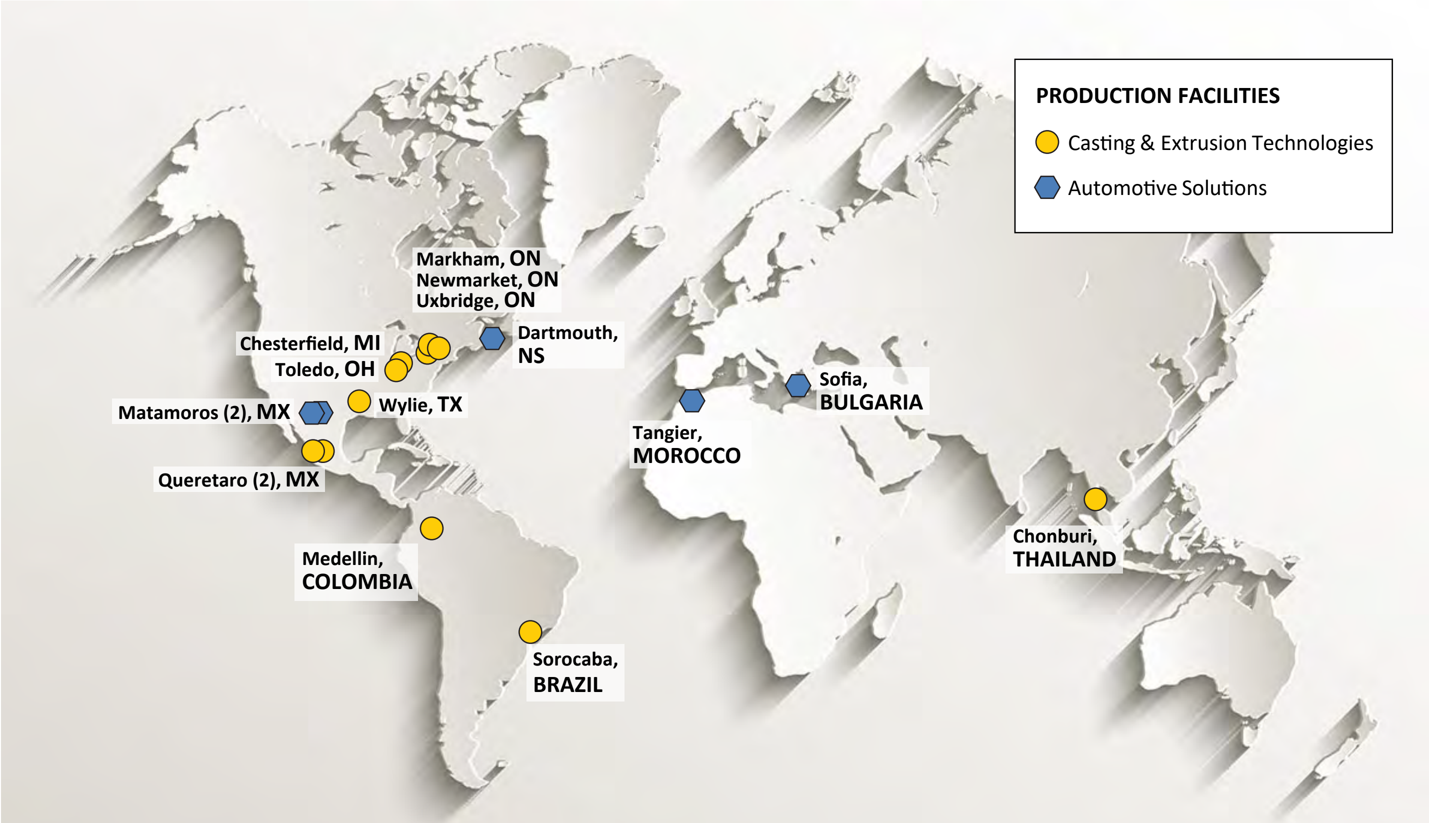
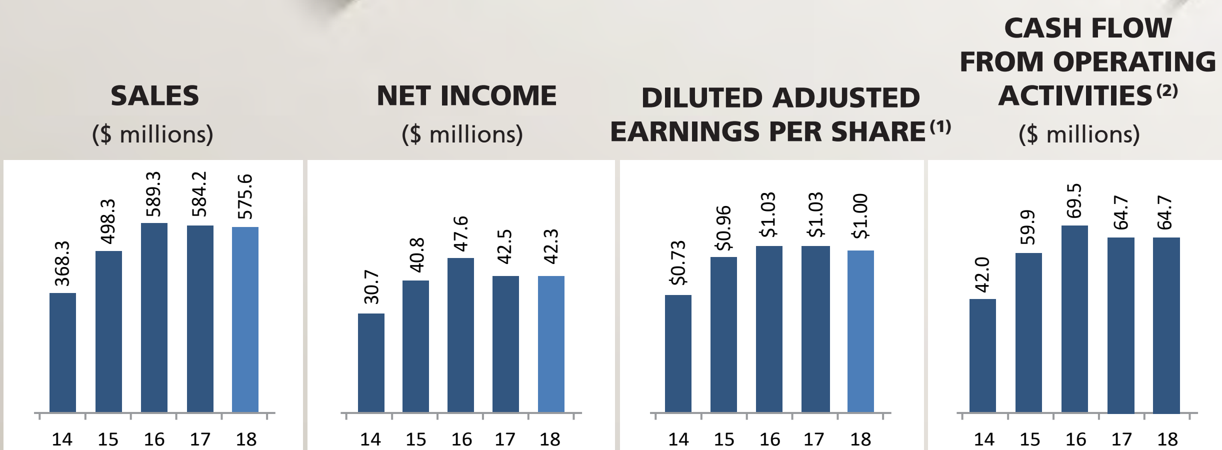
EXCO Technologies Limited

2018 ANNUAL REPORT

EXCO® Technologies Limited





(1) Earnings before other income/ expense (2) Before net change in non-cash working capital.

CASTOOL TOOLING SYSTEMS®

ETS EXCO TOOLING SOLUTIONS®

AFX

EXCO ENGINEERING

ALC®

Polydesign EXCO® automotive solutions

Polytech EXCO® automotive solutions

Neocon EXCO® automotive solutions

LETTER TO SHAREHOLDERS

In fiscal 2018 Exco achieved its third-highest annual earnings per share (EPS) in its history, falling just shy of the record marks achieved in each of the two prior years. While we had anticipated our EPS would again climb to new heights, we are nonetheless pleased with our overall results. During the past year we made significant investments and garnered several contract wins that will drive future growth, realized tangible progress repositioning underperforming operations, and further strengthened our balance sheet while returning almost half our earnings to shareholders through dividends and share repurchases. As well, we demonstrated a positive earnings trajectory through each successive quarter, exiting the year with our highest Q4 earnings ever. The progress we achieved over the last twelve months has given us more confidence than ever that Exco is well positioned to realize record earnings in the year ahead.

Focused on the Fundamentals

Even before Exco's fiscal 2018 started, it was evident that the year would be filled with many new challenges. Despite firm global economic conditions and the fulfilled promise of lower US corporate tax rates, protectionist trade tones were gaining steam. In particular, the future of the NAFTA agreement – which impacts Exco's most important trading area – looked increasingly uncertain at times. As the year progressed, the implementation of steel and aluminum tariffs in the US, rising fuel and other input costs, and softening automotive production volumes made for one of the more challenging operating environments we've encountered in several years.

Through these challenges we remained focused on the fundamentals, making the necessary investments and decisions to grow and diversify our operations – for the long term. Staying focused on the fundamentals has served Exco well over the years. This core principle has enabled us to build a diverse collection of leading businesses in typically niche industries that provide our customers with innovative, quality solutions from low-cost operations. Together with our preponderance of "capital-light" businesses and exceptional financial strength, Exco has tremendous staying power, all of which underlies our sustainable earnings growth and generation of significant free cash flow.

At the industry and company levels, the fundamentals for both our parts and tooling businesses remain very sound. North American automotive production volumes have softened modestly from recent peaks but are widely expected to plateau near current levels for the next several years. Relatedly, demand for Polytech and Neocon's growing portfolio of innovative storage and protection products continue to expand apace across more vehicles and OEMs. As well, the trend towards leather as the interior trim surface of choice plays squarely into AFX's sweet spot. In Morocco, Polydesign is sailing with the wind at its back. We established our presence there long ago, well before other industry players had awoken to the country's attractive labour market and proximity to Europe. With capacity and inflationary pressures now building across Eastern Europe, Morocco is seeing an influx of quoting activity for which we are the "go-to" supplier. Meanwhile, as it relates to all three of our tooling businesses, demand for the aluminum products they help create continues to grow across many applications. This is particularly true within the automotive industry where an acute focus on vehicle light-weighting is on a sustainable uptrend that will persist regardless of how fast the electric vehicle is adopted, whether it's a car, truck or SUV, or who's driving it, if anyone at all. Aluminum, however, is mostly used across the spectrum of the economy providing our Extrusion and Castool groups with meaningful diversification. It is worth noting that despite the implementation of US aluminum tariffs, overall shipments of North American aluminum extrusions have grown to record levels, contributing to the solid results from each of these divisions.

Tackling Our Biggest Challenges

Perhaps our most significant achievement in fiscal 2018 was the major headway we made at fixing what was broken. Since we acquired ALC in 2014, to say it has underperformed is an understatement. Over the past few years, we have spent considerable financial and operational resources to improve ALC's results only to be met with more challenges along the way. These challenges intensified in our past fiscal year as the unemployment rate in Bulgaria dropped to the lowest level in a decade, further pressuring local area wages and causing employee turnover and absenteeism to climb to unsustainable levels. The backdrop creates a difficult environment for any industry. However, it is downright hostile for ALC's operations which are characterized by labor intensive, low margin and fixed-price program economics with potentially severe financial consequences for mis-execution. Given our view that Bulgarian labour conditions are more likely to worsen than improve near term, it was necessary to reverse course on ALC's growth and diversification strategy. This led to the voluntary wind-down of certain programs and shift of some of ALC's production volumes to Polydesign in Morocco. These efforts have hurt our results but will essentially be complete by the end of our first quarter of fiscal 2019. At that point, ALC will be a smaller business exclusively focused on cutting and sewing BMW Mini seat covers. In turn, we expect the streamlined operations will enable the development of a workforce that is more reliable and motivated. Importantly, ALC also engaged its primary customer in discussions to improve program economics and has received temporary price support pending ongoing discussions. These measures enabled us to reduce the EPS losses at ALC from $0.11 in fiscal 2017 to $0.03 in fiscal 2018, including a breakeven performance in Q3 and attainment of profitability in Q4. ALC is focused on further operational improvements and realizing a permanent price increase from its primary customer with an objective of reaching sustained profitability, failing which we will exit the business.

Where we have also had significant challenges is in our Casting division – but there too we have made meaningful headway. Three years ago, we made a sizeable capital investment to radically transform the way we manufacture our large moulds. We knew this transition would not be easy – and we were right. But it remains evident to us our approach was also right. The primary challenge has been that we vastly underestimated how long it would take to bring the new process up to the required levels of capacity. Consequently, we had trouble executing on our large order book through the past year. However, while our results have clearly been frustrating, our progress is tangible. We are now capable of producing moulds in less than half the time as our old process and capacity/ reliability is improving daily. Moreover, quoting activity and order inflow remain very strong while difficult industry pricing conditions continue to ease. Further still, we continue to differentiate ourselves with our additive manufacturing capabilities, which is greatly enhancing the quality and performance of our moulds beyond our competitors reach. And our lead in the area of 3D powdered metal printing is clear, having been nominated as a 2019 finalist for the automotive industry's prestigious PACE awards. As we continue to advance against our agenda, we are confident the profitability of our large mould group will improve steadily through the next fiscal year and beyond.

Making the Most of Our Opportunities

Turning to fiscal 2019 we are pursuing several capital investment opportunities that we expect will have very high rates of return. Our new Mexican extrusion plant will be operational in early calendar 2019 to better penetrate the domestic market there. This new facility will benefit from the recent completion of our harmonization initiative across our five existing extrusion plants. This initiative has established standardized manufacturing practices which has greatly increased the overall capacity and efficiency of the group. The new plant will add to our stable of greenfield operations in Colombia, Brazil, Texas and Thailand which continue to perform extremely well with collective EBITDA growth of 40% in fiscal 2018 even after realizing 100% growth the prior year. Elsewhere in our tooling business, Castool will further expand its Uxbridge plant to provide additional capacity and house its own heat-treat facility. This capital project will not only significantly reduce costs but will provide strategic benefits, enabling Castool to meaningfully reduce lead times and further enhance the quality across its portfolio of innovative products. Over in our Automotive Solutions segment, Polydesign is exploring the potential of expanding the size of its facility in Morocco by about 50% to roughly 330,000 square feet in order to keep up with expected demand growth.

Back in North America, capital investment in our other parts businesses are expected to be relatively modest in the coming year. However, we expect stronger overall financial performance will be driven by several recent contract wins and the various cost containment measures that we continue to implement.

Strong Financial Foundation Supports Our Growth Expectations

As fiscal 2019 gets underway, Exco's balance sheet, as always, remains a pillar of strength. With essentially no net debt and ample liquidity Exco possesses significant financial flexibility to take advantage of opportunities that may arise while acting as a hedge against any external shocks. Despite elevated levels of capital spending in fiscal 2019 we expect to generate free cash flow well in excess of our dividend payments. Acquisitions remain a focus however we are not dependent on them for earnings growth and we will be very selective in whatever we pursue. In the interim, we are entirely comfortable padding our balance sheet with the cash flows that we will generate and/or continuing to buyback our shares, which we see as a bargain at current trading levels.

In closing, Exco's fiscal 2018 was as a year of consolidating on past gains and advancing our key strategies. While we fell just short of our goal for earnings growth, we are confident the progress we made has positioned us to achieve record earnings in fiscal 2019. None of this, of course, would be possible without our dedicated and talented workforce now totaling 6,757 strong.

Thank you for your continued efforts – and staying focused on the fundamentals. With more of the same, we know even greater things lie ahead.

Brian A. Robbins
President and CEO

CONTENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements and related notes of Exco Technologies Limited ("Exco", or "Company") for the year ended September 30, 2018. This MD&A has been prepared as of November 26, 2018.

Additional information on Exco, including copies of its continuous disclosure materials such as its Annual Information Form, is available on its website at www.excocorp.com or through the SEDAR website at www.sedar.com .

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Exco, including copies of its continuous disclosure materials such as its annual information form, is available on its website at www.excocorp.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference may be made to EBITDA, EBITDA Margin, adjusted EPS and free cash flow which are not measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates EBITDA as earnings before other income/expense, interest, taxes, depreciation and amortization and EBITDA Margin as EBITDA divided by sales. Exco calculates adjusted EPS as earnings before other income/expense. It calculates free cash flow as cash provided by operating activities less interest paid less investment in fixed assets net of proceeds of disposal. EBITDA, EBITDA Margin, adjusted EPS and free cash flow are used by management, from time to time, to facilitate period-to-period operating comparisons and we believe some investors and analysts use these measures as well when evaluating Exco's financial performance. These measures, as calculated by Exco, do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other issuers.

