comprehensive income	5,860	545	1,514	7,919
Balance as at March 31, 2018	**$ 20,116**	**$ 24**	**$ (5,923)**	**$ 14,217**

	Exchange differences on translation of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at March 31, 2016	$ 25,691	$ (643)	$ (6,260)	$ 18,788
Other comprehensive income (loss)	(11,435)	122	(1,177)	(12,490)
Balance as at March 31, 2017	**$ 14,256**	**$ (521)**	**$ (7,437)**	**$ 6,298**

NOTE 24. INCOME TAXES

Income tax expense is as follows, for fiscal year:

	2018	2017
Consolidated statements of income		
Current income tax expense	**$ 7,100**	$ 5,934
Deferred income tax expense (recovery)	**67**	(1,604)
Income tax expense reported in the consolidated statements of income	**$ 7,167**	$ 4,330
Consolidated statements of changes in shareholders' equity		
Expense related to items charged or credited directly to retained earnings	**$ 68**	$ 1,355
Expense (recovery) related to items charged or credited directly to other comprehensive income	**826**	(166)
Income tax expense reported directly in shareholders' equity	**$ 894**	$ 1,189

The computation of income tax expense is as follows, for fiscal year:

	2018	2017
Income taxes at combined Federal and Provincial statutory tax rates of 26.6% (26.7% in 2017)	**$ 5,554**	$ 9,651
Income tax rate differential – foreign subsidiaries	**(4,251)**	(4,672)
Permanent differences	**827**	(505)
Impact of US Tax Reform (note 9)	**4,912**	—
Other items	**125**	(144)
Income tax expense	**$ 7,167**	$ 4,330

On December 22, 2017, the United States Government passed into law the Tax Cuts and Jobs Act (the "US Tax Reform"). The US Tax Reform includes a number of changes in existing tax law impacting businesses including, among other things, a permanent reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The reduction in the corporate tax rate required a revaluation of the Corporation net deferred tax assets, resulting in a one-time tax expense of $4,912 during the fiscal year 2018.

Income tax expense includes an unfavourable amount of $125 ($144 favourable in 2017) with respect to the 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:

As at	March 31, 2018	March 31, 2017
Deferred income tax assets		
Non-deductible reserves	**$ 4,126**	$ 2,948
Inventories	**3,872**	7,120
Receivables	**10**	36
Derivative financial instruments	**—**	189
Governmental authorities loans	**—**	61
Deferred tax benefits from tax losses and deductible expenses carried forward	**14,012**	21,076
Total deferred income tax assets	**$ 22,020**	$ 31,430
Deferred income tax liabilities		
Investment and other tax credits	**(557)**	(566)
Property, plant and equipment	**(14,863)**	(22,929)
Customer relationships and contracts	**(2,891)**	(3,913)
Governmental authorities loans	**(64)**	—
Derivative financial instruments	**(24)**	—
Total deferred income tax liabilities	**$ (18,399)**	$ (27,408)
Net deferred income tax assets	**$ 3,621**	$ 4,022

The net deferred income tax assets are included under the following captions on the consolidated balance sheets:

As at	March 31, 2018	March 31, 2017
Deferred income tax assets	**$ 7,388**	$ 9,964
Deferred income tax liabilities	**(3,767)**	(5,942)
Net deferred income tax assets	**$ 3,621**	$ 4,022

As at March 31, 2018, net deferred income tax assets of $8,790 were recognized ($10,961 as at March 31, 2017) in jurisdictions that incurred losses in current and prior fiscal years. Based upon the level of historical taxable income and projections for future taxable income, the Corporation's management believes it is probable that the Corporation will realize the benefits of these deductible temporary differences and non-capital losses carried forward.

As at March 31, 2018 and 2017, 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.

The Corporation had the following non-capital losses available for carry-forward:

As at	March 31, 2018	March 31, 2017
Canada	**$ 19,943**	$ 12,797
United States	**53,506**	55,688
United Kingdom	**—**	3,219
	$ 73,449	$ 71,704

As of March 31, 2018, the Corporation had non-capital losses in Canada and United States which expire in the years 2036 to 2038.

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, 2018, the temporary differences associated with investments in subsidiaries for which a deferred income tax liability has not been recognized aggregate to $25,151 ($14,808 in 2017).

