ANNUAL REPORT

MAGELLAN AEROSPACE 2015

MAGELLAN
AEROSPACE

Looking back on my first year as President and Chief Executive Officer of Magellan Aerospace Corporation, ("Magellan or the Corporation") I would like to thank all of our stakeholders, customers, and employees for their continued support. Without this commitment, Magellan would not have achieved our business objectives in 2015.

In the 2014 Annual Report, I introduced the major tasks we as a corporation needed to undertake in 2015. Among the tasks I identified was our need to determine and develop our strategic plans to fully support a "2020" vision. Our efforts in 2015 reflected this as a primary focus of our executive and management teams.

Collectively, we have made excellent progress in defining where the Corporation needs to be in "2020" and what actions are necessary to meet and achieve these objectives.

The work we conducted this past year has confirmed Magellan's need to focus our efforts in a number of key areas, with a priority and specific emphasis on maintaining and improving our operational execution. This continuing effort needs to be balanced with the Corporation's recognition that we must expand our efforts to strategically expand our business base across all of our commodity groups.

As a direct result of this past year's internal assessment, steps were taken to restructure our business development process and organization. This will ensure that we are well positioned and resourced to execute plans in support of our strategic objectives.

I WOULD LIKE TO THANK ALL OF OUR STAKEHOLDERS, CUSTOMERS, AND EMPLOYEES FOR THEIR CONTINUED SUPPORT. WITHOUT THIS COMMITMENT, MAGELLAN WOULD NOT HAVE ACHIEVED OUR BUSINESS OBJECTIVES IN 2015.

In 2016 we will complete this organizational transition which will add skills, resources, and capabilities within the Business Development Group. Along with the Executive and Management teams, this organization will ensure that the Corporation's strategic plans are properly aligned with our customer needs as well as the business environment. It is expected that fully developed action plans focused on developing and capturing new business opportunities will evolve from these efforts.

Magellan's objectives will be delivered by utilising and deploying the following key strategies:

- Drive operational excellence to ensure we maintain our position on existing programmes, and further develop opportunities with our current customer base
- Strategic growth with new and existing customers through competitive alignment with customers on new platforms supported by the necessary technology investments
- Growth through acquisition that either complements the Corporation's current core capabilities or adds capabilities aligned with customer or industry needs

There is still a lot of work to be done this year to implement these plans. I am confident that with the full input and support of all of our employees, we will be successful. To this end, I, along with Magellan's management team, will strive to improve our communication with all of our stakeholders.

2016 and the years beyond will be challenging and exciting and I look forward to continuing to lead this dedicated Magellan team in successfully meeting our objectives.

Phillip C. Underwood
President and Chief Executive Officer
March 18, 2016

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Magellan Aerospace Corporation ("Magellan" or the "Corporation") should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended December 31, 2015 and 2014, and the Annual Information Form for the year ended December 31, 2015 (available on SEDAR at www.sedar.com). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the year ended December 31, 2015 relative to the year ended December 31, 2014. The information contained in this report is as at March 18, 2016. All financial references are in Canadian dollars unless otherwise noted.

The MD&A contains forward-looking information that represents the Corporation's internal projections, expectations, estimates or beliefs concerning, among other things, future operating results and various components thereof or the Corporation's future economic performance. These statements relate to future events or future performance. All statements other than statements of historical facts may be forward-looking statements. In particular and without limitation there are forward looking statements under the heading "Overview," "2015 and Recent Updates," "Outlook," "Consolidated Revenues," " Liquidity and Capital Resources," " Risk Factors" and "Future Changes in Accounting Policies." In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "expects," "forecasts," "believes," "projects," "plans," "anticipates," and similar expressions. The projections, estimates and beliefs contained in such forward-looking statements are based on management's assumptions relating to the production performance of Magellan's assets and competition throughout the aerospace industry in 2015 and continuation of the current regulatory and tax regimes in the jurisdictions in which the Corporation operates, and necessarily involve known and unknown risks and uncertainties, including the business risks discussed in this MD&A, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Except as required by law, the Corporation does not undertake to update any forward-looking information in this document whether as a result of new information, future events or otherwise.

The MD&A presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP"). Throughout this discussion, reference is made to EBITDA (defined as net income before interest, income taxes, depreciation and amortization), which the Corporation considers to be an indicative measure of operating performance and a metric to evaluate profitability. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Corporation's EBITDA may not be directly comparable with similarly titled measures used by other companies. Reconciliations of EBITDA to net income (loss) reported in accordance with IFRS are included in this MD&A.

1. OVERVIEW

A summary of Magellan's business and significant 2015 events

Magellan is a diversified supplier of components to the aerospace industry and in certain applications for power generation projects. Through its wholly owned subsidiaries, Magellan engineers and manufactures aeroengine and aerostructure components for aerospace markets, including advanced products for defence and space markets and complementary specialty products. The Corporation also supports the aftermarket through the supply of spare parts as well as through repair and overhaul services and in certain circumstances parts and equipment for power generation projects.

The Corporation has focused on strengthening operations, strengthening its balance sheet and leveraging core competencies in its strategic business development activities. During 2015, key performance indicators reflected the continued success of the Corporation's MOS™ program. MOS™ is the Magellan Operating System adopted in 2007 which standardizes and instills best practices in the Corporation's facilities. This program and its policies and procedures have been firmly imbedded in daily operations and continue to produce positive results. Through cash generation from improved operating performance, the balance sheet has improved year over year. Management, in utilizing the positive cash generation, continues to focus on debt retirement. Recent new program awards have confirmed the value of the Corporation's core competency strategy as it pursues new work opportunities.

Magellan operates substantially all of its activities in one reportable segment, Aerospace, which is viewed as one segment by the chief operating decision-makers for the purpose of resource allocations, assessing performance and strategic planning. The Aerospace segment includes the design, development, manufacture, repair and overhaul and sale of systems and components for defence and civil aviation. The Corporation continues to provide services to the Power Generation segment; however, the Corporation has removed the disclosure of this segment as the activity in relation to these services were not material in 2015 and 2014, and at present, are not expected to be material in future periods. The Corporation supplies both the commercial and defence sectors of the Aerospace segment. In the commercial sector, the Corporation is active in the large commercial jet, business jet, regional aircraft, and helicopter markets. On the defence side, the Corporation provides parts and services for major military aircraft. Magellan's sole product for the Power Generation Project is an electric power generation project in the Republic of Ghana.

Within the Aerospace segment, the Corporation has two major product groupings: aerostructures and aeroengines. Aerostructure and aeroengine products are used both in new aircraft and for spares and replacement parts.

The Corporation supplies aerostructure products to an international customer base in the commercial and defence markets. Components are produced to aerospace tolerances using conventional and high-speed automated machining centres. Capabilities include precision casting of airframe-mounted components. Management believes that Magellan's dedication to technological innovation combined with low cost sourcing from emerging markets will position the Corporation to capture targeted complex assembly programs.

Within the aeroengines product grouping, the Corporation manufactures complex cast, fabricated and machined gas turbine engine components, both static and rotating, and integrated nacelle components, flow paths and engine exhaust systems for the world's leading aeroengine manufacturers. The Corporation also performs repair and overhaul services for jet engines and related components.

The Corporation serves both the commercial and defence markets. In 2015, 75% of revenues were derived from commercial markets (2014 – 77%, 2013 – 73%) while 25% of revenues related to defence markets (2014 – 23%, 2013 – 27%).

2015 and Recent Updates

– On January 6, 2015 Magellan announced the signing of a 10-year agreement with Pratt & Whitney Canada, a United Technologies Company, for the supply of complex magnesium and aluminum castings. The castings will be produced primarily by Magellan's facility in Haley, Ontario, with several being produced at its Glendale, Arizona facility. The agreement is expected to represent approximately $250 million in revenue for Magellan from 2014 through 2023. Pratt & Whitney Canada has been a key customer of Magellan's Haley facility in Ontario for more than 50 years.

– An announcement was made on March 4, 2015, that Magellan and the University of Manitoba unveiled their new advance satellite integration facility ("ASIF") at Magellan's facility in Winnipeg, Manitoba. The facility will support research, development, construction and testing of satellite systems and components. The facility was constructed in an existing 6,000-square-foot area, large enough to accommodate up to three satellites at various stages of assembly with sufficient ceiling height for high crane lifting requirements. The ASIF is an ISO Class 8 cleanroom facility that will satisfy the requirements of current and future satellite programs initiated by the Government of Canada. The facility expansion was funded by an investment of $2.4 million from Western Economic Diversification Canada. Magellan invested $1.5 million which includes $0.6 million for the establishment of an Industrial Research Chair in the area of satellite development within the Faculty of Engineering at the University of Manitoba, and contributed to the construction of the facility, multi-year research and development and educational funding.

– Magellan announced on April 6, 2015 that it opened a new, advanced, precision machining facility in Mielec, Poland. The facility will initially specialize in the production of small to medium size components for the aerospace market, and will be further expanded to incorporate precision assembly and aeroengine machining.

– On April 29, 2015 Magellan announced it was awarded an option year related to the contract for engine repair and overhaul of the F404 engine that powers Canada's fleet of CF-188 Hornet aircraft. The one-year, follow-on option year commenced on April 1, 2015, and has projected value added revenue of $16 million. The work will be carried out at Magellan's facility in Mississauga, Ontario. Under the terms of the contract, the Corporation will provide maintenance, engineering, material management, provision of field service representatives, and publication support for the CF-188 F404 engine and ancillary components.

– The Corporation announced on May 15, 2015 that it acquired Euravia Engineering & Supply Co. Limited ("Euravia"). Euravia is an aviation company that provides maintenance, repair and overhaul solutions for a wide range of aircraft and helicopter gas turbine engines. Euravia, located in Kelbrook, Lancashire, UK, has an established international reputation for delivering high quality, cost effective engine support. Euravia holds 19 international approvals supporting over 150 civil and defence customers in 50 different countries. The acquisition complements Magellan's existing repair and overhaul capability in North America.

– On June 29, 2015, Euravia, a wholly-owned subsidiary of Magellan, announced it was selected to provide PT6T and PT6C engine maintenance, repair and overhaul solutions for Petroleum Air Services. The initial contract period expires at the end of 2016, with an option to renew for an additional two years. It is expected that this contract will generate US$6 million over a three year period if the option is renewed.

– The Corporation announced on September 15, 2015 the delivery of the first two RADARSAT Constellation Mission ("RCM") payload module structures to Macdonald, Dettwiler and Associates Ltd. ("MDA"). These major assemblies will house the electronics for the radar payload being developed by MDA. They were designed and built by Magellan's facility in Winnipeg, Manitoba. Magellan has been contracted by MDA to deliver three spacecraft buses, including three payload modules, for the Canadian Space Agency's RCM mission.

– Magellan also announced on September 15, 2015, that it had entered into an international partnership agreement with the Student Spaceflight Experiment Program. This US-based programme was launched by the National Center for Earth and Space Science Education and provides students the ability to design and propose microgravity experiments to fly in low Earth orbit on the International Space Station. As an international partner, Magellan increases the opportunity for more communities to participate in the Student Spaceflight Experiment Program and sees this funding as an investment in the youth of Canada.

- On October 5, 2015, the Corporation announced it was awarded a follow on contract to provide nose and main landing gear components and kitted assemblies to Messier-Bugatti-Dowty for major commercial aircraft customers. The complex machined components are manufactured in Magellan's facilities in New York, New York and Kitchener, Ontario, which are Magellan's facilities geared for high velocity, hard metal machining and kitting. The contract represents US$80 million in sales for the period of 2017 through 2021.

- Magellan announced on November 16, 2015 that it, through a wholly owned subsidiary, Magellan Aerospace Processing, Long Island, Inc., acquired substantially all the assets of Lawrence Ripak Co. Inc. and Ripak Aerospace Processing LLC ("Ripak"), an aerospace processing facility located in Long Island, New York. For more than 60 years Ripak has been in business providing a full range of non-destructive test services, anodizing, plating, painting, shot peening and other processing to over four hundred customers worldwide. The acquisition of Ripak establishes a North American capability in processing that adds capacity and is complementary to Magellan's existing processing facilities in the UK, Poland and India. Magellan Aerospace Processing, Long Island, Inc. will conduct business under the trade name of Ripak Aerospace Processing.

- On March 1, 2016, Magellan announced that a Wire Strike Protection System™ (WSPS™) will soon be available for the Robinson R66 helicopter platform with the anticipated issuance of a Supplemental Type Certificate (STC) in the first quarter of 2016. The WSPS™ is designed to provide a measure of protection for helicopters in level flight in the event of an encounter with horizontally strung wires and cables, using the concept of guiding wires over the fuselage into high tensile steel cutting blades. The basic WSPS™ is comprised of an upper cutter, lower cutter, and a windshield deflector. The R66 WSPS™ kit is expected to be available for new R66 helicopters commencing in the fall of 2016. Internal provisions for the R66 WSPS™ platform will be available as an option from Robinson on new helicopters and will allow for easy installation of the exterior kit. A comprehensive aftermarket kit, including the internal provisions, will be available to retrofit older R66 helicopters from Magellan's authorized distributors.

Labour Matters

During the year ended December 31, 2015, two labour agreements at two of the Corporation's facilities which expired during 2015 were successfully re-negotiated with contract periods ending in 2018. One labour agreement, which expired on December 31, 2015, is currently in negotiations. Five labour agreements at five of the Corporation's facilities expire in the second half of 2016.

Financing Matters

On September 30, 2014, Magellan announced the Corporation amended the Bank Facility Agreement pursuant to which Magellan and the lenders agreed to adjust the maximum amounts available under the operating credit facility to Cdn$95 million (down from Cdn$115 million), US$35 million and £11 million British pounds. Under the terms of the amended credit agreement, the operating credit facility expires on September 30, 2018. The Bank Facility Agreement also includes a Cdn$50 million uncommitted accordion provision which provides the Corporation with the option to increase the size of the operating credit facility to $200 million. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. Pursuant to the amendment of the Bank Facility Agreement, the guarantee of the facility by Mr. Edwards, which had supported the Corporation since 2005, was released. The credit agreement was amended on December 4, 2015 to include a short term bridge credit facility that increased the operating credit facility by US$10 million ($13.8 million at December 31, 2015). The bridge credit facility, which was arranged to enhance liquidity following the Ripak acquisition, expired on March 4, 2016.

2. OUTLOOK

The outlook for Magellan's business in 2016

According to the International Air Transport Association (IATA), global passenger traffic in 2015 grew by 6.5% compared to 2014. This was the strongest growth rate since the post-financial crisis rebound in 2010, and was well above the 10-year average of 5.5%. Airline profitability was also reported to be the highest since 2010 and is forecast to rise further in 2016, as low fuel prices continue to be a boost to airline's bottom line. Notwithstanding a strong performance in 2015, industry experts are signaling that commercial aircraft markets will flatten due to sluggish economies in China, Latin America and emerging markets. These are regions of the world where the largest future growth rate in the commercial market is expected to come from.

Airbus and Boeing still plan to either maintain or increase civil aircraft production rates in 2016 and 2017. Airbus' A320 rate increases to 44 per month in the first quarter of 2016 and then to 46 per month in the second quarter of 2016. Boeing's 737 rate will remain at 42 per month for 2016 and is planned to go to 47 per month in 2017. The 767 rate increases to 2 per month and 787 to 12 per month in 2016.

The regional jet market has been experiencing the same upbeat trend as large commercial airliners. The strongest segment of the market lies in the 90 – 110 seat class where Embraer with their new E2 series of aircraft will be the dominant player. Bombardier with its C-Series aircraft is their direct competitor. Both aircraft are powered by Pratt & Whitney's new PW1000 geared turbofan engine upon which Magellan is seeking to secure long term market share on certain components.

