Interim Consolidated Financial Statements

(Unaudited)

September 26, 2010

ATS AUTOMATION TOOLING SYSTEMS INC.
Consolidated Balance Sheets
(in thousands of Canadian dollars – unaudited)

	September 26 2010	March 31 2010
ASSETS		
Current assets		
Cash and cash equivalents	**$ 148,512**	$ 211,786
Accounts receivable	**106,442**	85,995
Costs and earnings in excess of billings on contracts in progress (note 4)	**40,947**	42,924
Inventories (note 4)	**96,184**	80,280
Future income taxes	**730**	553
Deposits and prepaid assets (note 5)	**27,470**	27,492
	420,285	449,030
Property, plant and equipment	**186,467**	171,451
Goodwill	**67,617**	34,350
Intangible assets	**29,864**	4,864
Investment tax credits	**22,313**	20,878
Future income taxes	**34,530**	35,243
Portfolio investments	**4,410**	3,602
Other assets (note 6)	**34,410**	33,380
	$ 799,896	$ 752,798
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 10)	**$ 23,483**	$ 26,034
Accounts payable and accrued liabilities	**141,587**	118,518
Billings in excess of costs and earnings on contracts in progress (note 4)	**35,281**	30,216
Future income taxes	**14,233**	12,326
Current portion of long-term debt (note 10)	**10,806**	10,830
Current portion of obligations under capital leases (note 10)	**4,805**	4,260
	230,195	202,184
Long-term debt (note 10)	**7,434**	4,420
Long-term portion of obligations under capital leases (note 10)	**18,558**	17,985
Shareholders' equity		
Share capital	**479,558**	479,542
Contributed surplus	**12,468**	11,244
Accumulated other comprehensive loss (note 13)	**(32,863)**	(37,434)
Retained earnings (restated – note 2)	**84,546**	74,857
	543,709	528,209
	$ 799,896	$ 752,798

Commitments and contingencies (notes 3 and 16)
See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Consolidated Statements of Operations
(in thousands of Canadian dollars, except per share amounts – unaudited)

	Three months ended		Six months ended	
	September 26 2010	September 27 2009	**September 26 2010**	September 27 2009
Revenue	**$ 162,046**	$ 148,169	**$ 313,160**	$ 300,870
Operating costs and expenses				
Cost of revenue	**132,711**	117,254	**253,511**	249,877
Selling, general and administrative	**23,027**	20,722	**43,172**	39,488
Stock-based compensation (note 7)	**827**	888	**1,341**	1,698
Earnings from operations	**5,481**	9,305	**15,136**	9,807
Other expenses				
Interest on long-term debt	**418**	355	**658**	656
Other interest	**204**	197	**468**	436
	622	552	**1,126**	1,092
Income from operations before income taxes	**4,859**	8,753	**14,010**	8,715
Provision for income taxes (note 15)	**1,608**	2,741	**4,321**	2,378
Net income	**$ 3,251**	$ 6,012	**$ 9,689**	$ 6,337
Earnings per share (note 8)				
Basic	**$ 0.04**	$ 0.07	**$ 0.11**	$ 0.07
Diluted	**$ 0.04**	$ 0.07	**$ 0.11**	$ 0.07

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Consolidated Statements of Shareholders' Equity and Other Comprehensive Loss
(in thousands of Canadian dollars – unaudited)

Six months ended					**September 26, 2010**
	Share Capital	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss) (note 13)**	**Retained Earnings**	**Total Shareholders' Equity**
Balance, beginning of period	**$ 479,542**	**$ 11,244**	**$ (37,434)**	**$ 74,857**	**$ 528,209**
Comprehensive income (loss)					
Net income	**—**	**—**	**—**	**9,689**	**9,689**
Currency translation adjustment	**—**	**—**	**4,829**	**—**	**4,829**
Net unrealized gain on available-for-sale financial assets (net of income taxes of $nil)	**—**	**—**	**807**	**—**	**807**
Net unrealized gain on derivative financial instruments designated as cash flow hedges (net of income taxes of $95)	**—**	**—**	**51**	**—**	**51**
Gain transferred to net income for derivatives designated as cash flow hedges (net of income taxes of $489)	**—**	**—**	**(1,116)**	**—**	**(1,116)**
Total comprehensive income					**14,260**
Stock-based compensation (note 7)	**—**	**1,229**	**—**	**—**	**1,229**
Exercise of stock options	**16**	**(5)**	**—**	**—**	**11**
Balance, end of the period	**$ 479,558**	**$ 12,468**	**$ (32,863)**	**$ 84,546**	**$ 543,709**