CAUTIONARY STATEMENT

Information in this document relating to: projected North American light vehicle sales and production, original equipment manufacturer's (OEM) capital investment levels, the rate and intensity of OEM development of all-electric or hybrid powertrain systems, the level of order backlog of the company's business units, contribution of our start-up business units, contribution of awarded programs yet to be launched, margin performance, financial performance of acquisitions and operating efficiencies are forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements found mainly in the MD&A section but also elsewhere throughout this document. These forward-looking statements are based on our plans, intentions or expectations which are based on, among other things, assumptions about the number of automobiles produced in North America and Europe, the number of extrusion dies required in North America and South America, the rate of economic growth in North America, Europe and emerging market countries, investment by OEMs in drivetrain architecture and other initiatives intended to reduce fuel consumption and/or the weight of automobiles, raw material prices, economic conditions, currency fluctuations, trade restrictions, our ability to integrate acquisitions and the rate at which our operations in Brazil and Bulgaria achieve sustained profitability. These forward-looking statements include known and unknown risks, uncertainties, assumptions and other factors which may cause actual results or achievements to be materially different from those expressed or implied. For a more extensive discussion of Exco's risks and uncertainties see the 'Risks and Uncertainties' section in this Annual Report, our Annual Information Form ("AIF") and other reports and securities filings made by the Company. This information is available at www.sedar.com.

While Exco believes that the expectations expressed by such forward-looking statements are reasonable, we cannot assure that they will be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company will update its disclosure upon publication of each fiscal quarter's financial results and otherwise disclaims any obligations to update publicly or otherwise revise any such factors or any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CORE BUSINESSES

Exco is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. The Company reports in two business segments.

The Casting and Extrusion segment designs, develops and manufactures die-casting and extrusion tooling and consumable parts for both aluminum die-casting and aluminum extrusion machines. Operations are based in North America, South America and Thailand and serve automotive and industrial markets around the world. Exco is a leader in most of these markets. In the die-casting and extrusion tooling markets, Exco is further entrenching itself by reducing lead times and manufacturing costs through design and process enhancements. In the die-cast tooling group a major equipment capital project has been implemented to increase capacity, reduce lead times, further improve quality and reduce costs. In the machine consumables market, Exco is leveraging its long tradition as a reliable, high-quality supplier of consumable components for the injection system of die-cast machines and aluminum extrusion presses by evaluating, coordinating and ultimately maximizing customers' overall equipment performance and longevity. The Canadian, European, South American and United States markets are Exco's primary focus for die-cast moulds, extrusion dies and machine consumable parts. However, with respect to the latter, we commenced operations of a new facility in Thailand in 2014 to better penetrate the European and Asian market for those products.

The Automotive Solutions segment designs, develops and manufactures automotive interior trim components and assemblies primarily for passenger and light truck vehicles. The Polytech and Polydesign businesses manufacture synthetic net and other cargo restraint products, injection-moulded components, shift/ brake boots, related interior trim components and assemblies. Polydesign is also a manufacturer and/or finisher of injection moulded interior trim and instrument panel components, sun visors, seat covers, head rests and other cut and sew products. Automotive Leather Company is a manufacturer of leather/fabric seat covers for automobile interiors and other wrap and sew components. Neocon is a supplier of soft plastic trunk trays, rigid plastic trunk organizer systems, floor mats and bumper covers. AFX Industries is a tier 2 supplier of leather and leather-like interior trim components to the North American automotive market. AFX also supplies die cut leather sets for seating and many other interior trim applications as well as injection-molded, hand-sewn, machine-sewn and hand-wrapped interior trim components of all sorts. Automotive Solutions manufacturing facilities are located in Canada, the United States, Mexico, Bulgaria, and Morocco supplying the automotive markets in North America, Europe and to a lesser extent, Asia.

VISION AND STRATEGY

For the past few years, Exco has pursued several key strategies designed to achieve sustainable revenue and earnings growth. These include: (1) strengthening our technological leadership and competitive position in our chosen markets through automation and technology, (2) minimizing our cost structure, (3) shifting our productive capacity to low-cost jurisdictions in closer proximity to our customers' operations, (4) diversifying our revenue base with new products and services that leverage our competitive strengths, and (5) capitalizing on organic and inorganic growth opportunities in both our existing and select developing markets.

The North American automotive industry remained generally solid in fiscal 2018, with most OEMs and tier one suppliers having strong sales and firm credit fundamentals. Production of light vehicles however appears to have plateaued and there continues to be an increasing separation of trends between passenger cars and light trucks (including sport utility and crossover vehicles) whereby demand for the former has been declining and demand for the latter is holding fairly steady or growing slightly. Nonetheless, overall vehicle sales volumes remain near historical highs supported by low interest rates, moderate gas prices, an aging fleet and widespread introduction of new vehicle models. As well, automobile manufacturers continue to invest in the development and production of more innovative and fuel-efficient powertrains in response to consumer demand, as well as U.S. government-mandated Corporate Average Fuel Economy ("CAFE") standards, although these standards are under review in the 2021 to 2025 timeframe. In Europe comparable legislation requiring co2 emissions to be reduced is similarly driving innovation to reduce vehicle weight and improvement in powertrain design. These developments provide meaningful growth opportunities for our tooling businesses, but also for some of our interior trim businesses, which often sell components that are generally lighter in weight than the products they aim to displace.

During fiscal 2018, Exco continued to solidify its technological leadership with the production of die-cast moulds for light-weight structural parts that use advanced aluminum alloys such as silafont. To date, Exco has shipped numerous such moulds. As well, quoting activity and new order flow for various additional structural part programs is ongoing, although the pace of such activities has lagged our earlier expectations. Exco believes moulds for structural aluminum components will be a significant driver of growth in the medium term and that this demand will occur regardless of prevailing powertrain developments. To point, reducing weight in an electric vehicle is critical to extend the range of the battery. This business unit has also landed orders for nine and ten speed transmission cases and numerous four and three cylinder engine block programs which are at the vanguard of OEM efforts to improve vehicle fuel efficiency. Offsetting these positive benefits however is the maturation of certain established programs that have benefited Exco's large mould group over the past several years. Some of these programs were long-running requiring a high number of moulds that have similar or identical configurations. Typically, programs such as these provide a larger base over which to absorb any engineering/ development costs and also provide Exco with the opportunity to become more efficient with each successive mould produced. Recently, automotive OEM's have increased the speed at which they alter powertrain designs in order to achieve their fuel efficiency and emission reduction goals. This provides Exco with less opportunity to leverage the efficiency measures as noted in the forgoing. In response to and in anticipation of these trends continuing, Exco has invested significant capital in new machinery and equipment to reduce costs, increase efficiency, meet shorter lead times, further enhance the quality of its products and expand capacity.

Demand for extrusion dies remains very firm as end market applications for extruded aluminum components are quite diverse and correlate well with GDP, which is growing firmly in North America – our largest market for extrusion dies. As well, demand for extruded aluminum components within the automotive end market continues to grow above market rates owing to the same light-weighting trends noted above. Moreover, anti-dumping and/or countervailing duties against Chinese imports into Canada and the US on aluminum extrusions remain in place following completion of the 2016 sunset review.

Over the past several years Exco has expanded its footprint in the Americas to gain increased exposure to markets that the Company expects will have higher growth prospects over the longer term. These investments have included a new extrusion die production facility in Medellin, Colombia, which commenced operations in January 2012 and a new extrusion die production facility near Sao Paulo, Brazil, which commenced operations in June 2014. These investments produced mixed results in fiscal 2018 with our Colombia operations performing very strongly while our Brazilian operations remain challenged by the weak economic environment in that country. Nonetheless, the financial performance of our Brazilian operations continued to improve in fiscal 2018 and we continue to grow from a small base, while we hone our skills and capabilities, positioning ourselves for the economic recovery when it eventually takes place. Exco is currently constructing a new extrusion die facility in Mexico to better service the local market in that country. The new facility is expected to be operational in early calendar 2019.

In addition to its investments in South America, Exco has expanded its presence in the North America extrusion die market to provide increased growth in a distinct market segment where proximity to customers is a key element to success. In 2013, the Company acquired and subsequently expanded an existing toolshop in Wylie Texas to better service the south-central region of the United States. Exco is now focused on harmonizing the manufacturing process of its various extrusion die plants and implementing various changes in order to improve the growth prospects and the efficiency of these operations.

Our Castool business also has solid growth prospects, globally. Demand growth for Castool's machine consumable parts prompted us to build a production facility in 2014 in Thailand to more efficiently serve our customers while taking advantage of lower production and shipping costs to Asia and Europe. This facility has been producing since July 2014 and is now generating consistent profitability. In fiscal 2019, Castool plans to add approximately 20,000 square feet to its existing building in Uxbridge, Ontario. This addition will provide additional manufacturing capacity and enable Castool to construct its own heat-treat facility in order to improve quality and service while lowering its operating costs.

Over the past few years, strong vehicle production volumes in both North American and Europe have helped fuel sales and profit growth in our Automotive Solutions interior trim segment. Furthermore, particularly in North America, a good proportion of the vehicles produced are refreshed or completely new models with a growing representation of SUV/ CUV's and light trucks, which have greater cabin and cargo areas. Meanwhile, we continue to expand our capabilities and broaden our product offerings. All of this helps us to increase our content per vehicle and replace older programs which have been 'costed down' over the years with new programs reflecting current costs and better margins. Cost inflation of major raw materials used by the segment has generally picked up over the past year and contributed to softer financial performance in fiscal 2018. We continue to take various initiatives to offset these pressures and expect any further impact to be manageable through the near term.

While we believe North American and European vehicle production volumes appear sustainable near current levels for the next few years, we believe prospects for further growth are limited by several structural trends. These include: a steadily aging population and historically high levels of consumer and government debt. As a result, it is likely that the US and the Euro zone economies will, over the long term, underperform the economies of most developing countries – particularly, in Latin and South America and Southeast Asia. Admittedly certain emerging economies are currently under pressure. Brazil is a case in point. However, over the long term we believe the underlying structural trends will reassert themselves.

Exco remains committed to establishing a larger presence in these markets to plant the seeds of revenue and earnings growth for future years. Our focus has been traditionally on relatively low-risk opportunities in markets that are already familiar to us, and which leverage our technological leadership and existing product and service capabilities – such as South America and Asia. Exco has exported to these emerging markets for many years and we are familiar with the customers and the general business climate. We have also operated several large plants in low-cost jurisdictions such as Mexico and Morocco for many years with exceptional performance and financial results. The increasingly sophisticated customers in these emerging markets are looking for superior quality, innovative product solutions and the benefit of local sourcing, product development and service. By manufacturing locally, we also significantly reduce transportation costs and mitigate the effect of unfavorable currency trends.

Notwithstanding Exco's investment in developing markets, we also continue to look for selective acquisitions that will bolster our position and enhance profitability in North America and Europe. On March 1, 2014 we purchased Automotive Leather Company which specializes in the manufacture and export of luxury leather interior trim components to the middle and luxury automotive sector. This acquisition provided us with a facility in Eastern Europe, to which European automotive manufacturing had been migrating, and a central European technical and service centre from which we can better serve our European customers. ALC's operations in South Africa and Lesotho were less compelling. Consequently, Exco closed its operations in South Africa in fiscal 2016 and ceased production in Lesotho in November 2016. During fiscal 2018, management continued to direct significant efforts towards improving the operating and financial performance of ALC's operations in Bulgaria. The performance of these operations has been increasingly challenged by a concentration of activity with one large labor-intensive program coupled with falling unemployment rates, rising wages and fixed-price program pricing that was established when labor conditions were materially more favorable. In management's view, these labor pressures will likely continue for the foreseeable future, warranting a change to ALC's strategy of growing and diversifying its operations in Bulgaria. To that end, in fiscal 2018, ALC began voluntarily winding down certain programs with its customers' consent and started shifting a portion of its production volumes to Polydesign in Morocco. These efforts are expected to leave ALC with a smaller, more focused business and enable the development of a workforce that is more reliable and motivated. As well, ALC has engaged customers to improve program economics and received a temporary price increase during the year. ALC is continuing these customer discussions with an objective of receiving a permanent price increase in order to restore ALC to sustained profitability. More generally, Exco management remains focused on exiting or repricing business with inadequate profitability in both of its business segments. While this initiative may dampen future sales, it is expected to have a positive impact on profitability and margins.

On April 4, 2016 we acquired AFX Industries LLC. The acquisition builds on Exco's significant leather-based interior trim stable of products while also providing new customers, suppliers, products and capabilities in a region that is very familiar to us. As well, the increased scale and diversity provides incremental opportunities across Exco's Automotive Solutions Group. AFX is based in Port Huron, Michigan with manufacturing operations in Matamoros, Mexico. The company is a tier 2 supplier of leather and leather-like interior trim components to the North American automotive market. AFX supplies die-cut leather sets for seating and many other interior trim applications as well as injection-molded, hand sewn, machine-sewn and hand-wrapped interior components of all types.

2018 RESULTS

Consolidated Results - Sales

Annual sales totalled $575.6 million compared to $584.2 million last year – a decrease of $8.6 million or 1% over last year. The US dollar averaged 2% lower ($1.29 versus $1.31) against the Canadian dollar over the year reducing sales by $7.2 million. The Euro averaged 5% higher ($1.53 versus $1.46) against the Canadian dollar over the year increasing sales by $8.4 million.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2018 and 2017. This financial data should be read in conjunction with the Company's audited consolidated financial statements for these years:

(in $ millions except per share amounts)	**2018**	2017
Sales	**$575.6**	$584.2
Net income for the year	**$42.3**	$42.5
Earnings per share from net income		
Basic and diluted	**$1.00**	$1.00
Earnings per share from adjusted net income (Adjusted EPS)		
Basic and diluted	**$1.00**	$1.03
Total assets	**$447.9**	$431.2
Cash dividend paid per share	**$0.33**	$0.31
EBITDA	**$76.6**	$83.2

Segment Sales

- *Automotive Solutions Segment*

Sales in this segment were $375.6 million – a decrease of $25.3 million or 6% from the prior year. The appreciation of the Canadian dollar versus the US dollar in fiscal 2018 compared to fiscal 2017 reduced sales in North America by $4.5 million. The strengthening of the Euro against the Canadian dollar increased segment sales in Europe by $8.0 million year over year. Consequently, segment sales were down $28.8 million, or 7% from last year excluding foreign exchange rate movements. Sales were lower at the company's North American based operations (Polytech, Neocon and AFX) by 13% during the year due to a 4% decline in overall North American vehicle production volumes including an ongoing weakness in the demand for passenger cars, a focus on higher margin business, the timing of product launches, adverse foreign exchange rate movements, and isolated pricing pressures. Reduced demand for certain accessory products also negatively impacted sales during the year. The pipeline for new order activity for both new and existing products however remains robust at all three of the segment's North American businesses. Sales were higher at the segment's European operations (ALC and Polydesign) by 4% during the year due to temporary pricing adjustments ALC received from its primary customer on its main program, favorable foreign exchange rate movements and a number of new program launches at Polydesign, where quoting activity for additional programs remains extremely robust. These factors more than offset a decline in volumes at ALC arising from the permanent closure of that entity's operations in Lesotho, the end of a large program in fiscal 2017, and the voluntary wind-down of several smaller programs through fiscal 2018 ultimately aimed at improving ALC's profitability.

