HÉROUX DEVTEK

PRESS RELEASE
FOR IMMEDIATE RELEASE

HÉROUX-DEVTEK REPORTS STRONG FOURTH QUARTER AND FISCAL 2019 RESULTS

Financial Highlights

- Q4 Sales increased by 39.7 % to $157.9 million
- Q4 Operating income grew to $15.2 million, up from $6.7 million
- Q4 Adjusted EBITDA[1] reached $25.9 million, up from $19.4 million
- Fiscal 2019 sales reached $483.9 million, an increase of 25.2% over last year
- Fiscal 2019 cash flow from operating activities at $70.0 million compared with $56.1 million year-over year.

Operational and Commercial Highlights

- New contract with Boeing to supply the complete landing gear system for the MQ-25 program
- Delivered a record 15 landing gears to Boeing for the 777 and 777X programs
- Funded backlog at $624 million, up from $466 million as at March 31, 2018
- Expanded agreement with Boeing to include the Advanced F-15 program
- Incoming President and Chief Executive Officer Martin Brassard has been nominated to the Board of Directors, effective June 1, 2019

Longueuil, Québec, May 23, 2019 - Héroux-Devtek Inc. (TSX: HRX) ("Héroux-Devtek" or the "Corporation"), a leading international manufacturer of aerospace products, today reported strong results for the fourth quarter and fiscal year ended March 31, 2019. Unless otherwise indicated, all amounts are in Canadian dollars.

"Our fourth quarter and full-year results reached record levels on all fronts. The strong performance of our acquired businesses and the ramp-up of deliveries for the Boeing 777 and 777X programs led us to exceed our revenue guidance. Operating profitability also improved significantly due to our recent acquisitions and the internalization of our surface treatment activities, while cash flows reached record levels, allowing us to quickly focus on deleveraging," said Gilles Labbé, President and CEO of Héroux-Devtek.

"We are entering fiscal 2020 with a strong backlog of firm orders. Our recent acquisitions of Beaver and CESA are providing additional exposure to the defence market and optimally diversifying our revenues within the growing and resilient global aerospace market. Our expanding customer relationships in Europe and in North America, and our growing landing gear and complementary product offerings position us well for growth. This solid base on which we are building for the future allows us to project sales of $560 million to $580 million in fiscal 2020 and reiterate our longer-term revenue growth target of sales between $620 million to $650 million in fiscal 2022," added Mr. Labbé.

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

FINANCIAL HIGHLIGHTS (in thousands of dollars, except per share data)	Quarters ended March 31,		Fiscal years ended March 31,	
	2019	**2018**	**2019**	**2018**
Sales	**157,914**	113,024	**483,877**	386,564
Operating income	**15,190**	6,697	**37,240**	23,378
Adjusted operating income[1]	**16,208**	12,089	**41,563**	30,325
Adjusted EBITDA[1]	**25,910**	19,369	**74,213**	56,904
Net income	**11,958**	5,858	**26,194**	13,674
Per share – diluted ($)	**0.34**	0.16	**0.73**	0.38
Adjusted net income[1]	**12,794**	10,439	**30,352**	24,213
Per share ($)	**0.36**	0.29	**0.84**	0.67

[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 grew 39.7% to $157.9 million, up from $113.0 million last year, driven by internal operations and our CESA and Beaver acquisitions, which contributed $43.5 million. Sales growth was achieved both in the commercial and defence market, which now represent 49.4% and 50.6% of our consolidated revenues respectively. Sales were impacted by a net positive effect of $3.4 million resulting from year-over-year fluctuations in the value of the Canadian currency versus foreign currencies.

Commercial sales grew 35.6% to $78.0 million, up from $57.5 million last year. The strong increase was driven by CESA and Beaver. Excluding the impact of foreign exchange, Héroux-Devtek legacy commercial sales were relatively in-line with last year's fourth quarter.

Defence sales grew 43.9% to $79.9 million, up from $55.5 million. The strong increase was driven by CESA and Beaver, while Héroux-Devtek legacy sales decreased $1.5 million resulting from the net effect of the end of the USAF Repair & Overhaul contract, which was partly offset by the ramp-up of the corresponding contract with AAR, and from lower manufacturing sales for the CH-47 contract.

Gross profit increased to $29.7 million, or 18.8% of sales, up from $19.0 million, or 16.8% of sales last year. The increase is attributable to the impact of the Beaver and CESA acquisitions and from higher throughput leading to improved absorption of manufacturing costs.

Operating income increased to $15.2 million, or 9.6% of sales, up from $6.7 million, or 5.9% of sales last year. This quarter's operating income included $1.0 million of non-recurring items resulting from acquisition-related costs, down from $5.4 million of non-recurring items in the equivalent quarter of last year, resulting from restructuring charges related to workforce adjustments and acquisition-related costs. Adjusted EBITDA(1), which excludes these non-recurring items, stood at $25.9 million, or 16.4% of sales, compared with $19.4 million, or 17.1% of sales, one year ago.

Net income for the fourth quarter of fiscal 2019 stood at $12.0 million, or $0.34 per diluted share, up from $5.9 million, or $0.16 per diluted share, last year. Excluding non-recurring items net of taxes, adjusted net income reached $12.8 million, or $0.36 per share, up from $10.4 million, or $0.29 per share last year.

As at March 31, 2019, Héroux-Devtek's funded (firm orders) backlog stood at $624.0 million, an increase of 33.9% from $466 million as at March 31, 2018 on the strength of contributions from CESA and Beaver totaling $113.8 million and organic growth of $44.2 million.

YEAR-END RESULTS

For fiscal 2019, consolidated sales reached $483.9 million, up 25.2% from $386.6 million in fiscal 2018. Commercial sales were at $236.3 million, up from $195.1 million a year ago, while defence sales stood at $247.6 million, up from $191.5 million last year. Sales growth was mainly driven by CESA and Beaver, followed by increased deliveries for the Boeing 777 and 777X programs, higher sales in the business jet market from the ramp-up of deliveries for the Embraer 450/500 program and higher sales of spares to the U.S. Government. Year-over-year fluctuations in the value of the Canadian currency versus foreign currencies had a positive net impact on sales of $4.3 million.

Gross profit for fiscal 2019 increased to $83.2 million, or 17.2% of sales, from $61.3 million, or 15.9% of sales last year. The increase is attributable to the impact of the Beaver and CESA acquisitions and from higher throughput leading to improved absorption of manufacturing costs. Foreign exchange did not significantly impact gross profit. Operating income was $37.2 million, or 7.7% of sales, from $23.4 million, or 6.0% of sales a year ago. Adjusted operating income grew to $41.6 million, or 8.6% of sales, up from $30.3 million last year, or 7.8% of sales. Adjusted EBITDA reached $74.2 million, or 15.3% of sales, up from $56.9 million, or 14.7% of sales last year.

Net income stood at $26.2 million, or $0.73 per diluted share, an increase from $13.7 million, or $0.38 per diluted share in fiscal 2018. Adjusted net income stood at $30.4 million, or $0.84 per share, an increase from $24.2 million, or $0.67 per share last year.

SOLID CASH FLOWS AND HEALTHY FINANCIAL POSITION

Cash flows related to operating activities amounted to $37.2 million in the fourth quarter of fiscal 2019, up from $18.5 million in the fourth quarter of fiscal 2018. This variation mainly reflects the favourable contribution of CESA and Beaver results and positive net change in non-cash working capital items mainly from an increase in accounts payable. Fourth quarter free cash flow grew to $31.7 million, up from $20.0 million last year. For fiscal 2019, cash flows related to operating activities grew significantly to $70.0 million, up from $56.1 million last year, with a record free cash flow amounting to $58.1 million, up from $50.8 million last year, primarily from the contribution of the results of CESA and Beaver.

As at March 31, 2019, net debt stood at $228.1 million, down from $257.3 million at the end of the third quarter reflecting strong free cash flow generation during the fourth quarter. The increase as compared to net debt of $38.8 million as at March 31, 2018 mainly reflects the acquisitions of CESA and Beaver during the fiscal year.

ACQUISITION OF TEKALIA

On January 23, 2019, the Corporation completed the acquisition of 60% of the shares of Tekalia Aeronautik (2010) Inc. (“Tekalia”), a supplier of surface treatment services to the aerospace sector, for a purchase price of $3.5 million. The acquisition of Tekalia will allow the Corporation to further secure surface treatment capacity to support its North American customers’ growth.

