Financial statements

CG Power Systems Canada Inc.

March 31, 2016

Building a better working world

Independent auditors' report

To the Shareholder of
CG Power Systems Canada Inc.

We have audited the accompanying financial statements of **CG Power Systems Canada Inc.**, which comprise the balance sheet as at March 31, 2016, and the statements of net profit (loss) and comprehensive profit (loss), changes in shareholder's deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **CG Power Systems Canada Inc.** as at March 31, 2016, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Winnipeg, Canada
May 6, 2016

Chartered Professional Accountants

CG Power Systems Canada Inc.

Balance sheet

As at March 31

	2016	2015
	$	$
Assets		
Current		
Cash	**73,401**	8,745,662
Restricted cash *[note 17]*	**1,600,000**	—
Accounts receivable *[note 5]*	**307,813**	19,573,283
Accounts receivable – related parties *[note 11]*	**178,989**	978,279
Inventories *[note 6]*	**—**	16,557,902
Prepaid expenses and deposits	**—**	268,156
Total current assets	**2,160,203**	46,123,282
Property, plant and equipment, net *[note 7]*	**—**	14,036,158
Deferred income taxes *[note 9]*	**—**	2,465,464
Accrued benefit asset *[note 8]*	**—**	648,900
	2,160,203	63,273,804
Liabilities and shareholder's deficiency		
Current		
Accounts payable and accrued liabilities	**814,744**	13,714,288
Accounts payable – related parties *[note 11]*	**130,046**	8,558,975
Progress billings	**—**	15,666,469
Provisions *[note 13]*	**371,788**	1,483,603
Total current liabilities	**1,316,578**	39,423,335
Provisions *[note 13]*	**1,750,000**	1,900,000
Related party loans and advances *[note 11]*	**1,613,355**	41,260,902
Total liabilities	**4,679,933**	82,584,237
Commitment *[note 14]*		
Shareholder's deficiency		
Share capital *[note 10]*	**35,500,000**	35,500,000
Contributed surplus	**1,111,475**	1,111,475
Deficit	**(39,131,205)**	(55,921,908)
Total shareholder's deficiency	**(2,519,730)**	(19,310,433)
	2,160,203	63,273,804

See accompanying notes

On behalf of the Board:

Director

Director

CG Power Systems Canada Inc.

Statement of net profit (loss) and comprehensive profit (loss)

Year ended March 31

	2016	2015
	$	$
Revenue	**114,736**	363,231
Expenses		
General and administrative *[note 15]*	**210,489**	86,002
Sales and marketing *[note 15]*	**6,667**	—
Other gains and losses *[note 16]*	**(26,341,254)**	23,161
	(26,124,098)	109,163
Profit before the following	**26,238,834**	254,068
Interest expense *[note 11]*	**(862,843)**	(1,380,777)
Profit (loss) from continuing operations before income taxes	**25,375,991**	(1,126,709)
Income taxes	**—**	—
Net profit (loss) from continuing operations	**25,375,991**	(1,126,709)
Loss after tax from discontinued operations *[note 17]*	**(8,645,075)**	(4,148,806)
Net profit (loss) for the year	**16,730,916**	(5,275,515)
Other comprehensive income (loss)		
Other comprehensive profit (loss) after tax from discontinued operations *[note 17]*	**59,787**	(672,800)
Total comprehensive profit (loss) for the year	**16,790,703**	(5,948,315)

See accompanying notes

CG Power Systems Canada Inc.

Statement of changes in shareholder's deficiency

	Share capital	Contributed surplus	Deficit	Total
	$	$	$	$
Balance, March 31, 2014	35,500,000	1,111,475	(49,973,593)	(13,362,118)
Net loss for the year	—	—	(5,275,515)	(5,275,515)
Other comprehensive loss	—	—	(672,800)	(672,800)
Balance, March 31, 2015	35,500,000	1,111,475	(55,921,908)	(19,310,433)
Net profit for the year	—	—	16,730,916	16,730,916
Other comprehensive income	—	—	59,787	59,787
Balance, March 31, 2016	**35,500,000**	**1,111,475**	**(39,131,205)**	**(2,519,730)**

See accompanying notes

CG Power Systems Canada Inc.