- *Casting and Extrusion Segment*

Sales in this segment were $199.9 million – an increase of $16.7 million or 9% from the prior year. Foreign exchange rate movements reduced segment sales by $2.3 million during the year. Consequently, segment sales were up $19.0 million, or 10% from last year excluding foreign exchange rate movements. Within the segment, sales were higher in each of the Extrusion, Large Mould and Castool group's during the year. Almost all of the segment's various plants experienced increased sales evidencing widespread strength with percentage increases the highest at the segment's newest locations of Thailand, Texas and Brazil. Key factors behind the higher segment sales include increased volumes in the Large Mould group as activity picked up following new program awards, market share gains associated with the continued seasoning of Extrusion group greenfield plants and enhanced quality initiatives, a rebound in capital equipment sales at the Castool group together with ongoing market penetration of the group's innovative product offerings, selective price increases (including the pass-through of certain steel tariffs on to customers), and generally firm overall market conditions. These factors were partially offset by adverse foreign exchange rate movements as well as pockets of competitive pressures. New order activity remained robust throughout the year across most of the segment's businesses. In anticipation that these trends will continue, management continues to invest significant capital to further improve its market share potential and the efficiency of its operations.

Cost of Sales

Cost of sales totalled $453.9 million – a decrease of $0.3 million or essentially equal to the prior year. Cost of sales as a percentage of sales increased to 79% from 78% the prior year as lower direct material costs were more than offset by slightly higher direct labor and factory overhead costs. This, in turn, is largely driven by a mix shift between the company's various businesses and business segments as well as higher freight and labour costs at ALC associated with tight labor markets and rising inflationary pressures in Bulgaria. More generally, inflationary pressures increased in fiscal 2018 relative to the prior year but remain manageable for Exco's major input materials – petroleum/natural gas-based resin and plastic products in the Automotive Solutions segment and tool grade steel in the Casting and Extrusion segment. Where possible, Exco has been passing along US steel tariffs on to its customers through effective price increases in order to mitigate the negative impact on its profitability.

Selling, General and Administrative Expenses

Selling, general and administrative expense in the current year decreased to $46.1 million from $46.8 million last year, a reduction of 1%. As a percentage of sales however, these expenses remained stable year over year at 8.0%.

Depreciation and Amortization

Consolidated depreciation expense in fiscal 2018 totalled $15.7 million, which was essentially unchanged from the $15.8 million expense last year. Amounts within the Company's reporting segments were also relatively stable year over year. Depreciation expense within the Casting and Extrusion segment totalled $12.3 million in fiscal 2018 versus $12.4 million in fiscal 2017 and depreciation expense within the Automotive Solutions segment totalled $3.4 million this year versus $3.3 million last year. Amortization expense increased to $5.2 million in fiscal 2018 from $4.8 million the prior year with the difference primarily attributable to accelerated amortization of the remaining intangibles related to ALC. The carrying value of total intangible assets amounted to $36.6 million as at September 30, 2018. The Company expects the associated annual amortization expense will total approximately $4.0 million in fiscal 2019, although could vary depending on USD/ CAD exchange rates.

Interest

Net interest expense in the current year totalled $1.0 million in fiscal 2018 compared to $1.3 million in fiscal 2017. The reduction is primary attributable to lower average debt levels in fiscal 2018 compared to fiscal 2017 partially offset by a rise in benchmark interest rates during fiscal 2018 compared to fiscal 2017.

Income Taxes

Exco's effective income tax rate was 22.6% in fiscal 2018 compared to an effective income tax rate of 29.2% in fiscal 2017. The lower effective income tax rate in fiscal 2018 was driven by a reduction to the corporate income tax rate in the US and increased proportion of earnings from jurisdictions which have a lower tax rate. As well, the fiscal 2017 tax rate was adversely impacted by $1.2 million in non-deductible ALC closure costs (see 'Net Income' section – below).

Net Income

- *Consolidated*

The Company reported consolidated net income of $42.3 million or basic and diluted earnings of $1.00 per share, which was essentially unchanged compared to consolidated net income of $42.5 million or basic and diluted earnings of $1.00 per share respectively. Net income in fiscal 2017 included a $1.2 million charge to earnings related to the permanent closure of ALC's operations in Lesotho. Excluding this item, net income would have been $43.7 million ($1.03 per basic and diluted share) in fiscal 2017.

- *Automotive Solutions Segment (Operating Earnings)*

The Automotive Solutions segment recorded operating earnings of $44.4 million for the year compared to $51.1 million last year – a decrease of $6.7 million or 13%. In North America, segment earnings were adversely impacted by lost contribution from lower sales as well as a reduction in margins. Pre-tax profit margins were lower at Polytech, Neocon and AFX by 220 basis points on a combined basis during the year arising from reduced overhead absorption, unfavorable product mix variance, operational disruption associated with certain product launches, adverse foreign exchange rate movements as well as isolated competitive pricing pressures and modest raw material/ labour cost inflation. These factors were partially offset by a gain on the sale of a building of $1.8 million in the fourth quarter of fiscal 2018. During the year, management implemented several initiatives to improve its cost position for these businesses. Together with the benefit of new product launches, management believes profitability for its North American businesses within this segment are well positioned to improve through fiscal 2019. In Europe, profitability and margins improved to record levels in fiscal 2018. Polydesign benefited from several new product launches contributing to strong revenue growth. Despite the elevated level of activity, Polydesign's margin also improved year over year due to the relative reduction in operational disruption which was heightened in fiscal 2017 when constant-currency revenue growth approached 30%. Looking forward, quoting activity for new business remains exceptionally strong at Polydesign and management remains focused on adding new business that maximizes its profitability. Also in Europe, ALC's results improved sharply in fiscal 2018 compared to fiscal 2017 although it remained in a loss position. ALC's losses totalled $1.2 million ($0.03 per share) for the year compared to a loss of $6.0 million ($0.14 per share) the prior year (including a $1.2 million or $0.03 per share loss associated with shut down costs). The year over year improvement ocurred despite very challenging fundamentals marked by deteriorating local market labour conditions linked to falling unemployment rates and rising wages. The expectation that this situation will continue led to a strategic shift in ALC's operating plans. During the year, ALC began to focus on shrinking rather than growing its production within Bulgaria while continuing to implement significant operational improvements. As well, ALC engaged its primary customer in discussions and received a temporary price increase to temper incremental costs. ALC is continuing these customer discussions with an objective of receiving a permanent price increase and returning to sustained profitability.

- *Casting and Extrusion Segment (Operating Earnings)*

Casting and Extrusion operating earnings increased to $18.2 million from $18.0 million in the prior year – a difference of $0.2 million or 1%. Excluding a $0.9 million loss on the disposal of equipment in the Extrusion group in fiscal 2018 (no such charge in fiscal 2017) the segment operating earnings improved by $1.1 million or 6%. Overall profitability improvement within the segment was driven by the Castool group, which benefited from selective price increases, efficiency initiatives, continued seasoning of its operations in Thailand and deepening market penetration of its innovative products amidst generally favorable market conditions. Profitability within the Extrusion group also improved year over year despite the asset disposition charge as the group benefited from rising revenues, operational improvements associated with its plant harmonization initiative, generally strong overall market conditions and the continued seasoning of its newer locations. The Large Mould group however experienced a decline in profitability during the year despite higher revenues as inefficiencies associated with the ramp up of new equipment/ processes persisted longer than expected. These challenges were compounded by a higher volume of work, rising raw material and other input costs, an unfavorable product mix associated with customer timing requirements and losses on a few "first-off" programs. While the Large Mould group's performance was disappointing in fiscal 2018, management remains very confident that the new equipment/ processes will further enhance the Company's competitiveness and lead to a reduction in its costs as implementation issues dissipate through fiscal 2019. The stronger Canadian dollar also negatively impacted this segment by decreasing the value of US dollar denominated earnings from US operations. This segment's three plants in Canada were also negatively impacted from the stronger Canadian dollar by decreasing the value of US dollar denominated sales – for greater discussion of foreign exchange see 'Segment Sales – Casting and Extrusion Segment' above.

- *Corporate Segment (Operating Expense)*

Corporate expense in the current year amounted to $6.9 million compared to $6.5 million the prior year. The year over year increase was primarily driven by higher incentive compensation expense in 2018 relative to 2017.

EBITDA

EBITDA in the current year amounted to $76.6 compared to $83.2 million the prior year – a decrease of $6.6 million or 8%. The EBITDA margin decreased to 13.3% compared to 14.2% the prior year. EBITDA in the Casting and Extrusion segment was $31.4 million, which was $0.2 million higher than fiscal 2017 although the segment EBITDA margin declined to 15.7% compared to 17.0% the prior year. The Automotive Solution segment EBITDA was $52.0 million, which was lower by $6.5 million, or 11% compared to fiscal 2017. The segment EBITDA margin deteriorated to 13.8% in fiscal 2018 compared to 14.6% the prior year. Corporate cash expenses increased slightly, to 1.2% of sales compared to 1.1% of sales the prior year.

Quarterly Results

The following table sets out financial information for each of the eight fiscal quarters through to the fiscal year ended September 30, 2018:

($ thousands except per share amounts)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Sales	$139,538	$152,755	$148,390	$134,871
Net income	$11,587	$11,211	$10,556	$8,916
Earnings per share				
Basic	$0.27	$0.27	$0.25	$0.21
Diluted	$0.27	$0.27	$0.25	$0.21

($ thousands except per share amounts)	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016[1]
Sales	$131,416	$145,909	$153,783	$153,097
Net income	$7,521	$10,933	$12,602	$11,463
Earnings per share				
Basic	$0.18	$0.26	$0.30	$0.27
Diluted	$0.18	$0.26	$0.30	$0.27

[1] Net income in the first quarter of fiscal 2017 was reduced by $1.2 million ($0.03 per share) due to charges associated with the closure of ALC's operations in Lesotho.

Exco typically experiences softer sales and profit in the first fiscal quarter, which coincides with our customers' plant shutdowns in North America during the Christmas season. Exco also experiences a slowdown in the fourth fiscal quarter as North American customers typically schedule summer plant shutdowns and Exco's European customers typically curtail releases during the month of August to accommodate vacations.

Fourth Quarter

In the fourth quarter, consolidated sales were $139.5 million – an increase of $8.1 million or 6% from the prior year. Over the quarter the average USD/CAD exchange rate was 4% higher ($1.30 versus $1.25 last year) increasing sales by $3.3 million. The average EUR/ CAD exchange rate was modestly higher ($1.51 versus $1.48 last year) increasing sales by $1.0 million compared to the fourth quarter of fiscal 2017.

The Automotive Solutions segment experienced a 2% increase in sales, or $2.0 million, to $89.0 million from $87.1 million in the fourth quarter of 2017. The increase was mainly driven by higher revenues at ALC assisted by temporary price increases on its main program although Polydesign also recorded higher sales driven by new program launches. In North America, overall vehicle production volumes were relatively flat during the quarter compared to a year ago, however the mix shift towards trucks/ SUV's and away from passenger cars continued. These trends helped Polytech and Neocon generate higher revenues year over year although hampered the results of AFX. Sales were also impacted by the timing of program launches at the segment's various businesses, favorable foreign exchange rate movements, and a focus on higher margin activities. The higher average value of the US dollar compared to the Canadian dollar increased segment sales by $1.9 million in the current quarter. The higher value of the Euro compared to the Canadian dollar increased segment sales by $1.0 million in the current quarter.

The Casting and Extrusion segment recorded sales of $50.5 million compared to $44.3 million last year – an increase of $6.2 million or 14%. This increase was widespread with all three of the segment's businesses contributing. Factors behind the increase include a rebound in demand for capital equipment within the Castool group together with price increases and strong demand for the group's other innovative product offerings as well as continued seasoning of Castool's operations in Thailand. Revenue generated by the Extrusion group were higher due to continued strong market conditions coupled with price increases (including the pass-through of US steel tariffs) and, management believes, market share gains. Large mould group sales were higher as the division continued to execute on its strong backlog while quoting activity for new programs remains robust. The higher average value of the US dollar compared to the Canadian dollar increased segment sales by $1.4 million in the current quarter. Fluctuations between the Canadian dollar and Euro did not meaningfully impact segment sales in the quarter.

The Company's fourth quarter consolidated net income increased to $11.6 million or earnings of $0.27 per share compared to $7.5 million or earnings of $0.18 per share in the same quarter last year – an EPS increase of 50%. The effective income tax rate was 18.7% in the current quarter compared to 27.4% in the same quarter last year. The effective tax rate in the current period was improved by a reduction to the corporate income tax rate in the US and a greater proportion of earnings generated in lower tax rate jurisdictions.

Fourth quarter pretax earnings in the Automotive Solutions segment totalled $12.8 million, an increase of $3.9 million or 44% over the same quarter last year. This improvement was driven mostly by the segment's European operations where temporary price increases and other operating efficiency measures enabled ALC to record a profit this quarter compared to a loss the prior year period. The higher income occurred despite a $1.6 million ($0.04 per share) bad debt expense at ALC associated with a customer dispute upon program conclusion, though collection efforts continue unabated. ALC's results clearly demonstrate progress with efforts to turnaround that business units' performance. These efforts continue with an objective of further reducing ALC's footprint in Bulgaria and achieving a permanent price increase from ALC's main program customer. Also in the quarter, profitability was boosted in the segment's

North American operations by $1.8 million due to the sale of a building which offset a drag on earnings from the lower sales volumes and underlying margin weakness. Margin rate reduction was caused by reduced absorption of factory overhead expenses, unfavorable product mix shifts and isolated supplier challenges with a new program launch that led to incremental costs.

Pretax earnings in the Casting and Extrusion segment improved by $0.6 million or 23% over the same quarter last year to $3.4 million. The earnings improvement was mainly driven by contributions from the Castool and Extrusion groups which benefited from higher revenues and, in the case of Castool, margin expansion. These increases more than offset weaker results from the Large Mould group associated primarily with losses on a few near-complete programs for which production costs exceeded prior estimates due in part to increased outsourcing requirements. This occurred, in part, as internal capacity was limited by operating inefficiencies that persisted through the quarter. Program volumes and quoting activity however remain very healthy and after implementing various measures to resolve the group's challenges, management firmly believes the Large Mould group's performance is at an inflection point with stronger results expected ahead.

The Corporate segment in the fourth quarter recorded expenses of $1.8 million compared to $0.9 million last year with the higher amount mainly due to incentive compensation expense which was temporarily decreased in 2017. As a result of the forgoing, consolidated EBITDA in the quarter increased to $20.1 million (14.4% of sales) compared to $15.8 million (12.0% of sales) last year.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

Operating cash flow before net changes in non-cash working capital was $64.7 million in both fiscal 2018 and fiscal 2017. This result occurred despite a modest reduction in Net Income in fiscal 2018 (as described above) primarily due to an increase in deferred tax amounts in fiscal 2018 compared to a reduction the prior year and modestly higher Depreciation and Amortization expense in fiscal 2018. Other factors that contributed to the year over year variance included $0.7 million of ALC closure costs that were non-cash in nature in fiscal 2017 and $1 million of net gains recorded from the disposal of property, plant and equipment in fiscal 2018. Net change in non-cash working capital was $15.9 million cash used in fiscal 2018 compared to $1.7 million cash provided last year. The year over year swing was primarily driven by timing of accounts receivable collection and unbilled revenue as well as higher inventory levels while trades and other accruals remained relatively stable. The year over year variance in non-cash working capital was also attributable to the higher sales volumes in the fourth quarter of fiscal 2018 relative to the same quarter in fiscal 2017. Consequently, cash provided by operating activities declined 27% to $48.8 million compared to $66.4 million last year.