SUBSEQUENT EVENTS

On April 8, 2019, subsequent to the end of the fiscal year, Héroux-Devtek announced that it has been awarded a contract by The Boeing Company to supply the complete landing gear system for the MQ-25 unmanned aerial refueling program. The MQ-25 is the U.S. Navy’s first operational carrier-based unmanned aircraft and is designed to provide a much-needed refueling capability. The contract supports Boeing’s engineering and manufacturing development program to provide four MQ-25 aircraft to the U.S. Navy for Initial Operational Capability by 2024.

On May 21, 2019, subsequent to the end of the fiscal year, Héroux-Devtek also announced that it has extended the scope of its agreement initially announced on July 17, 2018, to supply the main landing gears for The Boeing Company’s F/A-18 E/F Super Hornet and EA-18G Growler to include the manufacturing of the nose and main

landing gears for Boeing's Advanced F-15 program. The extended scope now covers the supply of spare parts and aftermarket services for both defence aircraft programs over a period of performance of five years.

GUIDANCE

Management expects sales to reach between $560 million and $580 million in fiscal 2020, reflecting the contribution of the acquired businesses as well as increased deliveries related to the Boeing 777 and 777X programs. For fiscal 2022, management reiterated its sales guidance of $620 million to $650 million.

Please see "Forward-Looking Statements" below and the Guidance section in the Corporation's MD&A for the quarter ended March 31, 2019, 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 23, 2019 at 8:30 AM Eastern Time. Interested parties can join the call by dialling 1-888-231-8191 (North America) or 1-647-427-7450 (overseas). The conference call can also be accessed via live webcast at Héroux-Devtek's website, www.herouxdevtek.com/investor-relations/events.

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 1-855-859-2056 and entering the passcode 7496207 on your phone. This tape recording will be available on Thursday, May 23, 2019 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Thursday, May 30, 2019.

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, 2019, 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 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.

PROFILE

Héroux-Devtek Inc. (TSX: HRX) is an international company specializing in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic and electromechanical flight control actuators, custom ball screws and fracture-critical components for the Aerospace market. The Corporation is the third largest landing gear company worldwide, supplying both the commercial and defence sectors. Approximately 90% of the Corporation's sales are outside of Canada, including about 50% in the United States. The Corporation's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Laval, Montreal and St-Hubert); Kitchener, Cambridge and Toronto, Ontario; Springfield and Strongsville, Ohio; Wichita, Kansas; Everett, Washington; Livonia, Michigan; Runcorn, Nottingham and Bolton, United Kingdom; and Madrid and Seville, Spain.

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CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

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MANAGEMENT'S REPORT

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

Héroux-Devtek Inc.'s Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"), or have caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting, the preparation of consolidated financial statements for external purposes in accordance with IFRS and that material information related to the Corporation has been made known to them and has been properly disclosed in the accompanying consolidated financial statements and MD&A. Héroux-Devtek Inc.'s CEO and CFO have also evaluated the effectiveness of such ICFR and DC&P as of the end of fiscal year 2019. As of March 31, 2019, management has concluded that the ICFR and DC&P effectively provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS and that material information related to the Corporation has been disclosed in the consolidated financial statements and MD&A. Also, based on this assessment, the CEO and the CFO determined that there were no material weaknesses in the ICFR and DC&P. However, due to their inherent limitation, certain misstatements may not be prevented or detected by ICFR.

Management's assessment and conclusion on the design of ICFR and DC&P excludes the controls, policies and procedures of Beaver and CESA which were acquired respectively 9 months and 6 months prior to the Corporation's fiscal year-end. Their results since their respective acquisition dates are included in the March 31, 2019, consolidated financial statements of Héroux-Devtek and constituted approximately 34.6% of total assets as of March 31, 2019, and approximately 18.3% of revenue for the year then ended. See Note 5 to the consolidated financial statements for a description of these acquisitions.

Héroux-Devtek Inc.'s CEO and CFO have provided a certification related to Héroux-Devtek Inc.'s annual disclosure documents to the Canadian Securities Administrators in accordance with Regulation 52-109, including the consolidated financial statements and MD&A.

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

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

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

Gilles Labbé, FCPA, FCA
President and Chief Executive Officer

Stéphane Arsenault, CPA, CA
Chief Financial Officer

May 22, 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HÉROUX-DEVTEK INC.

Opinion

We have audited the consolidated financial statements of Héroux-Devtek Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statement

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Wajih Chemali.

Ernst & Young LLP [1]

Ernst & Young, LLP
Montréal, Québec
May 22, 2019

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

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)

As at	Notes	March 31, 2019	March 31, 2018
Assets	20		
Current assets			
Cash and cash equivalents		**$ 35,128**	$ 93,209
Accounts receivable		**115,431**	73,469
Income tax receivable		**2,393**	1,412
Inventories	12	**184,035**	134,327
Derivative financial instruments	13	**783**	1,776
Other current assets	14	**26,697**	6,456
		364,467	310,649
Property, plant and equipment, net	7, 15	**227,954**	179,503
Finite-life intangible assets, net	7, 16	**69,377**	35,856
Derivative financial instruments	13	**5,816**	3,421
Deferred income tax assets	24	**14,575**	7,388
Goodwill	17	**185,637**	91,137
Other long-term assets	14	**6,914**	4,208
Total assets		**$ 874,740**	$ 632,162
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	18	**$ 117,990**	$ 67,591
Provisions	19	**27,820**	16,869
Customers advances and progress billings		**21,919**	15,522
Income tax payable		**1,911**	3,023
Derivative financial instruments	13	**2,134**	389
Current portion of long-term debt	20	**15,066**	5,356
		186,840	108,750
Long-term debt	20	**245,240**	125,685
Provisions	19	**16,789**	5,921
Derivative financial instruments	13	**1,317**	2,389
Deferred income tax liabilities	24	**7,479**	3,767
Other liabilities	21	**12,977**	6,616
		470,642	253,128
Shareholders' equity			
Issued capital	22	**79,676**	78,105
Contributed surplus		**4,707**	4,227
Accumulated other comprehensive income	23	**10,502**	14,217
Retained earnings		**307,101**	282,485
Total equity attributable to the equity holders of the parent		**401,986**	379,034
Non-controlling interests		**2,112**	—
		404,098	379,034
Total liability and shareholder's equity		**$ 874,740**	$ 632,162

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		2019		2018
Sales	5, 6, 29	**$**	**483,877**	$	386,564
Cost of sales	7, 8, 12		**400,681**		325,288
Gross profit			**83,196**		61,276
Selling and administrative expenses	7, 8		**41,633**		30,951
Non-recurring items	10		**4,323**		6,947
Operating income			**37,240**		23,378
Net financial expenses	9, 10		**6,811**		2,537
Income before income tax expense			**30,429**		20,841
Income tax expense	10, 24		**4,235**		7,167
Net income		**$**	**26,194**	$	13,674
Attributable to:					
Equity holders of the parent			**26,447**		13,674
Non-controlling interests			**(253)**		—
		$	**26,194**	$	13,674
Earnings per share – basic and diluted	11	**$**	**0.73**	$	0.38

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	2019	2018
Other comprehensive income (loss):			
Items that may be reclassified to net income			
Gains (losses) arising from translating the financial statements of foreign operations	23	**$ (850)**	$ 5,860
Cash flow hedges:	23		
Net gains (losses) on valuation of derivative financial instruments		**(3,362)**	4,450
Net losses (gains) on derivative financial instruments transferred to net income		**906**	(3,704)
Deferred income taxes		**660**	(201)
		(1,796)	545
Gains (losses) on hedges of net investments in foreign operations	23	**(1,221)**	1,701
Deferred income taxes		**152**	(187)
		(1,069)	1,514
Items that are never reclassified to net income			
Defined benefit pension plans:	25		
Gains (losses) from remeasurement		**(2,487)**	261
Deferred income taxes		**656**	(68)
		(1,831)	193
Other comprehensive income (loss)		**$ (5,546)**	$ 8,112
Comprehensive income			
Net income		**$ 26,194**	$ 13,674
Other comprehensive income (loss)		**(5,546)**	8,112
Comprehensive income		**$ 20,648**	$ 21,786
Attributable to:			
Equity holders of the parent		**20,901**	21,786
Non-controlling interests		**(253)**	—
		$ 20,648	$ 21,786