Six months ended					September 27, 2009
	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) (note 13)	Retained Earnings	Total Shareholders' Equity
Balance, beginning of period (restated – note 2)	$ 479,537	$ 8,722	$ 15,494	$ 62,694	$ 566,447
Comprehensive income (loss)					
Net income	—	—	—	6,337	6,337
Currency translation adjustment	—	—	(20,837)	—	(20,837)
Net unrealized gain on available-for-sale financial assets (net of income taxes of $nil)	—	—	74	—	74
Net unrealized gain on derivative financial instruments designated as cash flow hedges (net of income taxes of $221)	—	—	883	—	883
Gain transferred to net income for derivatives designated as cash flow hedges (net of income taxes of $nil)	—	—	975	—	975
Total comprehensive loss					(12,568)
Stock-based compensation (note 8)	—	1,181	—	—	1,181
Balance, end of the period	$ 479,537	$ 9,903	$ (3,411)	$ 69,031	$ 555,060

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Consolidated Statements of Cash Flows
(in thousands of dollars – unaudited)

	Three months ended		Six months ended	
	September 26 2010	September 27 2009	**September 26 2010**	September 27 2009
Operating activities:				
Net income	**$ 3,251**	$ 6,012	**$ 9,689**	$ 6,337
Items not involving cash				
Depreciation of property, plant and equipment	**4,990**	5,634	**9,579**	11,275
Amortization of intangible assets	**1,227**	547	**1,971**	1,109
Future income taxes	**1,340**	(3,011)	**3,183**	(3,883)
Investment tax credit receivable	**(1,429)**	—	**(1,435)**	—
Other items not involving cash	**5**	(23)	**(97)**	(12)
Stock-based compensation (note 7)	**827**	888	**1,341**	1,698
Loss (gain) on disposal of property, plant and equipment	**134**	302	**(41)**	354
Cash flow from operations	**10,345**	10,349	**24,190**	16,878
Change in non-cash operating working capital	**1,107**	9,366	**(6,814)**	(10,924)
Cash flows provided by operating activities	**11,452**	19,715	**17,376**	5,954
Investing activities:				
Acquisition of property, plant and equipment	**(3,831)**	(3,920)	**(14,309)**	(9,943)
Acquisition of intangible assets	**(486)**	(60)	**(1,578)**	(156)
Investments, silicon deposits and other	**—**	(1,154)	**(3,184)**	(2,580)
Business acquisition (note 3)	**(1,693)**	—	**(50,413)**	—
Proceeds from disposal of property, plant and equipment	**312**	424	**817**	589
Cash flows used in investing activities	**(5,698)**	(4,710)	**(68,667)**	(12,090)
Financing activities:				
Restricted cash (note 5)	**(1,630)**	2,160	**(3,106)**	4,736
Bank indebtedness (note 10)	**(7,317)**	(2,272)	**(10,033)**	20,353
Proceeds from long-term debt (note 10)	**—**	2,702	**1,411**	3,837
Proceeds from sale and leaseback of property, plant and equipment	**—**	6,803	**1,747**	6,803
Repayment of long-term debt (note 10)	**(1,501)**	(1,728)	**(2,345)**	(1,859)
Repayment of obligations under capital leases (note 10)	**(155)**	(796)	**(846)**	(1,607)
Issuance of common shares	**8**	—	**11**	—
Cash flows provided by (used in) financing activities	**(10,595)**	6,869	**(13,161)**	32,263
Effect of exchange rate changes on cash and cash equivalents	**901**	(644)	**1,178**	(2,166)
Increase (decrease) in cash and cash equivalents	**(3,940)**	21,230	**(63,274)**	23,961
Cash and cash equivalents, beginning of period	**152,452**	145,092	**211,786**	142,361
Cash and cash equivalents, end of period	**$ 148,512**	$ 166,322	**$ 148,512**	166,322
Supplemental information				
Cash income taxes paid	**$ 360**	$ 1	**$ 721**	$ 384
Cash interest paid	**$ 504**	$ 539	**$ 913**	$ 624

See accompanying notes to interim consolidated financial statements

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION:

(a) The accompanying interim consolidated financial statements of ATS Automation Tooling Systems Inc. and its subsidiary companies (collectively "ATS" or the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the accounting policies and method of their application are consistent with those described in the annual consolidated financial statements for the year ended March 31, 2010. These interim consolidated financial statements do not include all disclosures required by GAAP for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended March 31, 2010.