Statement of cash flows

Year ended March 31

	2016	2015
	$	$
Operating activities		
Net profit (loss) from continuing operations	**25,375,991**	(1,126,709)
Add items not affecting cash		
Gain on debt forgiveness *[note 11[c]]*	**(26,243,850)**	—
Decrease in provisions	**(150,000)**	—
	(1,017,859)	(1,126,709)
Changes in non-cash working capital balances related to operations		
Accounts receivable	**1,461,100**	(441,318)
Accounts receivable – related parties	**510,555**	6,242,017
Prepaid expenses	**203,069**	—
Accounts payable and accrued liabilities	**(167,299)**	7,776
Accounts payable – related parties	**885,853**	2,685,057
Cash provided by operating activities	**1,875,419**	7,366,823
Financing activities		
Decrease in related party loans and advances	**(22,718,479)**	(5,169,271)
Decrease in loan receivable to related party	**288,735**	434,292
Cash used in financing activities	**(22,429,744)**	(4,734,979)
Investing activities		
Proceeds on disposal of business *[note 17]*	**12,238,058**	—
Cash provided by investing activities	**12,238,058**	—
Net increase (decrease) in cash during the year from continuing operations	**(8,316,267)**	2,631,844
Cash flows provided by (used in) discontinued operations *[note 17]*	**(355,994)**	5,432,805
Cash, beginning of year	**8,745,662**	681,013
Cash, end of year	**73,401**	8,745,662
Supplemental cash flow information		
Income taxes recovered	**10,449**	—
Interest paid	**795,383**	2,700

See accompanying notes

Notes to financial statements

March 31, 2016

1. General information

CG Power Systems Canada Inc. ["CG" or the "Company"] is incorporated under the *Canada Business Corporations Act*. The Company historically has manufactured medium and large power transformers, as well as HVDC converter transformer technology. On November, 16, 2015, the Company sold its transformer manufacturing business and retained only its agency sales. The address of its registered office is 101 Rockman Street, Winnipeg, Manitoba, Canada, R3T 0L7.

2. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. The accounting policies set out in note 3 have been applied consistently to all periods presented in these financial statements. The Company's transformer manufacturing business is reported as discontinued operations. The disclosure of the discontinued operations was applied retroactively and the comparative information for the immediately preceding year ended March 31, 2015 is restated to show the impact that the discontinued operations would have had on the comparative statements of net profit (loss) and comprehensive profit (loss) and cash flows *[note 17].*

The policies applied in these financial statements are based on IFRS issued and outstanding as of the approval date of these financial statements. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value.

The financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

These financial statements were approved by the Board of Directors for issue on May 6, 2016.

Financial liquidity

The Company reported cash provided by continuing operations of approximately $1.9 million and $7.4 million used in operations for the years ended March 31, 2016 and 2015, respectively. As at March 31, 2016 and 2015, CG Holdings Belgium N.V., CG International B.V., and CG Power USA, Inc., 100% wholly owned subsidiaries of Crompton Greaves Limited, have loaned the Company in aggregate $1.6 million and $41.3 million plus interest, respectively. Crompton Greaves Limited, the ultimate parent company, provided the Company with a support letter stating their intent to provide financial support to the Company as necessary to ensure the Company's ability to continue as a going concern through April 30, 2017.

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are summarized as follows:

Revenue recognition

Revenue is measured at the fair value of the consideration received, net of any related shipping costs.

The Company recognizes revenue when: [1] persuasive evidence of an agreement exists, [2] upon transfer of ownership and risk of loss to the customer, [3] the sale price is fixed or determinable, and [4] collection of the resulting receivable is probable. Customer deposits are recorded as a current liability when cash is received from the customer and recognized as revenue at the time the risks and rewards of ownership are transferred to the customer as noted above.

Certain sales transactions entered into by the Company have the characteristics of agency sales and as a result, revenue is recorded based on the net amount retained, which is the difference between the amount billed to a customer less the amount paid to the supplier. The amount receivable from the customer and the amount owing to the supplier are not reported on a net basis.

Foreign currency translation

Foreign currency accounts are translated into Canadian dollars on the following basis: monetary assets and liabilities are translated at the exchange rate in effect as at the balance sheet date and any translation gains or losses that result are included in the statement of net profit (loss) and comprehensive profit (loss); non-monetary balance sheet items are translated at the rate of exchange in effect at the original transaction date; and revenue and expenses are translated at an average rate in effect at the time of the transaction.

Inventories

The Company values inventories at the lower of cost, based on a weighted average basis, and net realizable value. Costs of finished goods and work-in-progress include the purchase cost net of supplier allowances, transportation expenses incurred to bring inventories to their present location, and costs of conversion. Inventories are written down to net realizable value when the cost of inventories is estimated to be greater than the estimated selling price in the ordinary course of business, net of selling costs, less the estimated costs of completion. When circumstances that previously required inventories to be written down below cost no longer exist, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

Property, plant and equipment

Property, plant and equipment are recognized using the cost model, net of any accumulated depreciation and any impairment losses determined. Costs include the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for use. When an asset includes major components that have different useful lives, they are accounted for as separate items. All other expenditures such as ordinary maintenance and repairs are recognized in the statement of net profit (loss) and comprehensive profit (loss) as an expense as incurred.

Depreciation on property, plant and equipment is recognized on a straight-line basis over the following useful lives:

Building	20 years
Manufacturing equipment	10 years
Office equipment	10 years
Computer hardware	3 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted prospectively if necessary.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment test is performed by comparing the carrying amount of the asset to its recoverable amount. The recoverable amount is calculated as the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recorded in income in the period in which the loss occurs. When circumstances indicate that an impairment loss recognized in previous periods no longer exists, the loss is reversed in the current period.

