



EXCO TECHNOLOGIES LIMITED

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Unaudited Condensed Interim Report
to the shareholders
for the nine months ended
June 30, 2016

NOTICE TO READER

The attached unaudited condensed interim consolidated financial statements have been prepared by management of the Company. The condensed interim consolidated financial statements for the nine-month periods ended June 30, 2016 and 2015 have not been reviewed by the auditors of the Company.

EXCO TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
\$ (000)'s

	As at June 30, 2016	As at September 30, 2015
ASSETS		
Current		
Cash	\$29,514	\$34,996
Accounts receivable	109,898	98,823
Unbilled revenue	17,567	17,293
Inventories	60,767	55,401
Prepaid expenses and deposits	3,573	2,397
Total current assets	221,319	208,910
Property, plant and equipment, net (note 4)	112,705	104,251
Intangible assets, net (notes 5 and 12)	37,329	3,769
Goodwill (notes 5 and 12)	69,876	23,852
Investment in Joint Venture (note 12)	2,704	-
Deferred tax assets	2,451	2,034
Total assets	\$446,384	\$342,816
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$11,438	\$9,973
Trade accounts payable	54,384	46,421
Accrued payroll liabilities	9,152	9,083
Other accrued liabilities	10,569	12,484
Derivative instruments (note 6)	2,586	2,486
Provisions	1,342	1,810
Income taxes payable	2,464	6,559
Customer advance payments	2,711	3,013
Long-term debt - current portion (note 7)	4,123	119
Total current liabilities	98,769	91,948
Long-term debt - long-term portion (note 7)	73,391	409
Deferred tax liabilities	5,512	5,538
Total liabilities	177,672	97,895
Shareholders' equity		
Share capital	51,336	50,060
Contributed surplus	3,422	3,283
Accumulated other comprehensive income	8,205	14,369
Retained earnings	205,749	177,209
Total shareholders' equity	268,712	244,921
Total liabilities and shareholders' equity	\$446,384	\$342,816

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

EXCO TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

\$ (000)'s except for income per common share

	Three months ended June 30		Nine months ended June 30	
	2016	2015	2016	2015
Sales	\$161,671	\$121,930	\$425,955	\$367,311
Cost of sales	127,099	92,311	330,987	281,661
Selling, general and administrative	11,241	11,339	33,647	30,611
Depreciation (note 4)	3,678	3,369	10,617	9,907
Amortization (note 5)	1,024	410	1,807	1,204
Loss (gain) on disposal of property, plant and equipment	66	37	147	(27)
Net interest expense	520	212	758	765
Other income (note 9)	(3,440)	-	(3,440)	-
Intangible assets, net (notes 5 and 12)	140,188	107,678	374,523	324,121
Goodwill (notes 5 and 12)				
Income before income taxes	21,483	14,252	51,432	43,190
Provision for income taxes (note 11)	5,257	4,296	14,389	12,724
Net income for the period	16,226	9,956	37,043	30,466
Other comprehensive income (loss)				
Items that may be reclassified to profit or loss in subsequent periods:				
Net unrealized gain (loss) on derivatives designated as cash flow hedges (1)	(420)	600	(74)	(224)
Unrealized gain (loss) on foreign currency translation	(958)	(1,149)	(6,090)	5,922
	(1,378)	(549)	(6,164)	5,698
Total comprehensive income	\$14,848	\$9,407	\$30,879	\$36,164
Income per common share				
Basic	\$0.38	\$0.24	\$0.87	\$0.72
Diluted	\$0.38	\$0.23	\$0.87	\$0.72
Weighted average number of common shares outstanding				
Basic	42,426	42,349	42,497	42,284
Diluted	42,693	42,652	42,722	42,587

(1) Net of income tax recoverable of \$146 and \$26 for the three- and nine- month periods ended June 30, 2016, respectively (2015 - net of income tax payable of \$15 and income tax recoverable \$271 for the three and nine- month periods ended June 30, 2015)