Cash Flows from Financing Activities

Cash used by financing activities amounted to $34.3 million compared to a use of $41.0 million in fiscal 2017. The lower use in fiscal 2018 is mainly attributable to $12.8 million of debt reduction compared to $25.3 million the prior year. Other factors that contributed to the year over year variance include higher dividends of $14.1 million in fiscal 2018 compared to $13.2 million last year and an incremental net use of $5.3 million to repurchase share capital.

In addition to the obligations disclosed on its consolidated statements of financial position, Exco also enters into operating lease arrangements from time to time. Exco owns 15 of its 18 manufacturing facilities and most of its production equipment. Leased facilities consist of ALC's operations in Bulgaria. Exco acquired AFX's operations in Mexico in early fiscal 2018. The Company also leases sales and support centers in Troy, Michigan and Port Huron, Michigan, and a warehouse in Brownsville, Texas. The following table summarizes the Company's significant short-term and long-term commitments on an undiscounted basis:

(000's)	Total	< 1 year	1-3 years	Over 3 years
Bank indebtedness	$11,764	$11,764	-	-
Trade accounts payable	46,966	46,966	-	-
Long-term debt	22,289	4,108	18,181	-
Operating leases	2,936	1,181	1,605	150
Purchase commitments	39,782	39,782	-	-
Capital expenditures	2,079	2,079	-	-
	$125,816	$105,880	$19,786	$150

∗ Exco leases facilities, automotive, material handling vehicles and other miscellaneous office equipment. It is not Exco's policy to purchase these assets at the expiry of their terms but occasionally it may purchase the assets at the end of the lease terms when the purchase options are favorable. Exco does not expect any material liquidity or capital resource impacts from these possible purchases.

Cash Flows from Investing Activities - Capital Expenditures

Cash used in investing activities in the current year totalled $20.4 million compared to $16.0 million last year. Most of the difference is explained by higher capital spending in the current year of $22.9 million compared to $15.3 million last year. Capital spending in the current year included $5.1 million to purchase the building where AFX's operations are located. The balance of the capital spending is mostly related to machinery and equipment needed to maintain or upgrade our production capacity. Cash flow from Investing Activities was favorably impacted in the current year by $3.1 million in proceeds from the disposal of property, plant and equipment, most of which was related to the sale of a building in Huntsville, Alabama which was leased to a third-party tenant.

In fiscal 2019, Exco plans to invest approximately $35.0 million in capital expenditures of which roughly $16.5 million is for maintenance, ongoing equipment upgrades and the expansion of existing facilities within the Casting and Extrusion segment, about $8.5 million is for the construction and build-out of a previously announced extrusion facility in Mexico (also in the Casting and Extrusion segment), and approximately $10.0 million is for maintenance expenditures and targeted capacity additions in the Automotive Solutions segment.

We expect that in fiscal 2019 our cash flow from operations will exceed anticipated capital expenditures. Together with our cash deposits and our unused credit lines we believe we have ample financial resources to fund our operating and capital requirements.

Financial Position and Cash Balance

Exco's financial position and liquidity remains strong. The Company's conservative financial policies have served it well throughout the years and has allowed it to take advantage of acquisition opportunities and further organic growth as circumstances permit.

Exco's net debt totalled $2.7 million as at September 30, 2018 compared to net debt of $10.9 million as at September 30, 2017, for a reduction of $8.2 million during the year. This reduction primarily occurred through the generation of $27.4 million of free cash flow less dividends paid of $14.1 million and net share repurchases of $6.4 million during fiscal 2018.

In addition to its cash balances of $31.3 million, Exco retains access to $25.6 million of its $50.0 million committed credit facility, which matures February 2021. Pursuant to the terms of the credit facility, Exco is required to maintain compliance with certain financial covenants. The Company was in compliance with these covenants as at September 30, 2018.

Outstanding Share Capital

As at September 30, 2018, the Company had 41,840,681 common shares outstanding. In addition, as at September 30, 2018, the Company had outstanding stock options for the purchase of up to 880,150 common shares.

CRITICAL ACCOUNTING POLICIES

The preparation of Exco's financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amount of revenue and expenses during the reporting period.

Exco recognizes revenue upon percentage of completion of long-term contracts in the large die-cast moulds business and upon product completion for all other businesses. For short-term contracts in the large die-cast moulds business and all contracts in the extrusion and other tooling products and the Automotive Solutions segment products, completion is defined as shipment to customers.

Management estimates and expenses the fair value of stock-based compensation granted after January 1, 2002. This fair value is amortized to earnings over the remaining vesting period using the Black-Scholes option pricing model. The Company believes that the estimate of stock-based compensation is a "critical accounting estimate" because management is required to make significant forward-looking assumptions including expected stock volatility, the change in expected dividend yields and the expected option term. Currently the compensation expense is recorded in the selling, general and administration category in the consolidated statements of income and comprehensive income.

We evaluate property, plant and equipment and other long-lived assets for impairment whenever indicators of impairment exist. Indicators of impairment include prolonged operating losses or a decision to dispose of, or otherwise change the use of, an existing fixed or other long-lived asset.

We believe that accounting estimates related to goodwill, property, plant and equipment and other long-lived asset impairment assessments are "critical accounting estimates" because: (i) they are subject to a significant measurement uncertainty and are susceptible to changes as management is required to make forward-looking assumptions regarding the impact of improvement plans on current operations, in-sourcing and other new business opportunities, program price and cost assumptions on current and future business, the timing of new program launches and future forecasted production volumes; and (ii) any resulting impairment loss could have a material impact on our consolidated net income and on the amount of assets reported on our consolidated statements of financial position.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

Refer to Note 2 to the consolidated financial statements for information pertaining to the accounting changes and issued accounting pronouncements effective in 2018 and future years.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, together with other members of management, after evaluating the effectiveness of the Company's disclosure controls and procedures, have concluded that the Company's disclosure controls and procedures are adequate and effective in ensuring that material information relating to the Company and its consolidated subsidiaries would have been known to them.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer, together with other members of management, after having designed internal controls over financial reporting and conducted an evaluation of its effectiveness based on the integrated framework issued by the Committee of Sponsoring Organization of the Treadway Commission to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with generally accepted accounting principles, have not identified any changes to the Company's internal control over financial reporting which would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

The Casting and Extrusion segment is a capital goods business. Interest rates, exchange rates, corporate capital spending, the general economic climate, business confidence and the financial strength of our customers affect the demand for Exco's dies, moulds and consumable parts for die-cast and extrusion machines. Abrupt changes in these factors often bring about dramatic changes in demand and pricing. Exco believes that its broad product line, geographic diversification and leadership position in its niche markets mitigate against this risk but some risk remains.

Exco's Automotive Solutions segment services automotive component suppliers (and Tier 1 suppliers) around the world. The results of this segment depend on demand for automobiles, the type of automobiles (which demand has been shifting away from passenger cars towards SUV/ CUV's in North America) and the level of automobile production, which can fluctuate significantly with consumer confidence, general economic conditions, the cost and/or availability of consumer credit and gasoline, as well as, the market share of individual OEM customers. Contraction and slowing GDP growth in emerging economies, North America and Europe may also have a dampening effect on consumer demand for automobiles in these regions.

Exco sells to its automotive customers pursuant to purchase orders which typically sets out price per unit but not volumes or fixed terms. These purchase orders may be terminated at any time with limited recourse for compensation or damages and pricing is typically adjusted downward from time to time in the form of 'cost downs'. Termination of purchase orders and 'cost downs' may impact Exco's margin and overall earnings if not contemporaneously offset by new business at better margin or cost reductions. Furthermore, in any given year, any number of programs will be expiring. While Exco is constantly quoting on replacement programs or new programs, there is no assurance that these will be awarded or that if awarded, the pricing and margin will be comparable to those of programs ending.
In some cases, OEMs can decide to design the Company's products out of the automobile ("de-contented") or reduce the trim level on which the Company's products are installed for either aesthetic, cost or product redesign reasons. While Exco believes its focus on evolving from component supplier to a designer and integrator of small assemblies and sub-assemblies used in automotive and trunk interiors reduces the risk of de-contenting and trimming down decisions, some of Automotive Solutions products are not critical components and may still be de-contented.

OEMs or their tiers may have excess production capacity or collective agreements which preclude efficient capacity reduction during times of declining sales. In these cases OEMs and/or their tiers may choose to fill their excess capacity by taking production from their suppliers and manufacturing the parts themselves. This process of 'in-sourcing' may have the impact of reducing the amount of business available to suppliers such as Exco.

Exco is a global manufacturer which has organized its global production and logistics footprint based on, among other things, the extent of duties/levies imposed on the import/export of our products and raw material inputs. As a general rule governments have been encouraging greater trade and more liberal access to their markets by reducing or eliminating tariffs. This has benefited Exco over the years. More recently, certain governments have postured with a more protectionist tone. In particular, NAFTA is currently being renegotiated and, while the terms of a replacement agreement ("USMCA") have been reached in principle, it is not expected to be ratified until calendar 2019. In the event that governments pursue protectionist trade practises with respect to automotive components or their raw materials or subassemblies, Exco may be prejudiced.

Exco has in 2010, 2011, 2013, 2014 and 2016 made five acquisitions (Allper AG, Exco Colombia, Extrusion Texas, Automotive Leather Company and AFX Industries) and may make others in the future. Acquisitions inherently involve risk. While Exco has concluded many acquisitions that have been very successful, there have also been disappointing acquisitions which have adversely impacted earnings.

Exco's Canadian operations negotiate sales contracts with customers in both Canadian and U.S. dollars and Euro. We also purchase, where we can, raw material in these currencies. U.S. dollar and Euro purchases provide a natural hedge against U.S. dollar and Euro sales of Exco's Canadian operations. As for the remaining foreign exchange exposure in these currencies not naturally hedged, Exco does not enter into forward contracts but prefers to incur U.S. dollar or Euro debt, from time to time as appropriate. Despite these measures, Exco is structurally a net seller of U.S. dollars and, to a lesser extent Euro, with increasing adverse financial impact as the U.S. dollar and Euro decline in value against the Canadian dollar. While Exco has made considerable progress in reducing its reliance on U.S. dollar sales, markets which Exco currently services may experience rising competition from imports which have become more competitive as a result of foreign exchange movements.

Exco's U.S. operations earn profits in U.S. dollars while our Canadian operations are exposed to fluctuations in the value of the Canadian dollar relative to the U.S. dollar on U.S. dollar sales less purchases. For fiscal 2019, it is estimated that Exco's total corresponding U.S. dollar foreign exchange risk exposure before tax will amount to approximately US$88.0 million. Therefore, if the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2019 from a baseline level of $1.25 USD/CAD, it is estimated that pre-tax profit would change by about $900 thousand or about $700 thousand after tax. These estimates are based on historical norms and may be materially different in 2019 if customers deviate from their past practices.

Exco's has three manufacturing operations in Mexico and accordingly incurs a portion of its labour and other expenses in Mexican pesos. In turn, these Mexican pesos expenses are incurred to mainly support US dollar denominated sales. Consequently, any strengthening of the Mexican pesos against the US dollar reduces our profitability, all other things equal. In recognition of this risk, Exco hedges a portion of its Mexican pesos/ US dollar exposure with various foreign exchange contacts and options. For fiscal 2019, we estimate our pesos exposure net of hedges and pesos denominated sales to be approximately 160 million pesos. If the Mexican pesos were to strengthen or weaken by 5% versus the US dollar from a baseline USD/MEX rate of 19:1, and further assuming the Canadian dollar strengthens or weakens against the US dollar also by 5% from a baseline USD/CAD rate of 1.25, we estimate pre-tax profit would change by $520 thousand or about $340 thousand after tax. These estimates are based on historical norms and may be materially different in fiscal 2019 if customers deviate from their past practices.

Exco also has manufacturing facilities in Colombia, Brazil, Thailand, Bulgaria and Morocco and Exco's presence in jurisdictions such as these has generally been increasing in recent years. Some of these operations incur labor costs and often other operating expenses in local currency. In several of these countries, sales contracts and major purchases such as material and equipment are negotiated in U.S. dollars or Euro. In other countries, sales contracts and major purchases are negotiated in local functional currencies as well. Major long-term fluctuations in the value of the local currencies against the U.S. dollar and Euro have the potential to affect Exco's operating results, retained earnings and value of its investment in these countries. Exco may enter into forward contracts or 'collar' contracts from time to time in order to protect itself from currency fluctuations. These contracts are derivative instruments which, depending on their structure, may not qualify for hedge accounting treatment and accordingly may be 'marked to market' each quarter and expensed if necessary. It is difficult to anticipate fluctuations in these local currencies in the event of major economic, fiscal or political instability in these countries.

The cost of manufacturing our products is a critical factor in determining our success over the long term. Manufacturing has generally expanded to developing countries where competing technologies and lower labor-cost structures exist. Exco must compete against companies doing business in these developing countries. Exco has met this challenge by manufacturing some labour-intensive products in Mexico, Thailand, Bulgaria and Morocco; however, many of our operations based in Canada and the U.S. must compete with products manufactured in lower-cost environments.