Current and deferred income taxes

Income tax comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

The asset and liability method is used to account for deferred income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates in effect in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period in which the rate change occurs. Deferred income tax assets are recognized to the extent that realization is considered probable.

Investment tax credits

Federal and provincial investment tax credits are accounted for as a reduction of the cost of the related assets or expenditures in the year in which the credits are earned and when there is reasonable assurance that the credits can be used to recover taxes.

Pension plans

The accrued benefit obligations of the Company's defined benefit pension plan were determined every year by independent actuaries. The cost of pension benefits earned by employees is determined using the projected unit credit method in order to determine the current service cost and management's estimates of expected return on plan assets, retirement ages of employees and other actuarial factors. For purposes of calculating the expected return of plan assets, those assets are valued at fair value.

Actuarial gains or losses arise from the difference between actual rates of return on plan assets and the expected rate of return on plan assets, or from changes in actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains or losses are recognized in other comprehensive income (loss) and deficit.

Past-service costs arising from plan amendments are recognized as an expense immediately if the benefits are fully vested or on a straight-line basis over the average period until the benefits will become vested. The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

For the Salary and Hourly defined contribution plans, the pension expense is the Company's contribution to the plan for the period.

Financial instruments

The Company initially recognizes all financial assets and liabilities at fair value and subsequently measures them at either amortized cost or fair value depending on the type of instrument. Financial assets may be classified as Fair Value Through Profit or Loss ["FVTPL"], Available for Sale, Loans and Receivables or Held to Maturity. Financial liabilities may be classified as FVTPL or other financial liabilities.

The Company has made the following designations: accounts receivable and accounts receivable – related parties are classified as loans and receivables and are carried at amortized cost; and accounts payable and accrued liabilities, accounts payable – related parties and related party loans and advances are classified as other liabilities and are carried at amortized cost. Cash and derivative financial instruments are classified as FVTPL. Derivatives are included in the balance sheet within accounts payable and accrued liabilities and are classified as current and non-current based on the contractual terms specific to the instrument. Gains and losses on remeasurement of derivative financial instruments are included in other gains and losses in the statement of net profit (loss) and comprehensive profit (loss).

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

- Financial assets carried at amortized cost – the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Leases

The Company leased manufacturing and office equipment. Leases are classified as either finance or operating. Leases that transfer substantially all of the benefits and risks of ownership of the asset to the Company are classified as finance leases. Finance lease obligations reflect the present value of future lease payments discounted at the appropriate interest rate. All other leases are accounted for as operating leases, whereby rental payments are expensed as incurred.

The Company, as a lessee, has determined, based on an evaluation of the terms and conditions of the arrangements, that it does not retain any of the significant risks and rewards of ownership of the equipment and therefore accounts for them as operating leases. Payments made under operating leases are charged as an expense in the statement of net profit (loss) and comprehensive profit (loss) on a straight-line basis over the period of the lease.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of net profit (loss) and comprehensive profit (loss), net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided. Initial recognition is based on historical experience.

Discontinued operations

A disposal group qualifies as discontinued operations if it is a component of an entity that either has been disposed of, or is classified as held for sale, and,

[i] Represents a separate major line of business or geographical area of operations;
[ii] Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
[iii] Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of net profit (loss) and comprehensive profit (loss). Additional disclosures are provided in note 17.

Accounting standards and amendments issued but not yet effective

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2015 with earlier application permitted, unless otherwise noted. The Company has not yet assessed the impact of these standards and amendments.

IFRS 15, Revenue from Contracts with Customers [“IFRS 15”]

IFRS 15, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2017 and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is currently evaluating the impact of the above standard on its financial statements.

IFRS 9, Financial Instruments: Classification and Measurement [“IFRS 9”]

IFRS 9 as issued reflects the first phase of the IASB’s work on the replacement of the existing standard for financial instruments [“IAS 39”] and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018. The revised version of IFRS 9 introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 16, Leases ["IFRS 16"]

In January 2016, the IASB issued IFRS 16, which requires lessees to recognize assets and liabilities for most leases. Lessees will have a single accounting model for all leases, with certain exemptions. The new standard is effective January 1, 2019, with limited early application permitted. The new standard permits lessees to use either a full retrospective or a modified retrospective approach on transition for leases existing at the date of transition, with options to use certain transition reliefs.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38, that revenue reflects a pattern of economic benefits that are generated from operating a business [of which the asset is part] rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

4. Significant accounting estimates, judgments and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the amounts reported in these financial statements and accompanying notes. These estimates and related assumptions are based on historical experience and various other factors considered reasonable under the circumstances, the results of which form the basis of making the assumptions and judgments about carrying values of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Employee future benefits

The cost and related liabilities of the Company's pensions, other post-retirement and post-employment benefit programs were determined using actuarial valuations. The actuarial valuations involve assumptions including those related to discount rates and expected rates of return on assets. Also, due to the long-term nature of these programs, such estimates are subject to significant uncertainty. See note 8 for further information.