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	Total equity attributable to the equity holders of the parent	Non-Controlling interests	Total Shareholders' equity
Balance as at March 31, 2018	23	**$ 78,105**	**$ 4,227**	**$ 14,217**	**$ 282,485**	**$ 379,034**	$ —	**$ 379,034**
Common shares:	22							
Issued under the stock purchase and ownership incentive plan		470	—	—	—	470	—	470
Issued under the stock option plan		1,101	(402)	—	—	699	—	699
Business acquisition	5	—	—	—	—	—	2,365	2,365
Stock-based compensation expense	22	—	882	—	—	882	—	882
Net income (loss)		—	—	—	26,447	26,447	(253)	26,194
Other comprehensive loss		—	—	(3,715)	(1,831)	(5,546)	—	(5,546)
Balance as at March 31, 2019		**$ 79,676**	**$ 4,707**	**$ 10,502**	**$ 307,101**	**$ 401,986**	**$ 2,112**	**$ 404,098**

	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**

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	2019	2018
Cash and cash equivalents provided by (used for):			
Operating activities			
Net income		**$ 26,194**	$ 13,674
Items not requiring an outlay of cash:			
Amortization expense	15, 16	**32,650**	26,579
Deferred income taxes	24	**(2,019)**	67
Loss (gain) on sale of property, plant and equipment and software		**(8)**	52
Write-down of property, plant and equipment	10, 15	**—**	886
Non-cash net financial expenses	9	**2,697**	758
Stock-based compensation expense	22	**882**	608
Cash flows from operations		**60,396**	42,624
Net change in non-cash items	28	**9,573**	13,498
Cash flows related to operating activities		**69,969**	56,122
Investing activities			
Cash payment for business acquisitions	5	**(198,149)**	—
Net additions to property, plant and equipment	15	**(12,858)**	(9,930)
Net decrease in finite-life intangible assets	16	**2,353**	4,761
Proceeds on disposal of property, plant and equipment		**35**	173
Cash flows related to investing activities		**(208,619)**	(4,996)
Financing activities			
Increase of long-term debt	5	**117,883**	3,821
Repayment of long-term debt		**(36,198)**	(4,634)
Issuance of common shares	20	**1,169**	772
Increase in deferred financing cost	22	**(2,534)**	(524)
Cash flows related to financing activities		**80,320**	(565)
Effect of changes in exchange rates on cash and cash equivalents		**249**	192
Change in cash and cash equivalents during the year		**(58,081)**	50,753
Cash and cash equivalents, beginning of year		**93,209**	42,456
Cash and cash equivalents, end of year		**$ 35,128**	$ 93,209
Interest and income taxes reflected in operating activities:			
Interest paid		**$ 4,914**	$ 2,359
Interest received		**$ 800**	$ 580
Income taxes paid		**$ 5,965**	$ 5,282

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, 2019 and 2018

(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 600, West 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 and electromechanical flight control actuators, custom ball screws and fracture-critical components.

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

The Corporation's common shares are traded on the Toronto Stock Exchange under the symbol "HRX".

NOTE 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which are measured at fair value, provisions, which are measured based on the best estimates of the expenditures required to settle the obligation and the pension benefit obligations, which are measured at the present value of the defined benefit obligations and reduced by the fair value of plan assets.

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 22, 2019.

Reclassification of prior year presentation

Certain comparative figures have been reclassified to conform to the March 31, 2019 presentation. These relate to the combination of Customer advances and Progress billings under the same caption on the consolidated balance sheet.

Basis of consolidation

The consolidated financial statements include the accounts of Héroux-Devtek Inc. and its subsidiaries, all of which are wholly-owned, except for Tekalia Inc. where the Corporation holds a 60% controlling interest. 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
Beaver Aerospace & Defense Inc.	United States
Compañia Española de Sistemas Aeronauticos S.A.	Spain

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. Control is achieved when the Corporation has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and ability to use its power to affect its returns. The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control. Changes in the Corporation's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

The cost of an acquisition is measured as the aggregate of the consideration paid, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Corporation measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets.

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 and of the Canadian operations is the Canadian dollar. The functional currency of the U.S. operations is the U.S. dollar, the functional currency of the U.K operations is the British pound and the functional currency of Spain operations is the Euro. 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 on a straight-line basis over the related lease term.

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 15 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

In July 2014, the IASB issued a complete and final version of IFRS 9 "Financial Instruments", replacing the current standard on financial instruments (IAS 39). IFRS 9 introduces a single, principle-based approach for the classification of financial assets, driven by the nature of cash flows and the business model in which an asset is held. IFRS 9 also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to align the economics of risk management with its accounting treatment. The standard results in a single expected-loss impairment model rather than an incurred losses model.

The Corporation adopted IFRS 9 retrospectively on April 1, 2018 and this adoption did not have a significant impact on the Corporation's consolidated financial statements and no restatement of comparative figures were made.

Initial recognition
At initial recognition, financial assets are classified either as financial assets at fair value through profit or loss ("FVTPL"), measured at amortized cost ("AC") or fair value through other comprehensive income ("FVTOCI"). The classification is based on two criteria: the Corporation's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion"). The Corporation's financial assets are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion are classified and subsequently measured at amortized cost. They consist of cash and cash equivalents, accounts receivable and certain other current and long-term assets.

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 include certain 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.

AC
AC are non-derivative financial assets with fixed or determinable payments not quoted in an active market. AC are mainly comprised of accounts receivable and certain other current and long-term assets. AC are carried at amortized cost using the effective interest rate method. An allowance for doubtful accounts is recorded when an account receivable become impaired. Also, under the forward-looking expected credit loss ("ECL") approach, all financial assets, except for those measured at FVTPL, are subject to review for impairment at least at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For accounts receivables, the Corporation has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses and the amount was insignificant at March 31, 2019 and 2018.

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.

FVTOCI

These include cross-currency interest rate swap agreements that are used to hedge the net investments in certain foreign subsidiaries and forward foreign exchange contracts. 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, if any.

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

J. Financial liabilities

Liabilities at fair value

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

Amortized costs

All debts, accounts payable, accrued liabilities, provisions and certain other 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, 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 the period that 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 purchase, by payroll deductions of a maximum of 10% of their annual base salary, to a number of common shares of the Corporation on the TSE. The Corporation matches a portion 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 5.25% 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

In May 2014, the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") jointly issued IFRS 15, a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB's current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts", and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers.

On April 1, 2018, the Corporation adopted IFRS 15 using the full retrospective method and this adoption did not have a material impact on the Corporation's consolidated financial statements.

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts, and after eliminating intercompany sales. Revenue from the sale of goods is recognized in a manner that depicts the transfer of promised goods to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation, which is generally achieved upon the delivery of the products.

Revenues from the sale of new or overhauled aerospace components are considered a single performance obligation and are recognized at the point in time when the customer has obtained control of the component and the Corporation has satisfied its performance obligation. Generally, these conditions are met upon delivery of the 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. 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

Basic and diluted earnings per share is computed based on net income attributable to equity holders of the Corporation. It is also 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 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 based on the full retrospective or modified retrospective (without restating comparative figures) approaches 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 operating leases will be required to be brought on balance sheet while others do not as they are covered by practical expedients. The Corporation has elected to apply the following practical expedients:

- Account for leases for which the remaining lease term ends within 12 months of the effective date as a short-term lease; and
- Recognize short-term leases and low value leases on a straight-line basis as is the case currently under IAS 17, leases as part of the operating expenses in the consolidated statements of income.

Upon the initial application of this standard on April 1, 2019, using the modified retrospective approach, the Corporation expects its opening assets (right-of-use assets) and liabilities (lease liabilities) to increase by an approximate amount of $15.0 million in 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 17.

B. Deferred income tax assets

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

Deferred income tax assets are recognized for unused tax losses 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.

G. Customer relationships

Customer relationships acquired in business acquisitions are considered intangible assets with finite lives. Their value was estimated upon acquisition using valuation methodologies which rely on many underlying assumptions, including:

- Expected future order intake;
- Operational execution and cost management;
- Stability of economical conditions, including foreign exchange rates;
- Production rates;
- Government spending.