Regional turboprops are not fairing as well as jets. ATR reported that their orders were down 50% in 2015 because of slowing economies in the two regions of the world that comprise the majority of their sales, Latin America and Asia. Low oil prices have also contributed to this decline, as the advantage of the turboprops' lower operating cost when compared with a jet is diminished when oil prices are low.

According to Forecast International, the business jet market in 2015 underwent a complete trend reversal between the light/medium and large aircraft segments. Where the demand for light/medium jets had been weak, it strengthened by the end of 2015 as improvements in the US economy began to unlock latent demand. Conversely, the stronger large business jet market began to weaken due to economic slowdowns in China, Latin America and Russia. Honeywell's annual outlook stated that sluggish economic growth and political tensions are driving a more reserved approach to purchasing new aircraft. Despite this, it is still believed that the business jet market will recover as economic conditions improve in key geographic regions.

At the end of 2015, the entire civil helicopter market was experiencing a negative downturn. By example, Sikorsky reported that their commercial helicopter sales fell in 2015 to just 25% of that in 2014, which was primarily due to the decline in the energy sector. Regardless, manufacturers are still optimistic about the market and continue to develop new programs, banking on an eventual return to strength.

In the defense market, economic constraints have put significant pressure on most defense budgets worldwide, however countries made nervous by various global security threats, are withdrawing budget reductions to focus on immediate defense priorities. Economics are also forcing countries to delay fleet modernization programs, which will mean extending production on certain legacy platforms, to bridge the gap. To further unsettle the market, some new program awards have been reversed after the successful bidder was announced, such as Poland's withdrawal of their decision to award Airbus Helicopters a contract for 50 new utility helicopters under their Technical Modernization Program. Finally, contractors in the United States seeking to fill the gap left by sequestration budget cuts with foreign military sales, face a new challenge with a strong US dollar; competing against capable platforms sold in a country's native currency.

The Corporation continues to monitor the F-35 program developments closely. Aircraft are currently flying at eight different operating locations across the United States. The US Marine Corps declared combat-ready Initial Operational Capability ("IOC") in July 2015, with the US Air Force and Navy intending to attain IOC mid-2016 and 2018, respectively. The F-35 program continues to grow and accelerate. The program achieved planned deliveries of 45 aircraft in 2015. There are 53 aircraft planned for 2016, with a total of 870 airplanes planned for delivery over the next six years. Magellan is currently commencing activities to support increased production rates.

3. SELECTED ANNUAL INFORMATION

A summary of selected annual financial information for 2015, 2014 and 2013

Expressed in millions of dollars, except per share information	**2015**	2014	2013
Revenues	**951.5**	843.0	752.1
Net income for the year	**79.4**	56.6	45.5
Net income per common share – Basic and Diluted	**1.36**	0.97	0.78
EBITDA	**151.7**	120.3	100.8
EBITDA per common share – Diluted	**2.61**	2.07	1.73
Total assets	**1,050.1**	834.6	791.9
Total non–current financial liabilities	**196.0**	144.1	63.8

Revenues for the year ended December 31, 2015 increased from 2014 and 2013 levels. The increase in revenues from 2014 is primarily attributable to the strengthening of the US dollar and British pound in comparison to the Canadian dollar and to production rate increases on several leading programs in the global commercial aerospace market. Net income increased in 2015 from 2014 due to improved efficiencies resulting from increased production volumes and the favourable movement of the Canadian dollar relative to the US dollar and British pound (see "Results of Operations – Gross Profit").

During 2015 the Corporation paid quarterly dividends on common shares of $0.055 per share for the first three quarters and $0.0575 per share in the fourth quarter, amounting to $13.0 million in total for the year. During 2014, the Corporation paid quarterly dividends on common shares of $0.04 per share in the first three quarters and $0.055 per share in the fourth quarter, amounting to $10.2 million in total for the year.

4. RESULTS OF OPERATIONS

A discussion of Magellan's operating results for 2015 and 2014

Consolidated Revenues

Consolidated revenues for the year ended December 31, 2015 increased 12.9% to $951.5 million from $843.0 million last year. The weakness in the Canadian dollar in combination with an increase in product shipments contributed to the year over year increase in sales.

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014	Change
Canada	**330,444**	325,218	1.6%
United States	**333,074**	272,646	22.2%
Europe	**287,948**	245,172	17.4%
Total revenues	**951,466**	843,036	12.9%

Revenues in Canada in 2015 increased 1.6% in comparison to revenues earned in 2014, while revenues in United States in US dollars increased 5.6% and increased 22.2% when measured in Canadian dollars. Revenues in Europe in British pounds increased 9.3% and increased 17.4% in 2015 in comparison to 2014 when measured in Canadian dollars. The business acquisition of Euravia in the second quarter of 2015 also contributed to the increased revenues in Europe in 2015 when compared to the same period in 2014.

Favourable foreign exchange impacts on the translation of foreign operations to Canadian dollars resulting from a stronger United States dollar and British pound in 2015 against the Canadian dollar contributed to higher revenues generated in United States and Europe in 2015 when compared to 2014. If average exchange rates for both the United States dollar and British pound experienced in 2014 remained constant in 2015, consolidated revenues for 2015 would have been approximately $858.2 million, a 1.8% increase over 2014 revenue levels.

Gross Profit

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014	Change
Gross Profit	**164,379**	133,782	22.9%
Percentage of revenue	**17.3%**	15.9%	

Gross profit increased by $30.6 million from 2014 levels of $133.8 million to $164.4 million in 2015. Gross profit, as a percentage of revenues, was higher in 2015 at 17.3% versus 15.9% in 2014. Increases in the underlying activity and the impact of the strengthening year over year of the United States dollar and British pound against the Canadian dollar resulted in a higher gross profit for 2015 when compared to 2014.

Administrative and General Expenses

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014	Change
Administrative and general expenses	**56,739**	48,221	17.7%
Percentage of revenue	**6.0%**	5.7%	

Administrative and general expenses increased to $56.7 million in 2015 from $48.2 million in 2014. The effect on translation of the strengthening of the United States dollar and British pound exchange rates against the Canadian dollar accounted for approximately $5.6 million of the year over year increase in administrative and general expenses. In addition, the acquisition of businesses in 2015 increased administrative and general expenses by $3.7 million when compared to the same period in 2014.

Other

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014
Foreign exchange gain	**(977)**	(523)
Loss on disposal of property, plant and equipment	**1,909**	1,097
Other	**932**	574

Included in other income is a foreign exchange gain of $1.0 million in 2015 compared to a gain of $0.5 million in 2014, resulting from the revaluation and settlement of the Corporation's Unites States dollar denominated monetary assets and liabilities in Canada and foreign exchange contracts. In 2015 and 2014, the Corporation retired assets for a loss on disposal of approximately $1.9 million and $1.1 million, respectively.

Interest Expense

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014
Interest on bank indebtedness and long-term debt	**4,456**	4,586
Accretion charge on long-term debt and borrowings	**876**	2,531
Discount on sale of trade receivables	**928**	770
Interest expense	**6,260**	7,887

Interest costs for 2015 were $6.3 million, a decrease of $1.6 million from 2014 largely due to a lower accretion charge in 2015 when compared to 2014. Interest on bank indebtedness and long-term debt in 2015 slightly decreased as the Corporation did not incur guarantee fees on the operating credit facility during 2015, when compared to 2014, offset in part by, higher interest on external interest bearing debt due to higher principal amounts outstanding in 2015 when compared to 2014. During 2015, the Corporation sold $344.1 million of trade receivables at an annualized interest rate of 1.68% compared to the sale of $287.3 million of trade receivables in 2014 at an annualized interest rate of 1.68%.

Income Taxes

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014
Current income tax expense	**7,363**	4,991
Deferred income tax expense	**13,662**	15,537
Income tax expense	**21,025**	20,528
Effective tax rate	**20.9%**	26.6%

The Corporation recorded an income tax expense in 2015 of $21.0 million on pre-tax income of $100.4 million, representing an effective tax rate of 20.9%, compared to an income tax expense of $20.5 million on a pre-tax income of $77.1 million in 2014 for an effective tax rate of 26.6%.

During each of 2015 and 2014, the Corporation recognized investment tax credits in Canada totalling $4.2 million and $6.9 million, respectively, as a reduction of cost of revenues, as the Corporation has determined that it will be able to benefit from these investment tax credits. The decrease in the effective tax rate to 20.9% in 2015 when compared to 26.6% in 2014 is primarily due to an adjustment in corporate taxation rates in the income tax jurisdictions in which the Corporation operates.

5. RECONCILIATION OF NET INCOME TO EBITDA

A description and reconciliation of certain non-IFRS measures used by management

In addition to the primary measures of earnings and earnings per share (basic and diluted) in accordance with IFRS, the Corporation includes EBITDA (earnings before interest, income taxes and depreciation and amortization) in this MD&A. The Corporation has provided this measure because it believes this information is used by certain investors to assess financial performance and that EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed and how the results are taxed in the various jurisdictions. Each component of this measure is calculated in accordance with IFRS, but EBITDA is not a recognized measure under IFRS, and the Corporation's method of calculation may not be comparable with that of other companies. Accordingly, EBITDA should not be used as an alternative to net income as determined in accordance with IFRS or as an alternative to cash provided by or used in operations.

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014
Net income	**79,423**	56,572
Interest	**6,260**	7,887
Taxes	**21,025**	20,528
Depreciation and amortization	**45,007**	35,300
EBITDA	**151,715**	120,287

EBITDA for the year ended 2015 of $151.7 million increased by $31.4 million when compared to $120.3 million in 2014. Increased revenue levels and improved margins in 2015 over 2014 were partially offset by increased administrative and general expenses.

6. SELECTED QUARTERLY FINANCIAL INFORMATION

A summary view of Magellan's quarterly financial performance

Expressed in millions of dollars except per share information				**2015**				2014
	Mar 31	**Jun 30**	**Sep 30**	**Dec 31**	Mar 31	Jun 30	Sep 30	Dec 31
Revenues	**228.4**	**234.4**	**236.2**	**252.6**	210.5	221.0	202.5	208.9
Income before taxes	**26.8**	**21.8**	**24.8**	**27.1**	16.7	18.8	17.7	23.9
Net income	**19.2**	**16.2**	**18.5**	**25.5**	12.1	13.6	13.0	17.9
Net income per common share								
Basic and Diluted	**0.33**	**0.28**	**0.32**	**0.44**	0.21	0.23	0.22	0.31
EBITDA[1]	**37.4**	**33.5**	**37.8**	**43.1**	27.1	30.2	28.3	34.7

[1] EBITDA is not an International Financial Reporting Standards ("IFRS") financial measure. Please see the "Reconciliation of Net Income to EBITDA" section for more information.

The Corporation recorded its highest quarterly revenue in the fourth quarter of 2015. Revenues and net income reported in the quarterly information were impacted favourably by the fluctuations in the Canadian dollar exchange rate in comparison to the Unites States dollar and British pound. The United States dollar/Canadian dollar exchange rate in 2015 fluctuated reaching a low of 1.1613 and a high of 1.3955. During 2015, the Unites States dollar relative to the Canadian dollar moved from an exchange rate of 1.1601 at the start of the 2015 calendar year to an exchange rate of 1.3840 by December 31, 2015. The British pound/Canadian dollar exchange rate in 2015 fluctuated reaching a low of 1.7832 and a high of 2.0938. During 2015, the British pound relative to the Canadian dollar moved from an exchange rate of 1.8071 at the start of the 2015 calendar year to an exchange rate of 2.0407 by December 31, 2015. Had exchange rates remained at levels experienced in 2014, reported revenues in 2015 would have been lower by $16.5 million in the first quarter; $17.1 million in the second quarter, $29.4 million in the third quarter and $28.2 million in the fourth quarter.

Net income for the first and fourth quarters of 2015 of $19.2 million and $25.5 million, respectively, was higher than all other quarterly net income shown in the table above. In all four quarters of 2015 movements in the US dollar and British pound in relation to the Canadian dollar favorably impacted net income. Somewhat offsetting the favourable transactional currency movement in the second quarter of 2015, the Corporation recorded a loss on translation of its foreign currency liabilities within Canada and Europe. In the fourth quarter of 2014 the Corporation recognized previously unrecognized investment tax credits.

7. LIQUIDITY AND CAPITAL RESOURCES

A discussion of Magellan's cash flow, liquidity, credit facilities and other disclosures

The Corporation's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings from its credit facility and trade receivables securitization program, and long-term debt and equity capacity. Principal uses of cash are to fund liabilities as they become due, finance capital expenditures, fund debt repayments, pay dividends and provide flexibility for new investment opportunities. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital costs for projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital in the form of debt or equity or a combination of both.

In 2015, $94.5 million of cash was generated by operations, $133.9 million was used in investing activities and $40.7 million was provided by financing activities.

Cash Flow from Operating Activities

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014
Increase in trade receivables	**(19,148)**	(8,438)
Increase in inventories	**(11,991)**	(10,267)
(Increase) decrease in prepaid expenses and other	**(3,943)**	361
Decrease in accounts payable, accrued liabilities and provisions	**(5,878)**	(4,917)
Net change in non-cash working capital items	**(40,960)**	(23,261)
Net cash from operating activities	**94,534**	78,576

Operating activities for 2015 generated cash of $94.5 million compared to $78.6 million in the prior year. Changes in non-cash working capital items used cash of $41.0 million as a result of increases in trade receivables, inventories, prepaid expenses and other and a decrease in accounts payable, accrued liabilities and provisions. The increase in trade receivables during the year is attributed primarily to the higher revenues. Increased inventory levels in 2015 were to support higher production volumes on a number of programs. In 2014, changes in non-cash working capital of $23.3 million were principally a result of increases in trade receivables and inventories and a decrease in accounts payable, accrued liabilities and provisions.

Cash Flow from Investing Activities

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014
Investment in joint venture	**–**	(326)
Business combinations	**(75,495)**	–
Purchase of property, plant and equipment	**(43,905)**	(35,481)
Proceeds from disposals of property, plant and equipment	**621**	611
Change in restricted cash	**(12,902)**	–
Increase in other assets	**(2,175)**	(5,945)
Net cash used in investing activities	**(133,856)**	(41,141)

The Corporation invested $43.9 million in capital assets during the year in comparison to $35.5 million in 2014. The Corporation continues to invest in advanced technology production equipment and information technology systems, both designed to increase productivity, reduce cycle time and improve technology capability. The Corporation invested $79.1 million, net of cash acquired, in the acquisitions of Euravia in the second quarter of 2015 and Ripak in the fourth quarter of 2015.

Contractual Obligations

As at December 31, 2015, expressed in thousands of dollars	Less than 1 year	1-3 Years	4-5 Years	After 5 Years	Total
Bank indebtedness	–	135,828	–	–	135,828
Trade receivables securitization	50,581	–	–	–	50,581
Long-term debt	4,674	10,500	11,271	20,222	46,667
Equipment leases	568	710	227	84	1,589
Facility leases	2,906	4,832	3,911	17,835	29,484
Other long-term liabilities	5,365	4,072	526	1,402	11,365
Borrowings subject to specific conditions	776	755	2,034	16,962	20,527
Total Contractual Obligations	**64,870**	**156,697**	**17,969**	**56,505**	**296,041**

Major cash flow requirements for 2016 include the repayment of trade receivables securitization of $50.6 million which is expected to be refinanced, repayment of long-term debt of $4.7 million, payments of equipment and facility leases of $3.5 million and other long-term liabilities of $5.4 million.