Provisions

The recording of provisions related to current contracts requires management to make estimates of the future costs associated with warranties and late delivery fees. Any difference in the actual warranty costs and late delivery penalties incurred and the amount of the provision is recorded in the statement of net profit (loss) and comprehensive profit (loss) in the period the estimate is revised.

The recording of provisions related to legal claims requires management to make estimates regarding whether the claim is more likely than not to result in an obligation and the amount and timing of the settlement. Any adjustments to the legal provision are recorded in the statement of net profit (loss) and comprehensive profit (loss) in the period the estimate is revised.

Impairment of non-financial assets

The Company's impairment test is based on value in use or fair value less cost to sell calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market share, degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate, as well as the forecasted margins and growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates used to evaluate non-financial assets could result in a material change to the results of operations.

Income taxes

Deferred income tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5. Accounts receivable

	2016	**2015**
	$	$
Accounts receivable – trade	**—**	12,434,437
Holdbacks	**—**	6,421,576
Other receivables	**307,813**	717,270
	307,813	19,573,283

Included in other receivables are insurance reimbursements of $307,813 [2015 – $473,011].

6. Inventories

	2016 $	2015 $
Raw materials	—	5,471,828
Work in process	—	10,649,962
Finished goods	—	436,112
	—	16,557,902

During the year, the Company recorded inventory write-downs included in discontinued operations amounting to $1,079,196 [2015 – $1,201,165]. The amount of inventories recognized as an expense within cost of sales is $29,207,176 [2015 – $36,072,086] and is presented as part of discontinued operations.

7. Property, plant and equipment

	Land $	Building $	Manufacturing equipment $	Office equipment $	Computer hardware $	Total $
Year ended March 31, 2016						
Opening net book value	**1,625,000**	**4,888,374**	**7,491,744**	**31,040**	**—**	**14,036,158**
Additions	**—**	**—**	**—**	**—**	**—**	**—**
Depreciation charge	**—**	**(299,428)**	**(889,849)**	**(3,228)**	**—**	**(1,192,505)**
Disposals on sale of business	**(1,625,000)**	**(4,588,946)**	**(6,601,895)**	**(27,812)**	**—**	**(12,843,653)**
Closing net book value	**—**	**—**	**—**	**—**	**—**	**—**
Year ended March 31, 2015						
Opening net book value	1,625,000	5,448,563	8,851,496	29,887	17,236	15,972,182
Additions	—	—	71,571	7,639	—	79,210
Depreciation charge	—	(560,189)	(1,431,323)	(6,486)	(17,236)	(2,015,234)
Closing net book value	1,625,000	4,888,374	7,491,744	31,040	—	14,036,158
As at March 31, 2015						
Carrying value	1,625,000	11,364,268	30,051,095	80,427	166,859	43,287,649
Accumulated depreciation	—	(6,475,894)	(22,559,351)	(49,387)	(166,859)	(29,251,491)
Net book value	1,625,000	4,888,374	7,491,744	31,040	—	14,036,158

8. Employee pension plans

[a] The Company maintained a defined benefit pension plan for union employees [the “Hourly plan”]. All members who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to a defined contribution plan effective May 5, 2010, resulting in a curtailment loss in the year ended March 31, 2011. In addition, a portion of the plan was settled on March 11, 2011. Members who met the qualifying threshold had the option to transition to the defined contribution plan or remain in the Hourly plan. All new union employees are members of the defined contribution plan. The pension benefits are calculated on a final dollar amount per individual year of qualified service.

On November 3, 2014, the Company entered into an Annuity Buy-In agreement with Sun Life Assurance Company of Canada [“Sun Life”]. The annuity Buy-In is in respect to pensioners and deferred vested plan members. The Defined Benefit Obligation [“DBO”] for these pensioners and deferred vested members is equal to $22,382,700 as at March 31, 2015. The fair value of the plan assets as at March 31, 2015 includes this amount as an investment. This transaction is not considered a settlement under IFRS accounting rules.

The most recent actuarial valuation of the Hourly plan for funding purposes was as of November 16, 2015.