(b) The preparation of these interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates and assumptions are used when determining fair values of assets and liabilities acquired in a business combination and when accounting for items such as impairment of long-lived assets, recoverability of deferred development costs, fair value of reporting units and goodwill, warranties, income taxes, future income tax assets, determination of estimated useful lives of intangible assets and property, plant and equipment, impairment of portfolio investments, contracts in progress, inventory obsolescence provisions, revenue recognition, contingent liabilities, and allowances for uncollectible accounts receivable.

(c) Interim financial results are not necessarily indicative of annual or longer-term results because many of the individual markets served by the Company tend to be cyclical in nature. General economic trends, product life cycles and product changes may impact Automation Systems order bookings, Photowatt Technologies volumes, and the Company's earnings in any of its markets. ATS typically experiences some seasonality with its revenue and earnings due to summer shutdown at its subsidiary in France, Photowatt International S.A.S. In Photowatt Technologies, slower sales may occur in the winter months, when the weather may impair the ability to install its products in certain geographical areas.

The company follows a 13 week per quarter schedule, where the first fiscal month of a new quarter contains 5 weeks and each subsequent month contains 4 weeks, with the exception of its fiscal year-end, which falls on March 31. This results in some periods containing a different number of days than comparative periods. The three months ended September 26, 2010 contained 91 days (three months ended September 27, 2009 – 91 days).

2. ACCOUNTING CHANGES:

In the six months ended September 26, 2010, it was determined that a pension obligation that was orginially assumed in 1998 should have been previously recognized. This arrangement has been recorded with an adjustment to decrease retained earnings as of April 1, 2009 by $2,000 (net of tax of $nil) with a corresponding increase in accounts payable and accrued liabilities. This adjustment had no material impact on reported earnings, cash flows or earnings per share in prior periods.

3. ACQUISITION OF SORTIMAT

On June 1, 2010, the Company completed its acquisition of 100% of Sortimat Group ("Sortimat"). Sortimat is a manufacturer of assembly systems for the life sciences market, and is headquartered in Germany with locations in Chicago and a small, 60% owned subsidiary in India. Sortimat has been integrated with the Company's existing Automation Systems Group ("ASG"). The Sortimat acquisition aligns with ATS' strategy of expanding its position in the global automation market and enhancing growth

opportunities, particularly in strategic segments, such as life sciences. The financial results of Sortimat are included in the ASG segment from the date of acquisition.

The total cash consideration for Sortimat is $51,886 (40,369 Euro), which includes acquisition-related costs, primarily for advisory services, of $2,436. Potential future payments of up to $8,495 (6,610 Euro) which are payable subject to the achievement of milestones related to operating performance and specific management services to be provided over the next two and a half years are not included in the cost of the acquisition. During the three and six months ended September 26, 2010 the Company recognized in selling, general and administrative expense $446 and $587 respectively related to specific management services.

Cash used in the investment is determined as follows:

Cash consideration	$ 51,886
Less cash acquired	(1,473)
	$ 50,413

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon the fair value at the date of acquisition. The company determined the fair values based on discounted cash flows, market information, independent valuations and management's estimates. Final valuations, primarily related to intangible assets, are not yet complete due to the inherent complexity associated with valuations. Therefore, the purchase price allocation is preliminary and subject to adjustment over the course of fiscal 2011 on completion of the valuation process and analysis of resulting tax effects.

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

Purchase price allocation	
Cash	$ 1,473
Current assets	18,681
Property, plant and equipment	9,159
Other long term assets	385
Intangible assets with a definite life	
Technology	7,906
Customer relationships	8,137
Other	908
Intangible assets with an indefinite life	
Brand	6,812
Current liabilities	(29,434)
Long term debt	(3,590)
Net identifiable assets	20,437
Residual purchase price allocated to goodwill	31,449
	$ 51,886

Non-cash working capital includes accounts receivable of $8,601, representing gross contractual amounts receivable of $9,279 less management's best estimate of the contractual cash flows not expected to be collected of $678.

The primary factors that contributed to a purchase price that resulted in the recognition of goodwill are: the existing Sortimat business; the acquired workforce; significant experience and products in advanced system development, manufacturing, handling and feeder technologies; time-to-market benefits of acquiring an established organization in key international markets such as Europe, Asia and the United States; and the combined strategic value to the Company's growth plan. The amount assigned to goodwill is not expected to be deductible for tax purposes.