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

EXCO TECHNOLOGIES LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

\$ (000)'s

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income			Total shareholders' equity
				Net unrealized (loss) gain on derivatives designated as cash flow hedges	Unrealized gain (loss) on foreign currency translation	Total accumulated other comprehensive income (loss)	
Balance, October 1, 2015	\$50,060	\$3,283	\$177,209	(\$1,844)	\$16,213	\$14,369	\$244,921
Net income for the period	-	-	11,828	-	-	-	11,828
Dividend paid (note 3)	-	-	(2,547)	-	-	-	(2,547)
Stock option expense	-	195	-	-	-	-	195
Issuance of share capital	745	(235)	-	-	-	-	510
Other comprehensive income	-	-	-	38	4,134	4,172	4,172
Balance, December 31, 2015	\$50,805	\$3,243	\$186,490	(\$1,806)	\$20,347	\$18,541	\$259,079
Net income for the period	-	-	8,989	-	-	-	8,989
Dividend paid (note 3)	-	-	(2,976)	-	-	-	(2,976)
Stock option expense	-	156	-	-	-	-	156
Issuance of share capital	206	(65)	-	-	-	-	141
Intangible assets, net (notes 5 and 12)	-	-	-	308	(9,266)	(8,958)	(8,958)
Goodwill (notes 5 and 12)	\$51,011	\$3,334	\$192,503	(\$1,498)	\$11,081	\$9,583	\$256,431
Net income for the quarter	-	-	16,226	-	-	-	16,226
Dividends	-	-	(2,980)	-	-	-	(2,980)
Stock option expense	-	178	-	-	-	-	178
Issuance of share capital (note 3)	325	(90)	-	-	-	-	235
Other comprehensive loss	-	-	-	(420)	(958)	(1,378)	(1,378)
Balance, June 30, 2016	51,336	3,422	205,749	(1,918)	10,123	8,205	268,712

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Total shareholders' equity
				Net unrealized (loss) gain on derivatives designated as cash flow hedges	Unrealized gain on foreign currency translation	Total accumulated other comprehensive income (loss)	
Balance, October 1, 2014	\$48,788	\$3,138	\$146,183	(\$487)	\$5,124	\$4,637	\$202,746
Net income for the period	-	-	9,638	-	-	-	9,638
Dividend paid (note 3)	-	-	(2,109)	-	-	-	(2,109)
Stock option expense	-	114	-	-	-	-	114
Issuance of share capital	223	(66)	-	-	-	-	157
Other comprehensive income (loss)	-	-	-	(557)	987	430	430
Balance, December 31, 2014	49,011	3,186	153,712	(1,044)	6,111	5,067	210,976
Net income for the period	-	-	10,872	-	-	-	10,872
Dividend paid (note 3)	-	-	(2,540)	-	-	-	(2,540)
Stock option expense	-	122	-	-	-	-	122
Issuance of share capital	810	(237)	-	-	-	-	573
Other comprehensive income (loss)	-	-	-	(267)	6,084	5,817	5,817
Balance, March 31, 2015	\$49,821	\$3,071	\$162,044	(\$1,311)	\$12,195	\$10,884	\$225,820
Net income for the quarter	-	-	9,956	-	-	-	9,956
Dividends	-	-	(2,542)	-	-	-	(2,542)
Stock option expense	-	139	-	-	-	-	139
Issuance of share capital (note 3)	205	(64)	-	-	-	-	141
Other comprehensive income (loss)	-	-	-	43	(1,149)	(1,106)	(1,106)
Balance, June 30, 2015	50,026	3,146	169,458	(1,268)	11,046	9,778	232,408