NOTE 25. 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 2018, 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 $1,489 ($2,078 in 2017) while the cash contributed to its defined contribution plans amounted to $3,200 ($3,401 in 2017).

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 plan for which the valuation is made as at March 31.

The defined benefit plans expose the Corporation to actuarial risks such as:

- Life expectancy risk
    - The present value of defined benefit obligations is calculated in part by reference to the estimated life expectancy of plan members. An increase in life expectancy increases the Corporation's obligations.
- Currency risk
    - As a significant portion of plan assets are invested in foreign equities, an increase in the value of the Canadian dollar in comparison to the denomination of these foreign equities would result in an increase in the Corporation's obligations.
- Interest rate risk
    - A decrease in market rates of interest would decrease the discount rate used to calculate the present value of defined benefit obligations, thus increasing it. This would be partially offset by the resulting increase in the value of the plans' bond holdings.
- Investment risk
    - Investment risk is the risk that the return on plan assets is lower than the corporate bond interest rate used to determine the discount rate. Currently, the plans have an investment mix of 63% in equity funds, 29% in debt securities and 8% in other funds. Due to the long-term nature of the plans' defined benefit obligations, the Corporation considers it appropriate that a reasonable portion of the plans' assets is invested in equity securities and other funds in order to generate additional long-term return on plan assets.

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:

As at	March 31, 2018		March 31, 2017	
Present value of defined benefit obligations of funded plans	**$**	**61,216**	$	59,064
Fair value of plan assets		**58,974**		57,496
Funded status of the plans – deficit	**$**	**(2,242)**	$	(1,568)
Present value of defined benefit obligations of unfunded plan		**(1,716)**		(2,042)
Amount recognized in other long-term liabilities	**$**	**(3,958)**	$	(3,610)

Defined benefit pension expense recognized in the consolidated statements of income is as follows, for fiscal year:

	2018		2017	
Current service cost	**$**	**1,459**	$	1,500
Interest on net defined benefit obligations (note 8)		**153**		330
Termination benefits (note 9)		**325**		143
Administrative costs		**161**		123
Defined benefit pension expense recognized in the consolidated statements of income	**$**	**2,098**	$	2,096

The total amount recognized in other comprehensive income is as follows, for fiscal year:

	2018	2017
Remeasurements		
Gain (losses) from changes in demographic assumptions	**$ (2)**	$ 2,109
Losses from changes in financial assumptions	**(915)**	(1,588)
Experience gains	**1,257**	505
Return on plan assets, excluding interest income on plan assets	**(79)**	4,052
Other comprehensive income	**$ 261**	$ 5,078

The actual return on the fair value of plan assets is as follows, for fiscal year:

	2018	2017
Actual return on the fair value of plan assets	**$ 2,038**	$ 6,057

The variation in present value of the defined benefit obligations were as follows, for fiscal year:

	2018	2017
Defined benefit obligations, beginning of year	**$ 61,106**	$ 60,055
Current service cost	**1,459**	1,500
Interest expense	**2,270**	2,335
Contributions by plans' participants	**731**	629
Loss (gain) from change in demographic assumptions	**2**	(2,109)
Losses from changes in financial assumptions	**915**	1,588
Experience gains	**(1,257)**	(505)
Benefits paid	**(2,619)**	(2,530)
Termination benefits	**—**	143
Past service benefits	**325**	—
Defined benefit obligations, end of year	**$ 62,932**	$ 61,106

The fair value of plan assets is as follows:

As at	March 31, 2018	March 31, 2017
Fair value of plans' assets, beginning of year	**$ 57,496**	$ 51,385
Interest income on plans' assets	**2,117**	2,005
Return on plans' assets, excluding interest income on plans' assets	**(79)**	4,052
Contributions by the employer	**1,489**	2,078
Contributions by plans' participants	**731**	629
Benefits paid	**(2,619)**	(2,530)
Administrative costs	**(161)**	(123)
Fair value of plans' assets, end of year	**$ 58,974**	$ 57,496

The plans' assets consist of:

As at	March 31, 2018	March 31, 2017
Equity securities	**63%**	62%
Debt securities	**29%**	31%
Other	**8%**	7%
Total	**100%**	100%

Significant assumptions

The significant weighted-average assumptions used at the reporting date are as follows, for fiscal year:

	2018	2017
Defined benefit obligations as at March 31:		
Discount rate	**3.60%**	3.70%
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	**86**	87
Female, 45 years of age at reporting date	**89**	89
Male, 65 years of age at reporting date	**87**	86
Female, 65 years of age at reporting date	**90**	89