During the quarter, changes to the purchase price allocation resulted in a decrease in goodwill of $2,277. The adjustments to the preliminary purchase price allocation are noted below:

Adjustments to the purchase price allocation		
Decrease in current assets	$	(4)
Decrease in current liabilities		2,544
Acquisition-related costs		(263)
Net decrease in goodwill	$	2,277

The cash consideration of the purchase price along with transaction costs were funded with existing cash on hand. This acquisition was accounted for as a business combination with the Company as the acquirer of Sortimat. The purchase method of accounting was used and the earnings have been consolidated from the acquisition date, June 1, 2010. Sortimat has contributed approximately $23,636 in revenue and a net loss of $1,069.

4. CONTRACTS IN PROGRESS AND INVENTORIES:

		September 26 2010		March 31 2010
Contracts in progress:				
Costs incurred on contracts in process	**$**	**512,354**	$	338,624
Estimated earnings		**121,083**		80,766
	$	**633,437**	$	419,390
Progress billings		**(627,771)**		(406,682)
	$	**5,666**	$	12,708
Disclosed as:				
Costs and earnings in excess of billings on contracts in progress	**$**	**40,947**	$	42,924
Billings in excess of costs and earnings on contracts in progress		**(35,281)**		(30,216)
	$	**5,666**	$	12,708

		September 26 2010		March 31 2010
Inventories are summarized as follows:				
Raw materials	**$**	**49,146**	$	45,984
Work in process		**13,743**		8,585
Finished goods		**33,295**		25,711
	$	**96,184**	$	80,280

The amount of inventory recognized as an expense and included in cost of revenue accounted for other than by the percentage-of-completion method during the three and six months ended September 26, 2010 was $58,515 and $117,108 respectively (three and six months ended September 27, 2009: $48,191 and $96,221 respectively). The amount charged to net income and included in cost of revenue for the write-down of inventory for valuation issues during both the three and six months ended September 26, 2010 was $720 and $1,261 respectively (three and six months ended September 27, 2009: $2,026 and $3,017 respectively). The amount recognized in net income and included in cost of revenue for the reversal of previous inventory write-downs due to rising prices during the three and six months ended September 26, 2010 was $17 and $86 respectively (three and six months ended September 27, 2009: $nil).

5. DEPOSITS AND PREPAID ASSETS:

	September 26 2010	March 31 2010
Prepaid assets	**$ 4,710**	$ 4,231
Restricted cash[(i)]	**3,804**	582
Silicon and other deposits	**17,088**	16,335
Forward contracts and other	**1,868**	6,344
	$ 27,470	$ 27,492

(i) Restricted cash consists of cash collateralized to secure letters of credit.

6. OTHER ASSETS:

	September 26 2010	March 31 2010
Silicon deposits	**$ 31,156**	$ 32,389
Other	**3,254**	991
	$ 34,410	$ 33,380

7. STOCK-BASED COMPENSATION PLANS:

In the calculation of the stock-based compensation expense in the interim consolidated statements of operations, the fair values of the Company's stock option grants were estimated using the Black-Scholes option pricing model for time vesting stock options and binomial option pricing models for performance based stock options.

During the six months ended September 26, 2010 the Company granted 325,000 time vesting stock options (350,000 in the six months ended September 27, 2009). The stock options granted vest over 4 years and expire on the seventh anniversary from the date of issue. During the six month periods ended September 26, 2010 and September 27, 2009, no performance based options were granted. Performance based stock options vest based on the Company's stock trading at or above certain thresholds for a specified number of minimum trading days. The performance based stock options expire on the seventh anniversary after the date that the options vest. During the six month period ended September 26, 2010, no performance based options vested. During the six months ended September 27, 2009 certain performance options vested in the normal course of business.