On September 30, 2014, the Corporation amended and restated its Bank Facility Agreement with its existing lenders. Under the terms of the amended agreement, the maximum amount available under the operating credit facility was amended to a Canadian dollar limit of $95.0 million (down from $115.0 million) plus a United States dollar limit of $35.0 million, and the addition of a £9.0 million limit with a maturity date of September 30, 2018. The Bank Facility Agreement also includes a Canadian $50.0 million uncommitted accordion provision which provides Magellan with the option to increase the size of the operating credit facility to $200.0 million. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. Pursuant to the amendment of the Bank Facility Agreement, the guarantee of the facility by the Chairman of the Board of the Corporation, which has supported the Corporation since 2005, was released. The credit agreement was amended on December 4, 2015 to include a short term bridge credit facility that increased the operating credit facility by US$10 million ($13.8 million at December 31, 2015). The bridge credit facility, which was arranged to enhance liquidity following the Ripak acquisition, expired on March 4, 2016.

As at December 31, 2015, the Corporation had made contractual commitments to purchase $16.0 million of capital assets. In addition, the Corporation also had purchase commitments, largely for materials required for the normal course of operations, of $407.9 million as at December 31, 2015. The Corporation plans to fund all of these capital commitments with operating cash flow and the existing credit facility.

Outstanding Share Information

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of common shares. As at March 18, 2016, 58,209,001 common shares were outstanding and no preference shares were outstanding. More information on the Corporation's share capital is provided in note 16 of the Corporation's consolidated financial statements.

On March 31, 2015, June 30, 2015, and September 30, 2015 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.055 per common share, representing an aggregate dividend payment of $9.6 million. On December 31, 2015 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.0575 per common share, amounting to $3.4 million.

For the year ended December 31, 2014, the Corporation declared and paid dividends on common shares on March 31, 2014, June 30, 2014 and on September 30, 2014 of $0.04 per share amounting to $7.0 million and on December 31, 2014 of $0.055 per share amounting to $3.2 million.

In the first quarter of 2016, the Corporation declared cash dividends of $0.0575 per common share payable on March 31, 2016 to shareholders of record at the close of business on March 11, 2016.

8. FINANCIAL INSTRUMENTS

A summary of Magellan's financial instruments

Derivative Contracts

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars. The Corporation from time to time may use derivative financial instruments to help manage foreign exchange risk with the objective of reducing transaction exposures and the resulting volatility of the Corporation's earnings. The Corporation does not trade in derivatives for speculative purposes. Under these contracts the Corporation is obligated to purchase specified amounts at predetermined dates and exchange rates. These contracts are matched with anticipated cash flows in United States dollars. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. The Corporation had no material foreign exchange contracts outstanding at December 31, 2015.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements that have or reasonably are likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

9. RELATED PARTY TRANSACTIONS

A summary of Magellan's transactions with related parties

The Chairman of the Board of Directors of the Corporation provided a guarantee for the full amount of the Corporation's operating credit facility until September 30, 2014 at which time the guarantee was released. An annual fee of $0.6 million was paid in consideration for the guarantee in 2014.

During the year, the Corporation incurred consulting costs of $0.1 million [2014 - $0.1 million] payable to a corporation controlled by the Chairman of the Board of Directors of the Corporation.

10. RISK FACTORS

A summary of risks and uncertainties facing Magellan

The Corporation's performance may be affected by a number of risks and uncertainties. Magellan's senior management identifies key risks and has processes in place to help monitor, manage, and mitigate these risks. Additional risks and uncertainties not presently known by the Corporation, or that the Corporation does not currently anticipate may be material and may impair the Corporation's performance.

The following risks and uncertainties apply to the Corporation. Information relating to additional risks and uncertainties are set forth in the Corporation's Annual Information Form on SEDAR at www.sedar.com.

Factors that have an adverse impact on the aerospace industry may adversely affect the Corporation's results of operations.

The majority of the Corporation's gross profit is derived from the aerospace industry. The Corporation's aerospace operations are focused on engineering and manufacturing aircraft components on new aircraft, selling spare parts and performing repair and overhaul services on existing aircraft and aircraft components. Therefore, the Corporation's business is directly affected by economic factors and other trends that affect the Corporation's customers in the aerospace industry, including a possible decrease in outsourcing by aircraft operators and original equipment manufacturers ("OEMs"), decreased demand for air travel or projected market growth that may not materialize or be sustainable. The price of fuel in the past has increased the pressure on the operating margins of aircraft companies which reduces their ability to finance capital expenditures. Constraints in the credit market may reduce the ability of airlines and others to purchase new aircraft, negatively affecting the demand for the Corporation's products. When these economic and other factors adversely affect the aerospace industry, they tend to reduce the overall customer demand for the Corporation's products and services, which decreases the Corporation's operating income.

Economic and other factors both internal and external to the aerospace industry might affect the aerospace industry and may have an adverse impact on the Corporation's results of operations. More specifically, a number of additional external risk factors may include the financial condition of the airline industry, commercial aerospace customers and government aerospace customers; government policies related to import and export restrictions and business acquisition; changing priorities and possible spending cuts by government agencies; government support for export sales; world trade policies; increased competition from other businesses, including new entrants in market segments in which we compete. In addition, acts of terrorism, natural disasters, global health risks, political instability or the outbreak of war or continued hostilities in certain regions of the world could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of the Corporation's products.

The Corporation faces risks from downturns in the domestic and global economies

Potential loss due to unfavourable economic conditions, such as a macroeconomic downturn in key markets, could result in potential buyers postponing the purchase of the Corporation's products or services, lower order intake, order cancellations or deferral of deliveries, lower availability of customer financing, downward pressure on selling prices, increased inventory levels, decreased level of customer advances, slower collection of receivables, reduction in production activities, discontinued production of certain products, termination of employees and adverse impacts on the Corporation's suppliers.

The Corporation cannot predict the depth or duration of downturns in the domestic and global economies nor the effects on markets that the Corporation serves, particularly the airline industry. The Corporation's ability to increase or maintain its revenues and operating results may be impaired as a result of negative general economic conditions. Economic uncertainty renders estimates of future revenues and expenditures more difficult to formulate. The future direction of the overall domestic and global economies could have a significant impact on the Corporation's overall financial performance and may impact the value of its Common Shares.

The Corporation may be unable to successfully achieve or maintain "key supplier" status with OEMs, and may be required to risk capital to achieve key supplier status.

Many OEMs are moving toward developing strategic partnerships with their key suppliers. Each key supplier provides an array of integrated services including purchasing, warehousing and assembly for OEM customers. The Corporation has been designated as a key supplier by some OEMs and is striving to achieve a higher level of integrated supply with other OEMS. In order to achieve key status, the Corporation may need to expand the Corporation's existing capacities or capabilities, and there is no assurance that the Corporation will be able to do so.

Many new aircraft and aircraft engine programs require that major suppliers become risk-sharing partners, meaning that the cost of design, development and engineering work associated with the development of the aircraft or the aircraft engine is partially born by the supplier, usually in exchange for a life-time agreement to supply those critical parts once the aircraft or the aircraft engine is in production. In the event that the aircraft or the aircraft engine fails to reach the production stage, inadequate number of units is produced, or actual sales otherwise do not meet projections, the Corporation may incur significant costs without any corresponding revenues.

A reduction in defence spending by the United States or other countries could result in a decrease in revenue.

Over the last several years, heightened sovereign debt issues in the European Union have created instability and volatility in the international credit and financial markets and have caused a number of countries in the European Union to focus on their respective recurring yearly deficit budgeting practices, resultant aggregate debt levels and to implement austerity measures. Likewise concerns about the national debt issue in the United States and actions taken by the government of the United States has led to reductions in spending, including defence spending. The United States defence spending for 2015 remained constrained consistent with the previous year's budget. In addition, the governments in Canada and other countries have recognized the need to reduce defence spending. Worldwide spending on defence in 2016 to date, while restrained, has stabilized. The primary driver to defence spending in 2016 to date continues to reflect the demands on various countries that are affected by the current turmoil in Eastern Europe and the Middle East.

The United States is the principal purchaser under the F-35 program which represents a significant item in their budget. Canada is also a participant in the F-35 program and has invested in an Advanced Composite Manufacturing Facility at Magellan's Winnipeg facility, primarily in support of the F-35 program. The Canadian government has also announced plans to consider other options for replacing its aging CF-18 fighter jets. In addition, other countries who are part of the F-35 program have announced plans to delay orders for the F-35 aircraft. This is somewhat balanced by recent announcements of new foreign military sales.

The Corporation relies on sales to defence customers particularly in the United States. A significant reduction in defence expenditures by the United States or other countries with which the Corporation has material contracts, such as the F-35 program, could materially adversely affect the Corporation's business and financial condition. The loss or significant reduction in government funding of a large program in which the Corporation participates, such as the F-35 program, could also materially adversely affect sales and earnings.

Fluctuations in the value of foreign currencies could result in currency exchange losses.

A large portion of the Corporation's revenues and expenses are not currently denominated in Canadian dollars, and it is expected that some revenues and expenses will continue to be based in currencies other than the Canadian dollar. Therefore, fluctuations in the Canadian dollar exchange rate will impact the Corporation's results of operations and financial condition from period to period. In addition, such fluctuations affect the translation of the Corporation's results for purposes of its consolidated financial statements. The Corporation's activities to manage its currency exposure may not be successful.

Cancellations, reductions or delays in customer orders may adversely affect the Corporation's results of operations.

The Corporation's overall operating results are affected by many factors, including the timing of orders from large customers and the timing of expenditures to manufacture parts and purchase inventory in anticipation of future sales of products and services. A large portion of the Corporation's operating expenses is relatively fixed. Because several of the Corporation's operating locations typically do not obtain long-term purchase orders or commitments from customers, the Corporation must anticipate the future volume of orders based upon the historic purchasing patterns of customers and upon discussions with customers as to their anticipated future requirements. These historic patterns may be disrupted by many factors, including changing economic conditions, inventory adjustments, work stoppages or labour disruptions. Cancellations, reductions or delays in orders by a customer or group of customers could have a material adverse effect on the Corporation's business, financial condition and results of operations.

11. CRITICAL ACCOUNTING ESTIMATES

A description of accounting estimates that are critical to determining Magellan’s financial results

The preparation of financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses recorded during the reporting period. The critical estimates and judgements utilized in preparing the Corporation’s financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation and amortization rates and useful lives, value of intangible assets, ability to utilize tax losses and other tax measurements, determination of functional currency, determination of the degree of control that exists in determining the corresponding accounting basis, and the selection of accounting policies. Any changes in estimates and assumptions could have a material impact on the Corporation’s future earnings and/or the amounts reported in its statement of financial position. The Corporation reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgement in making these estimates and assumptions.

The main assumptions and estimates that were used in preparing the Corporation’s consolidated financial statements relate to:

Financial instruments
The valuation of the Corporation’s derivative instruments and certain other financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value estimated are provided in note 18 of the consolidated financial statements.

Impairments
The recoverable amount of intangible assets and property, plant and equipment is based on estimates and assumptions regarding the expected market outlook and cash flows from each cash-generating unit.

In order to estimate the fair value of indefinite-lived intangible assets and goodwill resulting from business combinations, the Corporation typically estimates future revenue, considers market factors and estimates future cash flows. Based on these key assumptions, judgments and estimates, the Corporation determines whether to record an impairment charge to reduce the value of the asset carried on the balance sheet to its estimated fair value. Assumptions, judgments and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Corporations business strategy or internal forecasts. Although the Corporation believes the assumptions, judgments and estimates made in the past have been reasonable and appropriate, different assumptions, judgments and estimates could materially affect our reported financial results.

Deferred taxes

Income taxes are determined based on estimates of the Corporation'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.

Government assistance

Investment tax credits and scientific research and experimental development tax credits are determined based on estimates of the Corporation's current year expenditures on qualifying programs. The investment tax credits are assessed to determine the likelihood that they will be applied against federal income tax.

Capitalization of development costs

When capitalizing development costs the Corporation must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets and therefore the estimates and assumptions associated with these calculations are instrumental in (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Corporation.

Income (loss) on completion of contracts accounted for under the percentage-of-completion method

To estimate income (loss) on completion, the Corporation takes into account factors inherent to the contract by using historical and/or forecast data. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized within cost of revenues.

Repayable government grants

The forecast repayment of grants received from government authorities is based on income from future sales. As the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions underlying these business plans are instrumental in determining the timing of these repayments.

Employee benefits

The Corporation considers a number of factors in developing the pension assumptions, including an evaluation of relevant discount rates, plan asset allocations, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, economic benefits available and input from actuaries and other consultants. Costs of the programs are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.

12. CHANGES IN ACCOUNTING POLICIES

A description of accounting standards adopted in the current year

The Corporation has adopted the following new and amended standards in the current year.

Employee Benefits

In November 2013, Defined Benefit Plans: Employee Contributions was issued to amend IAS 19, *Employee Benefits*. These narrow scope amendments simplify the accounting for contributions to defined benefit plans. These amendments are effective for annual periods beginning on or after July 1, 2014, with earlier application permitted. The adoption of this pronouncement on January 1, 2015 did not have an impact on the consolidated financial statements of the Corporation.

Operating Segment

The Annual Improvements to IFRSs 2010-2012 included amendments to IFRS 8, *Operating Segments*. This standard has been amended to require (i) disclosure of judgments made by a company's management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segments are reported. These amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of this pronouncement on January 1, 2015 did not have an impact on the consolidated financial statements of the Corporation.

13. FUTURE CHANGES IN ACCOUNTING POLICIES

A description of new accounting standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

Leases

In 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases* and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") has been adopted. The Corporation is in the process of evaluating the impact that IFRS 16 may have on the Corporation's consolidated financial statements.

Joint Arrangements

In 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* ("IFRS 11") to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions shall be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, *Business Combinations*. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. Upon adoption, these amendments may impact the Corporation in respect of future sale or contribution of assets with its joint ventures.

Revenue Recognition

In 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers, except insurance contracts, financial instruments and lease contracts, which fall in the scope of other IFRSs. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity's ordinary activities. IFRS 15 is to be applied on either a full or modified retrospective approach and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is in the process of evaluating the impact that IFRS 15 may have on the Corporation's consolidated financial statements.

Property, Plant and Equipment

In 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation does not expect the amendments to have a material impact on the Corporation's consolidated financial statements.

Financial Instruments – Recognition and Measurement

In 2014, the IASB issued the final amendments to IFRS 9, *Financial Instruments* ("IFRS 9") which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation is in the process of evaluating the impact of adopting these amendments on the Corporation's consolidated financial statements.

Consolidated Financial Statements and Investments in Associates and Joint Ventures

In 2014, the IASB issued amendments to IFRS 10, *Consolidated Financial Statements* ("IFRS 10") and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28") to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. Upon adoption, these amendments may impact the Corporation in respect of future sale or contribution of assets with its joint ventures.

14. CONTROLS AND PROCEDURES

A description of Magellan's disclosure controls and internal controls over financial reporting

Based on the current Canadian Securities Administrators (the "CSA") rules under National Instrument 52 – 109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer are required to certify as at December 31, 2015 that they are responsible for establishing and maintaining, and have assessed the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting.

Management does not expect disclosure controls and procedures and internal control over financial reporting to prevent all errors, misstatements or fraud. In addition, internal control over financial reporting that management has designed and established may be circumvented and rendered ineffective as a result of unauthorized acts of individuals through collusion or management override. A system of control, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that control objectives are met. Due to the inherent limitations in a system of control, there is no absolute assurance that all controls issues, which may result in errors, misstatements, or fraud, can be prevented or detected. The inherent limitations include, amongst other things: (i) management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of isolated errors; (iii) assumptions about the likelihood of future events.

In preparation for this certification, Magellan has dedicated resources in place to document and evaluate the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting. As of December 31, 2015, an evaluation was carried out, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary, of the effectiveness of the Corporation's disclosure controls and internal controls over financial reporting, as those terms are defined in National Instrument 52-109. Based on that evaluation, the Corporation's management concluded that the Corporation's design and operating disclosure controls and procedures and internal control over financial reporting were effective as of December 31, 2015.