The following table summarizes the effects of the changes in these actuarial assumptions on the pension expense and the defined benefit obligations for the fiscal year ended and as at March 31, 2018:

Increase (Decrease)	**Pension expense**	**Defined benefit obligations**
	%	%
Discount rate		
Increase of 0.5%	(17.7)	(7.0)
Decrease of 0.5%	18.9	7.8
Rate of compensation		
Increase of 0.5%	0.1	—
Decrease of 0.5%	(0.1)	—
Average life expectancies		
Increase of 1 year	5.6	2.6
Decrease of 1 year	(5.6)	(2.6)

Corporation's pension benefits future cash flows

The cash contributions expected to be made to these plans in fiscal year 2019 amount to $1,453.

The duration of the defined benefit obligations at March 31, 2018 is 14.8 years (13.3 years in 2017). The expected maturity of undiscounted pension benefits for the Unionized Pension Plan is presented as follows:

As at	**March 31, 2018**	**March 31, 2017**
Less than a year	**$ 1,689**	$ 1,656
Between 1-2 years	**1,747**	1,668
Between 2-5 years	**5,753**	5,369
Over 5 years	**100,542**	98,870
Total	**$ 109,731**	$ 107,563

Defined contribution pension plans

The defined contribution pension plans' costs are as follows, for fiscal year:

	2018	2017
Defined contribution pension plan costs	**$ 3,200**	$ 3,401

NOTE 26. COMMITMENTS

The Corporation has commitments under operating leases for buildings and facilities and outstanding purchases orders relating to machinery and equipment which have not been delivered yet to the Corporation's facilities. The minimum payments over the next five years are as follows:

	2019	2020	2021	2022	2023	Thereafter	**Total 2018**	Total 2017
Operating leases - Buildings and facilities[1]	1,502	1,214	1,194	1,197	1,200	5,430	**$11,737**	$ 11,630
Building, machinery and equipment acquisition commitments	2,952	—	—	—	—	—	**$ 2,952**	$ 2,157

[1] *Excluding escalation clauses.*

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 legislations), valuation differences or as a result of litigations 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 have to indemnify against claims related to 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, 2018, the duration of these indemnification agreements could extend up to fiscal year 2024. As at March 31, 2018, an amount of $5,012 ($5,153 in 2017) was provided for in the Corporation's provisions in respect to these items and is classified as short-term provision (note 19) given the undetermined date of settlement.

Letters of credit
As at March 31, 2018, the Corporation has outstanding letters of credit amounting to $3,302 ($5,027 in 2017).

NOTE 27. 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 28. NET CHANGE IN NON-CASH ITEMS

The net change in non-cash items is detailed as follows, for fiscal year:

	2018	2017
Accounts receivable	**$ (2,335)**	$ 4,106
Income tax receivable	**(184)**	2,325
Inventories	**9,539**	2,855
Other current and long-term assets	**(869)**	2,605
Accounts payable and accrued liabilities, Accounts payable – other and other liabilities	**719**	(5,115)
Provisions	**(3,335)**	(471)
Progress billings	**961**	(2,969)
Customer advances	**6,136**	2,587
Income tax payable	**1,916**	(178)
Effect of changes in exchange rates[1]	**950**	(2,439)
	$ 13,498	$ 3,306

[1] *Reflects the total impact of changes in exchange rates during the period on non-cash items listed above for the Corporation's foreign subsidiaries.*

NOTE 29. GEOGRAPHIC INFORMATION

The geographic segmentation of the Corporation's assets is as follows:

As at	March 31, 2018				March 31, 2017			
	Canada	**U.S.**	**U.K.**	**Total**	Canada	U.S.	U.K.	Total
Property, plant and equipment, net	**$ 95,492**	**$ 71,183**	**$ 12,828**	**$ 179,503**	$ 104,201	$ 77,111	$ 11,535	$ 192,847
Finite-life intangible assets, net	**21,166**	**1,973**	**12,717**	**35,856**	28,536	3,010	13,921	45,467
Goodwill	**13,838**	**9,691**	**67,608**	**91,137**	13,838	9,995	62,216	86,049

Geographic sales based on the customers' location are detailed as follows, for fiscal year:

	2018	2017
Canada	**$ 39,244**	$ 77,537
United States	**240,377**	234,592
United Kingdom	**43,713**	39,528
Other countries	**63,230**	54,879
	$ 386,564	$ 406,536

NOTE 30. EXECUTIVE COMPENSATION

The executive compensation expense to key management personnel and the board of directors is as follows, for fiscal year:

	2018	2017
Short-term employee benefits and other benefits	**$ 3,458**	$ 3,342
Pension and other post-retirement benefits	**156**	167
Share-based payments	**1,655**	1,378
Total compensation to key management personnel	**$ 5,269**	$ 4,887

NOTE 31. FINANCIAL INSTRUMENTS

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.