Six months ended	**September 26, 2010**		September 27, 2009	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of year	**6,368,674**	**$ 7.89**	6,112,562	$ 8.18
Granted	**325,000**	**6.34**	350,000	5.10
Exercised	**(2,900)**	**3.83**	—	—
Forfeited/cancelled	**(115,549)**	**19.67**	(244,232)	10.41
Stock options outstanding, end of period	**6,575,225**	**$ 7.61**	6,218,330	$ 7.92
Stock options exercisable, end of period, time vested options	**1,063,431**	**$ 9.41**	952,196	$ 11.53
Stock options exercisable, end of period, performance options	**991,448**	**$ 6.14**	949,781	$ 6.26

The fair value of time vesting options issued during the period were estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six months ended	
	September 26 2010	September 27 2009
Weighted average risk-free interest rate	**2.28%**	2.11%
Dividend yield	**0%**	0%
Weighted average expected volatility	**58%**	60%
Weighted average expected life	**4.75 years**	4.55 years
Number of stock options granted:		
Time vested	**325,000**	350,000
Weighted average exercise price per option	**$ 6.34**	$ 5.10
Weighted average value per option:		
Time vested	**$ 3.16**	$ 2.56

8. EARNINGS PER SHARE:

Weighted average number of shares used in the computation of earnings per share is as follows:

	Three months ended		**Six months ended**	
	September 26 2010	September 27 2009	**September 26 2010**	September 27 2009
Basic	**87,279,825**	87,277,155	**87,279,241**	87,277,155
Diluted	**87,564,418**	87,312,412	**87,607,240**	87,294,784

For the three and six months ended September 26, 2010, stock options to purchase 5,241,230 and 5,252,107 common shares respectively are excluded from the weighted average common shares in the calculation of diluted earnings per share as they are anti-dilutive (5,838,336 and 6,144,941 common shares respectively were excluded in the three and six months ended September 27, 2009).

9. SEGMENTED DISCLOSURE:

The Company evaluates performance based on two reportable segments: Automation Systems and Photowatt Technologies. The Automation Systems segment produces custom-engineered turn-key automated manufacturing systems and test systems. The Photowatt Technologies segment is a turn-key solar project developer and integrated manufacturer of photvoltaic products. The business segments are strategic business units that offer different products and services and each is managed separately.

The Company accounts for inter-segment revenue at current market rates, negotiated between the segments.

	Three months ended		Six months ended	
	September 26 2010	September 27 2009	**September 26 2010**	September 27 2009
Revenue				
Automation Systems	**$ 117,787**	$ 96,966	**$ 224,414**	212,167
Photowatt Technologies	**45,108**	51,501	**93,895**	91,583
Inter-segment revenue	**(849)**	(298)	**(5,149)**	(2,880)
Total Company Revenue	**$ 162,046**	$ 148,169	**$ 313,160**	$ 300,870
Earnings from operations				
Automation Systems	**$ 14,511**	$ 13,605	**$ 30,394**	$ 28,357
Photowatt Technologies	**(2,627)**	629	**(2,765)**	(6,904)
Inter-segment operating earnings (loss)	**(72)**	3	**(1,011)**	(672)
Stock-based compensation	**(827)**	(888)	**(1,341)**	(1,698)
Other expenses	**(5,504)**	(4,044)	**(10,141)**	(9,276)
Total Company earnings from operations	**$ 5,481**	$ 9,305	**$ 15,136**	$ 9,807

	September 26 2010	March 31 2010
Assets		
Automation Systems	**$ 513,179**	$ 459,730
Photowatt Technologies	**283,723**	280,305
Corporate assets and inter-segment	**2,994**	12,763
Total Company assets	**$ 799,896**	$ 752,798

10. BANK INDEBTEDNESS, LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES:

The Company's primary credit facility (the "Credit Agreement") provides total credit facilities of up to $85,000, comprised of an operating credit facility of $65,000 and a letter of credit facility of up to $20,000 for certain purposes. The operating credit facility is subject to restrictions regarding the extent to which the outstanding funds advanced under the facility can be used to fund certain subsidiaries of the Company. The Credit Agreement, which is secured by the assets, including real estate, of the Company's North American legal entities and a pledge of shares and guarantees from certain of the Company's legal entities, is repayable in full on April 30, 2011.

The operating credit facility is available in Canadian dollars by way of prime rate advances, letter of credit for certain purposes and/or bankers' acceptances and in U.S. dollars by way of base rate advances and/or LIBOR advances. The interest rates applicable to the operating credit facility are determined based on certain financial ratios. For prime rate advances and base rate advances, the interest rate is equal to the bank's prime rate or the bank's U.S. dollar base rate in Canada, respectively, plus 1.25% to 2.25%. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or the LIBOR, respectively, plus 2.25% to 3.25%.

Under the Credit Agreement, the Company pays a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the credit facilities at rates ranging from 0.675% to 0.975% per annum, as determined based on certain financial ratios.