No changes were made in the Corporation's internal control over financial reporting during the Corporation's most recent interim period, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Additional information relating to Magellan Aerospace Corporation, including the Corporation's Annual Information Form is on SEDAR at www.sedar.com.

MANAGEMENT'S REPORT

December 31, 2015

To the shareholders of Magellan Aerospace Corporation

The consolidated financial statements of Magellan Aerospace Corporation were prepared by management in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this report is consistent with that shown in the financial statements.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. External auditors appointed by the shareholders have examined the consolidated financial statements. The Audit Committee, consisting of non-management directors, has reviewed these consolidated financial statements with management and the auditors and has reported to the Board of Directors. The Board of Directors approved the consolidated financial statements.

Phillip C. Underwood
President and Chief Executive Officer
March 18, 2016

Elena M. Milantoni
Chief Financial Officer and
Corporate Secretary

INDEPENDENT AUDITOR'S REPORT

December 31, 2015

To the Shareholders of Magellan Aerospace Corporation

We have audited the accompanying consolidated financial statements of Magellan Aerospace Corporation, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income and comprehensive income, changes in equity and cash flow 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 Magellan Aerospace Corporation as at December 31, 2015 and 2014, 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
March 18, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in thousands of Canadian dollars	Notes	December 31 2015	December 31 2014
Current assets			
Cash		**5,538**	2,645
Restricted cash	3	**12,902**	–
Trade and other receivables	4	**207,074**	160,989
Inventories	5	**215,351**	176,870
Prepaid expenses and other		**17,914**	12,396
		458,779	352,900
Non-current assets			
Property, plant and equipment	6	**405,526**	351,057
Investment properties	7	**4,753**	4,370
Intangible assets	8	**87,844**	60,588
Goodwill	8	**39,439**	–
Other assets	9	**23,642**	23,139
Deferred tax assets	15	**30,070**	42,499
		591,274	481,653
Total assets		**1,050,053**	834,553
Current liabilities			
Accounts payable and accrued liabilities and provisions	11	**158,490**	136,976
Debt due within one year	12,18	**55,255**	40,016
		213,745	176,992
Non-current liabilities			
Bank indebtedness	10	**135,828**	81,442
Long-term debt	12	**40,402**	43,866
Borrowings subject to specific conditions	13	**19,751**	18,777
Other long-term liabilities and provisions	14	**26,047**	26,562
Deferred tax liabilities	15	**36,935**	27,318
		258,963	197,965
Equity			
Share capital	16	**254,440**	254,440
Contributed surplus		**2,044**	2,044
Other paid in capital		**13,565**	13,565
Retained earnings		**235,701**	166,398
Accumulated other comprehensive income	24	**71,595**	23,149
		577,345	459,596
Total liabilities and equity		**1,050,053**	834,553

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Expressed in thousands of Canadian dollars, except per share amount	Notes	**December 31 2015**	**December 31 2014**
Revenues	20	**951,466**	843,036
Cost of revenues	21	**787,087**	709,254
Gross profit		**164,379**	133,782
Administrative and general expenses	22	**56,739**	48,221
Other	27	**932**	574
Income before interest and income taxes		**106,708**	84,987
Interest	23	**6,260**	7,887
Income before income taxes		**100,448**	77,100
Income taxes			
Current	15	**7,363**	4,991
Deferred	15	**13,662**	15,537
		21,025	20,528
Net income		**79,423**	56,572
Other comprehensive income (loss)			
Other comprehensive income that may be reclassified to profit and loss in subsequent periods:			
Foreign currency translation	24	**48,446**	14,504
Items not to be reclassified to profit and loss in subsequent periods:			
Actuarial income (loss) on defined benefit pension plans, net of tax	15,19	**2,832**	(9,452)
Comprehensive income		**130,701**	61,624
Net income per share			
Basic	16	**1.36**	0.97
Diluted	16	**1.36**	0.97

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in thousands of Cannadian dollars	Share capital	Contributed surplus	Other paid in capital	Retained earnings	Foreign currency translation	Total equity
January 1, 2014	254,440	2,044	13,565	129,464	8,645	408,158
Net income	–	–	–	56,572	–	56,572
Other comprehensive (loss) income	–	–	–	(9,452)	14,504	5,052
Common share dividend	–	–	–	(10,186)	–	(10,186)
December 31, 2014	254,440	2,044	13,565	166,398	23,149	459,596
Net income	–	–	–	79,423	–	79,423
Other comprehensive income	–	–	–	2,832	48,446	51,278
Common share dividend	–	–	–	(12,952)	–	(12,952)
December 31, 2015	**254,440**	**2,044**	**13,565**	**235,701**	**71,595**	**577,345**

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW

Expressed in thousands of Canadian dollars	Notes	December 31 2015	December 31 2014
Cash flow from operating activities			
Net income		**79,423**	56,572
Amortization/depreciation of intangible assets and property, plant and equipment	6,8	**45,007**	35,300
Net loss on disposal of assets		**1,909**	1,097
Decrease in defined benefit plans	19	**(1,731)**	(2,512)
Accretion	23	**876**	2,531
Deferred taxes	15	**10,430**	9,155
Income on investments in joint ventures	9	**(420)**	(306)
Increase in non-cash working capital	26	**(40,960)**	(23,261)
Net cash from operating activities		**94,534**	78,576
Cash flow from investing activities			
Investment in joint venture	9	**–**	(326)
Business combinations	3	**(75,495)**	–
Purchase of property, plant and equipment	6	**(43,905)**	(35,481)
Proceeds from disposal of property, plant and equipment		**621**	611
Change in restricted cash	3	**(12,902)**	–
Increase in other assets		**(2,175)**	(5,945)
Net cash used in investing activities		**(133,856)**	(41,141)
Cash flow from financing activities			
Increase (decrease) in bank indebtedness	10	**46,967**	(35,964)
Increase in debt due within one year		**10,134**	8,515
Increase in long-term debt	12	**276**	–
Decrease in long-term debt	12	**(6,112)**	(4,972)
Increase in long-term liabilities and provisions		**1,406**	161
Increase (decrease) in borrowings, net		**977**	(501)
Common share dividend	16	**(12,952)**	(10,186)
Net cash used in (provided by) financing activities		**40,696**	(42,947)
Increase (decrease) in cash during the year		**1,374**	(5,512)
Cash at beginning of the year		**2,645**	7,760
Effect of exchange rate differences		**1,519**	397
Cash at end of the year		**5,538**	2,645

See accompanying notes to the consolidated financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Magellan Aerospace Corporation (the "Corporation" or "Magellan") is a publicly listed company incorporated in Ontario, Canada under the Ontario Business Corporations Act and its shares are listed on the Toronto Stock Exchange. The registered and head office of the Corporation is located at 3160 Derry Road East, Mississauga, Ontario, Canada, L4T 1A9.

The Corporation is a diversified supplier of components to the aerospace industry and in certain circumstances for power generation projects. Through its wholly owned subsidiaries, Magellan engineers and manufactures aeroengine and aerostructure components for aerospace markets, including advanced products for defence and space markets, and complementary specialty products. The Corporation also supports the aftermarket through the supply of spare parts as well as through repair and overhaul services and in certain circumstances parts and equipment for power generation projects.

Statement of Compliance

These consolidated financial statements are prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on March 18, 2016.

Basis of Presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. These consolidated financial statements have been prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. All amounts are presented in Canadian dollars, unless otherwise indicated.

The Corporation's significant accounting policies are set out below. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements and by all entities.

Basis of Consolidation

The consolidated financial statements of the Corporation include the assets and liabilities, and the results of operations and cash flows, of the Corporation and its subsidiaries and the Corporation's interest in its joint ventures. The financial statements of entities consolidated have a reporting date of December 31. Entities over which the Corporation has control are accounted for as subsidiaries. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where the Corporation has the ability to exercise joint control, the entities are accounted for as joint ventures and are incorporated into the consolidated financial statements using the equity method of accounting. Interests acquired in entities are consolidated from the date the Corporation acquires control and interests sold are de-consolidated from the date control ceases. Wholly owned operating subsidiaries of the Corporation are:

- Magellan Aerospace Limited
- Magellan Aerospace (UK) Limited
- Magellan Aerospace USA, Inc.

The effects of intragroup transactions are eliminated. Trade receivables and accounts payable as well as expenses and income between the consolidated entities are netted. Internal sales are transacted on the basis of market prices and intergroup profits and losses are eliminated.

Determination of Fair Value

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs.

When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value.

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Foreign currency denominated monetary assets and liabilities are translated at the rates of exchange at the statement of financial position date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at that date, whereas non-monetary items measured at historic cost, are translated using the exchange rate prevailing on the transaction date. Translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in income.

Assets and liabilities of foreign operations that have a functional currency different from the presentation currency are translated using the closing exchange rate prevailing at the reporting date and revenues and expenses at average exchange rates during the period. Translation gains and losses on currency translation are recognized as a separate component of equity in other comprehensive income and do not have any impact on the net income (loss) for the year.

Segment Reporting

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources and assessing performance by the Corporation's chief operating decision makers. The Corporation evaluates the financial performance of its operating segments primarily based on net income before interest and income taxes.

Revenue Recognition

Revenue is comprised of all sales of goods and rendering of services at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes. The Corporation's revenue recognition methodology is determined on a contract-by-contract basis. 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 Corporation.

Sales of goods are recognized when the goods are dispatched or made available to the customer, except for the sale of consignment products located at customers' premises where revenue is recognized on notification that the product has been used.

Rendering of services and on certain long-term contracts for the sale of goods revenue is recognized using the percentage-of-completion method, which recognizes revenue as performance of the contract progresses. The contract progress is determined based on the percentage of costs incurred to date to total estimated cost for each contract after giving effect to the most recent estimates of total cost. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Provided that the outcome of construction contracts can be assessed with reasonable certainty, the revenues and costs on such contracts are recognized based on stage of completion and the overall contract profitability. If the outcome of a contract cannot be estimated reliably, the zero-profit method is applied, whereby revenues are only recognized to the extent that contract costs have been incurred and it is probable that those costs will be recovered.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Corporation enters into transactions that represent multiple-element arrangements. These multiple-element arrangements are assessed to determine whether they can be separated into more than one unit of accounting or element for the purpose of revenue recognition. When the appropriate criteria for separating revenue into more than one unit of accounting is met and there is vendor specific objective evidence of fair value for all units of accounting or elements in an arrangement, the arrangement consideration is allocated to the separate units of accounting or elements based on each unit's relative fair value. This vendor specific objective evidence of fair value is established through prices charged for each revenue element when that element is sold separately. The revenue recognition policies described above are then applied to each unit of accounting.

Advances and progress billings received on long-term contracts are deducted from related costs in inventories. Advances and progress billings in excess of related costs are classified as deferred revenue.

Cost of Revenues

Cost of revenues consists of production-related manufacturing costs of products sold, development services paid, and the cost of products purchased for resale. In addition to the direct material cost and production costs, it also comprises of systematically allocated overheads, including depreciation of production-related intangible assets, write-downs on inventories and an appropriate portion of production-related administrative overheads.

Government Grants

Government grants are recognized at their fair value in the period when there is reasonable assurance that the conditions attaching to the grant will be met and that the grant will be received. Grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate. Grants relating to expenditure on property, plant and equipment and on intangible assets are deducted from the carrying amount of the asset. The grant is therefore recognized as income over the life of the depreciable asset by way of a reduced depreciation charge. Repayable grants are treated as sources of financing and are recognized in borrowings subject to specific conditions in the consolidated statement of financial position. Repayments made are recorded as a reduction of the liability.

Government Assistance

Government assistance is comprised of investment tax credits and scientific research and experimental development tax credits. These credits are recognized when there is reasonable assurance of their recovery using the cost reduction method. Investment tax credits are subject to the customary approvals by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

Employee Benefits

Defined benefit plans

The Corporation's obligation in respect of defined benefit plans is determined periodically by independent actuaries using the projected unit credit method in accordance with IAS 19R, *Employee Benefits*. Actuarial gains and losses are recognized in full in the period in which they occur, and are recognized in other comprehensive income and immediately transferred to retained earnings. Past service cost is recognized immediately to the extent the benefits are already vested, or otherwise is recognized on a straight-line basis over the average period until the benefits become vested. Curtailments due to the significant reduction of the expected years of future services of current employees or the elimination of the accrual of defined benefits for some or all of the future services for a significant number of employees are recognized immediately as a gain or loss in the income statement.

The defined benefit surplus or deficit represents the fair value of the plan assets less the present value of the defined benefit obligations. A surplus is recognized in the statement of financial position to the extent that the Corporation has an unconditional right to the surplus, either through a refund or reduction in future contributions. A deficit is recognized in full.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as an expense in the income statement as incurred.

Share-based compensation

The fair value of awards made under share-based compensation plans is measured at the grant date and allocated over the vesting period, based on the best available estimate of the number of share options expected to vest, in the income statement with a corresponding increase in equity. The fair value is measured using an appropriate valuation model taking into account the terms and conditions of the individual plans. The amount recognized as an expense is adjusted to reflect the actual awards vesting except where any change in the awards vesting relates only to market-based criteria not being achieved.

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, taking into account the terms and conditions upon which the share awards were granted. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in the income statement.

Taxation

The tax charge for the period is comprised of both current and deferred income tax. Taxation is recognized as a charge or credit in the income statement except to the extent that it relates to items recognized directly to equity in which case the related tax is also recognized in equity.

Current income tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are established using the balance sheet liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 profits will be available against which deductible timing differences can be utilized.

Deferred tax liabilities are not recognized for temporary differences arising on investment in subsidiaries where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

Deferred income tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred income tax assets and liabilities are presented as non-current.

Net Income per Share

Net income per share is calculated based on the profit for the financial year and the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated using the profit for the financial year adjusted for the effect of any dilutive instruments and the weighted average diluted number of shares (ignoring any potential issue of common shares which would be anti-dilutive) during the year.

Inventories

Inventory is stated at the lower of average cost and net realizable value.

The unit cost method is the prescribed cost method under which the actual production costs are charged to each unit produced and recognized to income as the unit is sold.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. 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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value. Cost includes the purchase price (after deducting trade discounts and rebates), any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimate of the present value of the costs of dismantling and removing the item and restoring the site. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in the income statement as incurred.

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment to their residual values over their estimated useful lives.

Scheduled depreciation is based on the following useful lives:

Assets	in years
Buildings	40
Machinery and equipment	10-20
Tooling	5-7
Leasehold improvements	term of lease

The residual values, useful lives and depreciation methods pertaining to property, plant and equipment are regularly assessed for relevance, at least at every statement of financial position date, and adjustments are made when necessary to estimates used when compiling the consolidated financial statements. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognized in the income statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Investment Properties

Investment property is property held to earn rental income and/or for capital appreciation rather than for the purpose of the Corporation's operating activities. Investment property assets are carried at cost less accumulated depreciation and any recognized impairment in value. The depreciation policies for investment property are consistent with those described for owner-occupied property.

Intangible Assets

In accordance with IAS 38, *Intangible Assets,* expenditure on research activities is recognized as an expense in the period in which it is incurred. Externally acquired and internally generated intangible assets are recognized only if they meet strict criteria, relating in particular to technical feasibility, probability that a future economic benefit associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets with a finite useful life are stated at cost and amortized on a unit of production basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the income statement when the asset is de-recognized.

Business Combinations and Goodwill

The Corporation accounts for business combinations using the acquisition method, under which the acquirer measures the cost of the business combination as the total of the fair values, at the date of exchange, of the assets transferred, liabilities incurred and equity instruments issued by the acquirer in exchange for control of the acquiree. Goodwill is measured as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets and liabilities assumed, measured as at the acquisition date. The primary items that generate goodwill include the value of the synergies between the acquired company and the Corporation and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. Goodwill is assigned to one or more cash-generating unit on the date of acquisition. Acquisition-related expenses and post-acquisition restructuring costs are recognized separately from the business combination and are expensed as incurred.