A significant portion of Exco's receivables are with automotive customers. These customers have varying degrees of financial strength. These receivables are subject to varying degrees of collectability. The majority of these receivables are with U.S. entities that can avail themselves of Chapter 11 protection from creditors in certain circumstances and avoid payment of the Company's receivables that are over 20 days from the date of the Chapter 11 filing. Exco's receivables may also be with highly leveraged customers that may have recently merged or chosen to leverage their balance sheet for tax purposes or otherwise increase their investment yield. Doing business with such customers typically increases the risk of default and filing for bankruptcy protection. The Company uses its best efforts to collect accounts receivable under 60 days but in some cases the terms may be notably longer and often in other currencies thereby requiring Exco to bear the exchange rate risk. The Company often has the benefit of statutory or common law liens on its products, however, it is not uncommon for significant receivables to be outstanding for considerable periods, particularly in the large mould business.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Exco Technologies Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Exco Technologies Limited, which comprise the consolidated statements of financial position as at September 30, 2018 and 2017, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Exco Technologies Limited as at September 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 26, 2018

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
$(000)'s

	As at September 30, 2018	As at September 30, 2017
ASSETS		
Current		
Cash and cash equivalents	**$31,343**	$35,876
Accounts receivable (note 9)	**102,520**	94,332
Unbilled revenue (note 8)	**24,438**	20,207
Inventories (note 10)	**63,771**	59,782
Prepaid expenses and deposits	**3,585**	2,532
Derivative instruments (note 9)	**779**	-
Income taxes recoverable	**3,170**	3,646
Total current assets	**229,606**	216,375
Property, plant and equipment, net (note 5)	**117,270**	111,524
Intangible assets, net (note 6)	**36,639**	39,849
Goodwill (note 6)	**63,122**	62,091
Deferred tax assets (note 14)	**1,247**	1,382
Total assets	**$447,884**	$431,221
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (notes 4 and 9)	**$11,764**	$15,717
Trade accounts payable (note 9)	**46,966**	48,369
Accrued payroll liabilities (note 9)	**14,498**	12,720
Other accrued liabilities (note 9)	**9,834**	10,088
Derivative instruments (note 9)	**-**	314
Provisions (note 7)	**1,267**	1,339
Customer advance payments (note 9)	**2,865**	3,223
Long-term debt - current portion (notes 4 and 9)	**4,108**	3,959
Total current liabilities	**91,302**	95,729
Long-term debt - long-term portion (notes 4 and 9)	**18,181**	27,134
Deferred tax liabilities (note 14)	**8,238**	7,100
Total liabilities	**117,721**	129,963
Shareholders' equity		
Share capital (note 3)	**51,230**	51,707
Contributed surplus (note 3)	**4,391**	3,998
Accumulated other comprehensive income (note 3)	**10,895**	4,232
Retained earnings	**263,647**	241,321
Total shareholders' equity	**330,163**	301,258
Total liabilities and shareholders' equity	**$447,884**	$431,221

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

On behalf of the Board:

Brian A. Robbins	Laurie T.F. Bennett
Director,	Director,
President and	Chairman of
Chief Executive Officer	the Board

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
$(000)'s except for income per common share

	Years ended September 30	
	2018	2017
Sales (notes 8 and 12(A))	**$575,554**	$584,205
Cost of sales	**453,932**	454,172
Selling, general and administrative expenses (note 3)	**46,101**	46,838
Depreciation (note 5)	**15,734**	15,774
Amortization (note 6)	**5,180**	4,831
Loss (gain) on disposal of property, plant and equipment (note 5)	**(1,033)**	7
Interest expense, net (note 17)	**1,022**	1,327
Other expense (note 18)	**-**	1,223
	520,936	524,172
Income before income taxes	**54,618**	60,033
Provision for (recovery of) income taxes (note 14)		
Current	**11,438**	18,543
Deferred	**910**	(1,029)
	12,348	17,514
Net income for the year	**$42,270**	$42,519
Other comprehensive income (loss)		
Items that may be reclassified to net income in subsequent periods:		
Net unrealized gain on derivatives designated as cash flow hedges (notes 3 and 9)	**805**	2,784
Unrealized gain (loss) on foreign currency translation (note 3)	**5,858**	(9,742)
	6,663	(6,958)
Comprehensive income	**$48,933**	$35,561
Income per common share		
Basic	**$1.00**	$1.00
Diluted	**$1.00**	$1.00
Weighted average number of common shares outstanding (note 13)		
Basic	**42,264**	42,600
Diluted	**42,296**	42,675

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

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
$(000)'s

				Accumulated other comprehensive income (loss)			
	Share capital	Contributed surplus	Retained earnings	Net unrealized gain (loss) on derivatives designated as cash flow hedges	Unrealized gain (loss) on foreign currency translation	Total accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, September 30, 2016	$51,366	$3,566	$213,283	($3,017)	$14,207	$11,190	$279,405
Net income for the year	-	-	42,519	-	-	-	$42,519
Dividends paid (note 3)	-	-	(13,201)	-	-	-	($13,201)
Stock option grants (note 3)	-	591	-	-	-	-	$591
Issuance of share capital (note 3)	525	(159)	-	-	-	-	$366
Repurchase of share capital (note 3)	(184)		(1,280)				($1,464)
Other comprehensive income (loss) (note 3)	-	-	-	2,784	(9,742)	(6,958)	($6,958)
Balance, September 30, 2017	51,707	3,998	241,321	(233)	4,465	4,232	301,258
Net income for the year	-	-	42,270	-	-	-	42,270
Dividends paid (note 3)	-	-	(14,136)	-	-	-	(14,136)
Stock option grants (note 3)	-	504	-	-	-	-	504
Issuance of share capital (note 3)	370	(111)	-	-	-	-	259
Repurchase of share capital (note 3)	(847)	-	(5,808)	-	-	-	(6,655)
Other comprehensive income (note 3)	-	-	-	805	5,858	6,663	6,663
Balance, September 30, 2018	**$51,230**	**$4,391**	**$263,647**	**$572**	**$10,323**	**$10,895**	**$330,163**

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

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
$(000)'s

	Years ended September 30	
	2018	2017
OPERATING ACTIVITIES:		
Net income for the year	**$42,270**	$42,519
Add (deduct) items not involving a current outlay of cash		
Depreciation (note 5)	**15,734**	15,774
Amortization (note 6)	**5,180**	4,831
Stock-based compensation expense	**600**	509
Deferred income taxes (recovery) (note 14)	**910**	(1,029)
Net interest expense	**1,022**	1,327
Non-cash cost of ALC plant closures (note 18)	**-**	730
Loss (gain) on disposal of property, plant and equipment	**(1,033)**	7
	64,683	64,668
Net change in non-cash working capital (note 15)	**(15,850)**	1,738
Cash provided by operating activities	**48,833**	66,406
FINANCING ACTIVITIES:		
Increase (decrease) in bank indebtedness	**(3,953)**	2,248
Repayment of long-term debt (note 4)	**(8,804)**	(27,594)
Interest paid, net	**(1,022)**	(1,327)
Dividends paid (note 3)	**(14,136)**	(13,201)
Repurchase of share capital	**(6,655)**	(1,464)
Issuance of share capital (note 3)	**259**	366
Cash used in financing activities	**(34,311)**	(40,972)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (note 5)	**(22,920)**	(15,295)
Purchase of intangible assets (note 6)	**(592)**	(991)
Proceeds from liquidation of ALC capital assets	**-**	85
Proceeds on disposal of property, plant and equipment	**3,135**	163
Cash used in investing activities	**(20,377)**	(16,038)
Effect of exchange rate changes on cash	**1,322**	(1,029)
Net increase (decrease) in cash during the year	**(4,533)**	8,367
Cash and cash equivalents, beginning of year	**35,876**	27,509
Cash and cash equivalents, end of year	**$31,343**	$35,876

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

1. CORPORATE INFORMATION

Exco Technologies Limited (the "Company") is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. Through 18 strategic locations in 8 countries, the Company services a diverse and broad customer base. The Company is incorporated and domiciled in Canada. The registered office is located at 130 Spy Court, Markham, Ontario, Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are outlined below:

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").

The consolidated financial statements and accompanying notes as at and for the year ended September 30, 2018 were authorized for issue by the Board of Directors on November 26, 2018.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, its subsidiaries. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all of the following: power over the investee; exposure or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Functional and presentation currency
Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange at the consolidated statements of financial position dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the consolidated statements of income and comprehensive income.

Translation of foreign operations
The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the consolidated statements of financial position; and
- Income and expenses for each statement of income and comprehensive income are translated at the exchange rates prevailing at the dates of the transactions.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recorded in other comprehensive income.

When a foreign operation is sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statements of income and comprehensive income as part of the gain or loss on sale.

Segment reporting
Management has determined the operating segments based on the information regularly reviewed for the purposes of decision making, allocating resources and assessing performance by the Company's chief operating decision maker, which is the chief executive officer. Factors used to identify reportable segments include product categories, customers served and geographical region of operations. The chief operating decision maker evaluates the financial performance of its operating segments primarily based on net income before interest, income taxes, depreciation and amortization.

Interest in joint arrangement
The Company has an interest in a joint arrangement, whereby the parties to the arrangement have a contractual arrangement that establishes joint control over the economic activities of the individual entity. As the arrangement is considered to be a joint operation for accounting purposes, the Company recognized its share of the joint operation's assets, liabilities, revenues and expenses in the consolidated financial statements. The financial statements of the joint operation are prepared for the same reporting period as the Company.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired and liabilities incurred or assumed. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, *Business Combinations,* are recognized at their fair values at the acquisition date. Acquisition costs are expensed as incurred.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a Cash-Generating Unit ("CGU") or group of CGUs 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 under this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the group of CGU retained.

Revenue recognition
Revenue is recognized when it can be measured reliably, the significant risks and rewards of ownership are transferred to the customer, and it is probable that future economic benefits will flow to the Company. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes and duties.

- Revenue from short-term casting contracts, extrusion and other tooling, and Automotive Solutions segment products is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon shipment or acceptance by customers.

- Revenue from long-term large die-cast mould contracts is recognized using the percentage of completion method according to IAS 11, *Construction Contracts,* under which:

  - When the outcome of a contract can be reliably estimated, revenue and costs associated with a contract are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract at the consolidated statements of financial position dates. The stage of completion is determined by the percentage of the costs incurred to date to the total estimated cost.

  - When the outcome of a contract cannot be reliably estimated, revenue is recognized only to the extent of contract costs incurred. When the uncertainties that prevented reliable estimation of the outcome of a contract no longer exist, contract revenue and expenses are recognized using the percentage of completion method.

- If the expected outcome of a contract is a loss, the loss is recognized immediately regardless of whether or not work has commenced on the contract.

- For contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, a gross amount due from customers for contract work is recognized as unbilled revenue − an asset in the consolidated statements of financial position. For all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses), a gross amount due to customers for contract work is recognized as customer advance payments − a liability in the consolidated statements of financial position.

Share-based payments
The Company grants stock options to buy common shares of the Company to officers and employees. The Board of Directors grants such options for periods of up to 10 years, with vesting periods determined at its sole discretion and at prices equal to the average closing market prices for the five days preceding the date on which the options were granted.

The Company follows the fair value based method of accounting for stock-based compensation. The fair value of the options is recognized as compensation expense in selling, general and administrative expenses in the consolidated statements of income and comprehensive income over the vesting period with a corresponding increase to contributed surplus. The contributed surplus balance is reduced as the options are exercised, and the amount initially recorded for the options in contributed surplus is credited to share capital, along with the proceeds received on exercise.

On November 18, 2005, the Board of Directors adopted a Deferred Share Unit ("DSU") plan for Independent Directors. The DSU plan replaces the past practice of granting eligible directors stock options under the Stock Option Plan. Under the DSU plan, a portion of the quarterly remuneration of a director is credited to the director's DSU account in the form of deferred share units on the last business day of the quarter. The number of DSUs credited to the director's account is determined by dividing the portion of a director's quarterly remuneration allocated to DSUs by the weighted average price of the common share value traded in the last five business days of the quarter. DSUs are fully vested upon being credited to a director's DSU account. The DSUs will be redeemed by the Company in cash payable 60 days after the Independent Director departs from the Board of Directors at the fair market value at the payment date. The fair value of DSUs is recognized as compensation expense in selling, general and administrative expenses in the consolidated statements of income and comprehensive income with the corresponding credit or debit to other accrued liabilities.

Income taxes
Income tax expense consists of current and deferred income taxes. Income tax expense is recognized in the consolidated statements of income and comprehensive income.

Current income tax expense is the expected income taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to income taxes payable with regards to previous years.

Deferred income taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible timing differences can be utilized.

Deferred income taxes are charged or credited in the consolidated statements of income and comprehensive income, except when they relate to items credited or charged directly to equity, in which case the deferred income taxes are also recorded in equity.
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 all or part of the deferred income tax asset will be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that the benefit will be recovered.

Other comprehensive income
Other comprehensive income includes unrealized gains and losses on translation of the Company's foreign operations that use the local currency as the functional currency, net of taxes, the change in fair value of available-for-sale investments, net of taxes, and to the extent that cash flow hedges are effective, the change in their fair value, net of income taxes.

Accumulated other comprehensive income is a separate component of shareholders' equity which includes the accumulated balances of all components of other comprehensive income which are recognized in comprehensive income but excluded from net income.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with remaining maturities at their acquisition date of three months or less.

Property, plant and equipment
(i) *Machinery and equipment*
Machinery and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. All direct costs related to the acquisition and installation of machinery and equipment are capitalized until the properties to which they relate are capable of carrying out their intended use. Machinery and equipment are depreciated using the diminishing balance method based on their estimated useful lives, which range from 4 to 20 years.

(ii) *Other assets*
Other assets are recorded at cost less accumulated depreciation and accumulated impairment losses and are depreciated using the straight-line method based on estimated useful lives of the assets, which generally range from 3 to 10 years, with the exception of buildings, which have estimated useful lives of 30 years. Land is not depreciated.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects are capitalized and no depreciation is recorded until the asset is brought to a working condition for its intended use.

The costs of day-to-day servicing are expensed as incurred. These costs are more commonly referred to as "maintenance and repairs".

The depreciation methods and useful lives are assessed annually or when critical events occur that may affect the useful lives and expected pattern of consumption of economic benefits embodied in the asset.

(iii) *Subsequent costs*
The cost of replacing part of an item within property, plant and equipment is capitalized when the cost is incurred or if it is probable that the future economic benefits will flow to the business unit and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs are expensed as incurred.

Intangible assets

An intangible asset is defined as being identifiable, able to bring future economic benefits to the Company and controlled by it. Intangible assets are recorded initially at cost and relate primarily to computer software, production and technology rights and customer relationships. An intangible asset is recognized when it is probable that the expected future economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is provided based on the following estimated useful lives using the straight-line method:

- Customer relationships: 5 to 15 years
- Computer software and production and technology rights: 2 to 4 years
- Non-compete agreements: 5 years
- Trade name: 7 years

Intangible assets acquired in a business acquisition are primarily customer relationships and are initially recorded at fair value and subsequently at cost less amortization and impairment losses. Other intangible assets are comprised of computer software and production and technology rights.

Identifiable intangible assets are recognized separately from goodwill.

Impairment of long-lived assets and goodwill

(i) *Impairment of long-lived assets*

The Company's property, plant and equipment and intangible assets are reviewed for indicators of impairment as at each consolidated statements of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated and an impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Impairment loss is recognized in income or loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

The Company bases its impairment calculation on detailed budgets that are prepared for each of the CGUs and generally cover a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.

A previous impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(ii) *Impairment of goodwill*

Goodwill is allocated to a CGU or a group of CGUs for the purpose of impairment testing based on the level at which it is monitored by management. The Company manages its goodwill at the level of its two operating segments, Automotive Solutions and Casting and Extrusion. Goodwill is tested for impairment annually during the fourth quarter of the year or whenever there is an indicator that the CGU group in which it resides may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU group to which the goodwill relates. Where the recoverable amount of the CGU group is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The recoverable amounts of the CGU groups are determined based on the greater of fair value less costs to sell or value in use.

Inventories
Inventories, comprising raw materials, work in process, finished goods and production supplies, are valued at the lower of cost and net realizable value. Cost is determined substantially on a first-in, first-out basis and an appropriate portion of normal overhead expenditure and labour. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving stock is identified and written down. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

Determination of fair value
The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

A fair value measurement on a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Government grants
Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the cost of the asset is reduced by the amount of the grant.

Financial instruments
As defined under IAS 39, *Financial Instruments,* financial assets and liabilities are recognized in the Company's consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company no longer has the rights to such cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial instruments recognized in the consolidated statements of financial position comprise cash and cash equivalents, accounts receivable, trade accounts payable, bank indebtedness, other accrued liabilities, customer advance payments, derivative instruments and long-term debt.

Financial instruments are measured at their fair values on initial recognition. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held to maturity or financial liabilities classified as loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest rate method.

Changes in fair value are included in the consolidated statements of income and comprehensive income unless the instrument is included in a cash flow hedge. If the instruments are included in a cash flow hedging relationship that is effective, changes in value are recorded in other comprehensive income. When the hedged forecast transaction occurs, amounts previously recorded in other comprehensive income are recognized in the consolidated statements of income and comprehensive income. Amounts recognized as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast purchase occurs.