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

EXCO TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
\$ (000)'s

	Three months ended June 30		Nine months ended June 30	
	2016	2015	2016	2015
OPERATING ACTIVITIES:				
Net income for the period	\$16,226	\$9,956	\$37,043	\$30,466
Add (deduct) items not involving a current outlay of cash				
Depreciation (note 4)	3,678	3,369	10,617	9,907
Amortization (note 5)	1,024	410	1,807	1,204
Stock-based compensation expense (recovery)	(109)	187	350	870
Deferred income taxes	(85)	(66)	(103)	(1,064)
Loss (gain) on disposal of property, plant and equipment	64	37	145	(27)
Intangible assets, net (notes 5 and 12)	20,798	13,893	49,859	41,356
G Net change in non-cash working capital (note 10)	(8,807)	(309)	(8,856)	(22,795)
Cash provided by operating activities	11,991	13,584	41,003	18,561
FINANCING ACTIVITIES:				
Increase (decrease) in bank indebtedness	1,095	(3,777)	(1,918)	(6,582)
Financing from (repayment of) long-term debts	(6,085)	(1,426)	62,886	(2,048)
Dividend paid	(2,980)	(2,542)	(8,503)	(7,191)
Issuance of share capital	235	141	886	871
Cash provided by (used in) financing activities	(7,735)	(7,604)	53,351	(14,950)
INVESTING ACTIVITIES:				
Business acquisition, net of cash acquired (notes 4, 5 and 12)	(82,118)	-	(82,118)	-
Purchase of property, plant and equipment (note 4)	(1,902)	(5,151)	(17,120)	(12,810)
Purchase of intangible assets (note 5)	(110)	(79)	(687)	(432)
Proceeds from disposal of property, plant and equipment	299	110	368	343
Cash used in investing activities	(83,831)	(5,120)	(99,557)	(12,899)
Effect of exchange rate changes on cash	(66)	(686)	(279)	3,537
Net increase (decrease) in cash during the period	(79,641)	174	(5,482)	(5,751)
Cash, beginning of period	109,155	25,310	34,996	31,235
Cash, end of period	\$29,514	\$25,484	\$29,514	\$25,484

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(\$ in thousands, except per share amounts)

1. CORPORATE INFORMATION

Exco Technologies Limited (the “Company”) is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. Through its 18 strategic locations in 10 countries, the Company services a diverse and broad customer base. The Company is incorporated and domiciled in Canada. The registered office is located at 130 Spy Court, Markham, Ontario, Canada. For more detailed corporate information, refer to the 2015 Annual Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company’s significant accounting policies are outlined below:

Basis of preparation

These unaudited condensed interim consolidated financial statements present the Company’s financial results of operations and financial position as at and for the three- and nine- month periods ended June 30, 2016 and have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. The accounting policies used in preparing these unaudited condensed interim financial statements are consistent with those used in preparation of the 2015 audited annual consolidated financial statements.

The Company’s preparation of unaudited condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the applying of the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements were the same as those that applied to the Company’s consolidated financial statements as at and for the year ended September 30, 2015.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s 2015 audited annual consolidated financial statements. The unaudited condensed interim consolidated financial statements and accompanying notes for the three- and nine- month periods ended June 30, 2016 were authorized for issue by the Board of Directors on July 27, 2016.

Basis of consolidation

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

Accounting standards issued but not yet applied

The following standards are not yet effective for the period ended June 30, 2016. The Company is in the process of reviewing the standards to determine the impact on the condensed interim consolidated financial statements.

IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity’s own credit risk for liabilities selected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, which will be October 1, 2018 for the Company. Earlier application is permitted. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(\$ in thousands, except per share amounts)

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. On July 22, 2015, the IASB confirmed a one-year deferral of the effective date of the Revenue Standard to annual periods beginning on or after January 1, 2018 which will be October 1, 2018 for the Company. Earlier application is permitted. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 16 Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16 – Leases, which requires lessees to recognise assets and liabilities for most leases. Lessees will have a single accounting model for all leases, with certain exemptions and lessor accounting is substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, which will be October 1, 2019 for the Company. Earlier application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

3. CASH DIVIDEND

During the nine-month period ended June 30, 2016, the Company paid quarterly cash dividends totaling \$8,503 (2015 - \$7,191). The quarterly dividend rate in the third quarter was \$0.07 per common share (2015 - \$0.06).

4. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Tools	Buildings	Land	Assets under construction	Total
Cost						
Balance as at September 30, 2015	\$180,335	\$21,279	\$60,487	\$9,564	\$7,339	\$279,004
Additions						
Assets acquired	3,076	684	364	-	12,996	17,120
Assets acquired from business acquisition	2,617	235	67	-	-	2,919
Reclassifications	9,192	400	6,408	77	(16,077)	-
Less: disposals	(11,911)	(1,505)	(174)	-	-	(13,590)
Foreign exchange movement	(1,619)	(435)	(543)	(36)	(182)	(2,815)
Balance as at June 30, 2016	\$181,690	\$20,658	\$66,609	\$9,605	\$4,076	\$282,638

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(\$ in thousands, except per share amounts)