Impairment of Non-Financial Assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset or its CGUs recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Non-financial assets that have an indefinite useful life such as goodwill and certain intangible assets, are not subject to amortization and are therefore tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which goodwill is allocated must represent the lowest level at which the goodwill is monitored for internal management purposes and must not be, before allocating the goodwill, larger than an operating segment.

The Corporation's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU or group of CGUs on a pro rata basis of the carrying amount of each asset of the CGU that is subject to the impairment test.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if 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 or amortization, if no impairment loss had been recognized.

Leases

A lease is defined as an agreement whereby the lessor conveys to the lessee, in return for payment or a series of payments, the right to use a specific asset for an agreed period of time. If substantially all the risks and rewards associated with ownership of the leased asset are transferred to the lessee (finance lease for the lessee), the leased asset is recognized in the lessee's statement of financial position. The leased asset is recognized at its fair value as measured at the date of acquisition, or at the present value of the minimum lease payments if lower. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term if shorter. Payments made under finance leases are apportioned between capital repayments and interest expense charged to the income statement.

If the lessor retains the substantial risks and rewards (operating lease for the lessee), the leased asset is recognized in the lessor's statement of financial position. Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

Financial Instruments

Financial assets

Financial assets include, in particular, cash and cash equivalents, trade receivables, loans and other receivables, financial investments held to maturity, and non-derivative and derivative financial assets held for trading.

Financial assets are recognized at the contract date and initially measured in accordance with IAS 39, *Financial Instruments: Recognition and Measurement.* The measurement of financial assets subsequent to initial recognition depends on whether the financial instrument is held for trading, held to maturity, available-for-sale, or whether it falls in the loans and receivables category. The assignment of an asset to a measurement category is performed at the time of acquisition and is primarily determined by the purpose for which the financial asset is held.

Held for trading instruments are held at fair value. Changes in fair value are included in the income statement unless the instrument is included in a cash flow hedge. If the instruments are included in a cash flow hedging relationships, which are effective, changes in value are taken to equity. When the hedged forecast transaction occurs, amounts previously recorded in equity are recognized in the income statement.

Held to maturity instruments are measured at amortized cost using the effective interest method.

Available-for-sale assets are held at fair value. Changes in fair value arising from changes in exchange rates are included in the income statement. All other changes in fair value are taken to equity. On disposal, the accumulated changes in value recorded in equity are included in the gain or loss recorded in the income statement.

Loans and receivables are held at amortized cost and not revalued (except for changes in exchange rates which are included in the income statement) unless they are included in a fair value hedge accounting relationship. Where such a relationship exists, the instruments are revalued in respect of the risk being hedged. If instruments held at amortized cost are hedged, generally by interest rate swaps, and the hedges are effective, the carrying values are adjusted for changes in fair value, which are included in the income statement.

At each statement of financial position date, the carrying amounts of financial assets that are not measured at fair value through profit or loss are assessed to determine whether there is any substantial objective indication of impairment. The amount of impairment loss is recognized in the income statement. If impairment is indicated for available-for-sale financial assets, the amounts previously recognized in equity are eliminated from other comprehensive income up to the amount of the assessed impairment loss and recognized in the income statement.

Derecognition of financial assets

Transfers of receivables in securitization transactions are recognized as sales when the contractual right to receive cash flows from the assets has expired; or when the Corporation has transferred its contractual right to receive the cash flows of the financial assets, and either: substantially all the risks and rewards of ownership have been transferred; or the Corporation has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

Financial liabilities

Financial liabilities often entitle the holder to return the instrument to the issuer in return for cash or another financial asset. These include, in particular, debentures and other debt evidenced by certificates, trade payables, liabilities to banks, finance lease liabilities, loans and derivative financial liabilities.

Financial liabilities are measured at their fair value at the time of acquisition, which is normally equivalent to the net loan proceeds. Transaction costs directly attributable to the acquisition are deducted from the amount of all financial liabilities that are not measured at fair value through profit or loss subsequent to initial recognition. If a financial liability is interest free or bears interest at below the market rate, it is recognized at an amount below the settlement price or nominal value. The financial liability initially recognized at fair value is amortized subsequent to initial recognition using the effective interest method.

Derivative financial instruments

The Corporation manages its foreign currency and interest rate exposures through the use of derivative financial instruments. The Corporation's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Corporation's derivative contracts are not designated as hedges and as a result are recorded on the consolidated statement of financial position at their fair value. Any changes in fair value during the year are reported in other expenses in the consolidated statement of income. Transaction costs incurred to acquire financial instruments are included in the underlying balance.

Provisions

A provision is recognized when there is a present legal or constructive obligation, as a result of a past event, which is more likely than not to result in an outflow of economic benefits and where a reliable estimate of the amount of the obligation can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax risk-free rate and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived from the contracts are less than the related unavoidable costs of meeting its obligations under the contract. Such provisions are recorded as write-downs of work-in-progress for that portion of the work which has already been completed, and as liability provisions for the remainder.

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any income tax.

Estimates, Assumptions and Judgements

The preparation of consolidated financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses recorded during the reporting period. The critical estimates and judgements utilized in preparing the Corporation's consolidated financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation and amortization rates and useful lives, value of intangible assets, ability to utilize tax losses and other tax measurements, determination of functional currency, determination of the degree of control that exists in determining the corresponding accounting basis, and the selection of accounting policies. Any changes in estimates and assumptions could have a material impact on the Corporation's future income and/or the amounts reported in its statement of financial position. The Corporation reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgement in making these estimates and assumptions.

The main assumptions and estimates that were used in preparing the Corporation's consolidated financial statements relate to:

Financial instruments

The valuation of the Corporation's derivative instruments and certain other financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value estimated are provided in note 18 .

Impairments

The recoverable amount of intangible assets and property, plant and equipment is based on estimates and assumptions regarding the expected market outlook and cash flows from each CGU or group of CGUs.

In order to estimate the fair value of indefinite-lived intangible assets and goodwill resulting from business combinations, the Corporation typically estimates future revenue, considers market factors and estimates future cash flows. Based on these key assumptions, judgments and estimates, the Corporation determines whether to record an impairment charge to reduce the value of the asset carried on the balance sheet to its estimated fair value. Assumptions, judgments and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Corporations business strategy or internal forecasts. Although the Corporation believes the assumptions, judgments and estimates made in the past have been reasonable and appropriate, different assumptions, judgments and estimates could materially affect our reported financial results.

Deferred taxes

Income taxes are determined based on estimates of the Corporation'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.

Government assistance

Investment tax credits and scientific research and experimental development tax credits are determined based on estimates of the Corporation's current year expenditures on qualifying programs. The investment tax credits are assessed to determine the likelihood that they will be applied against federal income tax.

Capitalization of development costs

When capitalizing development costs the Corporation must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets and therefore the estimates and assumptions associated with these calculations are instrumental in (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Corporation.

Income (loss) on completion of contracts accounted for under the percentage-of-completion method

To estimate income (loss) on completion, the Corporation takes into account factors inherent to the contract by using historical and/or forecast data. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized within cost of revenues.

Repayable government grants

The forecast repayment of grants received from government authorities is based on income from future sales. As the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions underlying these business plans are instrumental in determining the timing of these repayments.

Employee benefits

The Corporation considers a number of factors in developing the pension assumptions, including an evaluation of relevant discount rates, plan asset allocations, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, economic benefits available and input from actuaries and other consultants. Costs of the programs are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORATING STANDARDS

New and Amended International Financial Reporting Standards Adopted in 2015

The Corporation has adopted the following new and amended standards in the current year.

Employee Benefits

In November 2013, Defined Benefit Plans: Employee Contributions was issued to amend IAS 19, *Employee Benefits.* These narrow scope amendments simplify the accounting for contributions to defined benefit plans. These amendments are effective for annual periods beginning on or after July 1, 2014, with earlier application permitted. The adoption of this pronouncement on January 1, 2015 did not have an impact on the consolidated financial statements of the Corporation.

Operating Segments

The Annual Improvements to IFRSs 2010-2012 included amendments to IFRS 8, *Operating Segments.* This standard has been amended to require (i) disclosure of judgments made by a company's management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segments are reported. These amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of this pronouncement on January 1, 2015 did not have an impact on the consolidated financial statements of the Corporation.

New and Amended International Financial Reporting Standards to be Adopted in 2016 or Later

The following new standards and amendments to existing standards were issued by the IASB and are expected to be adopted by the Corporation in 2016 or later.

Leases

In 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases* and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") has been adopted. The Corporation is in the process of evaluating the impact that IFRS 16 may have on the Corporation's consolidated financial statements.

Joint Arrangements

In 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* ("IFRS 11") to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions shall be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, *Business Combinations*. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. Upon adoption, these amendments may impact the Corporation in respect of future sale or contribution of assets with its joint ventures.

Revenue Recognition

In 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers, except insurance contracts, financial instruments and lease contracts, which fall in the scope of other IFRSs. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity's ordinary activities. IFRS 15 is to be applied on either a full or modified retrospective approach and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is in the process of evaluating the impact that IFRS 15 may have on the Corporation's consolidated financial statements.

Property, Plant and Equipment

In 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation does not expect the amendments to have a material impact on the Corporation's consolidated financial statements.

Financial Instruments – Recognition and Measurement

In 2014, the IASB issued the final amendments to IFRS 9, *Financial Instruments* ("IFRS 9") which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.The Corporation is in the process of evaluating the impact of adopting these amendments on the Corporation's consolidated financial statements

Consolidated Financial Statements and Investments in Associates and Joint Ventures

In 2014, the IASB issued amendments to IFRS 10, *Consolidated Financial Statements* ("IFRS 10") and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28") to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. Upon adoption, these amendments may impact the Corporation in respect of future sale or contribution of assets with its joint ventures.

3. BUSINESS COMBINATIONS

Euravia

On May 15, 2015, the Corporation purchased all of the issued and outstanding shares of the capital stock of Euravia Engineering & Supply Co. Limited ("Euravia"), an aviation company that provides maintenance, repair and overhaul solutions for a wide range of aircraft and helicopter gas turbine engines. This acquisition in the United Kingdom complements the Corporation's existing repair and overhaul capabilities in North America.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The total consideration payable to the seller at closing was $67,467 in cash, or $56,404 net of cash acquired of $11,063. Included in the cash consideration paid on the acquisition date, is an estimated contingent consideration payable of $6,256 to the seller of which $3,128 has been recorded in accounts payable and accrued liabilities and provisions and $3,128 has been recorded in other long-term liabilities and provisions. The estimated contingent consideration payable is based on the annual adjusted profit before interest and taxes of Euravia over a two year period, starting January 1, 2015.

Accounting guidance requires that identifiable assets acquired and liabilities assumed be reported at fair value as of the acquisition date of a business combination. During the fourth quarter of 2015, final valuations of the identifiable assets acquired and liabilities assumed were completed.

The following table presents the final allocation of purchase price related to the business as of the date of the acquisition:

	Amount
Current assets	17,647
Non-current assets	1,556
Intangible assets	23,066
Goodwill	23,661
Current liabilities	(4,818)
Deferred tax liabilities	(4,708)
	56,404
Cash in subsidiary acquired	11,063
Total purchase consideration[1]	67,467

[1]Includes amount of $6,256 deposited in an escrow account in connection with the acquisition

The Corporation incurred acquisition-related costs of $523 relating to external legal fees, consulting fees and due diligence costs that are included in administration and general expenses.

The goodwill recognized as part of the purchase is not deductible for tax purposes. The goodwill arising from the acquisition is attributable to expected future income and cash-flow projections and synergies the Corporation expects to achieve in combining the acquisition into its operations.

From the date of acquisition through December 31, 2015, the acquired business had total revenues of $19,359, and net income of $2,313. If the transaction had occurred at the beginning of the year, consolidated revenues would have been $962,252 and consolidated net income would have been $80,021. This pro forma information is for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated at that time, nor is it intended to be a projection of future results.

Ripak

Effective November 13, 2015, the Corporation acquired substantially all the assets of Lawrence Ripak Co. Inc. and Ripak Aerospace Processing LLC ("Ripak"), an aerospace processing facility located in Long Island, New York, providing a full range of non-destructive test (NDT) services, anodizing, plating, painting, shot peening and other processing services.

The total consideration paid by the Corporation was $30,216 in cash. Included in the cash consideration paid on the acquisition date, is an estimated contingent consideration payable of $629, recorded in accounts payable and accrued liabilities and provisions. The estimated consideration is subject to the achievement of a specific revenue objective over the 12 month period following the close of the transaction.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The purchase price allocation for the acquisition as set forth in the table below reflects various preliminary fair value estimates and analyses, including preliminary work performed by third-party valuation specialists, which are subject to change within the measurement period as valuations are finalized. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair values of certain tangible assets and liabilities acquired, the valuation of intangible assets acquired and residual goodwill. The Corporation expects to continue to obtain information to assist it in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Corporation determines to be material will be applied retrospectively to the period of acquisition.

	Amount
Current assets	2,695
Non-current assets	8,730
Intangible assets	6,103
Goodwill	13,299
Current liabilities	(611)
Total purchase consideration[1]	30,216

[1]Includes amount of $3,723 deposited in an escrow account in connection with the acquisition

The Corporation incurred acquisition-related costs of $218 relating to external legal fees, consulting fees and due diligence costs that are included in administration and general expenses.

The goodwill recognized as part of the purchase is deductible for tax purposes. The goodwill arising from the acquisition is attributable to expected future income and cash-flow projections and synergies the Corporation expects to achieve in combining the acquisition into its operations.

From the date of acquisition through December 31, 2015, the acquired business had total revenues of $2,313 and net income of $112. If the transaction had occurred at the beginning of the year, consolidated revenues would have been $967,261 and consolidated net income would have been $79,392. This pro forma information is for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated at that time, nor is it intended to be a projection of future results.

4. TRADE AND OTHER RECEIVABLES

	December 31 2015	**December 31 2014**
Trade receivables	**164,069**	124,566
Less allowance for doubtful accounts	**884**	276
Net trade receivables	**163,185**	124,290
Other receivables	**43,889**	36,699
	207,074	160,989

Included in the above amounts are accrued receivables for construction contracts in progress at December 31, 2015 of $13,322 [December 31, 2014 – $11,218].

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The following table presents the aging of gross trade receivables:

	Current	Less than 90 days	91-181 days	182-365 days	More than 365 days	Total
December 31, 2014	117,081	6,700	648	126	11	124,566
December 31, 2015	**146,538**	**13,751**	**2,122**	**1,136**	**522**	**164,069**

5. INVENTORIES

	Raw materials	Work in progress	Finished goods	Total
At December 31, 2014	47,210	111,097	18,563	176,870
At December 31, 2015	**70,419**	**123,004**	**21,928**	**215,351**

The cost of inventories recognized as expense and included in cost of sales for the year ended December 31, 2015 amounted to $762,256 [2014 – $696,956].