The classifications of financial instruments as well as their carrying amounts and fair values are summarized as follows:

As at	March 31, 2018					March 31, 2017				
	Fair value hierarchy		Carrying amount		Fair Value	Fair value hierarchy		Carrying amount		Fair Value
Financial assets										
Cash and cash equivalents	**Level 1**	**$**	**93,209**	**$**	**93,209**	Level 1	$	42,456	$	42,456
Derivative financial instruments[(1)]	**Level 2**		**2,948**		**2,948**	Level 2		2,058		2,058
Equity swap instrument	**Level 1**		**2,249**		**2,249**	Level 1		1,743		1,743
		$	**98,406**	**$**	**98,406**		$	46,257	$	46,257
Financial Liabilities										
Derivative financial instruments	**Level 2**	**$**	**2,778**	**$**	**2,778**	Level 2	$	2,563	$	2,563
Long-term debt, including current portion	**Level 2**		**131,964**		**137,493**	Level 2		134,776		142,396
		$	**134,742**	**$**	**140,271**		$	137,339	$	144,959

[(1)] *Excluding equity swap instrument*

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 financial instruments and factors observable in external markets data, such as period-end interest-rate swap and foreign exchange rates.

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

NOTE 32. 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

Market risk is the risk of fluctuations in the fair value or future cash flows of financial instruments following 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:

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 exposures, 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 100% 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, 2018, in accordance with this policy, the Corporation held forward foreign exchange contracts to sell US$110.1 million at a weighted-average rate of 1.3046 (Canadian dollar over U.S. dollar, "cad/usd"). As at March 31, 2017, these contracts totalled US$152.4 million at a weighted-average rate of 1.3178 cad/usd. As at March 31, 2018, these contracts mature at various dates between April 2018 and March 2021, with the majority maturing over the next fiscal year.

As at March 31, 2018, 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	(204)	(2)
Increase (decrease) in other comprehensive income	638	(1,250)

The foreign exchange rate sensitivity analysis shown above 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 sheet date.

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 20). In addition, 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 requires maintaining an appropriate mix of fixed and variable interest rates debt to mitigate the net impact of fluctuating interest rates. Management as such may use derivatives to maintain a fixed debt ratio of between 40% and 70% of long-term debt, excluding government loans.

The following interest-rate swaps were used to this end during fiscal 2018 and 2017:

Notional		Fixed rate	Inception	Maturity
US$	5,000	1.65 %	March 2014	December 2018
US$	10,000	2.38 %	December 2015	December 2018

The interest-rate swap rates mentioned above exclude the additional bank relevant margin (see note 20). The cash flows related to the interest-rate swaps are expected to occur in the same periods as they are expected to affect net income.

Derivatives related to business acquisition

The agreement to acquire CESA (see note 5) exposes the Corporation to new foreign currency and interest rate risks related to the purchase price and financing. An increase in value of the Euro compared to the Canadian dollar would increase the anticipated transaction price, and an increase in interest rates underlying expected debt would increase related net financial expenses (income).

In order to mitigate these risks, as at March 31, 2018, the Corporation had also entered into the following cross-currency interest rate swap agreements in order to manage foreign exchange and interest rate risks:

Notional		Fixed EUR equivalent		Euro fixed rate	Inception	Maturity
US$	29,370	€	25,000	1.86 %	October 2017	May 2022
C$	50,000	€	34,110	3.32 %	October 2017	June 2025

A 100 basis point variation in interest rates would have affected the Corporation's financial results for fiscal 2018 as follows:

	100 bps increase	100 bps decrease
Impact on net income related to floating rate long-term debt	(255)	255
Impact on comprehensive income related to interest-rate and cross-currency interest-rate swap agreements	4,024	(4,542)

The interest rate sensitivity analysis shown above is calculated on the floating-rate liability at the end of the fiscal year and assumes all other variables remain fixed.