They are recorded at cost less accumulated impairment and amortization and are amortized on a straight-line basis over their useful lives without exceeding 15 years.

NOTE 5. BUSINESS ACQUISITIONS

Acquisition of CESA

On October 1, 2018, the Corporation completed the acquisition of all the shares of Compañia Española de Sistemas Aeronauticos S.A. ("CESA"), a subsidiary of Airbus SE, for €130,370 ($195,816). Headquartered in Madrid, Spain, CESA is a leading European provider of fluid mechanical and electromechanical systems for the aerospace industry. This acquisition allows the Corporation to broaden its existing aerospace and product offering into actuation, landing gear, and hydraulic systems. The transaction was treated as a business combination.

The acquisition of CESA was financed as follows:

- A $50,000, seven-year unsecured subordinated term loan provided by the *Fonds de solidarité FTQ*;
- A US$50,000 ($65,205) drawing on the Corporation's credit facility; and,
- The Corporation's available cash balance.

In addition, the Corporation assumed CESA's net outstanding debt amounting to approximately €23,697 ($35,594) upon closing.
For the period between October 1, 2018 and March 31, 2019, the Corporation's consolidated sales and net income included €42,086 ($63,519) and €2,674 ($4,047), respectively, generated by CESA. If the acquisition had closed on April 1, 2018, the consolidated sales and net income of CESA would have amounted to $117,277 and $2,806, respectively for the fiscal year ended March 31, 2019.

This transaction exposes 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.

Acquisition of Beaver

On July 2, 2018, the Corporation completed the acquisition of all the shares of Beaver Aerospace & Defense Inc. and its wholly-owned subsidary PowerTHRU Inc. ("Beaver") from Phillips Service Industries Inc. for a purchase price of US$21,617 ($28,466). This price includes a working capital adjustment received in April 2019 of US$295 ($388) and a US$3,500 ($4,609) balance of sale payable over the next two years which bears interests at 3%. The transaction was financed through the Corporation's cash and was treated as a business combination. This acquisition allows the Corporation to broaden its existing aerospace and product offering into ball screws and actuation systems as well as expand its footprint in North America.

For the period between July 2, 2018 and March 31, 2019, the Corporation's consolidated sales and net income included US$18,871 ($24,839) and US$1,395 ($1,828), generated by Beaver, respectively. If the acquisition had closed on April 1, 2018, the consolidated sales and net income of Beaver would have amounted to $33,223 and $2,243, respectively.

Acquisition of Tekalia

On January 23, 2019, the Corporation completed the acquisition of 60% of the shares of Tekalia Aeronautik (2010) Inc. ("Tekalia"), a supplier of surface treatment services to the aerospace sector, with annual sales of approximately $12,000, for a purchase price of $6,529. The transaction was financed through the Corporation's cash and was treated as a business combination. The acquisition of Tekalia allows the Corporation to further secure surface treatment capacity to support its North American customers' growth.

In connection with these acquisitions, the Corporation incurred acquisition-related costs which are presented in note 10.

Purchase Prices

The purchase prices and the preliminary purchase price allocations that reflects the fair value of the assets acquired and liabilities assumed with any excess allocated to goodwill were determined using the acquisition method as follows:

	CESA	Beaver	Tekalia	Total
Cash payment	$ 170,930	$ 23,671	$ 3,548	$ 198,149
Long-term debt assumed	35,594	574	2,981	39,149
Working capital adjustment receivable	(10,708)	(388)	—	(11,096)
Balance of purchase price payable	—	4,609	—	4,609
Total purchase price for the Corporation's interest	**$ 195,816**	**$ 28,466**	**$ 6,529**	**$ 230,811**
Non-controlling interests	—	—	2,365	2,365
	$ 195,816	**$ 28,466**	**$ 8,894**	**$ 233,176**

Purchase Price Allocations

	CESA	Beaver	Tekalia	Total
Accounts receivable	$ 28,293	$ 6,787	$ 2,406	$ 37,486
Inventories	36,692	10,165	1,105	47,962
Income tax receivable	505	—	—	505
Other current assets	596	50	182	828
	66,086	**17,002**	**3,693**	**86,781**
Property, plant and equipment	44,923	3,635	8,566	57,124
Finite-life intangible assets	40,407	4,050	176	44,633
Deferred income tax assets	—	2,774	—	2,774
Other long-term assets - Tax credits receivable	7,843	—	—	7,843
Total identifiable assets	**$ 159,259**	**$ 27,461**	**$ 12,435**	**$ 199,155**
Accounts payable and accrued liabilities	16,773	2,588	4,833	24,194
Provisions	11,897	2,118	—	14,015
Customer advances and progress billings	4,188	450	—	4,638
	32,858	**5,156**	**4,833**	**42,847**
Provisions	4,308	8,549	—	12,857
Deferred income tax liabilities	3,465	—	—	3,465
Other liabilities - long-term accounts payable	4,365	—	—	4,365
Total identifiable liabilities	**$ 44,996**	**$ 13,705**	**$ 4,833**	**$ 63,534**
Net identifiable assets and liabilities	**114,263**	**13,756**	**7,602**	**135,621**
Goodwill	81,553	14,710	1,292	97,555
Total purchase price	**$ 195,816**	**$ 28,466**	**$ 8,894**	**$ 233,176**

The purchase price allocations of CESA and Tekalia are preliminary. The purchase price of CESA is subject to final working capital adjustments. In the case of Tekalia, due to the limited time between the date of acquisition and the approval date of the consolidated financial statements by the Corporation's Board of Directors, management is in the process of gathering all the information necessary to finalize it. Accordingly, the final purchase price allocations could result in changes to the fair value of assets acquired and liabilities assumed.

NOTE 6. SALES AND BACKLOG

The amount of sales recognized in the following sectors was as follow for fiscal year:

	2019	2018
Commercial	**$ 236,283**	$ 195,101
Defense	**247,594**	191,463
Total sales	**$ 483,877**	$ 386,564

The Corporation's backlog represents the aggregate amount of the revenues expected to be realized within a period of 24 months, from partially or fully unsatisfied performance obligations as at March 31, 2019 as we perform under contracts at delivery. The amounts in backlog include only the value of firm orders. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. At March 31, 2019, the Corporation had a backlog of $623,925.

NOTE 7. 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:

		2019		2018
Finite-life intangible assets	**$**	**1,125**	$	332
Property, plant and equipment		**497**		619
Cost of sales and, selling and administrative expenses		**3,903**		1,929

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

NOTE 8. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

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

		2019		2018
Raw materials and purchased parts	**$**	**179,395**	$	140,361
Employee costs		**154,406**		126,292
Amortization of property, plant and equipment and finite-life intangible assets (notes 15, 16)		**32,650**		26,579
Others		**75,863**		63,007
	$	**442,314**	$	356,239

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, 2019, the foreign exchange gain amounted to $718 ($148 in 2018).

NOTE 9. NET FINANCIAL EXPENSES

Net financial expenses comprise the following, for fiscal year:

		2019		2018
Interest accretion on governmental authorities loans	**$**	**2,361**	$	2,300
Net losses on certain derivative financial instruments (note 10)		**391**		344
Revision of governmental authorities loans repayment estimates (note 20)		**(1,036)**		(1,834)
Interest on net defined benefit obligations (note 25)		**150**		153
Amortization of deferred financing costs		**505**		238
Other non-cash financial expenses (income)		**326**		(443)
Non-cash net financial expenses		**2,697**		758
Interest expense		**4,461**		2,299
Net gains on certain derivative financial instruments (note 10)		**—**		(255)
Standby fees		**453**		315
Interest income on cash and cash equivalents		**(800)**		(580)
	$	**6,811**	$	2,537

NOTE 10. NON-RECURRING ITEMS

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

		2019		2018
Non-recurring items in operating income				
Acquisition-related costs	**$**	**4,323**	$	1,957
Restructuring charges	**$**	**—**	$	4,990
	$	**4,323**	$	6,947
Non-recurring items in net financial expenses (income)				
Net losses on certain derivative financial instruments	**$**	**391**	$	89
	$	**391**	$	89
Non-recurring items in income tax expense				
Impact of US Tax Reform	**$**	**—**	$	4,912
	$	**—**	$	4,912

Acquisition-related costs

These costs mainly pertain to professional fees and expenses related to the acquisitions of CESA, Beaver and Tekalia.