Accounts receivable are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of accounts receivable is based on a review of all outstanding amounts at year-end. Bad debts are written off during the period in which they are identified. Trade accounts payable and customer advance payments are initially recognized at the transaction value and subsequently carried at amortized cost.

The Company uses derivative financial instruments, such as forward foreign currency exchange contracts in the form of put and call option contracts ("Collars"), to hedge cash outflows anticipated to be made in Mexican peso denominated payments against foreign currency fluctuations between US dollars and Mexican pesos. In addition, in the current year the Company used a forward foreign exchange contract in the form of a collar to hedge against the repayment of debt denominated in CAD, using cash denominated in US dollars. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured 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.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company 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 effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the cash flows attributable to the hedged risk. Such hedges are expected to be effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately to profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Forward foreign exchange contracts have been entered into with JP Morgan Chase with a long-term debt rating of A+ as determined by Standard & Poor's. The Company does not anticipate non-performance by JP Morgan Chase.

The Company's financial assets and liabilities recorded at fair value in the consolidated statements of financial position are each categorized into one of three categories based on a fair value hierarchy. Fair value of assets and liabilities included in Level I is determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level III valuations are based primarily on inputs that are not based on observable market data.

Transaction costs are expensed as incurred for financial instruments classified or designated as a derivative or held for trading. Transaction costs for financial assets classified as available for sale are netted against the value of the instruments at the acquisition date. Transaction costs related to other financial liabilities are added to the value of the instrument at the acquisition date and recorded in income using the effective interest rate method.

Provisions

As required under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statements of financial position dates, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases
As required under IAS 17, *Leases*, assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding amount is recognized as a finance lease liability. The finance lease liability is reduced by lease payments less finance charges, which are expensed as part of interest expense in the consolidated statements of income and comprehensive income. Under operating leases, payments are recognized as an expense over the term of the relevant leases.

Employee future benefits
(i) *Leave pay*
Employee entitlements to annual leave are recognized as they are earned by the employees. A provision, stated at current cost, is made for the estimated liability at year-end.

(ii) *Termination benefits*
The Company is subject to Mexican statutory laws and regulations governing Mexican employee termination benefits. Employee future benefits include statutorily mandated accrued benefits payable to employees in the event of termination in certain circumstances. Termination benefits are recognized as an expense and an associated liability at the discounted value of the expected future payments.

Critical judgments and use of estimates
The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant accounts that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts receivable, unbilled revenue, inventories, property, plant and equipment, contingent liabilities, income taxes, fair value of financial instruments and stock option valuation.

Measurement for doubtful accounts receivable requires management to make estimates and assumptions based on prior experience and assessment of current financial conditions of customers, as well as the general economic environment and industry sectors in which they operate.

Several divisions engage in the construction of custom-order large die-cast moulds. Such activities fall into the scope of IAS 11, *Construction Contracts,* where revenue is recognized using the percentage of completion method. Under this method, at every reporting date, management is required to estimate the expected outcome on all outstanding contracts as well as measurement of their progress achieved towards their completion. The estimation requires management to make certain assumptions and judgments. These assumptions and judgments are continuously reviewed and updated. If different assumptions are used, it is possible that different amounts would be recognized in the consolidated financial statements.

Net realizable value of inventories is dependent upon the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses based on prior experience and assessment of current market conditions.

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined with the exercise of judgment. The assessment of any impairment of property, plant and equipment and intangible assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

The estimated useful lives of property, plant and equipment and intangible assets are reviewed on an annual basis. Assessing the reasonableness of the estimated useful lives of property, plant and equipment and intangible assets requires judgment and is based on currently available information. Property, plant and equipment and intangible assets are also reviewed for potential impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Changes in circumstances, such as technological advances and changes to business strategy, can result in actual useful lives and future cash flows differing significantly from estimates. The assumptions used, including rates and methodologies, are reviewed on an ongoing basis to ensure they continue to be appropriate. Revisions to the estimated useful lives of property, plant and equipment and intangible assets or future cash flows constitute a change in accounting estimates and are applied prospectively.

Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Impairment of non-financial assets exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of the fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the CGUs, including a sensitivity analysis, are disclosed and further explained in note 6.

Accounting standards issued but not yet applied
The following standards are not effective for the year ended September 30, 2018 but will be in subsequent years as follows:

IFRS 9, *Financial Instruments* ("IFRS 9")
IFRS 9, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities selected to be measured at fair value. This new standard also includes a new general hedge accounting standard that will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, which is effective October 1, 2018 for the Company. The Company intends to use the modified retrospective approach and has determined that the adoption of IFRS 9 is not likely to have a material impact on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")
In May 2014 the IASB issued IFRS 15, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that

$(000)'s except per share amounts

reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company will apply the standard using the modified retrospective approach effective October 1, 2018.

The Company has established a cross-functional team to implement the guidance related to the recognition of revenue from contracts with customers. The Company is in the process of evaluating its customer contracts and identifying contractual provisions that may result in a change in the timing, or the amount of revenue recognized in comparison with current guidance. In addition, the Company is assessing the enhanced disclosure requirements of the new guidance and the design of new controls and processes designed to comply with IFRS 15.

While the Company continues to assess all potential impacts of the new standard, it does not currently expect that the adoption of the new revenue standard is likely to have a material quantitative impact on its net income. The Company is evaluating the effects of the additional disclosure requirements related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 16, *Leases* ("IFRS 16")
In January 2016, the IASB issued IFRS 16 in which lessees will have a single accounting model for all leases, with certain exemptions and lessor accounting is substantially unchanged. The guidance would require lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, which will be October 1, 2019 for the Company using a modified retrospective approach with the option to elect certain practical expedients. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

3. SHAREHOLDERS' EQUITY

Authorized
The Company's authorized share capital consists of an unlimited number of common shares, an unlimited number of non-voting preference shares issuable in one or more series and 275 special shares. None of these shares have par value.

Issued
The Company has not issued any non-voting preference shares or special shares. Changes to the issued common shares are shown in the following table:

	Common Shares	
	Number of Shares	Stated Value
Issued and outstanding as at October 1, 2016	42,568,174	$51,366
Issued for cash under Stock Option Plan	82,317	366
Contributed surplus on stock options exercised	-	159
Purchased and cancelled pursuant to normal course issuer bid	(151,100)	(184)
Issued and outstanding as at September 30, 2017	42,499,391	51,707
Issued for cash under Stock Option Plan	37,690	259
Contributed surplus on stock options exercised	-	111
Purchased and cancelled pursuant to normal course issuer bid	(696,400)	(847)
Issued and outstanding as at September 30, 2018	**41,840,681**	**$51,230**

$(000)'s except per share amounts

Accumulated other comprehensive income

Included in accumulated other comprehensive income in shareholders' equity are gains and losses arising from the translation of the Company's foreign subsidiaries, net gain and loss on derivatives designated as cash flow hedges and reclassification to income of net gain (loss) on cash flow hedges as summarized in the following table:

	2018	2017
Opening balance	**$4,232**	$11,190
Net unrealized gain on derivatives designated as cash flow hedges (1)	**805**	2,784
Unrealized gain (loss) on currency translation adjustments	**5,858**	(9,742)
Total other comprehensive income (loss) for the year	**6,663**	(6,958)
Closing balance	**$10,895**	$4,232

(1) Net of deferred income tax payable of $288 (2017 - $993).

Cash dividends

During the year, the Company paid four quarterly cash dividends totaling $14,136 (2017 - $13,201). The dividend rate per quarter increased in the second quarter of the year from $0.08 to $0.085 per common share.

Stock Option Plan

The Company has a Stock Option Plan under which common shares may be acquired by employees and officers of the Company. The following table shows the changes to the number of stock options outstanding during the year:

	2018		2017	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**754,340**	**$11.32**	626,657	$10.70
Granted during the year	**165,000**	**$10.15**	215,000	$10.48
Exercised during the year	**(37,690)**	**$6.87**	(82,317)	$4.44
Expired during the year	**(1,500)**	**$14.58**	(5,000)	$10.48
Balance, end of year	**880,150**	**$11.29**	754,340	$11.32

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2018:

	Options Outstanding			**Options Exercisable**	
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$7.09 - $10.00	147,000	.71 years	$7.57	98,000	$7.63
$10.01 - $11.00	375,000	4.10 years	$10.33	42,000	$10.48
$11.01 - $14.58	358,150	2.25 years	$13.81	208,850	$13.81
$7.09 - $14.58	**880,150**	**2.78 years**	**$11.29**	**348,850**	**$11.67**

$(000)'s except per share amounts

The number of common shares available for future issuance of options as at September 30, 2018 is 1,298,188 (2017 - 1,461,688). The number of options outstanding together with those available for future issuance totals 2,178,338 (2017 - 2,216,028) or 5.2% (2017 - 5.2%) of the issued and outstanding common shares. The options are granted for a term of 5 to 10 years, and the options vest at 20% at each anniversary date from the date of grant.

Stock-based compensation

Stock-based compensation resulting from applying the Black-Scholes option pricing model to the Company's Stock Option Plan was $504 for the year ended September 30, 2018 (2017 - $591). All stock-based compensation has been recorded in selling, general and administrative expenses. The weighted average assumptions used to measure the fair value of stock options and the weighted average fair value of options granted during the years ended September 30, 2018 and 2017 are as follows:

	2018	2017
Risk-free interest rates	**1.64%**	0.95%
Expected dividend yield	**3.125%**	2.61%
Expected volatility	**29.70%**	31.07%
Expected time until exercise	**5.50 years**	5.50 years
Weighted average fair value of the options granted	**$2.08**	$2.29

DSU Plan

The Company has a DSU plan under which members of the Company's Board of Directors who are not management receive a portion of their annual retainers and fees in the form of DSUs, which are classified as other accrued liabilities. The DSUs vest on the date they are granted and are settled in cash upon termination of Board service. This is a cash-settled compensation arrangement.

During the year ended September 30, 2018, the Company granted 14,596 DSUs (2017 - 11,190 DSUs) and redeemed no DSUs (2017 - 28,966). During the year ended September 30, 2018 the Company recorded stock-based compensation expense of $96 (2017 - $82 income) related to awards under the DSU plan with a corresponding debit to other accrued liabilities. As at September 30, 2018, 105,213 DSUs were outstanding with a carrying value of $981 recorded in other accrued liabilities.

Contributed surplus

Contributed surplus consists of accumulated stock option expense less the carrying amount of the options that have been exercised and reclassified to share capital. The following is a continuity schedule of contributed surplus:

	2018	2017
Balance, beginning of year	**$3,998**	$3,566
Stock option expense	**504**	591
Exercise of stock options	**(111)**	(159)
Balance, end of year	**$4,391**	$3,998

Normal course issuer bid

The Company received approval from the Toronto Stock Exchange for a normal course issuer bid for a 12-month period beginning February 18, 2018. The Company's Board of Directors authorized the purchase of up to 1,000,000 common shares representing approximately 2.4% of the Company's outstanding common shares. During the year, 696,400 common shares were repurchased (2017 - 151,100) for a total cost of $6,655 (2017 - $1,464). The cost to repurchase the common shares in the year exceeded their stated value by $5,808 (2017 - $1,280) which was charged against retained earnings.

4. BANK INDEBTEDNESS AND LONG-TERM DEBT

The operating lines are available in US dollars, Canadian dollars, and Euros at variable rates ranging from prime minus

$(000)'s except per share amounts

0.5% to prime plus 0.5%. The Company's JP Morgan credit facilities are collateralized by a general security agreement over its North American assets. The Bulgarian credit facilities are collateralized by a security interest over the Company's Bulgarian assets.

		Utilizations		
	Facilities	**Current**	**Long-term**	**Unused and Available**
JP Morgan, credit facility (Canada, USA)	**$50,000**	$6,421	$18,000	$25,579
JP Morgan, operating line (Europe)	**2,328**	601	-	1,727
DSK Bank, operating lines (Bulgaria)	**8,261**	4,742	-	3,519
	$60,589	**$11,764**	**$18,000**	**$30,825**

	2018	2017
Prime rate in Canada	**3.70%**	2.95%
Prime rate in USA	**5.25%**	4.25%
Prime rate in Eurozone	**0.00%**	0.00%

On February 28, 2018, the Company closed an amendment to renew the $50,000 Committed Revolving Credit Facility with JP Morgan Chase Bank N.A., of which $24,421 was utilized as at September 30, 2018 (2017 - $29,853). The facility has a three-year term and there are no specific repayment terms prior to maturity. The facility is collateralized by a general security agreement covering all assets of the Company's Canadian and US subsidiaries with the exception of real property.

The Credit Facility is available to fund working capital, capital expenditures and other general corporate purposes of the Company and its subsidiaries, including acquisitions. Interest rates vary based on prime, bankers' acceptance, CDOR or LIBOR base rates plus a relevant margin depending on the level of the Company's net leverage ratio. Pursuant to the terms of the credit agreement, the Company is required to maintain compliance with a net worth covenant. The Company was in compliance with these covenants as at September 30, 2018.

Additionally, the Company maintains a credit facility with JP Morgan Chase Bank N.A. London Branch related to any needs for Euro currency. The facility totals $2,328 (EUR 1.55 million) and bears interest based on LIBOR. The Company had utilized $601 as at September 30, 2018.

On September 15, 2017, the Company renewed a credit facility with DSK Bank in Bulgaria, which was to expire on July 15, 2018. The expiry has been extended to May 25, 2019. The committed credit facility totals EUR 5.5 million and is comprised of a loan for EUR 4.0 million and an accounts receivable factoring facility, with recourse, for specified customers to a maximum amount of EUR 1.5 million. Both components of the credit facility bear interest based on Euribor and are demand facilities. The loan is available to fund general working capital needs and capital expenditures in Bulgaria, subject to certain principal repayment provisions. The Bulgarian credit facilities are collateralized by a security interest over the Company's Bulgarian assets.

On April 4, 2016, the Company entered into promissory Term Notes amounting to US$9,307 in conjunction with the acquisition of AFX Industries L.L.C. ("AFX"). The Term Notes bear interest at a rate equal to the mid-term Applicable Federal Rate in the United States, compounded annually. The principal and interest are payable in three annual payments on the anniversary date of the AFX acquisition. The Term Notes are unsecured and the balance at September 30, 2018 is US$3,102. The Term Notes will be paid off in their entirety in April 2019.

Further, in the USA, the Company also has a long-term promissory note payable over five years and collateralized by a specific parcel of land purchased as a factory location. The note bears interest at 6%. The interest and principal are forgivable over a five-year period, subject to the Company meeting certain performance criteria for the specific factory location. The note matures and expires in February 2021. As at September 30, 2018 there are no unfulfilled conditions or contingencies attached to this loan.