	2016 $	**2015** $
The movement in the fair value of plan assets is as follows:		
Balance, beginning of year	**26,037,100**	26,491,300
Actuarial gain (loss)	**(1,683,900)**	1,234,000
Expected return on plan assets	**517,000**	1,032,400
Benefits paid	**(1,118,600)**	(1,747,800)
Transfer	**—**	(972,800)
Transfer on sale of assets *[note 17]*	**(744,000)**	—
Balance, end of year	**23,007,600**	26,037,100
The movement in the defined benefit obligation is as follows:		
Balance, beginning of year	**25,388,200**	25,221,000
Interest cost	**503,800**	981,000
Benefits paid	**(1,118,600)**	(1,747,800)
Actuarial loss (gain)	**(1,700,200)**	1,906,800
Transfer on sale of assets *[note 17]*	**(65,600)**	(972,800)
Balance, end of year	**23,007,600**	25,388,200
Accrued benefit asset	**—**	648,900

Notes to financial statements

Plan assets were comprised of:

	2016	2015
	%	%
Equity instruments	**9.1**	8.4
Fixed income	**5.9**	5.6
Annuity Buy-In	**85.0**	86.0

	2016	2015
	$	$
Benefit expense (recovery) was determined as follows:		
Interest cost	**503,800**	981,000
Expected return on plan assets	**(517,000)**	(1,032,400)
Credit for the year	**(13,200)**	(51,400)
Amounts recognized in other comprehensive income (loss)		
Recognition of actuarial net (gain)/loss	**(59,787)**	672,800
	(59,787)	672,800
Total expense (recovery) for the year	**(72,987)**	621,400

The actuarial gain of $59,787 [2015 – $672,800 loss] is recorded in other comprehensive income (loss), net of income taxes of nil [2015 – nil].

The significant actuarial assumptions adopted in measuring the Company's accrued benefit costs were as follows:

	2016	2015
	%	%
Discount rate – obligation	**3.95**	3.25
Discount rate – expense	**3.25**	4.05
Expected long-term rate of return on plan assets	**N/A**	N/A
Future salary increases	**N/A**	N/A
Future pension increases	**N/A**	N/A

[b] During the year, pension expense of $450,700 [2015 – nil] was recorded in income from discontinued operations for the cost of a bridge benefit related to the Company's defined benefit pension plan.

[c] During the year, pension expense of $379,954 [2015 – $606,168] was recorded in income from discontinued operations for the hourly defined contribution plan.

[d] The Company maintained a defined contribution plan for salaried employees. During the year, pension expense of $257,706 [2015 – $385,773] was recorded in income from discontinued operations for the salary defined contribution plan.

9. Income taxes

The significant components of the provision for income taxes included in the statement of net profit (loss) and comprehensive profit (loss) are composed of:

	2016	**2015**
	$	$
Deferred income taxes		
Valuation allowance on temporary differences	**—**	2,899,948
	—	2,899,948

The following deferred amounts were debited (credited) directly to comprehensive income (loss) during the year:

	2016	**2015**
	$	$
Deferred income tax expense on actuarial gains on defined benefit plan	**22,113**	—

The Company provides for income taxes at statutory rates as determined below:

	2016	**2015**
	%	%
Federal base rate	**38.00**	38.00
Federal abatement	**23.00**	23.00
Net federal tax rate	**15.00**	15.00
Provincial tax rate	**12.00**	12.00
	27.00	27.00

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory rate of 27% [2015 – 27%] are as follows:

	2016 $	2015 $
Net profit (loss) from continuing operations before income taxes for the year	**25,375,991**	(1,126,709)
Expected provision for income taxes at statutory rates	**6,851,517**	(304,211)
Non-taxable portion of net profit	**(7,083,140)**	—
Benefit of unused tax losses not recognized in current or prior periods	**231,623**	304,211
Total provision for income taxes	**—**	—

Components of the deferred income tax assets and liabilities are as follows:

	2016 $	2015 $
Deferred income tax assets		
Accounts payable and accrued liabilities	—	546,215
Warranty accrual	—	178,721
Non-capital loss carryforward	—	4,882,826
Other	—	67,470
	—	5,675,232
Deferred income tax liabilities		
Holdbacks	—	(1,379,913)
Pension plan asset	—	(175,203)
Property, plant and equipment	—	(1,536,527)
Land revaluation	—	(118,125)
	—	(3,209,768)
Net deferred income tax asset	—	2,465,464

	2016 $	2015 $
Deferred income tax assets		
Deferred income tax assets to be recovered within 12 months	—	546,215
Deferred income tax assets to be recovered after more than 12 months	—	5,129,017
	—	5,675,232
Deferred income tax liabilities		
Deferred income tax liabilities to be recovered within 12 months	—	(1,379,913)
Deferred income tax liabilities to be recovered after more than 12 months	—	(1,829,855)
	—	(3,209,768)
Net deferred income tax asset	—	2,465,464

The Company has approximately $31 million [2015 – $56 million] of non-capital losses which will start to expire on March 31, 2028. The R&D pool in the amount of $222,875 is available to be carried forward indefinitely.

The Company has accumulated total provincial and federal investment tax credits for investments in qualifying manufacturing and processing property, plant and equipment and R&D activities that are available to be carried forward and to offset future years' taxes payable. These credits expire as follows:

	$
2017	9,152
2018	41,170
2019	216,001
2020	9,467
2021	131,099
2022	130,343
2023	39,294
2024	63
2025	2,606
2030	32,305
2031	58,830
2032	83,248
	753,578

The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences, loss carryforwards and investment tax credits become deductible.