Restructuring charges

In March 2018, the Corporation announced workforce adjustments of about 60 employees at its Longueuil facility following the non-renewal of the USAF contract. These adjustments along with other costs related to the decrease in volume resulted in restructuring charges totaling $4,990 accounted for during fiscal 2018 fourth 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 amounted to $304 as at March 31, 2019 ($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*.

Net losses on certain derivative financial instruments

These losses relate to derivative financial instruments acquired in order to mitigate foreign currency and interest rate risks arising from the purchase price and financing related to the acquisition of CESA. Refer to the *Derivatives* section under *Additional Information* below for further details.

Impact of US Tax Reform

This one-time tax expense of $4,912 recorded during fiscal 2018 is related to the US Tax Reform enacted on December 22, 2017.

NOTE 11. EARNINGS PER SHARE

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

	2019	2018
Weighted-average number of common shares outstanding	**36,307,708**	36,154,272
Effect of dilutive stock options of the Corporation	**129,344**	177,342
Weighted-average number of common diluted shares outstanding	**36,437,052**	36,331,614
Options excluded from diluted earnings per share calculation[1]	**526,500**	356,500

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

NOTE 12. INVENTORIES

As at		March 31, 2019		March 31, 2018
Raw materials	**$**	**97,976**	$	62,902
Work-in-progress		**84,752**		69,118
Finished goods		**1,307**		2,307
	$	**184,035**	$	134,327

The amount of inventories recognized as cost of sales for the fiscal year ended March 31, 2019 is $333,917 ($267,753 in 2018).

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

	2019	2018
Reserves recognized as cost of sales	**$ 8,118**	$ 7,312
Reversal of prior-period reserves	**9,116**	13,639

For fiscal year 2019, the reversal of prior-period reserves includes charges of $1,705 ($5,568 in 2018) 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 13. DERIVATIVE FINANCIAL INSTRUMENTS

As at	March 31, 2019	March 31, 2018
Current Assets		
Forward foreign exchange contracts	**$ 399**	$ 1,776
Cross-currency interest rate swap agreements	**384**	—
	$ 783	$ 1,776
Long-term Assets		
Forward foreign exchange contracts	**$ 190**	$ 1,172
Cross-currency interest rate swap agreements	**1,735**	—
Equity swap agreements	**3,891**	2,249
	$ 5,816	$ 3,421
Current Liabilities		
Forward foreign exchange contracts	**$ 2,134**	$ 382
Interest rate swap agreements	**—**	7
	$ 2,134	$ 389
Long-term Liabilities		
Forward foreign exchange contracts	**$ 1,317**	$ 76
Cross-currency interest-rate swap agreements	**—**	2,313
	$ 1,317	$ 2,389

NOTE 14. OTHER ASSETS

As at	March 31, 2019	March 31, 2018
Working capital adjustment receivable (note 5)	**$ 10,695**	$ —
Investment and other tax credits receivable	**6,366**	523
Prepaid expenses	**5,171**	3,614
Sales tax receivable	**3,415**	1,676
Others	**1,050**	643
Other current assets	**$ 26,697**	$ 6,456
Tax credits receivable	**6,914**	3,165
Others	**—**	1,043
Other long-term assets	**$ 6,914**	$ 4,208

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leasehold improvements	Machinery, equipment and tooling	Other	Construction in progress	Total
Cost:						
As at March 31, 2018	$ 6,500	$ 90,089	$ 235,411	$ 14,574	$ 2,308	$ 348,882
Additions	124	1,981	10,845	2,127	(1,201)	13,876
Business acquisitions	12,487	22,622	19,380	1,568	1,067	57,124
Government assistance (note 7)	—	(23)	(420)	(54)	—	(497)
Retirements and disposals	—	(10)	(1,157)	(94)	7	(1,254)
Effect of changes in exchange rates	(82)	1,097	4,626	100	(48)	5,693
As at March 31, 2019	$ 19,029	$ 115,756	$ 268,685	$ 18,221	$ 2,133	$ 423,824
Accumulated amortization:						
As at March 31, 2018	$ —	$ 29,432	$ 130,981	$ 8,966	$ —	$ 169,379
Amortization expense	—	4,638	17,636	2,079	—	24,353
Retirements and disposals	—	(6)	(1,128)	(93)	—	(1,227)
Effect of changes in exchange rates	—	285	3,022	58	—	3,365
As at March 31, 2019	$ —	$ 34,349	$ 150,511	$ 11,010	$ —	$ 195,870
Net book value as at March 31, 2019	**$ 19,029**	**$ 81,407**	**$ 118,174**	**$ 7,211**	**$ 2,133**	**$ 227,954**

	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 7)	—	(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 10)	—	—	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**

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

	2019	2018
Gross additions	**$ 13,876**	$ 10,691
Government assistance (note 7)	**(497)**	(619)
Additions to property, plant and equipment	**13,379**	10,072
Variation in unpaid additions included in Accounts payable and accrued liabilities at year-end	**(521)**	(142)
Additions, as per statements of cash flows	**$ 12,858**	$ 9,930

As at March 31, 2019, cost of machinery, equipment and tooling includes assets acquired through finance leases amounting to $40,716 ($40,151 as at March 31, 2018) with accumulated amortization of $10,006 ($6,847 as at March 31, 2018).

As at March 31, 2019 and 2018, construction in progress included mainly the cost related to machinery and equipment. As at March 31, 2019, the cost of property, plant and equipment still in use and fully depreciated is $91,109 ($87,188 as at March 31, 2018).

NOTE 16. FINITE-LIFE INTANGIBLE ASSETS

	Capitalized development costs	Software	Customer relationships and contracts	Total
Cost:				
As at March 31, 2018	$ 31,160	$ 18,641	$ 25,404	$ 75,205
Additions	3,165	2,749	—	5,914
Business acquisitions	—	1,693	42,940	44,633
Customers funding	(7,142)	—	—	(7,142)
Government assistance (note 7)	(1,046)	(79)	—	(1,125)
Retirements and disposals	—	(480)	—	(480)
Effect of changes in exchange rates	219	(612)	(258)	(651)
As at March 31, 2019	$ 26,356	$ 21,912	$ 68,086	$ 116,354
Accumulated amortization:				
As at March 31, 2018	$ 11,493	$ 14,152	$ 13,704	$ 39,349
Amortization expense	948	2,226	5,124	8,298
Retirements and disposals	—	(480)	—	(480)
Effect of changes in exchange rates	25	(120)	(95)	(190)
As at March 31, 2019	$ 12,466	$ 15,778	$ 18,733	$ 46,977
Net book value as at March 31, 2019	**$ 13,890**	**$ 6,134**	**$ 49,353**	**$ 69,377**

	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 7)	—	(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**

NOTE 17. GOODWILL

Goodwill varied as follows, during fiscal year:

	2019	2018
Balance at beginning of the year	**$ 91,137**	$ 86,049
Business acquisitions	**97,555**	—
Effect of changes in exchange rates	**(3,055)**	5,088
Balance, end of year	**$ 185,637**	$ 91,137

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

	March 31, 2019
North America	**$ 67,561**
U.K.	**65,041**
Spain	**53,035**
Goodwill	**$ 185,637**

The following key assumptions were used to determine recoverable amounts for the impairment tests performed as at March 31, 2019:

	Pre-tax discount rate	Perpetual growth rate
North America	13.1%	2.8%
U.K.	13.6%	2.8%
Spain	14.1%	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, 2019:

	Incremental increase in pre-tax discount rate	Incremental decrease in perpetual growth rate
North America	3.1%	4.8%
U.K.	6.7%	12.9%
Spain	0.8%	2.4%

NOTE 18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	March 31, 2019	March 31, 2018
Trade payables [(1)]	**$ 76,749**	$ 41,645
Accrued liabilities [(2)]	**37,403**	23,412
Other	**3,838**	2,534
Accounts payable and accrued liabilities	**$ 117,990**	$ 67,591