	Machinery and equipment	Tools	Buildings	Land	Assets under construction	Total
Accumulated depreciation and impairment losses						
Balance as at September 30, 2015	\$130,529	\$15,732	\$28,492	\$-	\$-	\$174,753
Depreciation for the period	7,414	1,353	1,850	-	-	10,617
Less: disposals	(11,584)	(1,420)	(173)	-	-	(13,177)
Foreign exchange movement	(1,536)	(299)	(425)	-	-	(2,260)
Balance as at June 30, 2016	\$124,823	\$15,366	\$29,744	\$-	\$-	\$169,933
Carrying amounts						
As at September 30, 2015	\$49,806	\$5,547	\$31,995	\$9,564	\$7,339	\$104,251
As at June 30, 2016	\$56,867	\$5,292	\$36,865	\$9,605	\$4,076	\$112,705

5. INTANGIBLE ASSETS

	Computer software and other*	Acquisition intangibles**	Total intangible assets	Goodwill
Cost				
Balance as at September 30, 2015	\$24,212	\$3,500	\$27,712	\$23,852
Additions				
Assets acquired	687	-	687	-
Assets acquired from business acquisition	526	34,312	34,838	46,271
Less: disposals	(5,602)	-	(5,602)	-
Foreign exchange movement	(84)	(185)	(269)	(247)
Balance as at June 30, 2016	\$19,739	\$37,627	\$57,366	\$69,876
Accumulated amortization and impairment losses				
Balance as at September 30, 2015	\$22,829	\$1,114	\$23,943	\$-
Amortization for the period	636	1,171	1,807	-
Less: disposals	(5,602)	-	(5,602)	-
Foreign exchange movement	(112)	1	(111)	-
Balance as at June 30, 2016	\$17,751	\$2,286	\$20,037	\$-
Carrying amounts				
As at September 30, 2015	\$1,383	\$2,386	\$3,769	\$23,852
As at June 30, 2016	\$1,988	\$35,341	\$37,329	\$69,876

* Computer software and other are mainly computer software and an immaterial amount of patents.

**Acquisition intangibles is comprised of customer relationships and trade names resulting from business acquisitions.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(\$ in thousands, except per share amounts)

6. FINANCIAL INSTRUMENTS

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

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

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

During the six month period ended June 30, 2016 there were no transfers between Level 1 and Level 2 fair value measurements.

The fair value of bank indebtedness and long term debt were determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on the Company's credit risk. The Company has no plans to prepay these instruments prior to maturity. The valuation is determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of the asset or liability.

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

	June 30, 2016		September 30, 2015	
	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash	\$29,514	\$29,514	\$34,996	\$34,996
Trade accounts receivable	109,898	109,898	98,823	98,823
Prepaid expenses and deposits	3,573	3,573	2,397	2,397
Trade accounts payable	(54,384)	(54,384)	(46,421)	(46,421)
Bank indebtedness	(11,438)	(11,438)	(9,973)	(9,973)
Customer advance payments	(2,711)	(2,711)	(3,013)	(3,013)
Accrued liabilities	(10,569)	(10,569)	(21,567)	(21,567)
Derivative instruments	(2,586)	(2,586)	(2,486)	(2,486)
Long-term debt	(\$77,514)	(\$77,514)	(\$528)	(\$528)

7. LONG-TERM DEBT

On February 18, 2016, the Company closed an agreement for a new CAD \$100,000 Committed Revolving Credit Facility with JP Morgan Chase Bank N.A., of which CAD \$65,000 was used as at June 30, 2016. The facility has a 3 year term and is secured by a general security agreement covering all assets of the Company and its Canadian and U.S. subsidiaries with the exception of real property.

The Credit Facility is available to fund working capital, capital expenditures and other general corporate purposes of the Company and its subsidiaries, including acquisitions. Interest rates vary based on prime, bankers' acceptance, CDOR or LIBOR base rates plus a relevant margin depending on the level of the Company's net leverage ratio.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(\$ in thousands, except per share amounts)

Pursuant to the terms of the credit agreement, the Company is required to maintain compliance with certain financial covenants. The Company was in compliance with these covenants as at June 30, 2016.

On April 4, 2016, the Company entered into promissory Term Notes amounting to US\$9,307 in conjunction with the acquisition of AFX Industries (see Note 12). The Term Notes bear interest at a rate equal to the Mid-term Applicable Federal Rate in the United States, compounded annually. The principal and interest is payable in three annual payments on the anniversary date of the AFX acquisition.