During the year ended December 31, 2015, the Corporation recorded an impairment expense related to the write-down of inventory in the amount of $1,844 [2014 – $306]. The Corporation also recorded reversals of previous write-downs of inventory in the amount of $736 [2014 – $1,851] due to the sale of inventory previously provided for. The carrying amount of inventory recorded at net realizable value was $22,587 as at December 31, 2015 [2014 – $18,441], with the remaining inventory recorded at cost.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Tooling	Total
Cost					
At December 31, 2013	13,316	115,691	435,174	48,142	612,323
Additions	–	3,289	30,307	1,439	35,035
Disposals and other	–	(19)	(4,396)	(10,260)	(14,675)
Foreign currency translation	564	3,378	18,495	3,150	25,587
At December 31, 2014	13,880	122,339	479,580	42,471	658,270
Additions	287	6,321	36,364	1,619	44,591
Acquisitions [Note 3]	–	–	9,810	–	9,810
Disposals and other	–	(822)	(10,263)	(126)	(11,211)
Foreign currency translation	1,493	7,784	53,248	6,839	69,364
At December 31, 2015	**15,660**	**135,622**	**568,739**	**50,803**	**770,824**
Accumulated depreciation and impairment					
At December 31, 2013	–	(35,743)	(205,866)	(38,774)	(280,383)
Depreciation	–	(3,770)	(20,240)	(2,595)	(26,605)
Disposal and other	–	7	2,485	10,188	12,680
Foreign currency translation	–	(1,319)	(8,985)	(2,601)	(12,905)
At December 31, 2014	–	(40,825)	(232,606)	(33,782)	(307,213)
Depreciation	–	(4,043)	(24,897)	(3,715)	(32,655)
Disposal and other	–	318	6,438	121	6,877
Foreign currency translation	–	(2,364)	(24,385)	(5,558)	(32,307)
At December 31, 2015	**–**	**(46,914)**	**(275,450)**	**(42,934)**	**(365,298)**
Net book value					
At December 31, 2014	13,880	81,514	246,974	8,689	351,057
At December 31, 2015	**15,660**	**88,708**	**293,289**	**7,869**	**405,526**

As at December 31, 2014 and 2015, the Corporation did not have any assets under finance lease.

Included in the above are assets under construction in the amount of $10,528 [December 31, 2014 – $10,123], which as at December 31, 2015 are not amortized.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

7. INVESTMENT PROPERTIES

	Cost	Accumulated depreciation and impairment	Net book value
At December 31, 2014	11,145	(6,775)	4,370
At December 31, 2015	**11,769**	**(7,016)**	**4,753**

The Corporation's investment properties consist of land and building. Depreciation expense recognized in relation to the buildings in 2015 was $175 [2014 – $175].

The fair value of the Corporation's investment properties was $15,673 at December 31, 2015 [December 31, 2014 - $12,000]. The fair value was determined through the use of the market comparable approach and discounted cash flows approach which are categorized as a Level 3 in the fair value hierarchy. In 2015, the Corporation obtained opinions from external valuators, with experience in the real estate market, on the fair value of $14,700 of the total fair values of the Corporation's investment properties.

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8. INTANGIBLE ASSETS AND GOODWILL

	Technology rights	Development costs	Other intangibles	Total intangible assets	Goodwill	Total intangible assets and goodwill
Cost						
At December 31, 2013	39,008	99,557	–	138,565	–	138,565
Additions	–	7,087	–	7,087	–	7,087
Disposals	–	(92)	–	(92)	–	(92)
Foreign currency translation	145	2,880	–	3,025	–	3,025
At December 31, 2014	39,153	109,432	–	148,585	–	148,585
Additions	–	4,789	–	4,789	–	4,789
Acquisitions [Note 3]	–	–	29,164	29,164	36,960	66,124
Disposals	–	(287)	–	(287)	–	(287)
Foreign currency translation	336	9,114	2,147	11,597	2,479	14,076
At December 31, 2015	**39,489**	**123,048**	**31,311**	**193,848**	**39,439**	**233,287**
Depreciation and impairment						
At December 31, 2013	(21,724)	(56,476)	–	(78,200)	–	(78,200)
Depreciation	(2,346)	(5,368)	–	(7,714)	–	(7,714)
Foreign currency translation	(69)	(2,014)	–	(2,083)	–	(2,083)
At December 31, 2014	(24,139)	(63,858)	–	(87,997)	–	(87,997)
Depreciation	(2,961)	(7,091)	(1,767)	(11,819)	–	(11,819)
Disposals	–	90	–	90	–	90
Foreign currency translation	(181)	(6,020)	(77)	(6,278)	–	(6,278)
At December 31, 2015	**(27,281)**	**(76,879)**	**(1,844)**	**(106,004)**	**–**	**(106,004)**
Net book value						
At December 31, 2014	15,014	45,574	–	60,588	–	60,588
At December 31, 2015	**12,208**	**46,169**	**29,467**	**87,844**	**39,439**	**127,283**

Technology rights relate to an agreement which permits the Corporation to manufacture aerospace engine components and share in the revenue generated by the final sale of the engine.

The Corporation has certain programs that meet the criteria for deferral and amortization of development costs. Development costs are capitalized for clearly defined, technically feasible technologies which management intends to produce and promote to an identified future market, and for which resources exist or are expected to be available to complete the project. The Corporation records amortization in arriving at the carrying value of deferred development costs once the development activities have been completed and sales of the related product have commenced. The Corporation estimates the intangible assets to be amortized over a period of 1 to 21 years based on units of production.

Other intangibles relate to customer lists, brands and technical processes. Customer lists will be amortized over a 5 year period and technical processes will be amortized over a 15 year period. Brands of $10,665 with indefinite useful lives assets are not subject to amortization.

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As described in Note 1, the carrying values of goodwill and intangible assets with indefinite lives are tested for impairment annually. The Corporation's impairment test for goodwill and intangible assets with indefinite useful lives was based on the recoverable amount determined on its value in use. The key assumptions used to determine the recoverable amount are discussed below. The Corporation has not identified any indicators of impairment at any other date and as such has not completed an additional impairment calculation.

In the assessment of impairment, management used industry guidance, historical data and past experience as the key assumptions in the determination of the recoverable amount of the CGUs. The value in use was determined based on the present value of the estimated free cash flows for the Euravia CGU. The cash flow projections, covering a five year period plus a terminal year, were based on financial projections approved by management using assumptions that reflect the Corporation's most likely planned course of action, given management's judgment of the most probable set of economic conditions. A discount rate of 15.0% per annum was used, based on management's best estimate of the Corporation's weighted average cost of capital adjusted for the risks facing the CGU. Annual growth rate of 2% was used in the terminal year given the businesses' anticipated growth. The recoverable amount was determined to be higher than the carrying value including the goodwill.

9. INVESTMENTS IN JOINT VENTURES

The Corporation has interests in a number of individually immaterial joint ventures. The Corporation's joint ventures are private entities that are not listed on any public exchange. All operations are continuing. To support the activities of certain joint ventures, the Corporation and the other investors in the joint ventures have agreed to make additional contributions, in proportion to their interests, to make up any losses, if required. In addition, profits of the joint ventures are not distributed until the parties to the arrangement provide consent for distribution. The Corporation has no share of any contingent liabilities or capital commitments in its joint ventures as at December 31, 2015 and December 31, 2014.

	December 31 2015	December 31 2014
Balance, beginning of the year	**5,328**	4,696
Equity contribution	**–**	326
Share of total comprehensive income	**421**	306
Balance, end of the year	**5,749**	5,328

10. BANK INDEBTEDNESS

On September 30, 2014, the Corporation amended its credit agreement with its existing lenders. The Corporation has an operating credit facility, with a syndicate of banks, with a Canadian dollar limit of $95,000, a US dollar limit of US$35,000 and a British Pound limit of £11,000 [$165,888 at December 31, 2015]. Under the terms of the amended credit agreement, the operating credit facility expires on September 30, 2018. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The credit agreement also includes a Canadian $50,000 uncommitted accordion provision which provides the Corporation with the option to increase the size of the operating credit facility. The credit agreement was amended on December 4, 2015 to include a short term bridge credit facility that increased the operating credit facility by a US dollar limit US$10,000 [$13,840 at December 31, 2015]. The bridge credit facility, which was arranged to enhance liquidity following the Ripak acquisition, expires on March 4, 2016. Bank indebtedness as at December 31, 2015 of $135,828 [December 31, 2014 – $81,442] bears interest at the bankers' acceptance or LIBOR rates plus 1.875% [2.53% at December 31, 2015 (2014 – bankers' acceptance or LIBOR rates plus 2.0% or 2.87%)]. Included in the amount outstanding at December 31, 2015 is US$32,524 [December 31, 2014 – US$15,946]. At December 31, 2015, the Corporation had drawn $139,366 under the operating credit facility, including letters of credit totalling $3,538 such that $40,362 was unused and available. A fixed and floating charge debenture on trade receivables, inventories and property, plant and equipment is pledged as collateral for the operating credit facility.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

11. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

	December 31 2015	December 31 2014
Accounts payables	**73,147**	64,160
Accrued liabilities	**82,908**	71,029
Provisions [Note 14]	**2,363**	1,787
	158,490	136,976

12. LONG-TERM DEBT

	December 31 2015	December 31 2014
Property mortgages [a]	**15,962**	16,629
Other loans [b]	**29,114**	31,128
	45,076	47,757
Less current portion	**4,674**	3,891
	40,402	43,866

[a] Property mortgages include $1,975 (£968) [2014 – $2,061 (£1,141)] of financing of certain land acquired in 2006. This same land is collateral for this mortgage and the mortgage bears interest at bank rate plus 0.90%, which at December 31, 2015 was 1.4% [2014 – 1.4%]. The property mortgage requires scheduled monthly repayments of accrued interest and principal and matures in June 2021.

The Corporation has a five year fixed rate term mortgage, under which interest is charged at a 4.49% as at December 31, 2015. The mortgage is due in February 2018, with accrued interest and principal paid monthly. The mortgage is secured by certain land and building. The principal amount outstanding at December 31, 2015 was $13,987 [2014 – $14,568].

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

[b] Other loans include loans of $15,112 [2014 – $17,353] provided by governmental authorities (“Government Loans”) that bear interest of approximately 1.25% to 2.00% [2014 – 1.75% to 3.82%]. The Government Loans mature during the period of September 2016 and April 2024 with accrued interest and principal repayable monthly.

Included in other loans are bank loans aggregating $14,004 (US$10,118) [2014 – $13,690 (US$11,801)] (“Commercial Loans”) to finance equipment over a ten year period maturing between December 2020 and December 2022. The Commercial Loans require scheduled monthly repayments of accrued interest and principal. The same equipment is collateral for the Commercial Loans which bears interest at LIBOR plus 2.75%, which at December 31, 2015 was 3.18% [2014 – 2.92%].

As at December 31, 2015, the Corporation has the availability to draw an additional $3,520 against the Government Loans.

13. BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

The Corporation has received proceeds related to the development of its technologies and processes from Canadian government agencies. The contributions have been deducted in calculating the Corporation’s investment in intangible assets, property plant and equipment or from the expense to which they relate. These amounts, plus, in certain cases, an implied return on the investment, are repayable as a percentage of the Corporation’s revenues. The Corporation has included in borrowings subject to specific conditions the estimated amount of repayments in relation to the contributions received.

During 2015, the Corporation received $1,217 [2014 – $1,702] of government proceeds, of which $412 [2014 – $374] has been credited to the related assets, $205 [2014 – $343] has been credited to the related expense and $600 [2014 – $985] has been recorded in borrowings subject to specific conditions.

The proceeds are repayable as future royalty payments; a liability is recorded for the amounts received that will be repaid based on future estimated sales. During 2015, the Corporation repaid $2,651 [2014 – $2,234]. As at December 31, 2015, the Corporation has recognized $20,527 [2014- $21,320] as the amount repayable to government agencies. The Corporation is eligible for additional government proceeds of $18,615 for the period from January 1, 2016 to March 31, 2018 based on approved expenditures.

14. OTHER LONG-TERM LIABILITIES AND PROVISIONS

	December 31 2015	**December 31 2014**
Net defined benefit plan deficits [Note 19]	**11,522**	16,285
Provisions	**5,005**	4,279
Other	**11,883**	7,785
	28,410	28,349
Less current portion included in accounts payable, accrued liabilities and provisions	**2,363**	1,787
	26,047	26,562

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The following table presents the movement in provisions:

	Warranty	Environmental	Other provisions	Total
At December 31, 2013	1,244	2,696	376	4,316
Additional provisions	637	3	126	766
Amount used	(636)	(5)	(176)	(817)
Unused amounts reversed	(267)	(11)	(126)	(404)
Unwind of discount	–	181	–	181
Foreign currency	216	2	19	237
At December 31, 2014	1,194	2,866	219	4,279
Additional provisions	1,616	–	186	1,802
Amount used	(447)	(65)	–	(512)
Unused amounts reversed	(933)	–	(186)	(1,119)
Unwind of discount	–	116	–	116
Foreign currency	401	8	30	439
At December 31, 2015	**1,831**	**2,925**	**249**	**5,005**

Warranty

During the normal course of its business, the Corporation assumes the cost of certain components under warranties offered on its products. This provision for a warranty is based on historical data associated with similar products and is recorded as a current liability. Nevertheless, conditions may change and a significant amount may need to be recorded.

Environmental

Provisions for environment liabilities have been recorded for costs related to site restoration obligations.Due to the long-term nature of the liability, the related long-term portion of the liability is included in long-term liabilities.

Other

This category of provisions includes provisions related to legal, onerous contracts, and other contract related liabilities. The provisions are based on the Corporation's best estimate of the amount of the expenditure required to address the matters.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

15. INCOME TAXES

The following are the major components of income tax expense:

	2015	2014
Current income tax expense		
Current tax expense for the year	**7,363**	4,886
Adjustments of previous year's tax expense	**–**	105
	7,363	4,991
Deferred income tax expense		
Origination and reversal of temporary differences	**16,494**	14,877
Impact of tax law changes	**(2,832)**	660
	13,662	15,537
Total income tax expense	**21,025**	20,528

The Corporation's consolidated effective tax rate for the year ended December 31, 2015 was 20.7% [2014 – 26.6%]. The difference in the effective tax rates compared to the Corporation's statutory income tax rates were mainly caused by the following:

	2015	2014
Income before income taxes	**100,448**	77,100
Income taxes based on the applicable tax rate of 25.8% in 2015 and 2014	**25,935**	19,902
Adjustment to income taxes resulting from:		
Benefit of previously unrecognized tax assets	**–**	(14)
Adjustments in respect of prior years	**(328)**	(234)
Permanent differences and other	**(769)**	196
Higher income tax rates on income of foreign operations	**755**	714
Changes in income tax rates	**(4,568)**	(36)
Income tax expense	**21,025**	20,528

Changes in the deferred tax components are adjusted through deferred income tax expense except for $4,208 [2014 – $6,870] of investment tax credits which is adjusted through cost of revenues and $1,020 [2014 – $3,348] for employee future benefits which is adjusted through other comprehensive income.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The following are the major components of deferred tax assets and liabilities:

	December 31 2015	December 31 2014
Operating loss carry forwards	**7,153**	6,841
Investment tax credits	**36,511**	39,809
Employee future benefits	**3,906**	5,199
Property, plant and equipment and intangibles	**(63,658)**	(55,575)
Other	**9,223**	18,907
Deferred tax (liabilities) assets	**(6,865)**	15,181

For the purposes of the above table, deferred tax assets are shown net of offsetting deferred tax liabilities where these occur in the same entity and jurisdiction, as follows:

	December 31 2015	December 31 2014
Deferred tax assets	**30,070**	42,499
Deferred tax liabilities	**(36,935)**	(27,318)

The temporary difference associated with investments in subsidiaries and joint ventures, for which a deferred tax liability has not been recognized aggregates to $366,804 [2014 – $283,328].

16. SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of common shares, with no par value.

Common shares

	Number	Amount
Issued and fully paid:		
Outstanding at December 31, 2014 and December 31, 2015	**58,209,001**	254,440

Net income per share

	2015	2014
Net Income	**79,423**	56,572
Weighted average number of shares	**58,209,001**	58,209,001
Basic and diluted net income per share	**1.36**	0.97

Dividends declared

On March 31, 2015, June 30, 2015, and September 30, 2015 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.055 per common share, amounting to $9,605. On December 31, 2015 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.0575 per common share, amounting to $3,347.