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

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

NOTE 19. PROVISIONS

	Onerous contracts	Asset retirement obligations	Product warranty	Other (note 26)	Total
As at March 31, 2018	$ 243	$ 5,770	$ 7,456	$ 9,321	$ 22,790
Arising during the year	355	—	1,052	1,869	3,276
Business acquisitions (note 5)	14,088	—	6,925	5,859	26,872
Interest accretion expense	—	174	—	—	174
Utilized	(2,300)	—	(1,567)	(2,642)	(6,509)
Reversed	(2)	—	(1,029)	(821)	(1,852)
Discount rate adjustment	—	152	—	—	152
Effect of changes in exchange rates	54	—	(187)	(161)	(294)
As at March 31, 2019	**$ 12,438**	**$ 6,096**	**$ 12,650**	**$ 13,425**	**$ 44,609**
Less: current portion	5,644	—	9,113	13,063	27,820
Long-term portion	**$ 6,794**	**$ 6,096**	**$ 3,537**	**$ 362**	**$ 16,789**

NOTE 20. LONG-TERM DEBT

As at	March 31, 2019	March 31, 2018
Senior Secured Syndicated Revolving Credit Facility	**$ 94,877**	$ 54,155
Governmental authorities loans	**89,701**	52,540
Unsecured Subordinated Term Loan Facility	**50,000**	—
Obligations under finance leases	**20,411**	25,269
Balance of sale related to a business acquisition (note 5)	**4,677**	—
Other [1]	**3,592**	—
Deferred financing costs, net	**(2,952)**	(923)
	260,306	131,041
Less: current portion	**15,066**	5,356
Long-term debt	**$ 245,240**	$ 125,685

[1] *Other relates to secured loans contracted by a subsidiary*

Senior Secured Syndicated Revolving Credit Facility ("Revolving Facility")
The relevant terms and drawings on the Credit Facility are as follows:

As at	March 31, 2019	March 31, 2018
Limit, in Canadian, US$, Euro or British Pound equivalent [1]	**$ 250,000**	$ 200,000
US$ Drawings		
Amount	**US$ 71,000**	US$ 42,000
Rate	**Libor + 2.0%**	Libor + 1.125%
Effective rate	**4.5%**	3.0%

[1] *Includes an accordion feature to increase the Credit Facility up to $350 million during the term of the credit agreement, subject to lenders' approval.*

On September 24, 2018, the Corporation reached an agreement with its syndicate of banks to increase the Revolving Facility's limit from $200,000 to $250,000. Most of the other terms remained unchanged. Financing costs totaling $1,699 were deferred and are amortized over the term of the related loans using the effective interest rate method. The Credit Facility is secured by essentially all assets of the Corporation and its subsidiaries and matures on May 24, 2022.

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 Canadian federal and provincial or Spanish industrial programs to promote industry development.

These loans have varying terms governing the timing and amount to be refund. Repayments, when not on a fixed schedule, are either based on sales of specific programs or the growth in sales of all or certain of Héroux-Devtek's product lines and bear no or below-market interest rate.

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 financial expense.

Assumptions underlying loan repayments are reviewed at least annually. As at March 31, 2019, the Corporation updated the estimated repayment schedule of its government authorities loans, taking into account revised assumptions mainly related to sales forecasts. This resulted in a non-cash gain of $1,036 ($1,834 in fiscal 2018), which was included in Net financial expenses (income) (see note 9).

The effective interest rates for these loans were in the range of 0.0% to 6.6% as at March 31, 2019 (2.5% to 7.2% as at March 31, 2018).

Unsecured Subordinated Term Loan Facility ("Term Loan")

On September 24, 2018, the Corporation signed an unsecured subordinated term loan facility with *Fonds de Solidarité FTQ* for an amount of up to $75,000. The facility consists of a $50,000 term loan related to the acquisition of CESA (see Note 5) and additional financing available until September 30, 2020, of up to $25,000 subject to certain conditions. The initial $50,000 loan was drawn on September 25, 2018, bears interest at 5.7% and is repayable at maturity on September 30, 2025. Starting on September 30, 2021, the Corporation will have the option to make early repayments subject to certain fees. Financing costs totaling $835 were deferred and are amortized over the term of the related loans using the effective interest rate method.

Obligations under finance leases ("*Finance Leases")*

Obligations under finance leases bear fixed interest rates between 2.4% and 5.0% as at March 31, 2019 and March 31, 2018, 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 $1,351 ($1,928 as at March 31, 2018).

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 as at March 31, 2019.

Minimum repayments

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

Fiscal years	Revolving Facility	Governmental authorities loans	Term Loan	Finance Leases	Other [2]	Total
2020	$ 4,269	$ 6,780	$ 2,850	$ 6,007	$ 3,306	$ 23,212
2021	4,269	7,820	2,850	5,746	3,203	23,888
2022	4,269	9,345	2,850	5,439	694	22,597
2023	95,589	11,014	2,850	3,350	590	113,393
2024	—	10,924	2,850	1,220	208	15,202
Beyond 5 years	—	64,783	54,975	—	1,622	121,380
Sub-Total	108,396	110,666	69,225	21,762	9,623	319,672
Less: Interest	13,519	20,965	19,225	1,351	1,354	56,414
Debt balance [1]	$ 94,877	$ 89,701	$ 50,000	$ 20,411	$ 8,269	$ 263,258

[1] *Before net deferred financing costs.*

(2) Includes the balance of sales related to a business acquisition.

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

	March 31, 2019	March 31, 2018
Long-term debt, at beginning of the fiscal year	**$ 131,041**	$ 134,139
Increase in long-term debt	**117,883**	3,821
Repayment of long-term debt	**(36,198)**	(4,634)
Debt acquired through business acquisitions (note 5)	**43,758**	—
Amortization of deferred financing costs (note 9)	**505**	238
Fees incurred to amend or renew the Credit Facility	**(2,534)**	(524)
Interest accretion and adjustments on governmental authorities loans (note 9)	**1,325**	466
Effects of fluctuations in exchange rates	**4,526**	(2,465)
Long-term debt, at end of the fiscal year	**$ 260,306**	$ 131,041

NOTE 21. OTHER LIABILITIES

As at	March 31, 2019	March 31, 2018
Net defined benefit obligations (note 25)	**$ 6,650**	$ 3,958
Customer advances	**2,050**	—
Deferred revenue	**1,468**	2,639
Progress billings	**863**	19
Other	**1,946**	—
Other Liabilities	**$ 12,977**	$ 6,616

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:

	2019		2018	
	Number	Issued capital	Number	Issued capital
Balance, beginning of year	**36,218,572**	**$ 78,105**	36,122,050	$ 77,217
Issued for cash on exercise of stock options	**107,450**	**1,101**	48,750	298
Issued for cash under the stock purchase and ownership incentive plan	**36,188**	**470**	47,772	590
Balance, end of year	**36,362,210**	**$ 79,676**	36,218,572	$ 78,105

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:

	2019		2018	
	Number of stock options	Weighted-average exercise price	Number of stock options	Weighted-average exercise price
Balance, beginning of year	**1,105,295**	**$ 12.09**	914,295	$ 10.88
Granted	**207,500**	**16.21**	243,500	14.93
Exercised	**(107,450)**	**6.50**	(48,750)	3.71
Cancelled / forfeited	**(38,250)**	**15.24**	(3,750)	11.71
Balance, end of year	**1,167,095**	**$ 13.23**	1,105,295	$ 12.09
Stock-based compensation expense		**$ 882**		$ 608

The weighted-average share price at the date of exercise of stock options in fiscal 2019 was $15.86 ($14.44 in 2018).

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

	2019	2018
Number of stock options granted	207,500	243,500
Weighted average fair value per stock option	$ 4.25	$ 3.84
Total fair value	$ 882	$ 935
Expected life (years)	4.8 years	4.9 years
Expected volatility	24%	25%
Expected forfeiture	4.2%	4.5%
Expected dividend distribution	None	None
Compounded risk-free interest rate	2.3%	1.6%

During fiscal 2019, following the approval by the shareholders of the Corporation at the last Annual General Meeting of shareholders, the aggregate number of shares available for future issuance under the stock option plan was replenished due to the limited number of common shares remaining under this plan. As at March 31, 2019, 2,808,257 common shares are reserved for issuance of stock options, of which 2,762,507 remained to be issued, compared to 1,514,481 as at March 31, 2018.