$(000)'s except per share amounts

The components of long-term debt are as follows:

	September 30, 2018	September 30, 2017
Bank debt	**$18,000**	$23,000
Term notes	**4,017**	7,744
Promissory note	**272**	349
Subtotal	**22,289**	31,093
Less: current portion	**(4,108)**	(3,959)
Long-term debt, long-term portion	**$18,181**	$27,134

5. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	**Tools**	**Buildings**	**Land**	**Assets under Construction**	**Total**
Cost						
Balance as at September 30, 2016	$186,264	$21,003	$67,740	$9,671	$4,038	$288,716
Additions						
Assets acquired	2,031	990	431	596	11,247	15,295
Reclassification	9,850	853	875	-	(11,578)	-
Less: disposals	(2,349)	(1,218)	(35)	-	-	(3,602)
Foreign exchange movement	(3,247)	(516)	(1,447)	(190)	(52)	(5,452)
Balance as at September 30, 2017	192,549	21,112	67,564	10,077	3,655	294,957
Additions						
Assets acquired	3,180	1,159	3,656	2,284	12,641	22,920
Reclassification	10,321	835	2,555	-	(13,711)	-
Less: disposals	(3,958)	(470)	(3,043)	(361)	-	(7,832)
Foreign exchange movement	1,610	287	557	12	46	2,512
Balance as at September 30, 2018	**$203,702**	**$22,923**	**$71,289**	**$12,012**	**$2,631**	**$312,557**

$(000)'s except per share amounts

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Total
Accumulated depreciation and impairment losses						
Balance as at September 30, 2016	$127,519	$15,876	$30,626	$-	$-	$174,021
Depreciation for the year	11,218	1,876	2,680	-	-	15,774
Less: disposals	(2,186)	(1,104)	(35)	-	-	(3,325)
Reclassification	(5)	5	-	-	-	-
Foreign exchange movement	(1,996)	(466)	(575)	-	-	(3,037)
Balance as at September 30, 2017	134,550	16,187	32,696	-	-	183,433
Depreciation for the year	11,008	1,860	2,866	-	-	15,734
Less: disposals	(2,719)	(421)	(2,507)	-	-	(5,647)
Reclassification	(21)	21	-	-	-	-
Foreign exchange movement	1,128	246	393	-	-	1,767
Balance as at September 30, 2018	**$143,946**	**$17,893**	**$33,448**	**$-**	**$-**	**$195,287**

Carrying amounts						
As at September 30, 2017	$57,999	$4,925	$34,868	$10,077	$3,655	$111,524
As at September 30, 2018	**$59,756**	**$5,030**	**$37,841**	**$12,012**	**$2,631**	**$117,270**

As at September 30, 2018, the Company had deposits for machinery and equipment and buildings under construction totalling $2,631 (2017 - $3,655). These assets are not being depreciated because they are under construction and not in use.

6. INTANGIBLE ASSETS AND GOODWILL

	Computer Software and Other	Acquisition Intangibles**	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Cost					
Balance as at September 30, 2016	$19,833	$46,828	$382	$67,043	$64,071
Additions					
Assets acquired	815	-	176	991	-
Reclassifications	132	-	(132)	-	-
Foreign exchange movement	(166)	(2,115)	1	(2,280)	(1,980)
Balance as at September 30, 2017	20,614	44,713	427	65,754	62,091
Additions					
Assets acquired	384	-	208	592	-
Less: disposals	(165)	-	-	(165)	
Reclassification	538	-	(538)	-	-
Foreign exchange movement	89	1,553	2	1,644	1,031
Balance as at September 30, 2018	**$21,460**	**$46,266**	**$99**	**$67,825**	**$63,122**

$(000)'s except per share amounts

	Computer Software and Other	Acquisition Intangibles**	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Accumulated amortization and impairment losses					
Balance as at September 30, 2016	$18,044	$3,413	$-	$21,457	$-
Amortization for the year	933	3,898	-	4,831	-
Foreign exchange movement	(148)	(235)	-	(383)	-
Balance as at September 30, 2017	18,829	7,076	-	25,905	-
Amortization for the year	1,062	4,118	-	5,180	-
Less: disposals	(165)	-	-	(165)	-
Foreign exchange movement	71	195	-	266	-
Balance as at September 30, 2018	**$19,797**	**$11,389**	**$-**	**$31,186**	**$-**
Carrying amounts					
As at September 30, 2017	$1,785	$37,637	$427	$39,849	$62,091
As at September 30, 2018	**$1,663**	**$34,877**	**$99**	**$36,639**	**$63,122**

**Acquisition intangibles are comprised of customer relationships and trade names resulting from business acquisitions and the purchase price allocation thereof.

Of the total goodwill disclosed above, $62,843 (2017 - $61,820) is allocated to the Automotive Solutions segment and the remainder to the Casting and Extrusion segment.

Of the customer relationships, $3,500 is fully amortized and $38,771 is amortized over 15 years from inception.

Impairment testing of goodwill
The Company performed the annual impairment test of goodwill allocated to the Automotive Solutions segment and the Casting & Extrusion segment as at September 30, 2018. The recoverable amount of each segment has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Cash flow beyond the three-year period was extrapolated using a 1% growth rate, which represents the expected growth in the global economy. The pre-tax discount rate applied to future cash flows was 10.8%. As a result of the analysis, management determined there was no impairment for either business segment.

Key assumptions to value-in-use calculations
The calculation of the value-in-use for the Automotive Solutions segment is most sensitive to the following assumptions:

- Discount rates
- Growth rate to extrapolate cash flows beyond the budget period
- Revenue and margin growth rates during budget period

The discount rate used represents the current market assessment of the risks specific to each business segment, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from the CGU's weighted average cost of capital, taking into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's shareholders. The cost of debt is based on the interest-bearing borrowing the Company is obliged to service. Segment-specific risk is incorporated by applying different debt to equity ratios.

$(000)'s except per share amounts

Sensitivity to changes in assumptions
Management believes that within reason, possible changes to any of the above key assumptions, recoverable amounts exceed carrying values.

7. PROVISIONS

The following table outlines the provisions at the dates of the consolidated statements of financial position and changes to the provisions during the reporting periods.

	September 30, 2018	September 30, 2017
Severance	**$1,115**	$1,188
Warranties	**152**	151
	$1,267	$1,339

The fair value of the above provisions is management's best estimate based on information available. The ultimate amounts of the payments approximate the provision amounts and the timing of payments is expected to be within the next twelve months. There is no reimbursement expected for any of these provisions.

The movement in the provision accounts is as follows:

	Severance	Warranties	Claims and Litigation	Total
Closing balance, as at September 30, 2016	$1,205	$153	$24	$1,382
Additions	690	-	-	690
Utilized	(693)	-	(24)	(717)
Foreign exchange differences	(14)	(2)	-	(16)
Closing balance, as at September 30, 2017	$1,188	$151	$-	$1,339
Additions	378	-	-	378
Utilized	(353)	-	-	(353)
Reversals	(117)			(117)
Foreign exchange differences	19	1	-	20
Closing balance, as at September 30, 2018	**$1,115**	**$152**	**$-**	**$1,267**

8. TOOL CONSTRUCTION CONTRACTS

Contract revenue recognized under the percentage of completion method during the year amounted to $53,968 (2017 - $44,293). For contracts in progress, the following table summarizes the aggregate amount of costs incurred, profits recognized, progress billings from customers for the related contracts and retentions being held to date.

$(000)'s except per share amounts

	September 30, 2018	September 30, 2017
Contracts in progress:		
Aggregate amount of costs incurred to date	**$20,680**	$25,360
Add: profits recognized to date	**4,392**	4,112
Gross unbilled revenue	**25,072**	29,472
Less: progress billings	**(634)**	(9,265)
Net unbilled revenue	**$24,438**	$20,207
Due from customers	**$24,438**	$20,833
Due to customers	**-**	($626)
Net unbilled revenue	**$24,438**	$20,207

9. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

Cash and cash equivalents	Financial assets – held for trading measured at fair value
Accounts receivable*	Financial assets – measured at amortized cost
Trade accounts payable	Financial liabilities – measured at amortized cost
Bank indebtedness	Financial liabilities – measured at amortized cost
Customer advance payments	Financial liabilities – financial liabilities measured at amortized cost
Accrued liabilities	Financial liabilities – financial liabilities measured at amortized cost
Derivative instruments	Financial liabilities – held for trading measured at fair value
Long-term debt	Financial liabilities – measured at amortized cost

**Recorded net of allowance for doubtful accounts.*

Foreign exchange contracts

The Company entered into a series of Collars extending through to September 25, 2020 and designated them as cash flow hedges against Mexican payroll and other local Mexican costs. The total amount of these Collars is 408.0 million Mexican pesos (September 30, 2017 - 624.0 million Mexican pesos). The selling price ranges from 19.52 to 22.00 Mexican pesos to each US dollar. In addition, there is a Collar contract to convert $14.0 million USD to CAD on October 30, 2018. This USD Collar has been designated as a cash flow hedge and relates to the repayment of debt denominated in CAD, using cash denominated in USD.

Management estimates that a cumulative gain of $779 (September 30, 2017 - loss of $314) would be realized if these Collars were terminated on September 30, 2018. Net of income tax payable of $207, the cumulative gain of $572 is recorded in other comprehensive income. During the year, the estimated fair value gain of $805, net of deferred income tax payable of $288 (2017 - gain of $2,784 net of income tax payable of $993) has been included in other comprehensive income, and the cumulative gain of $779 is recorded in the consolidated statements of financial position under the caption derivative instruments.

Financial risk management

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of the risks and how they are managed:

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party fails to meet its contractual obligations. The Company's primary credit risk is its outstanding trade accounts receivable. The carrying amount of its outstanding trade accounts receivable represents the Company's estimate of its maximum credit exposure. The Company regularly monitors its credit risk exposure and takes steps such as credit approval procedures, establishing credit limits, utilizing credit assessments and monitoring practices to mitigate the likelihood of these exposures from resulting in an actual loss. The carrying amount of the trade accounts receivable disclosed in the consolidated statements of financial position is net of allowance for doubtful accounts, estimated by the Company's management, based on prior experience and assessment of current financial conditions of customers as well as the general economic environment. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of income and comprehensive income. As at September 30, 2018, the accounts receivable balance (net of allowance for doubtful accounts) is $102,520 (2017 - $94,332) and the Company's five largest trade debtors accounted for 44.4% of the total accounts receivable balance (2017 - 37.2%). As at September 30, 2018, no accounts receivable are insured against default (2017 - $591).

$(000)'s except per share amounts

The following table presents a breakdown of the Company's accounts receivable balances:

	September 30, 2018	September 30, 2017
Trade accounts receivable	**$101,687**	$91,600
Employee receivable	**275**	240
Sales tax receivable	**2,549**	2,345
Other	**411**	791
Less: allowance for doubtful accounts	**(2,402)**	(644)
Total accounts receivable, net	**$102,520**	$94,332

The aging of trade accounts receivable balances is as follows:

	September 30, 2018	September 30, 2017
Not past due	**$85,255**	$75,294
Past due 1-30 days	**11,137**	8,233
Past due 31-60 days	**2,189**	5,152
Past due 61-90 days	**1,573**	987
Past due over 90 days	**1,533**	1,934
Less: allowance for doubtful accounts	**(2,402)**	(644)
Total trade accounts receivable, net	**$99,285**	$90,956

The movement in the allowance for doubtful accounts is as follows:

	September 30, 2018	September 30, 2017
Opening balance	**$644**	$566
Additions	**1,889**	262
Utilized	**(70)**	(174)
Reversal	**(61)**	(23)
Exchange differences	**-**	13
Closing balance	**$2,402**	$644

b) Liquidity risk
Liquidity risk refers to the possibility that the Company may not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by minimizing its financial leverage and arranging credit facilities in order to ensure sufficient funds are available to meet its financial obligations. This is achieved by continuously monitoring cash flows from its operating, investing and financing activities. The Company does not carry excess credit

$(000)'s except per share amounts

facilities due to the stand-by costs charged by its lenders. As at September 30, 2018, the Company has a net debt balance of $2,710 (2017 - $10,934) and unused credit facilities of $30,825 (2017 - $21,695).

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following tables summarize the Company's significant commitments on an undiscounted basis and corresponding maturities:

		September 30, 2018		
	Total	**< 1 Year**	**1-3 Years**	**Over 3 Years**
Bank indebtedness	**$11,764**	**$11,764**	**$-**	**$-**
Trade accounts payable	**46,966**	**46,966**	**-**	**-**
Long-term debt	**22,289**	**4,108**	**18,181**	**-**
Operating leases	**2,936**	**1,181**	**1,605**	**150**
Purchase commitments	**39,782**	**39,782**		
Capital expenditures	**2,079**	**2,079**	**-**	**-**
	$125,816	**$105,880**	**$19,786**	**$150**

		September 30, 2017		
	Total	< 1 Year	1-3 Years	Over 3 Years
Bank indebtedness	$15,717	$15,717	$-	$-
Trade accounts payable	48,369	48,369	-	-
Long-term debt	31,093	3,959	27,047	87
Operating leases	4,896	1,724	3,015	157
Purchase commitments	40,920	40,920		
Capital expenditures	398	398	-	-
	$141,393	$111,087	$30,062	$244

c) Foreign exchange risk

The Company operates in Canada with subsidiaries located in the United States, Mexico, Colombia, Brazil, Thailand, Bulgaria and Morocco. It is exposed to foreign exchange transaction and translation risk through its operating activities. Unfavourable changes in the exchange rates may affect the operating results and shareholders' equity of the Company. In order to mitigate the foreign currency exposure, the Company reduces part of its foreign exchange risk by sourcing a significant portion of its manufacturing inputs in the currency that its sales are denominated in. In addition to the above natural hedge, the Company also uses Collars to hedge cash outflows for the Mexican payroll and other local Mexican costs. These Collars are designated as cash flow hedges. The resulting gain or loss on the valuation of these financial instruments is recognized in the consolidated statements of income and comprehensive income. The Company does not mitigate the translation risk exposure of its foreign operations due to the fact that these investments are considered to be long-term in nature.

With all other variables held constant, the following tables outline the Company's annual foreign exchange exposure at one percent fluctuation between various currencies compared with the average annual exchange rate.

	1% Fluctuation USD vs. CAD	1% Fluctuation EUR vs. CAD	1% Fluctuation MXP vs. CAD
Income before income taxes	+/- 1,092	+/- 93	+/- 3
Other comprehensive income	+/- 2,757	+/- 389	+/- 76

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	1% Fluctuation COP vs. CAD	1% Fluctuation BRL vs. CAD
Income before income taxes	+/- 11	+/- 11
Other comprehensive income	+/- 77	+/- 177

d) Interest rate risk
The Company's exposure to interest rate risk relates to its net cash position, variable rate credit facilities and variable rate long-term debt. The Company mitigates its interest rate risk exposure by reducing or eliminating its overall debt position. Net income or loss is sensitive to the impact of a change in interest rates on the average balance of interest-bearing financial liabilities during the year. As at September 30, 2018, the Company has a net debt position of $2,710 (2017 - $10,934 net debt) (see note 11).

e) Fair value
Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Presented below is a comparison of the fair value of each financial instrument to its carrying value.

Due to their short-term nature, the fair value of cash and cash equivalents, accounts receivable, trade accounts payable and customer advance payments is assumed to approximate their carrying value.

The fair values of derivative instruments that are not traded in an active market, such as over-the-counter foreign exchange options and Collars, are determined using quoted forward exchange rates as at the consolidated statements of financial position dates and are Level 2 instruments.

During the year ended September 30, 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

The fair values of cash and cash equivalents, bank indebtedness, trade and other receivables and trade and other payables approximates their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying value as the instruments' terms and interest rate are market based.