For the year ended December 31, 2014, the Corporation declared and paid dividends on common shares on March 31, 2014, June 30, 2014 and on September 30, 2014 of $0.04 per share amounting to $6,985 and on December 31, 2014 of $0.055 per share amounting to $3,201.

Subsequent to December 31, 2015, the Corporation declared dividends to holders of common shares in the amount of $0.0575 per common share payable on March 31, 2016, for shareholders of record at the close of business on March 11, 2016.

17. STOCK-BASED COMPENSATION PLAN

The Corporation has an incentive stock option plan, which provides for the granting of options for the benefit of employees and directors. The options include a cash option feature that allows option holders to elect to receive an amount in cash equal to the intrinsic value, being the excess market price of the common share over the exercise price of the option, instead of exercising the option and acquiring the common shares. Options are granted at an exercise price equal to the market price of the Corporation's common shares at the time of granting. Options normally have a life of five years with vesting at 20.0% at the end of the first, second, third, fourth and fifth years from the date of the grant. In addition, certain business unit income tests must be met in order for the option holder’s entitlement to fully vest. As at December 31, 2015 and December 31, 2014, there were no options granted and outstanding. The maximum number of options for common shares that is available to be granted under this plan is 1,673,341.

The Corporation has a deferred share unit plan (“DSU Plan”) for certain executive officers (“Officers”) which provides a structure for Officers to accumulate equity-like holdings in the Corporation. The DSU Plan allows certain Officers to participate in the growth of the Corporation by providing a deferred payment based on the value of a common share at the time of redemption. Each Officer receives deferred share units (“Units”) based on their annual management incentive compensation. The Units are issued based on the Corporation’s common share price at the time of issue. A third of the Units are vested and paid upon issuance and the remaining Units are vested and paid out equally on the anniversary date of issuance in the following two year period, or upon retiring. The cash value is equal to the common share price at the date of redemption, adjusted by any dividends paid on the common shares. As at December 31, 2015, 32,021 Units were outstanding at an accrued value of $360 [December 31, 2014 – $582].

The Corporation recorded compensation expense in relation to the plans during the year of $368 [2014 – $440].

18. FINANCIAL INSTRUMENTS

Categories of financial instruments

Under IFRS, financial instruments are classified into one of the following categories: financial assets at fair value through profit or loss, loans and receivables, available for sale financial assets, financial assets and liabilities held for trading, financial liabilities at fair value through profit or loss, and other financial liabilities at amortized cost.

All financial instruments, including derivatives, are included on the consolidated statement of financial position, which are measured at fair value except for loans and receivables and other financial liabilities, which are measured at amortized costs. Held for trading financial investments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instruments are derecognized or impaired.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The carrying values of the Corporation's financial instruments are classified as follows:

	Fair value through profit or loss: Held for trading[1]	Loans and receivables[2]	Total financial assets	Other financial liabilities (at amortize cost)[3]	Total financial liabilities
December 31, 2014	2,645	160,989	163,634	319,290	319,290
December 31, 2015	**18,440**	**207,074**	**225,514**	**409,727**	**409,727**

[1] Includes cash and cash equivalents and forward foreign exchange contracts included in prepaid expenses and other
[2] Includes trade receivables and loan receivables
[3] Includes bank indebtedness, accounts payable and accrued liabilities, long-term debt, borrowings subject to specific conditions and trade receivable securitization transactions

The Corporation has exposure to the following risks from its use of financial instruments:
- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Corporation's risks to each of the above risks, its objectives, policies and processes for measuring and managing risk.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the Corporation's income or the value of its holdings of financial instruments. The Corporation's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Corporation may utilize derivative instruments in the management of its foreign currency and interest rate exposures.

The Corporation thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency risk, interest rate risk, credit risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors of the Corporation.

Currency risk

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rate. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rate ("transaction exposures") and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars ("translation exposures"). The Corporation uses derivative financial instruments to manage foreign exchange risk with the objective of minimizing transaction exposures and the resulting volatility of the Corporation's net income.

The most significant transaction exposures arise in the Canadian operations where significant portions of the revenues are transacted in US dollars. As a result, the Corporation may experience transaction exposures because of the volatility in the exchange rate between the Canadian and US dollar. Based on the Corporation's current US denominated net inflows as of December 31, 2015, fluctuations of +/- 1% would, everything else being equal, have an effect on net income for the year ended December 31, 2015 of approximately +/- $78. The Corporation may experience translation exposures on the consolidation of its US and European subsidiaries. Fluctuations of +/- 1% in the US dollar and British pound would, everything else being equal, have an effect on other comprehensive income of approximately $3,991.

Interest rate risk

The Corporation is exposed to interest rate risk in its floating rate bank indebtedness. At December 31, 2015, $180,905 of the Corporation's total debt portfolio is subject to movements in floating interest rates. In addition, a portion of the Corporation's trade receivables securitization programs are exposed to interest rate fluctuations. The objective of the Corporation's interest rate management activities is to minimize the volatility of the Corporation's income. The Corporation monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. A fluctuation in interest rates of 100 basis points (1 percent) would have impacted the amount of interest charged to net income during the year ended December 31, 2015 by approximately +/- $1,683.

Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions as well as credit exposure to clients, including outstanding trade receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing credit risk is to prevent losses in financial assets. The Corporation is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts. The Corporation mitigates this credit risk by dealing with counterparties who are major financial institutions that the Corporation anticipates will satisfy their obligations under the contracts.

The Corporation, in the normal course of business, is exposed to credit risk from its customers, substantially all of which are in the aerospace industry. The Corporation sells the majority of its products to large international organizations with strong credit ratings. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior year.

The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of income within administrative and general expenses. 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 administrative and general expenses.

Derecognition of financial assets

The Corporation sells a portion of its trade receivables through securitization programs or factoring transactions. During 2015, the Corporation sold receivables to various financial institutions in the amount of $344,104 [2014 – $287,282] for a discount of $976 [2014 – $770] representing an annualized interest rate of 1.68% [2014 – 1.68%].

As at December 31, 2015, trade receivables include receivables sold and financed through securitization transactions of $50,581 [2014 – $36,125] which do not meet the IAS 39 derecognition requirements as the Corporation continues to be exposed to credit risk. These receivables are recognized as such in the consolidated financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated statement of financial position under debt due within one year.

Liquidity risk

The Corporation's objective in managing liquidity risk is to ensure that there are sufficient committed loan facilities in order to meet its liquidity requirements at any point in time. The Corporation has in place a planning and budgeting process to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis, taking into account its anticipated cash flows from operations and its operating facility capacity. The primary sources of liquidity are the operating credit facility, trade receivables securitization program and cash provided by operations. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital costs for projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital in the form of debt or equity or a combination of both.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

Contractual maturity analysis

The following table summarizes the contractual maturity of the Corporation's financial liabilities. The table includes both interest and principal cash flows.

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total
Bank indebtedness	–	–	135,828	–	–	–	135,828
Long-term debt[1]	55,255	4,988	5,512	5,639	5,632	20,222	97,248
Equipment leases	568	426	284	140	87	84	1,589
Facility leases	2,906	2,618	2,214	1,955	1,956	17,835	29,484
Other long-term liabilities	5,365	3,782	290	264	262	1,402	11,365
Borrowings subject to specific conditions	776	69	686	898	1,136	16,962	20,527
	64,870	11,883	144,814	8,896	9,073	56,505	296,041
Interest payments	1,227	1,105	977	845	711	3,081	7,946
Total	66,097	12,988	145,791	9,741	9,784	59,586	303,987

[1] The amount drawn on the Corporation's trade receivables securitization program is included in long-term debt in the Year 1 category

Fair values

The Corporation has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgement is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Corporation could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described as follows:

Cash, trade receivables, bank indebtedness and accounts payable and accrued liabilities

Due to the short period to maturity of these instruments, the carrying values as presented in the consolidated statements of financial position are reasonable estimates of their fair values.

Foreign exchange contracts

The Corporation enters into forward foreign exchange contracts to mitigate future cash flow exposures in US dollars and Euros. Under these contracts the Corporation is obliged to purchase specific amounts at predetermined dates and exchange rates. These contracts are matched with anticipated operational cash flows in US dollars and Euros. The Corporation had no material foreign exchange contracts outstanding at December 31, 2015.

Long-term debt
The fair value of the Corporation's long-term debt is $45,069 at December 31, 2015. The fair value was determined by discounting the expected future cash flows based on current rates for debt with similar terms and maturities which is categorized as a Level 2 in the fair value hierarchy.

Borrowings subject to specific conditions
The Corporation has recognized $19,751 as the amount repayable to Canadian government agencies. The contributions are repayable as future royalty payments; a liability is recorded for the amounts received that will be repaid based on future estimated sales.

Contingent considerations
The Corporation has recognized contingent considerations of $7,425 representing future amounts the Corporation may be required to pay in conjunction with various business combinations. The ultimate amount of future payments is based on specified future criteria, such as sales and earnings metrics. The Corporation estimates the fair value of the contingent consideration liabilities related to the achievement of these metrics by assigning an achievement probability to each potential milestone.

Collateral
As at December 31, 2015, the carrying amount of all of the financial assets that the Corporation has pledged as collateral for its long-term debt facilities was $225,514.

Fair value hierarchy
The Corporation's financial assets and liabilities recorded at fair value on the consolidated statement of financial position have been categorized into three categories based on a fair value hierarchy. Fair value of assets and liabilities included in Level I are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 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 3 valuations are based on inputs that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The Corporation does not have any financial assets carried at fair value as at December 31, 2015.

19. EMPLOYEE FUTURE BENEFITS

The Corporation provides retirement benefits through a variety of arrangements comprised principally of defined benefit and defined contribution plans that cover a substantial portion of employees in accordance with local regulations and practices. The most significant plans in terms of the benefits accrued to date by participants are career average and final average earnings plans and around 78% of the obligations accrued to date come from defined benefit plans in Canada.

Defined Benefit Plans
Canada
The Canadian defined benefit plans comprise of both career average and final average earnings plans which provide benefits to members in the form of a guaranteed level of pension payable for life. A majority of the plans are currently closed to new entrants. The level of pensions in the defined benefit plans depends on the member's length of service

and salary at retirement age for final average earnings plans and salary during employment for career average plans. The defined benefit pension plans requires contributions to be made to a separate trustee-administered fund which is governed by the Corporation. The Corporation is responsible for the administration of the plans assets and for the definition of the investment strategy. The Corporation reviews the level of funding in the defined benefit pension plans on an annual basis as required by local government legislation. Such review includes the asset-liability matching strategy and investment risk management policy. Actuarial valuations are required at least every three years. Depending on the jurisdiction and the funded status of the plan, actuarial valuations may be required annually. The most recent actuarial valuations for the various pension plans were completed between December 31, 2013 and December 31, 2014.

Contributions are determined by the appointed actuary and cover the going-concern normal costs and deficits (established under the assumption that the plan will continue to be in force) or solvency deficits (established under the assumption that the plan stops its operations and is being liquidated), as prescribed by laws and actuarial practices. Under the laws in effect, minimum contributions are required to amortize the going-concern deficits over a period of fifteen years and solvency deficits over a period of five years. Temporary solvency relief measures put in place to mitigate the adverse effects of the 2008 financial crisis allow for the amortization of solvency deficits over a period of up to ten years.

US

The US defined benefit plan provides benefits to members in the form of a guaranteed level of pension payable for life at retirement, and is currently closed to future accrual of benefits. The benefit payments are from a trustee-administered fund and plan assets held in trusts are governed by Internal Revenue Service ("IRS") regulations. Responsibility for governance of the plan, including investment decisions and contribution schedules, is also governed by IRS Regulations and lies with the Corporation. Actuarial valuations are required annually. Contributions are determined by appointed actuaries and cover normal cost and deficits as prescribed by law. Funding deficits are generally amortized over a period of seven years.

Investment Policy

The overall investment policy and strategy for the defined benefit pension plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the risks of the plans. See below for more information about the Corporation's risk management initiatives.

The target asset allocation is determined based on expected economic and market conditions, the maturity profile of the plans' liabilities, the funded status of the respective plans and the plan stakeholders' tolerance to risk. Generally, the Corporation aims to have a portfolio mix of a combined 5% in money market securities, 20% in non-traditional equities, 30% in fixed income instruments and 45% in equity for the Canadian defined benefit plans and a portfolio mix of a combined 20% in cash, 35 % in fixed income instruments and 45% in equity for the US defined benefit plan. As the plans mature and the funded status improves through cash contributions and anticipated excess equity returns, the Corporation intends to reduce the level of investment risk by investing in more fixed-income assets that better match the liabilities.

Risk Management

The Corporation's pension plans are exposed to various risks, including equity, interest rate, inflation, liquidity and longevity risks. Several risk strategies and policies have been put in place to mitigate the impact these risks could have on the funded status of defined benefit plans and on the future level of contributions by the Corporation. The following is a description of key risks together with the mitigation measures in place to address them.

Equity risk

Equity risk is the risk that results from fluctuations in equity prices. This risk is managed by maintaining diversification of portfolios across geographies, industry sectors and investment strategies.

Interest rate risk

Interest rate risk is the risk that results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligation.

This is accomplished by having a portion of the portfolio invested in long-term bonds. A decrease in corporate and/or government bond yields will increase plan liabilities, which will be partially offset by an increase in the value of the plans' bond holdings.

Liquidity risk

Liquidity risk is the risk stemming from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investment in government bonds and equity futures.

Longevity risk

Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments resulting in an increase in the plans' liabilities. This risk is mitigated by using the most recent mortality tables to set the level of contributions.

The Corporation obtains actuarial valuations for its accrued benefit obligations and the fair value of plan assets for accounting purposes under IFRS as at December 31 of each year. In addition, the Corporation estimates movements in its accrued benefit liabilities at the end of each interim reporting period, based upon movements in discount rates and the rates of return on plan assets, as well as any significant changes to the plans. Adjustments are also made for payments made and benefits earned.

Defined Contribution Plans

The Corporation's management, administrative and certain unionized employees may participate in defined contribution pension plans. The Corporation contributes an amount expressed as a percentage of employees' contributions with such percentage varying by group.

The Corporation's expenses for defined contribution plans amounted to $5,342 for the year ended December 31, 2015 [2014 – $4,718].