As at March 31, 2019, 1,167,095 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
$10.71 to $11.71	640,595	2.26	$12.15	602,845	$11.47
$14.93 to $16.22	526,500	5.72	15.42	166,000	14.95
	1,167,095	3.97	$13.23	768,845	$12.33

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:

	2019	2018
In number of common shares		
Issued	36,188	47,772
Attributed to participating employees	24,622	18,800
Expense related to common shares attributed	$ 227	$ 260

As at March 31, 2019, 340,000 shares are reserved for issuance under the stock purchase and ownership incentive plan, of which 22,678 remained to be issued, compared to 58,866 as at March 31, 2018.

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

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

	2019	2018
In number of DSUs		
Balance, beginning of year	136,170	135,815
Issued	36,008	32,588
Settled	(4,512)	(32,233)
Cancelled/Forfeited	(1,332)	—
Closing balance of DSUs outstanding	166,334	136,170
DSU expense	$ 640	$ 910
Fair value of outstanding DSUs, end of year	$ 2,534	$ 1,962

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

	2019	2018
In number of PSUs		
Balance, beginning of year	**187,948**	114,434
Issued	**81,350**	100,650
Settled	**(38,392)**	(23,334)
Cancelled/forfeited	**(18,456)**	(3,802)
Closing balance of PSUs outstanding	**212,450**	187,948
PSU expense	**$ 1,505**	$ 163
Fair value of vested outstanding PSUs, end of year	**$ 1,850**	$ 842

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, 2018	$ 20,116	$ 24	$ (5,923)	$ 14,217
Other comprehensive loss	(850)	(1,796)	(1,069)	(3,715)
Balance as at March 31, 2019	**$ 19,266**	**$ (1,772)**	**$ (6,992)**	**$ 10,502**

	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**

NOTE 24. INCOME TAXES

Income tax expense is as follows, for fiscal year:

	2019	2018
Consolidated statements of income		
Current income tax expense	**$ 6,254**	$ 7,100
Deferred income tax expense (recovery)	**(2,019)**	67
Income tax expense reported in the consolidated statements of income	**$ 4,235**	$ 7,167
Consolidated statements of changes in shareholders' equity		
Expense (recovery) related to items charged or credited directly to retained earnings	**$ (656)**	$ 68
Expense (recovery) related to items charged or credited directly to other comprehensive income	**(557)**	826
Income tax expense reported directly in shareholders' equity	**$ (1,213)**	$ 894

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

	2019	2018
Income taxes at combined Federal and Provincial statutory tax rates of 26.6%	$ 8,124	$ 5,554
Income tax rate differential – foreign subsidiaries	(4,788)	(4,251)
Permanent differences	1,018	827
Impact of US Tax Reform (note 10)	—	4,912
Other items	(119)	125
Income tax expense	$ 4,235	$ 7,167

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

As at	March 31, 2019	March 31, 2018
Deferred income tax assets		
Non-deductible reserves	$ 9,850	$ 4,126
Inventories	5,345	3,872
Receivables	20	10
Derivative financial instruments	113	—
Governmental authorities loans	10	—
Deferred tax benefits from tax losses and deductible expenses carried forward	22,185	14,012
Total deferred income tax assets	$ 37,523	$ 22,020
Deferred income tax liabilities		
Investment and other tax credits	(729)	(557)
Property, plant and equipment	(16,903)	(14,863)
Customer relationships and contracts	(12,795)	(2,891)
Governmental authorities loans	—	(64)
Derivative financial instruments	—	(24)
Total deferred income tax liabilities	$ (30,427)	$ (18,399)
Net deferred income tax assets	$ 7,096	$ 3,621

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

As at	March 31, 2019	March 31, 2018
Deferred income tax assets	$ 14,575	$ 7,388
Deferred income tax liabilities	(7,479)	(3,767)
Net deferred income tax assets	$ 7,096	$ 3,621

As at March 31, 2019, net deferred income tax assets of $4,540 were recognized ($8,790 as at March 31, 2018) 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 full benefits of these deductible temporary differences and non-capital losses carried forward.

As at March 31, 2019, operating losses carried forward or other temporary differences for which related deferred income tax assets have not been recognized in the consolidated financial statements amounted to $3,329 (none as at March 31, 2018).

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

As at	March 31, 2019	March 31, 2018
Canada	**$ 19,520**	$ 19,943
United States	**64,219**	53,506
Spain	**18,874**	—
	$ 102,613	$ 73,449

As at March 31, 2019, deferred income tax assets of $12,526 and deferred income tax liabilities of $930 are expected to be recovered or settled in less than one year.

Deferred income tax is not recognized on the unremitted earnings of subsidiaries where the Corporation is able to control the timing of the remittance and it is probable that there will be no remittance in the foreseeable future. As at March 31, 2019, the temporary differences associated with investments in subsidiaries for which a deferred income tax liability has not been recognized aggregate to $21,614 ($25,151 in 2018).

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 2019, 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 $1,335 ($1,489 in 2018) while the cash contributed to its defined contribution plans amounted to $3,492 ($3,200 in 2018).

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 61% in equity funds, 31% 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, 2019	March 31, 2018
Present value of defined benefit obligations of funded plans	$ 65,962	$ 61,216
Fair value of plan assets	60,710	58,974
Funded status of the plans – deficit	$ (5,252)	$ (2,242)
Present value of defined benefit obligations of unfunded plan	(1,398)	(1,716)
Amount recognized in other long-term liabilities	$ (6,650)	$ (3,958)

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

	2019	2018
Current service cost	$ 1,192	$ 1,459
Interest on net defined benefit obligations (note 9)	150	153
Past service cost	—	325
Administrative cost	198	161
Defined benefit pension expense recognized in the consolidated statements of income	$ 1,540	$ 2,098

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

	2019	2018
Remeasurements		
Losses from changes in demographic assumptions	$ (326)	$ (2)
Losses from changes in financial assumptions	(2,855)	(915)
Experience gains	255	1,257
Return on plan assets, excluding interest income on plan assets	439	(79)
Other comprehensive income	$ (2,487)	$ 261

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

	2019	2018
Actual return on the fair value of plan assets	$ 2,547	$ 2,038

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

	2019	2018
Defined benefit obligations, beginning of year	$ 62,932	$ 61,106
Current service cost	1,192	1,459
Interest expense	2,258	2,270
Contributions by plans' participants	675	731
Losses from change in demographic assumptions	326	2
Losses from changes in financial assumptions	2,855	915
Experience gains	(255)	(1,257)
Benefits paid	(2,623)	(2,619)
Past service benefits	—	325
Defined benefit obligations, end of year	$ 67,360	$ 62,932

The fair value of plan assets is as follows:

As at	March 31, 2019	March 31, 2018
Fair value of plans' assets, beginning of year	**$ 58,974**	$ 57,496
Interest income on plans' assets	**2,108**	2,117
Return on plans' assets, excluding interest income on plans' assets	**439**	(79)
Contributions by the employer	**1,335**	1,489
Contributions by plans' participants	**675**	731
Benefits paid	**(2,623)**	(2,619)
Administrative costs	**(198)**	(161)
Fair value of plans' assets, end of year	**$ 60,710**	$ 58,974

The plans' assets consist of:

As at	March 31, 2019	March 31, 2018
Equity securities	**61%**	63%
Debt securities	**31%**	29%
Other	**8%**	8%
Total	**100%**	100%

Significant assumptions

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

	2019	2018
Defined benefit obligations as at March 31:		
Discount rate	**3.30%**	3.60%
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**	86
Female, 45 years of age at reporting date	**89**	89
Male, 65 years of age at reporting date	**87**	87
Female, 65 years of age at reporting date	**90**	90

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, 2019:

Increase (Decrease)	Pension expense	Defined benefit obligations
	%	%
Discount rate		
Increase of 0.5%	(25.1)	(7.0)
Decrease of 0.5%	24.9	7.8
Rate of compensation		
Increase of 0.5%	0.1	—
Decrease of 0.5%	(0.1)	—
Average life expectancies		
Increase of 1 year	7.6	2.7
Decrease of 1 year	(7.7)	(2.7)

Corporation's pension benefits future cash flows
The cash contributions expected to be made to these plans in fiscal year 2020 amount to $1,653.