The components of Long Term Debt are as follows:

	June 30, 2016	September 30, 2015
Bank Debt	\$65,000	\$ -
Term Notes	12,024	-
Finance Leases	38	67
Promissory Note	452	461
Less: current portion	(4,123)	(119)
Long-term debt, long-term portion	\$73,391	\$409

8. SEGMENTED INFORMATION

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

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

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(\$ in thousands, except per share amounts)

8. SEGMENTED INFORMATION (continued)

Three Months Ended June 30, 2016				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$48,259	\$115,374	\$ -	\$163,633
Intercompany sales	(1,671)	(\$291)	-	(1,962)
Net sales	46,588	115,083	-	161,671
Depreciation (note 4)	2,903	770	5	3,678
Amortization (note 5)	116	908	-	1,024
Segment income (loss) before interest and income taxes	5,696	13,412	(545)	18,563
Non operating income	-	3,440	-	3,440
Net interest expense				(520)
Income before income taxes				21,483
Property, plant and equipment additions (note 4)	1,405	410	87	1,902
Property, plant and equipment acquired through business acquisition (note 4)	-	2,919	-	2,919
Property, plant and equipment, net (note 4)	90,392	21,128	1,185	112,705
Intangible asset additions (note 5)	83	22	-	105
Intangible asset acquired through business acquisition (note 5)	-	34,842	-	34,842
Intangible assets, net (note 5)	1,358	35,971	-	37,329
Goodwill acquired through business acquisition (note 5)	-	46,271	-	46,271
Goodwill, net (note 5)	286	69,590	-	69,876
Total assets	182,539	260,924	2,921	446,384
Total liabilities	\$21,160	\$64,820	\$91,692	\$177,672

Three Months Ended June 30, 2015				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$48,643	\$75,767	\$ -	\$124,410
Intercompany sales	(2,265)	(215)	-	(2,480)
Net sales	46,378	75,552	-	121,930
Depreciation	2,529	835	5	3,369
Amortization	186	224	-	410
Segment income (loss) before interest and income taxes	6,351	9,996	(1,883)	14,464
Net interest expense				(212)
Income before income taxes				14,252
Property, plant and equipment additions	4,834	308	9	5,151
Property, plant and equipment, net	80,412	18,771	1107	100,290
Intangible asset additions	221	1	-	222
Intangible assets, net	1,231	2,786	-	4,017
Goodwill, net	296	23,571	-	23,867
Total assets	178,071	131,574	1,524	316,169
Total liabilities	\$24,483	\$53,021	\$6,257	\$83,761

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(\$ in thousands, except per share amounts)

Nine Months Ended June 30, 2016				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$151,494	\$279,722	\$ -	\$431,216
Intercompany sales	(4,576)	(685)	-	(5,261)
Net sales	146,918	279,037	-	425,955
Depreciation (note 4)	8,468	2,133	16	10,617
Amortization (note 5)	472	1,335	-	1,807
Segment income (loss)	20,811	33,587	(5,648)	48,750
Non operating income	-	3,440	-	3,440
Net interest expense				(758)
Income before income taxes				51,432
Property, plant and equipment additions (note 4)	15,323	1,689	108	17,120
Property, plant and equipment acquired through business acquisition (note 4)	-	2,919	-	2,919
Property, plant and equipment, net (note 4)	90,392	21,128	1,185	112,705
Intangible assets acquired (note 5)	642	41	-	683
Intangible asset acquired through business acquisition (note 5)	-	34,842	-	34,842
Intangible assets, net (note 5)	1,358	35,971	-	37,329
Goodwill acquired through business acquisition (note 5)	-	46,271	-	46,271
Goodwill, net	286	69,590	-	69,876
Total assets	182,539	260,924	2,921	446,384
Total liabilities	\$21,160	\$64,820	\$91,692	\$177,672

Nine Months Ended June 30, 2015				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$150,102	\$225,219	\$ -	\$375,321
Intercompany sales	(7,458)	(552)	-	(8,010)
Net sales	142,644	224,667	-	367,311
Depreciation (note 4)	7,237	2,652	18	9,907
Amortization (note 5)	439	765	-	1,204
Segment income (loss)	22,852	26,461	(5,358)	43,955
Net interest expense				(765)
Income before income taxes				43,190
Property, plant and equipment additions(note 4)	11,600	1,151	59	12,810
Property, plant and equipment, net(note 4)	80,412	18,771	1,107	100,290
Intangible assets acquired (note 5)	431	30	-	461
Intangible assets, net (note 5)	1,231	2,786	-	4,017
Goodwill, net	296	23,571	-	23,867
Total assets	178,071	136,574	1,524	316,169
Total liabilities	\$24,483	\$53,021	\$6,257	\$83,761

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(\$ in thousands, except per share amounts)

9. OTHER INCOME

On April 7, 2016, the Company concluded a commercial arbitration which it initiated in 2015. As a result, the Company received compensation of \$3.44 million during the third quarter of this fiscal year.

10. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	Nine Months Ended June 30	
	2016	2015
Accounts receivable	\$2,935	(\$12,369)
Unbilled revenue	(494)	(9,920)
Inventories	3,182	(5,059)
Prepaid expenses and deposits	(4,227)	1,113
Trade accounts payable	(2,260)	(1,334)
Accrued payroll and taxes	(419)	(313)
Other accrued liabilities	(1,340)	939
Provisions	(1,024)	40
Customer advance payments	(268)	1,081
Income taxes payable	(4,941)	3,027
	(\$8,856)	(\$22,795)

11. INCOME TAXES

Consolidated effective income tax rate for the nine-month period ended June 30, 2016 was 28.0% (nine-month period ended June 30, 2015 – 29.5%). The effective tax rate in the current period was favourably impacted by the tax impact of the non-operating income and adversely impacted by the lower proportion of earnings from low tax jurisdictions.

12. BUSINESS ACQUISITION

The Company accounts for acquisitions using the acquisition method of accounting with the results of operations included in the Company's consolidated financial statements from the respective date of the acquisition.

On April 4, 2016, the Company completed the acquisition of 100% of the ownership interest in AFX Industries L.L.C. ("AFX") for consideration of US\$73,390 excluding US\$4,420 of assumed debt. A portion of the consideration amounting to US\$9,307 is deferred and payable over three years. Subsequent to closing, the acquisition price was reduced by US\$1.07 million to reflect changes in the AFX balance sheet in accordance with the acquisition agreement. AFX is based in Port Huron, Michigan with manufacturing operations in Matamoros, Mexico. AFX is a tier 2 supplier of leather and leather-like interior trim components to the North American automotive market. AFX supplies die cut leather sets for seating and many other interior trim applications as well as injection-molded, hand-sewn, machine-sewn and hand-wrapped interior components of all types.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(\$ in thousands, except per share amounts)

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition. The Company determined the fair values based on discounted cash flows, market information, and using independent valuations and management's best estimates. Final valuations of intangible assets and certain assets are not yet complete due to the inherent complexity associated with valuations. Therefore, the purchase price allocation is preliminary and is subject to adjustment upon completion of the valuation process and analysis of resulting tax effects.

The preliminary allocation of the purchase price at fair value is as follows:

Cash	\$ 86
Trade accounts receivable and other	17,013
Inventories	10,542
Property, plant and equipment	2,924
Deferred tax assets	355
Investment in Joint Venture	2,326
Bank indebtedness	(3,383)
Trade accounts payable, accrued liabilities and other	(14,668)
Long-term debt	(2,010)
Net identifiable assets	13,185
Intangible assets	34,838
Residual purchase price allocation to Goodwill	46,271
	\$94,294

Acquisition funded as follows:

Cash	\$ 82,204
Term notes, payable over 3 years	12,090
	\$94,294

Costs related to the AFX acquisition amounted to CAD \$1.4 million and were expensed under selling, general and administrative expenses on the consolidated statements of income and comprehensive income. Subsequent to closing, the integration costs have been immaterial to date.

The fair value of the trade accounts receivable equals the gross amount of the trade accounts receivable less allowance for bad debts and amounts to \$16,734. The net contractual amount is collectible.

AFX's investment in a joint venture has been accounted for using the equity method of accounting and AFX has recorded its proportionate share of income from the joint venture. As such, \$378 thousand has been recorded for the three months ended June 30, 2016 and is reflected on the condensed interim consolidated statements of income and comprehensive income as a reduction in selling, general and administrative expenses.

The primary factors that contributed to the residual purchase price allocation and resulted in the recognition of goodwill and intangible assets are: the existing AFX business; the acquired workforce; access to growth opportunities with existing customers; and the combined strategic value to the Company's growth plan.