The carrying value and fair value of all financial instruments are as follows:

	September 30, 2018		September 30, 2017	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash and cash equivalents	**$31,343**	**$31,343**	$35,876	$35,876
Accounts receivable	**102,520**	**102,520**	94,332	94,332
Trade accounts payable	**(46,966)**	**(46,966)**	(48,369)	(48,369)
Bank indebtedness	**(11,764)**	**(11,764)**	(15,717)	(15,717)
Customer advance payments	**(2,865)**	**(2,865)**	(3,223)	(3,223)
Accrued liabilities	**(24,332)**	**(24,332)**	(22,808)	(22,808)
Derivative instruments	**779**	**779**	(314)	(314)
Long-term debt	**($22,289)**	**($22,289)**	($31,093)	($31,093)

$(000)'s except per share amounts

10. INVENTORIES

	September 30, 2018	September 30, 2017
Raw materials	**$44,516**	$38,068
Work in process	**8,690**	7,329
Finished goods	**14,382**	14,106
Production supplies	**3,985**	3,857
Less: obsolescence provision	**(7,802)**	(3,578)
	$63,771	$59,782

The movement in the obsolescence provision accounts is as follows:

	September 30, 2018	September 30, 2017
Opening balance	**$3,578**	$3,316
Additions	**5,864**	1,243
Utilized	**(1,472)**	(770)
Reversals	**(301)**	(94)
Exchange differences	**133**	(117)
Closing balance	**$7,802**	$3,578

During the year, inventories of $298,989 (2017 - $306,306) were expensed, of which $5,563 was from the write-downs of inventories (2017 - $1,149), net of $301 reversal of write-downs (2017 - $94).

11. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at September 30, 2018, total managed capital amounted to $332,873 (2017 - $312,192), consisting of net debt of $2,710 (2017 - $10,934) and shareholders' equity of $330,163 (2017 - $301,258).

The Company's objectives when managing capital are to:

- utilize short-term funding sources to manage its working capital requirements and fund capital expenditures required to execute its operating and strategic plans; and

- maintain low overall debt levels relative to shareholders' equity with a strong bias for short-term debt in order to minimize the cost of capital and allow maximum flexibility to respond to current and future industry, market and economic risks and opportunities.

The following ratios are used by the Company to monitor its capital:

	September 30, 2018	September 30, 2017
Net debt to equity ratio	**0.01:1**	0.04:1
Net debt to EBITDA ratio	**0.04:1**	0.13:1

$(000)'s except per share amounts

The following table details the net debt calculation used in the net debt to equity ratio as at the years ended as indicated:

	September 30, 2018	September 30, 2017
Bank indebtedness	**$34,053**	$46,810
Less: cash and short-term deposits	**(31,343)**	(35,876)
Net debt	**$2,710**	$10,934

The net debt to EBITDA ratio is calculated by dividing the net debt by EBITDA, and the Company calculates EBITDA as earnings before other income/(expense), interest, taxes, depreciation and amortization.

Based on the current funds available and the expected cash flows from operations, management believes that the Company has sufficient funds to meet its liquidity requirements.

The Company is not subject to any capital requirement imposed by regulators; however, the Company must adhere to a net worth covenant related to the terms of its bank credit facility. As at September 30, 2018, the Company was in compliance with the required financial covenants.

12. OTHER INFORMATION

A. SEGMENTED INFORMATION

Business segments
The Company operates in two business segments: Casting and Extrusion and Automotive Solutions. The accounting policies followed in the operating segments are consistent with those outlined in note 2 to the consolidated financial statements.

The Casting and Extrusion segment designs and engineers tooling and other manufacturing equipment. Its operations are substantially for automotive and other industrial markets in North America.

The Automotive Solutions segment produces automotive interior components and assemblies primarily for seating, cargo storage and restraint for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers).

The Company evaluates the performance of its operating segments primarily based on net income before interest, other income (expense) and income tax expense.

The Corporate segment involves administrative expenses that are not directly related to the business activities of the above two operating segments.

$(000)'s except per share amounts

				2018
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$207,322**	**$381,750**	**$-**	**$589,072**
Intercompany sales	**(7,402)**	**(6,116)**	**-**	**(13,518)**
Net sales	**199,920**	**375,634**	**-**	**575,554**
Depreciation	**12,338**	**3,354**	**42**	**15,734**
Amortization	**874**	**4,304**	**2**	**5,180**
Segment pre-tax income (loss) before interest and other	**18,236**	**44,351**	**(6,947)**	**55,640**
Other expense	**-**	**-**	**-**	**-**
Net interest expense				**(1,022)**
Income before income taxes				**54,618**
Property, plant and equipment additions	**15,237**	**7,547**	**136**	**22,920**
Property, plant and equipment, net	**90,286**	**25,610**	**1,374**	**117,270**
Intangible asset additions	**454**	**138**	**-**	**592**
Intangible assets, net	**1,362**	**35,274**	**3**	**36,639**
Goodwill	**279**	**62,843**	**-**	**63,122**
Total assets	**205,206**	**237,928**	**4,750**	**447,884**
Total liabilities	**30,822**	**47,863**	**39,036**	**117,721**

				2017
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	$190,803	$401,959	$-	$592,762
Intercompany sales	(7,557)	(1,000)	-	(8,557)
Net sales	183,246	400,959	-	584,205
Depreciation	12,404	3,324	46	15,774
Amortization	786	4,043	2	4,831
Segment pre-tax income (loss) before interest and other	17,967	51,100	(6,484)	62,583
Other expense	-	(1,223)	-	(1,223)
Net interest expense				(1,327)
Income before income taxes				60,033
Property, plant and equipment additions	10,505	4,743	47	15,295
Property, plant and equipment, net	88,422	21,822	1,280	111,524
Intangible asset additions	838	153	-	991
Intangible assets, net	1,775	38,069	5	39,849
Goodwill	271	61,820	-	62,091
Total assets	182,850	246,718	1,653	431,221
Total liabilities	29,268	65,502	35,193	129,963

$(000)'s except per share amounts

Geographic and customer information

Sales	2018	2017
Canada	**$20,734**	$18,273
United States	**301,569**	309,818
Europe	**175,086**	166,314
Mexico	**54,639**	67,073
South America	**9,239**	8,852
Asia	**9,625**	7,169
Other	**4,662**	6,706
	$575,554	$584,205

In 2018 the total billings to the Company's largest 2 customers accounted for 15.5% and 4.6% (2017 - 13.4% and 5.1%) of total sales. The account receivable pertaining to these customers were $11,554 and $4,487 at year- end (2017 - $9,974 and $5,294). The allocation of sales to the geographic categories is based upon the customer location where the product is shipped. In 2018, the Company's largest 2 customers were from the Automotive Solutions segment and the Casting and Extrusion segment (2017 - the Company's largest 2 customers were from the Automotive Solutions segment and the Casting and Extrusion segment).

Property, plant and equipment, net	September 30, 2018	September 30, 2017
Canada	**$39,898**	$40,061
United States	**33,339**	31,856
Mexico	**14,716**	8,393
South America	**9,152**	10,843
Thailand	**7,449**	7,904
Europe	**2,899**	3,281
Morocco	**9,817**	9,186
	$117,270	$111,524

Property, plant and equipment are attributed to the country in which they are located.

Intangible assets, net	September 30, 2018	September 30, 2017
Canada	**$1,172**	$1,459
United States	**35,186**	36,985
Mexico	**28**	60
South America	**77**	162
Thailand	**6**	29
Europe	**54**	1,026
Morocco	**116**	128
	$36,639	$39,849

B. EMPLOYEE FUTURE BENEFITS

The Company accrues employee future benefits for all of its Mexican employees. These benefits consist of a one-time payment equivalent to 12 days of wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to vesting of their seniority premium benefit. Under Mexican labour laws, the Company also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months' wages upon involuntary termination without just cause.

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The liability associated with the seniority and termination benefits is calculated as the present value of expected future payments and amounted to $932 as at September 30, 2017 (2017 - $852) and is recorded under the caption other accrued liabilities on the consolidated statements of financial position. In determining the expected future payments, assumptions regarding employee turnover rates, inflation, minimum wage increases and expected salary levels are required and are subject to review and change.

C. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management personnel during the years ended September 30, 2018 and 2017 were as follows:

	September 30, 2018	September 30, 2017
Salaries and cash incentives (i)	**$4,307**	$3,907
Directors' fees	**375**	343
Share-based awards (ii)	**135**	120
	$4,817	$4,370

i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended September 30, 2018 and 2017.
ii) Share-based payments are director share units granted to directors and the fair value of stock options granted to key management personnel.

13. INCOME PER COMMON SHARE

Income per common share is calculated using net income and the monthly weighted average number of common shares outstanding of 42,264,189 (2017 - 42,600,223). Any potential common shares for which the effect is anti-dilutive have not been reflected in the calculation of diluted income per share. There was a dilution effect of 31,503 shares from the outstanding stock options on diluted weighted average number of common shares outstanding for 2018 (2017 - 74,712).

14. INCOME TAXES

The consolidated effective income tax rate for 2018 was 22.6% (2017 – 29.2%) per the following tables. The effective tax rate is favourably impacted by the reduction in the US federal income tax rate that will apply to annual US earnings. In addition, the effective income tax rate is favourably impacted by the remeasurement of US deferred income tax liabilities, offset by the transition taxes accrued related to foreign earnings of certain of the Mexican subsidiaries which have not been repatriated to the United States. The comparative year was adversely impacted by the non-deductibility of post-production costs in the amount of $1,223 incurred in South Africa and Lesotho. Further, the effective tax rate in 2018 benefited from improved proportion of earnings generated in lower tax jurisdictions.

$(000)'s except per share amounts

	2018	
Income before income taxes	**$54,618**	**100.0%**
Income tax expense at Canadian statutory rates	**14,990**	**27.4%**
Manufacturing and processing deduction	**(294)**	**(0.5%)**
Foreign rate differential	**(1,428)**	**(2.6%)**
Non-taxable income net of non-deductible expenses	**(1,902)**	**(3.5%)**
Losses not tax effected	**481**	**0.9%**
Other	**501**	**0.9%**
Reported income tax expense	**$12,348**	**22.6%**

	2017	
Income before income taxes	$60,033	100.0%
Income tax expense at Canadian statutory rates	15,836	26.4%
Manufacturing and processing deduction	(390)	(0.7%)
Foreign rate differential	1,020	1.7%
Non-taxable income net of non-deductible expenses	(1,937)	(3.2%)
Losses not tax effected	1,923	3.2%
Other	1,062	1.8%
Reported income tax expense	$17,514	29.2%

The major components of income tax expense are as follows:

	2018	2017
Current income tax expense		
Based on taxable income for the year	**$11,438**	$18,543
Deferred income tax expense (recovery)		
Origination, reversal of temporary differences and losses not recognized	**910**	(1,029)
Reported income tax expense	**$12,348**	$17,514

$(000)'s except per share amounts

Deferred income tax assets and liabilities consist of the following temporary differences:

	2018	2017
Deferred tax assets		
Tax benefit of loss carry forward	**$960**	$803
Items not currently deductible for income tax purposes	**287**	262
Unrealized foreign exchange losses	**0**	317
	1,247	1,382
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	**(3,977)**	(3,370)
Unrealized revenue and foreign exchange	**(577)**	(513)
Investment in subsidiaries	**(3,685)**	(3,217)
	(8,238)	(7,100)
Net deferred income tax liabilities	**($6,991)**	($5,718)

15. CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in non-cash working capital
The net change in non-cash working capital balances related to operations consists of the following:

	2018	2017
Accounts receivable	**($6,648)**	$11,328
Unbilled revenue	**(3,973)**	(1,234)
Inventories	**(2,807)**	5,382
Prepaid expenses and deposits	**(1,030)**	777
Trade accounts payable	**(2,540)**	(15,296)
Accrued payroll liabilities	**1,580**	(352)
Other accrued liabilities	**(583)**	1,748
Provisions	**(72)**	(43)
Customer advance payments	**(369)**	1,569
Income taxes payable	**592**	(2,141)
	($15,850)	$1,738

16. CONTINGENT LIABILITIES

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses, and a determination of the provision required, if any, for these contingencies is made after analysis of each individual issue.

During 2018, the Company agreed with a customer (the "Customer") to utilize a government-sponsored third party (the "Third Party") tool financing program (the "Program"). The Program allows the Company to receive payment from the Third Party in advance (the "Advance Payments") of either tool delivery or the Customer's receipt of payment from the Original Equipment Manufacturer (the "OEM"). The Customer is obligated to pay all costs of the Program including principal and interest. The Third Party retains recourse against the Company if the Customer fails to repay the Advance Payments to the Third Party within 24 months of the Advance Payment. As at September 30, 2018 no repayments were due. The Company has been indemnified by the Customer in this regard and expects recourse against it to be extinguished in the normal course of business upon the Customer's receipt of payment from the OEM. The Advance Payments paid to the Company under this Program amounted to $9,419 as at September 30, 2018 (2017 - $3,083) and related liabilities and receivables were not recorded on the Company's consolidated statements of financial position.

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There are no material contingent liabilities as at September 30, 2018 (2017 - nil).

17. INTEREST EXPENSE

The following table outlines the interest expense (income) incurred during the year:

	September 30, 2018	September 30, 2017
Interest expense on bank indebtedness and long-term debt	**$1,043**	$1,338
Interest income on deposits	**(21)**	(11)
Net interest expense	**$1,022**	$1,327

18. OTHER EXPENSE

On November 12, 2016, the Company ceased production in Lesotho and commenced the process of liquidating and has subsequently wound-up the ALC legal entities in Lesotho and South Africa. During the first quarter of the 2017 fiscal year, the Company incurred post-production non-operating expenses of $1,223 which included non-cash asset write-downs of $707 and a loss on disposal of capital assets of $23.

CORPORATE INFORMATION

Board of Directors

Laurie T.F. Bennett, CPA, CA
Corporate Director

Edward H. Kernaghan, MSc
Executive Vice President
Kernaghan & Partners Ltd.

Nicole A. Kirk, BA, MBA
Corporate Director

Robert B. Magee, PEng
Chairman
Woodbridge Group

Philip B. Matthews, MA, CPA, CA
Corporate Director

Colleen M. McMorrow, FCPA, FCA,ICD.D
Corporate Director

Paul E. Riganelli, MA, MBA, LLB
Executive Vice President of the Company

Brian A. Robbins, PEng
President and CEO of the Company

Corporate Officers

Brian A. Robbins, PEng
President and CEO

Darren M. Kirk, MBA, CFA
Executive Vice President & COO

R. Drew Knight, CPA, CA
Chief Financial Officer & VP Finance
Secretary

Paul E. Riganelli, MA, MBA, LLB
Executive Vice President

Transfer Agent and Registrar

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Auditors

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Chartered Professional Accountants
Licensed Public Accountants

Stock Listing

Toronto Stock Exchange (XTC)

Corporate Office

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2018 Annual Meeting

The 2018 Annual Meeting for the Shareholders will be held at Magna Golf Club, 14780 Leslie St., Aurora on Wednesday, January 30, 2019 at 4:30 pm.

EXCO® Technologies Limited

FOCUSED ON THE FUNDAMENTALS

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