The duration of the defined benefit obligations at March 31, 2019 is 14.8 years (14.8 years in 2018). The expected maturity of undiscounted pension benefits for the Unionized Pension Plan is presented as follows:

As at	**March 31, 2019**	March 31, 2018
Less than a year	**$ 1,783**	$ 1,689
Between 1-2 years	**1,834**	1,747
Between 2-5 years	**6,125**	5,753
Over 5 years	**99,741**	100,542
Total	**$ 109,483**	$ 109,731

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

	2019	2018
Defined contribution pension plan costs	**$ 3,492**	$ 3,200

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:

	2020	2021	2022	2023	2024	Thereafter	**Total 2019**	Total 2018
Operating leases - Buildings and facilities[1]	$ 2,517	2,424	2,261	2,014	1,623	5,984	**$16,823**	$ 11,737
Building, machinery and equipment acquisition commitments	$ 6,624	126	46	—	—	—	**$ 6,796**	$ 2,952

[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, 2019, the duration of these indemnification agreements could extend up to fiscal year 2024. As at March 31, 2019, an amount of $5,012 ($5,012 in 2018) 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, 2019, the Corporation has outstanding letters of credit amounting to $26,153 ($3,302 in 2018).

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:

	2019	2018
Accounts receivable	$ (5,624)	$ (2,335)
Income tax receivable	(385)	(184)
Inventories	(1,746)	9,539
Other current and long-term assets	(2,245)	(869)
Accounts payable and accrued liabilities and other liabilities	20,013	719
Provisions	(5,377)	(3,335)
Customers advances and progress billings	4,655	7,097
Income tax payable	(2,404)	1,916
Effect of changes in exchange rates[1]	2,686	950
	$ 9,573	$ 13,498

[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, 2019					March 31, 2018			
	Canada	U.S.	U.K.	Spain	Total	Canada	U.S.	U.K.	Total
Property, plant and equipment, net	$ 97,210	$ 72,872	$ 13,987	$ 43,885	$227,954	$ 95,492	$ 71,183	$ 12,828	$179,503
Finite-life intangible assets, net	14,785	6,433	9,254	38,905	69,377	21,166	1,973	12,717	35,856
Goodwill	14,344	25,296	65,041	81,671	186,352	13,838	9,691	67,608	91,137

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

	2019	2018
United States	$ 260,397	$ 240,377
United Kingdom	53,589	43,713
Spain	26,036	—
Rest of Europe	58,837	39,009
Canada	39,668	39,244
Other countries	45,350	24,221
	$ 483,877	$ 386,564

NOTE 30. EXECUTIVE COMPENSATION

Key management includes directors (executive and non-executive) and members of the Executive Committee. The executive compensation expense to key management is as follows, for fiscal year:

	2019	2018
Short-term employee benefits and other benefits	$ 3,622	$ 3,458
Pension and other post-retirement benefits	84	156
Share-based payments	1,421	1,655
Total compensation to key management personnel	$ 5,127	$ 5,269

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, 2019			March 31, 2018		
	Fair value hierarchy	Carrying amount	Fair Value	Fair value hierarchy	Carrying amount	Fair Value
Financial assets						
Cash and cash equivalents	**Level 1**	**$ 35,128**	**$ 35,128**	Level 1	$ 93,209	$ 93,209
Derivative financial instruments	**Level 2**	**6,599**	**6,599**	Level 2	5,197	5,197
		$ 41,727	**$ 41,727**		$ 98,406	$ 98,406
Financial Liabilities						
Derivative financial instruments	**Level 2**	**$ 3,451**	**$ 3,451**	Level 2	$ 2,778	$ 2,778
Long-term debt, including current portion	**Level 2**	**263,258**	**270,716**	Level 2	131,964	137,493
		$ 266,709	**$ 274,167**		$ 134,742	$ 140,271

Derivative financial instruments - The fair value of derivative financial instruments recognized in the consolidated balance sheets has been determined using the Corporation's valuation models and compared to the fair value information provided by the financial institutions using exchange rates or interest rates quoted in the active market and adjusted for the credit risk added by the financial institution. 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, Spain 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, Spanish 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, Spanish and United Kingdom operations and related to sales contracts, net of the forecasted cash outflows in U.S. currency made by its Canadian, Spanish and United Kingdom operations and related essentially to raw materials and certain other material costs.

As at March 31, 2019, the Corporation had forward foreign exchange contracts outstanding for a notional amount of $228,374 denominated in USD, EUR and GBP. This amount includes mainly contracts with nominal value of US$146,885 convertible into Canadian dollars at an average rate of 1.3060. These contracts mature at various dates between April 2019 and March 2023, with the majority maturing this fiscal year and the next.

As at March 31, 2019, 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	Euro impact
Decrease in net income	(428)	(110)	(42)
Increase (decrease) in other comprehensive income	508	(1,678)	(734)

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.

Cross-currency interest rate swaps

The acquisition of CESA (see note 5) exposed the Corporation to new foreign currency and interest rate risks related to the investment in Euros. A decrease in value of the Euro compared to the Canadian dollar would decrease the value of the foreign investment, and an increase in interest rates underlying debt would increase related net financial expenses.

In order to mitigate these risks, as at March 31, 2019, the Corporation had entered into the following cross-currency interest rate swap agreements in order to manage foreign exchange and interest rate risks:

Notional		Fixed EUR equivalent		Interest rate	Inception	Maturity
US$	29,370	€	25,000	1.86 %	October 2017	May 2022
C$	50,000	€	34,110	3.40 %	October 2017	September 2025
US$	17,523	€	15,000	Euribor 1 month + 1.74%	September 2018	May 2022
US$	17,100	€	15,000	Euribor 1 month + 1.76%	November 2018	March 2020

A 100 basis point variation in interest rates would have affected the Corporation's financial results for fiscal 2019 as follows:

	100 bps increase	100 bps decrease
Impact on net income related to floating rate long-term debt	(69)	69
Impact on comprehensive income related to cross-currency interest-rate swap agreements	209	(209)

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, 2019, the equity swap agreement covered 245,000 common shares of the Corporation at a price of $12.68. This agreement is a derivative instrument that is not part of a designated hedging relationship and matures in June 2020.

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 61% of the Corporation's fiscal 2019 sales are made to only nine customers (60% to six customers in 2018). More specifically, in fiscal 2019, the Corporation had one customer representing 22% of its consolidated sales (two customers representing 26% and 11% in 2018).

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 4.2% in fiscal 2019 (5.3% in 2018) of the Corporation's consolidated sales.

As at March 31, 2019, 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, 2019:

		2019
Balance, beginning of year	**$**	**39**
Arising during the year		**153**
Balance, end of year	**$**	**192**

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

As at		**March 31, 2019**		March 31, 2018
Not past due	**$**	**105,402**	$	66,613
Past due less than 90 days		**8,866**		5,777
Past due more than 90 days		**1,163**		1,079
Impaired		**192**		39
		115,623		73,508
Allowance for doubtful accounts		**(192)**		(39)
Balance, end of year	**$**	**115,431**	$	73,469

Estimated credit losses based on expected loss rates were insignificant as at March 31, 2019 and 2018.

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 mainly 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, 2019, the maximum exposure to credit and credit concentration risks for financial instruments represented the following (see note 31):

		FVTPL		FVTOCI [(1)]		A.C.
Cash and cash equivalents	$	—	$	—	$	35,128
Accounts receivable		—		—		115,431
Derivative financial instruments		3,891		2,708		—

(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, 2019, 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	$ 117,990	$ —	$ —	$ —	$ 117,990
Customer advances	14,502	2,050	—	—	16,552
Long-term debt, including current portion (note 20)	23,212	46,485	128,595	121,380	319,672
Derivative financial instruments	2,134	1,171	146	—	3,451

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, 2019, 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, 2019	March 31, 2018
Current portion of long-term debt	**$ 15,066**	$ 5,356
Long-term debt	**245,240**	125,685
Deferred financing costs, net	**2,952**	923
Less: Cash and cash equivalents	**35,128**	93,209
Net debt	**$ 228,130**	$ 38,755
Shareholders' equity	**404,098**	379,034
Net debt-to-equity ratio	**0.56:1**	0.10:1

The Corporation is not subject to any regulatory capital requirements.