Other price risk

The Corporation's net income is exposed to fluctuations of its share price through its DSUs and PSUs (see note 22). In order to mitigate this exposure, the Corporation has entered into an equity swap agreement with a financial institution.

Pursuant to this agreement, upon settlement, the Corporation receives payment for any share price appreciation while providing payment to the financial institution for any share price depreciation. The net effect of the equity swap partly offsets movements in the Corporation's share price which impacts the expense of the DSUs and PSUs included in the Corporation's selling and administrative expenses.

As at March 31, 2018, the equity swap agreement covered 150,000 common shares of the Corporation at a price of $11.45. This agreement is a derivative instrument that is not part of a designated hedging relationship and matures in June 2019.

Credit and credit concentration risks

The credit and credit concentration risks represent counterparty risks where the parties with which the Corporation enters into 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 approximately 60% of the Corporation's fiscal 2018 sales are made to only six customers (58% in 2017). More specifically, in fiscal 2018, the Corporation had two customers representing 26% and 11% of its consolidated sales (18% and 13% in 2017).

Accounts receivable

The credit and credit concentration risks related to these financial instruments 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 5.3% in fiscal 2018 (5.8% in 2017) of the Corporation's consolidated sales.

As at March 31, 2018, 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.

Changes in the allowance for doubtful accounts were as follows for the fiscal year ended March 31, 2018:

		2018
Balance, beginning of year	$	69
Reversed		(30)
Balance, end of year	$	39

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

As at		March 31, 2018		March 31, 2017
Not past due	$	66,613	$	62,590
Past due less than 90 days		5,777		8,262
Past due more than 90 days		1,079		283
Impaired		39		69
		73,508		71,204
Allowance for doubtful accounts		(39)		(69)
Balance, end of year	$	73,469	$	71,135

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 high-grade financial institutions such as Canadian chartered banks and their U.S. subsidiaries or branches or with a Canadian branch of a U.S. bank, based on the Corporation's investment policy. On that basis, the Corporation does not anticipate any breach of agreements by counterparties.

As at March 31, 2018, the maximum exposure to credit and credit concentration risks for financial instruments represented the following (see note 31):

		FVTPL		Hedging items [1]		Loans and receivables
Cash and cash equivalents	$	93,209	$	—	$	—
Accounts receivable		—		—		73,469
Derivative financial instruments		2,249		2,948		—

[1] *Represents the fair value of derivative financial instruments designated in a hedging relationship.*

Liquidity risk

The Corporation is exposed to the risk of being unable to honour its financial commitments by the deadlines set, 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, 2018, the maturity analysis of financial liabilities represented the following:

		< 1 year		1 to 3 years		4 to 5 years		> 5 years		Total
Accounts payable and accrued liabilities	$	65,057	$	—	$	—	$	—	$	65,057
Accounts payable – other and other liabilities		2,534		—		—		—		2,534
Customer advances		12,577		—		—		—		12,577
Long-term debt, including current portion (note 20)		7,672		19,638		76,148		57,485		160,943
Derivative financial instruments		389		1,215		644		530		2,778

NOTE 33. CAPITAL RISK MANAGEMENT

The general objectives of the Corporation's management, in terms of capital management, reside in the preservation of the Corporation's capacity to continue operating, providing benefits to its stakeholders and 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 risks of the underlying assets.

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

- Issue new common shares;
- Repurchase common shares;
- Sell certain assets to reduce indebtedness;
- Return capital to shareholders.

The 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.

During fiscal year ended March 31, 2018, the Corporation pursued the same capital management strategy as last year, which consists in generally maintaining a sufficient net debt-to-equity ratio to allow access to financing at a reasonable or acceptable cost.

The Corporation's net debt-to-equity ratio was as follows:

As at	March 31, 2018	March 31, 2017
Current portion of long-term debt	**$ 5,356**	$ 6,792
Long-term debt	**125,685**	127,347
Deferred financing costs, net	**923**	637
Less: Cash and cash equivalents	**93,209**	42,456
Net debt	**$ 38,755**	$ 92,320
Shareholders' equity	**379,034**	355,868
Net debt-to-equity ratio	**0.10:1**	0.26:1

The Corporation is not subject to any regulatory capital requirements.