Other Benefit Plan

The Corporation has another benefit plan in the US which includes retiree medical benefits that contribute to the health care coverage of certain employees and their beneficiates after retirement. The other benefit plan is currently closed to new entrants. The post-retirement benefits cover all types of medical expenses including, but not limited to, cost of doctor visits, hospitalization, surgery and pharmaceuticals. The other benefit plan also provides for post-employment life insurance and compensated absences for eligible current employees, including vacation to be taken before retirement, if certain age and service requirements are met. The retirees contribute to the costs of the post-retirement medical benefits. The plan is not pre-funded and costs are incurred as amounts are paid.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The Corporation recognized total defined benefit costs related to its defined and other benefit plans as follows:

	2015		2014	
	Defined benefit plans	**Other benefit plan**	**Defined benefit plans**	**Other benefit plan**
Current service cost	**2,552**	**–**	2,160	–
Net interest cost (benefit) on net defined benefit liability (asset)	**524**	**(136)**	131	635
Past service cost	**119**	**—**	–	–
Other	**430**	**—**	532	–
Total defined benefit cost (benefit) recognized in net income	**3,625**	**(136)**	2,823	635

The re-measurement components recognized in the statement of other comprehensive income for the Corporation's defined benefit plans comprise the following:

	2015		2014	
Actuarial (gains) losses	**Defined benefit plans**	**Other benefit plan**	**Defined benefit plans**	**Other benefit plan**
Return on pension assets (excluding amounts in net interest on defined benefit schemes)	**(2,202)**	–	(4,706)	–
Based on adjustment of liability assumptions	**(495)**	–	14,566	–
Due to liability experience adjustment	**(1,004)**	–	2,940	–
Total defined benefit (income) cost recognized in the statement of other comprehensive income	**(3,701)**	–	12,800	–

The following tables show the changes in the fair value of plan assets and the defined benefit obligation as recognized in the consolidated financial statements for the Corporation's benefit plans:

Changes in benefit plan assets of the Corporation's benefit plans

	2015		2014	
	Defined benefit plans	**Other benefit plan**	**Defined benefit plans**	**Other benefit plan**
Fair value, beginning of year	**108,313**	–	99,635	–
Interest income on plan assets	**4,244**		4,726	
Actual return on assets (excluding interest income on plan assets)	**2,255**	–	4,715	–
Employer contributions	**5,356**	–	5,310	–
Employee contributions	**303**	–	312	–
Benefit payments	**(6,660)**	–	(6,175)	–
Administration costs	**(548)**	–	(848)	–
Exchange differences	**1,495**	–	638	–
End of year	**114,758**	–	108,313	–

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

Changes in the benefit plan obligations of the Corporation's benefit plans

	2015		2014	
	Defined benefit plans	**Other benefit plan**	**Defined benefit plans**	**Other benefit plan**
Beginning of year	**124,302**	**1,346**	105,148	966
Current service cost	**2,552**	**–**	2,160	–
Interest cost (income)	**4,768**	**(136)**	4,857	635
Employee contributions	**303**	**–**	312	–
Actuarial losses (gains) in other comprehensive income from:				
Changes in demographic assumptions	**(48)**	**–**	1,301	–
Changes in financial assumptions	**(1,115)**	**–**	12,934	–
Experience adjustments	**(495)**	**–**	2,940	–
Benefit payments	**(6,660)**	**(181)**	(6,175)	(356)
Plan amendments and curtailments	**119**	**–**	–	–
Exchange difference	**1,886**	**234**	825	101
End of year	**125,612**	**1,263**	124,302	1,346

Reconciliation of funded status of benefit plans to amounts recorded in the consolidated financial statements

	2015		2014	
	Defined benefit plans	**Other benefit plan**	**Defined benefit plans**	**Other benefit plan**
Fair value of plan assets	114,758	–	108,313	–
Accrued benefit obligation	(125,612)	(1,263)	(124,302)	(1,346)
Net defined benefit liability	(10,854)	(1,263)	(15,989)	(1,346)
Included in other long-term liabilities and provisions	(11,523)	(1,263)	(16,285)	(1,346)
Included in other assets	669	–	296	–

The Corporation expects to contribute approximately $5,620 in 2016 to all its defined benefit plans in accordance with normal funding policy. Because of market driven changes that the Corporation cannot predict, the Corporation could be required to make contributions in the future that differ significantly from its estimates.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

Significant assumptions and sensitivity analysis

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations represent management's best estimates reflecting the long-term nature of employee future benefits and are as follows [weighted-average assumptions as at December 31]:

	2015		2014	
	Defined benefit plans	**Other benefit plan**	**Defined benefit plans**	**Other benefit plan**
Discount rate	**4.0%**	**4.0%**	3.9%	3.9%
Rate of compensation increase	**2.9%**	**–**	2.9%	–
Mortality Table	2014 CPM Private Sector Mortality Table projection with CPM Scale B (with size adjustment)		2014 CPM Private Sector Mortality Table projection with CPM Scale B (with size adjustment)	

The discount rate assumption used in determining the obligations for pension and other benefit plans was selected based on a review of current market interest rates of high-quality, fixed rate debt securities adjusted to reflect the duration of expected future cash outflows for pension benefit payments. At December 31, 2015, a 1.0% decrease in the discount rate used (all other assumptions remaining unchanged) could result in a $19,466 increase in the pension benefit obligation with a corresponding charge recognized in other comprehensive income in the year.

The Corporation funds health care benefit costs, shown under other benefit plan, as a pay as you go basis. For measurement purposes, a 5.0% to 10.0% annual rate of increase in the per capita cost of covered health care and dental benefits was assumed for 2015. The rate was assumed to decrease gradually over the next 10 years to 3.0% and to remain at that level thereafter. The impact of applying a one-percentage-point increase or decrease in the assumed health care and dental benefit trend rates as at December 31, 2015 was nominal.

Assets

The weighted average asset allocations of the defined benefit plans at the measurement date, by asset category, are as follows:

	2015	2014
Equity investments	**81%**	80%
Fixed income investments	**15%**	16%
Other investments	**4%**	4%
	100%	100%

Defined benefit pension liability term

	Amount
Defined benefits schedule for disbursement within 12 months	5,527
Defined benefits schedule for disbursement within 2-5 years	18,248
Defined benefits schedule for disbursement after 5 years or more	44,390

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

20. SEGMENTED INFORMATION

Based on the nature of the Corporation's markets, two main operating segments were identified: Aerospace and Power Generation Project. The aerospace segment includes the design, development, manufacture, repair and overhaul and sale of systems and components for defence and commercial aviation, while the power generation project segment includes the supply of gas turbine power generation units. Revenues in the power generation project segment arise solely from the power generation project in Republic of Ghana and the revenue is included in Canada export revenue. The Corporation evaluated the performance of its operating segments primarily based on net income before interest and income tax expense. The Corporation accounts for intersegment and related party sales and transfers, if any, at the exchange amount.

The Corporation's primary sources of revenue are as follows:

	2015	2014
Sale of goods	**808,552**	711,984
Construction contracts	**35,713**	61,374
Services	**107,201**	69,678
	951,466	843,036

At December 31, 2015, aggregate costs incurred under open construction contracts and recognized profits, net of recognized losses, amounted to $351,672 [December 31, 2014 – $335,440]. Advance payments received for construction contracts in progress at December 31, 2015 were $3,439 [December 31, 2014 – $2,521]. Retentions in connection with construction contracts at December 31, 2015 were $29 [December 31, 2014 – $1,160]. Advance payments and retentions are included in accounts payable, accrued liabilities and provisions.

Revenues from the Corporation's two largest customers accounted for 37.1% of total sales for the year ended December 31, 2015 [December 31, 2014 – two largest customers accounted for 34.6% of total sales].

Geographic segments:

				2015				2014
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Revenues	330,444	333,074	287,948	951,466	325,218	272,646	245,172	843,036
Export revenues[1]	242,715	81,223	65,092	389,030	203,448	68,199	23,382	295,029

[1]Export revenue is attributed to countries based on the location of the customers

				2015				2014
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Property, plant and equipment, intangible assets and goodwill	169,853	208,516	157,581	535,950	179,881	146,722	85,042	411,645

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

21. COST OF REVENUES

	2015	2014
Operating expenses	**748,337**	690,294
Amortization	**41,849**	27,315
Investment tax credits	**(4,206)**	(6,810)
Impairment (reversal) of inventories	**1,107**	(1,545)
	787,087	709,254

22. ADMINISTRATIVE AND GENERAL EXPENSES

	2015	2014
Salaries, wages and benefits	**35,260**	30,588
Administration and office expenses	**16,192**	13,831
Professional services	**3,497**	2,255
Amortization	**1,790**	1,547
	56,739	48,221

23. INTEREST EXPENSE

	2015	2014
Interest on bank indebtedness and long-term debt [Notes 10 and 12]	**4,456**	4,586
Accretion charge on long-term debt and borrowings	**876**	2,531
Discount on sale of trade receivables	**928**	770
	6,260	7,887

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

24. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes unrealized foreign currency translation gains and losses, which arise on the translation to Canadian dollars of assets and liabilities of the Corporation's foreign operations and net actuarial losses on defined benefit pension plans, net of tax. The Corporation recorded unrealized currency translation gains for the year ended December 31, 2015 of $48,446 [2014 – $14,504] and net actuarial gains on defined benefit plans of $2,832 [2014 – loss of $9,452]. These gains and losses are reflected in the consolidated statement of financial position and had no impact on net income for the year.

25. RELATED PARTY DISCLOSURE

Transactions with related parties

The Chairman of the Board of Directors of the Corporation provided a guarantee for the full amount of the Corporation's operating credit facility until September 30, 2014 at which time the guarantee was released. An annual fee of $575 was paid in consideration for the guarantee in 2014.

During the year, the Corporation incurred consulting costs of $100 [2014 – $100] payable to a corporation controlled by the Chairman of the Board of Directors of the Corporation.

Key management personnel

Key management includes members of the Board of Directors of the Corporation and executive officers, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Corporation.

The compensation expense for key management for services is as follows:

	2015	**2014**
Short-term benefits	**3,213**	3,136
Post-employment benefits	**299**	226
Share-based payments	**225**	352
	3,737	3,714

Short-term benefits include cash payments for base salaries, bonuses and other short-term cash payments. Post-employment benefits include the Corporation's contribution pension plan and pension adjustment for defined benefit plan. Share-based payments include amounts paid to executives under the DSU Plan.

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

26. SUPPLEMENTARY CASH FLOW INFORMATION

	2015	2014
Net change in non-cash working capital		
Trade receivables	**(19,148)**	(8,438)
Inventories	**(11,991)**	(10,267)
Prepaid expenses and other	**(3,943)**	361
Accounts payable, accrued liabilities and provisions	**(5,878)**	(4,917)
	(40,960)	(23,261)
Interest paid	**5,406**	5,443
Income taxes paid	**5,634**	3,295

27. ADDITIONAL FINANCIAL INFORMATION

Included in other expenses is a foreign exchange gain of $977 [2014 – $523] on the conversion of foreign currency denominated working capital balances and debt.

28. MANAGEMENT OF CAPITAL

The Corporation's objective is to maintain a capital base sufficient to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as the Corporation's shareholders' equity and interest bearing debt.

As at December 31, 2015, total managed capital was $808,830, comprised of shareholders' equity of $577,345 and interest-bearing debt of $231,485.

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust its capital structure, the Corporation, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares through the normal course issuer bid, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital costs for projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital in the form of debt. There were no changes in the Corporation's approach to capital management during the year.

The Corporation must adhere to covenants in its operating credit facility. As at December 31, 2015 the Corporation was in compliance with these covenants.

29. CONTINGENT LIABILITIES AND COMMITMENTS

In the ordinary course of business activities, the Corporation may be contingently liable for litigation and claims with, among other, customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although, it is not possible to accurately estimate the extent of the potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Corporation.

At December 31, 2015, capital commitments in respect of purchase of property, plant and equipment totalled $16,018, all of which had been ordered. There were no other material capital commitments at the end of the year.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

December 31, 2015

EXECUTIVE OFFICERS

N. Murray Edwards

Chairman

James S. Butyniec

Vice Chairman

Phillip C. Underwood

President and
Chief Executive Officer

Elena M. Milantoni

Chief Financial Officer and
Corporate Secretary

Daniel R. Zanatta

Vice President,
Business Development,
Marketing and Contracts

Larry A. Winegarden

Vice President,
Corporate Strategy

Jo-Ann C. Ball

Vice President,
Human Resources

Karen Yoshiki-Gravelsins

Vice President,
Corporate Stewardship and
Operational Excellence

Mark Allcock

Vice President,
Information Technology

BOARD OF DIRECTORS

N. Murray Edwards (5)

Chairman
Magellan Aerospace Corporation
Mississauga, Ontario

James S. Butyniec

Vice Chairman
Magellan Aerospace Corporation
Mississauga, Ontario

Phillip C. Underwood

President and Chief Executive Officer
Magellan Aerospace Corporation
Mississauga, Ontario

Beth M. Budd Bandler (2, 4)

President
Beth Bandler Professional Corporation
Toronto, Ontario

Hon. William G. Davis P.C., C.C., Q.C. (3)

Counsel
Davis Webb LLP
Brampton, Ontario

William A. Dimma C.M., O. Ont. (1, 2)

Corporate Director
Toronto, Ontario

Bruce W. Gowan (1, 2, 3, 5)

Corporate Director
Huntsville, Ontario

Larry G. Moeller (4)

President
Kimball Capital Corporation
Calgary, Alberta

Steven Somerville (1, 3, 4, 5)

President
Kerr Industries Limited
Oshawa, Ontario

COMMITTEES OF THE BOARD

(1) Audit Committee
Chairman:
William A. Dimma

(2) Governance and
Nominating Committee
Chairman:
Bruce W. Gowan

(3) Human Resources and
Compensation Committee
Chairman:
William G. Davis

(4) Environmental and Health &
Safety Committee
Chairman:
Larry G. Moeller

(5) Pension Committee
Chairman:
Bruce W. Gowan

OPERATING FACILITIES DIRECTORY & SHAREHOLDER INFORMATION

December 31, 2015

CANADA

660 Berry Street,
Winnipeg, Manitoba R3H 0S5
Tel: 204 775 8331

3160 Derry Road East,
Mississauga, Ontario L4T 1A9
Tel: 905 673 3250

634 Magnesium Road,
Haley, Ontario K0J 1Y0
Tel: 613 432 8841

975 Wilson Avenue,
Kitchener, Ontario N2C 1J1
Tel: 519 893 7575

UNITED STATES

97–11 50th Avenue,
New York, New York 11368
Tel: 718 699 4000

25 Aero Road,
Bohemia, New York 11716
Tel: 631 589 2440

165 Field Street,
West Babylon, New York 11704
Tel: 631 694 1818

159 Grassy Plain Street, Route 53,
Bethel, Connecticut 06801
Tel: 203 798 9373

20 Computer Drive,
Haverhill, Massachusetts 01832
Tel: 978 774 6000

2320 Wedekind Drive,
Middletown, Ohio 45042
Tel: 513 422 2751

5170 West Bethany Road,
Glendale, Arizona 85301
Tel: 623 931 0010

5401 West Luke Avenue,
Glendale, Arizona 85311
Tel: 623 939 9441

UNITED KINGDOM

Davy Way, Llay Industrial Estate,
Llay, Wrexham LL12 0PG
Tel: 01978 856600

Miners Road, Llay Industrial Estate,
Llay, Wrexham LL12 0PJ
Tel: 01978 856798

Rackery Lane,
Llay, Wrexham LL12 0PB
Tel: 01978 852101

510 Wallisdown Road,
Bournemouth, Dorset BH11 8QN
Tel: 01202 512405

7/8 Lyon Road, Wallisdown,
Poole, Dorset BH12 5HF
Tel: 01202 535536

11 Tullykevin Road
Greyabbey, County Down
BT22 2QE
Tel: 02842 758231

Amy Johnson Way
Blackpool Business Park,
Blackpool, FY4 2RP
Tel: 01253 345466

Colne Road, Kelbrook
Lancashire, BB18 6SN
Tel: 01282 844480

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Tel: 017 773 8970

INDIA

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No. 139, Kodihalli, Old Airport Road
Bangalore 560 008
Tel: 91 80 2520 3191

CORPORATE OFFICE

Magellan Aerospace Corporation
3160 Derry Road East
Mississauga, Ontario, Canada
L4T 1A9
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Fax: 905 677 5658
www.magellan.aero
For investor information:
ir@magellan.aero

AUDITORS

Ernst & Young LLP
Toronto, Ontario

TRANSFER AGENT

Computershare Investor Services Inc.
Toronto, Ontario
Tel: 1 800 564 6253
e-mail: service@computershare.com
www.computershare.com

STOCK LISTING

Toronto Stock Exchange—TSX
Common Shares—MAL

ANNUAL MEETING

The Annual Meeting of the Shareholders of Magellan Aerospace Corporation will be held on Tuesday, May 10th, 2016 at 2:00 p.m. at The Living Arts Centre, 4141 Living Arts Drive, Mississauga, Ontario L5B 4B8

Magellan Aerospace
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