In the current year, the Company recorded a valuation allowance within discontinued operations of $2,443,351 against previously recognized deferred income tax assets as their realization was no longer considered probable.

10. Share capital

Authorized

Unlimited	number of one class of common shares
Unlimited	number of Class A preference shares

		2016	2015
		$	$
Issued and outstanding			
1,500,000	common shares, issued for consideration of $18.33 each	**27,500,000**	27,500,000
8,000	Class A preference shares, issued for consideration of $1,000 each	**8,000,000**	8,000,000
		35,500,000	35,500,000

In December 2008, the Company issued 8,000 Class A preference shares to its parent company, CG Holdings Belgium N.V. [formerly Pauwels International N.V.], for consideration of $8,000,000 [$1,000 per share] obtained from the parent company by way of a reduction of the shareholder loan of the same amount. The holder of these shares is entitled to receive when, as and if declared by the Board, non-cumulative dividends at a rate per annum as determined by the Board, but at a rate that is not less than 1% and not more than 10% of the aggregate of the preference share redemption price, which is defined as an amount equal to the aggregate consideration for which such preference shares were issued, divided by the number of preference shares then outstanding. These shares are redeemable at the option of the Company.

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11. Related party transactions and balances

[a] The Company conducts transactions with related parties in the normal course of operations. CG Holdings Belgium N.V. is the Company's parent; Crompton Greaves International B.V. is the ultimate parent and all other related parties are companies subject to common control. The following list summarizes the Company's related party transactions for the year:

	2016 $	**2015** $
Sales of product to related companies		
CG Power USA Inc.	**628,108**	511,371
Purchases and other services from related companies		
CG Power USA Inc.	**130,490**	—
CG Electric Systems Hungary Zrt	**4,426**	—
Interest payable to related companies		
CG Holdings Belgium N.V.	**757,732**	1,095,392
CG International B.V.	**22,667**	62,265
Interest earned from related companies		
CG Power USA Inc.	**—**	3,547

[b] The following is a summary of the Company's trade related party balances:

	2016 $	**2015** $
Accounts receivable – related parties		
CG Power USA Inc.	**—**	500,539
CG International B.V.	**169,466**	4,467
CG Power Systems Belgium N.V.	**—**	376,243
Crompton Greaves Limited	**9,523**	34,826
SEAM	**—**	62,204
	178,989	978,279

	2016 $	2015 $
Accounts payable – related parties		
CG Power USA Inc.	**123,738**	2,850,135
Crompton Greaves Limited	**6,308**	6,308
CG Holdings Belgium N.V.	**—**	2,377,549
CG Power Systems Belgium N.V.	**—**	3,324,983
	130,046	8,558,975

The related party accounts receivable and accounts payable and accrued liabilities balances are on normal trade terms and have arisen from the sales of product and provision of services referred to above. The related party balances do not bear interest.

During the year, the Company did not record provisions and did not incur bad debt expense on related party balances.

[c] Related party loans and advances

The following are the details of related party loans and advances to the Company:

	2016 $	2015 $
CG Holdings Belgium N.V. [i]		
Shareholder loan	**1,500,000**	34,706,017
Accrued interest	**113,355**	3,374,758
CG International B.V. [ii]		
Shareholder loan	**—**	3,000,000
Accrued interest	**—**	180,127
	1,613,355	41,260,902

[i] During the year, CG Holdings Belgium N.V. forgave $26,243,850 of the outstanding shareholder loan owed by the Company and, accordingly, a gain on debt forgiveness was recorded in net profit (loss) from continuing operations. The remaining shareholder loan in the amount of $1,500,000 bears interest at a floating rate of LIBOR plus 2.3% and interest is due semi-annually, June 30 and December 31. The effective interest rate for the year was 3.45% [2015 – 3.45%]. The loan is subordinated to all debts and obligations, present and future, direct and indirect of the borrower to its lender. There are no set principal repayment terms; however, as the parent company has indicated that it will not call the loan within one year, the amount has been classified as long-term.

[ii] The shareholder loan in the amount of $3,000,000 bore interest at a rate of floating LIBOR plus 1.0%. The effective interest rate for the year was 2.150% [2015 – 2.123%].

12. Financial instruments

Fair value of financial assets and liabilities

The carrying values of cash, accounts receivable, accounts receivable – related parties, accounts payable and accrued liabilities and accounts payable – related parties approximate their fair values due to the short-term nature of these instruments. The fair value of the Company's related party loans and advances approximates their carrying amount due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates and there have been no significant changes in the Company's own credit risk. The fair value of copper purchase and foreign exchange forward contracts was determined by valuing these contracts to market rates as at the year-end reporting date.

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value in a hierarchy that is based on significance of the inputs in making the measurements. The levels in the hierarchy are:

- Level 1 – Quoted prices [unadjusted] in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly [that is, as prices] or indirectly [that is, derived from prices].
- Level 3 – Inputs for the asset or liability that are not based on observable market data [that is unobservable inputs].

The following table presents the classification of financial instruments within the fair value hierarchy as at March 31, 2016:

	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets				
Cash	**73,401**	**—**	**—**	**73,401**
Restricted cash	**1,600,000**	**—**	**—**	**1,600,000**

The following table presents the classification of financial instruments within the fair value hierarchy as at March 31, 2015:

	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets				
Cash	8,745,662	—	—	8,745,662
Financial liabilities				
Forward purchase contracts	—	2,728,105	—	2,728,105

During the reporting periods ended March 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

Credit risk

The Company, in the normal course of business, is exposed to credit risk from its customers. The Company's financial assets that were exposed to credit risk consisted primarily of trade accounts receivable. The carrying value of trade accounts receivable reflected management's assessment of the associated maximum exposure to such credit risk. This risk was mitigated by the nature of the customer base, by the nature of the product provided and by the vast majority of customers being large public utilities.

As at March 31, 2016, trade accounts receivable of nil [2015 – $5,927,573] were fully performing, nil [2015 – $6,506,864] were past due but not impaired, and nil [2015 – nil] were impaired. The aging analysis of the past due trade receivables is as follows:

	2016 $	2015 $
Past due but not impaired		
Up to 3 months	—	5,546,805
3 to 6 months	—	123,870
Over 6 months	—	836,189

During the year, there were no trade accounts receivable that were impaired.

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	2016 $	2015 $
Balance, beginning of year	—	8,594
Receivables written off during the year as uncollectible	—	(8,594)
Balance, end of year	—	—

Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about default rates. In the past three years, there have been no defaults on payments.

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Liquidity risk

Liquidity risk is the risk that the Company will have difficulty raising funds to meet its obligations. The Company manages liquidity risk by preparing quarterly cash flow projections and ensuring it has the appropriate capital structure, operating line and funding from its parent company available *[note 2].*

The following table summarizes the undiscounted cash flows of financial liabilities by contractual or expected maturity:

	2016				
	Less than 3 months	3 months to 1 year	2-5 years	Over 5 years	Total
	$	$	$	$	$
Financial liabilities					
Accounts payable and accrued liabilities	**814,744**	**—**	**—**	**—**	**814,744**
Accounts payable – related parties	**—**	**130,046**	**—**	**—**	**130,046**
Related party loans and advances	**—**	**—**	**1,613,355**	**—**	**1,613,355**
Provisions	**—**	**371,788**	**1,750,000**	**—**	**2,121,788**
	814,744	**501,834**	**3,363,355**	**—**	**4,679,933**

	2015				
	Less than 3 months	3 months to 1 year	2-5 years	Over 5 years	Total
	$	$	$	$	$
Financial liabilities					
Accounts payable and accrued liabilities	13,714,288	—	—	—	13,714,288
Accounts payable – related parties	—	8,558,975	—	—	8,558,975
Related party loans and advances	—	—	41,260,902	—	41,260,902
Provisions	1,483,603	—	1,900,000	—	3,383,603
	15,197,891	8,558,975	43,160,902	—	66,917,768

Interest rate risk

The Company is exposed to interest rate risk related to its related party loans and advances. The Company's related party loans and advances are subject to floating interest rates; accordingly, cash flows are affected by changes in interest rates.

As at March 31, 2016, if interest rates had been 1% higher with all other variables held constant, interest expense for the year would have increased by $242,798 [2015 – $383,217]. If interest rates had been 1% lower with all other variables held constant, interest expense for the year would have decreased by $242,798 [2015 – $383,217].

Foreign exchange risk

The Company is exposed to fluctuations in the Euro with respect to its agency sales and therefore there is a financial risk of earnings fluctuations arising from changing foreign exchange rates and the degree of volatility of these rates. During the year, the Company recorded a foreign exchange loss of $64,631 [2015 – $23,161] on its agency sales.

As at March 31, 2016, if the Canadian dollar had strengthened or weakened by 10% against the Euro with all other variables held constant, profit (loss) from continuing operations before income taxes for both the current and prior year would have had an immaterial change.

CG Holdings Belgium N.V. entered into foreign exchange forward contracts related to a portion of the Company's US-dollar-denominated sales on behalf of the Company. All outstanding contracts were settled as at November 16, 2015, and the loss on foreign exchange contracts of $2,157,520 [March 31, 2015 – $2,728,105] has been included in net profit (loss) and comprehensive profit (loss) from discontinued operations.

Commodity risk

The Company was exposed to the impact of market fluctuations in the prices of steel and copper as part of its transformer manufacturing business. CG Holdings Belgium N.V. entered into forward purchase contracts on behalf of the Company. All outstanding contracts were settled as at November 16, 2015, and the loss of $213,667 [March 31, 2015 – $38,964] on these contracts has been included in net profit (loss) and comprehensive profit (loss) from discontinued operations.

13. Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Legal provision

The Company, in the course of operations, is subject to lawsuits. As a policy, the Company will accrue for losses in instances where it is probable that the liabilities will be incurred and where such liabilities can be reasonably estimated. A provision has been recorded in these financial statements for such claims.

Warranty provision

The Company provides warranty services on the transformers it sells. The Company provides for warranty services that have been identified by customers and provides for an amount of recent sales that are based on historical experience, which management believes will result in warranty work. The Company expects to provide these warranty services within the first five years subsequent to the sale of the transformers. A provision has been recorded in these financial statements for warranties for sales made prior to the disposition of the transformer business.

Late delivery provision

The Company, in the course of operations, is subject to late delivery fees. As a policy, the Company would accrue for late delivery fees when it is probable that the late deliveries would occur.

	Legal claims	**Warranty**	**Late delivery**	**Total**
	$	$	$	$
As at March 31, 2014	1,900,000	437,284	1,905,078	4,242,362
Additional provisions	—	573,260	2,027,985	2,601,245
Unused amounts reversed	—	—	(10,910)	(10,910)
Utilized during the year	—	(498,615)	(2,950,479)	(3,449,094)
As at March 31, 2015	1,900,000	511,929	971,674	3,383,603
Additional provisions	—	456,922	440,509	897,431
Unused amounts reversed	(150,000)	—	(518,819)	(668,819)
Utilized during the year	—	(250,808)	(313,854)	(564,662)
Assumed by purchaser	—	(346,255)	(579,510)	(925,765)
As at March 31, 2016	**1,750,000**	**371,788**	**—**	**2,121,788**

Insurance reimbursements

The Company, in the normal course of operations, files insurance claims on repair or replacement work on transformers that are damaged in shipment. The Company expects to obtain reimbursement once the claim is settled.

The insurance reimbursement recorded in accounts receivable on the balance sheet is comprised of the following:

	2016	**2015**
	$	$
Balance, beginning of year	**473,111**	1,613,611
Reimbursement received	**(28,567)**	(747,500)
Write-off	**(136,731)**	(393,000)
Balance, end of year	**307,813**	473,111

Notes to financial statements

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14. Commitment

Lease

The Company has a commitment to lease building space, which will terminate July 1, 2016.

15. Expenses by nature

Expenses included in general and administrative expenses and sales and marketing expenses from continuing operations are comprised of:

	2016 $	2015 $
Property insurance and business tax	**37,176**	—
Sales and marketing	**140,645**	—
Lease	**39,335**	86,002
	217,156	86,002
Included in general and administrative expenses	**210,489**	86,002
Included in sales and marketing expenses	**6,667**	—
	217,156	86,002

16. Other gains and losses

	2016 $	2015 $
Net foreign exchange loss (gain)	**(311,071)**	23,161
Net loss on copper derivatives	**213,667**	—
Gain on debt forgiveness	**(26,243,850)**	—
	(26,341,254)	23,161

17. Discontinued operations

On November 16, 2015, the Company sold its transformer manufacturing business for cash consideration of $13,838,058, of which $1,600,000 is restricted cash being held in an escrow account pending the resolution of certain contingent obligations and completion of certain closing activities to be concluded within 18 months after the closing date of the transaction. As a result, the final consideration to be received and loss on disposal of business may change once all outstanding items have been resolved.

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The results of operations and cash flows related to the transformer manufacturing business were reclassified as discontinued operations in the statements of net profit (loss) and comprehensive profit (loss) and cash flows as follows:

Statement of net loss and comprehensive loss from discontinued operations

	2016	2015
	$	$
Revenue	**41,440,900**	59,909,749
Cost of sales	**29,804,611**	38,825,476
	11,636,289	21,084,273
General and administrative expenses	**6,971,775**	13,507,370
Sales and marketing expenses	**5,963,680**	5,256,200
Other losses	**2,371,187**	3,566,839
Interest expense	**54,219**	2,722
Loss before income taxes and loss on disposal of business	**(3,724,572)**	(1,248,858)
Deferred income tax expense	**2,443,299**	2,899,948
Loss on disposal of business	**2,477,204**	—
Loss from discontinued operations	**(8,645,075)**	(4,148,806)
Other comprehensive income (loss)		
Actuarial gains (losses) on defined benefit pension plans	**59,787**	(672,800)
	59,787	(672,800)
Comprehensive loss from discontinued operations	**(8,585,288)**	(4,821,606)

Statement of cash flows

	2016	2015
	$	$
Cash flows related to operating activities	**(355,994)**	5,512,015
Cash flows related to investing activities	**—**	(79,210)
Cash flows provided by (used in) discontinued operations	**(355,994)**	5,432,805