The Credit Agreement is subject to debt leverage tests, a current ratio test, and a cumulative EBITDA test. Under the terms of the Credit Agreement, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Agreement also partially restricts the Company from repurchasing its common shares, paying dividends and from acquiring and disposing of certain assets. The Company is in compliance with these covenants and restrictions.

There is no amount borrowed under the Company's primary credit facility (March 31, 2010 - $nil).

The Company's subsidiary, Photowatt International S.A.S. has credit facilities including capital lease obligations of $56,679 (40,965 Euro). The total amount outstanding on these facilities is $50,638 (March 31, 2010 - $55,940), of which $21,164 is classified as bank indebtedness (March 31, 2010 - $26,034), $6,111 is classified as long-term debt (March 31, 2010 - $7,661) and $23,363 is classified as obligations under capital lease (March 31, 2010 - $22,245). The interest rates applicable to the credit facilities range from Euribor plus 0.5% to Euribor plus 1.8% and 4.9% per annum. Certain of the credit facilities are secured by certain assets of Photowatt International S.A.S. and a commitment to restrict payments to the Company and are subject to debt leverage tests. The credit facilities which are classified as current bank indebtedness, are subject to either annual renewal or 60 day notification. At September 26, 2010, Photowatt International S.A.S. was not in compliance with the debt leverage tests on certain of its credit facilities. As of September 26, 2010, the lenders had not waived their right to demand repayment of the outstanding principal balances and consequently the entire balance of $6,111 (4,417 Euro) has been included in the current portion of long-term debt. The non-compliance was rectified subsequent to the quarter end as part of a new term credit facility agreed to with the lenders.

The new term credit facility is for $20,754 (15,000 Euro) and was established by Photowatt International S.A.S. and its lenders in October 2010. The new credit facility, which will be classified as long-term debt, was used to repay pre-existing credit facilities of $6,111 (4,417 Euro) for which it was previously in violation of the debt leverage tests and to replace a credit facility classified as bank indebtedness in the amount of $11,069 (8,000 Euro). The interest rate applicable to the new credit facility is Euribor plus 3.35% and the new credit facility has a term of four years.

The PV Alliance joint venture has additional credit facilities as described in note 14.

The Company has additional credit facilities of $16,224 (9,702 Euro, 31,663 Indian Rupee and 2,000 Swiss Francs). The total amount outstanding on these facilities is $6,083 (March 31, 2010 - $nil), of which $2,319 is classified as bank indebtedness and $3,764 is classified as long-term debt. The interest rates applicable to the credit facilities range from 0.0% to 8.5% per annum. A portion of the long-term debt is secured by certain assets of the Company and a portion of the 2,000 Swiss Francs credit facility is secured by a letter of credit under the primary credit facility.

The following amounts were outstanding:

	September 26 2010	March 31 2010
Bank indebtedness:		
Photowatt International S.A.S.	**$ 21,164**	$ 26,034
Other facilities	**2,319**	—
	$ 23,483	$ 26,034
Long-term debt:		
PV Alliance	**$ 8,365**	$ 7,589
Photowatt International S.A.S.	**6,111**	7,661
Other facilities	**3,764**	—
	$ 18,240	$ 15,250
Less: current portion	**10,806**	10,830
	$ 7,434	$ 4,420
Obligations under capital lease:		
Photowatt International S.A.S. future minimum lease payments	**$ 25,618**	$ 25,201
Less: amount representing interest (at rates ranging from 1.9% to 4.9%)	**2,255**	2,956
	$ 23,363	$ 22,245
Less: current portion	**4,805**	4,260
	$ 18,558	$ 17,985

Interest for the three and six months ended September 26, 2010 of $86 and $228 respectively (three and six months ended September 27, 2009 - $207 and $355 respectively) relating to obligations under capital lease has been included in interest on long-term debt expense.

11. RESTRUCTURING:

In fiscal 2008, the Company commenced a restructuring program to improve operating performance. The restructuring program included workforce reductions, and the closure of underperforming, non-strategic divisions. In fiscal 2010, the Company accelerated and expanded its previous restructuring program. In the three and six months ended September 27, 2009, severance and restructuring expenses associated with the closure of two divisions and other workforce reductions were $1,627 and $3,926 respectively, primarily in the Automation Systems group.

In the three and six months ended September 26, 2010, severance and restructuring expenses associated with workforce reductions were $117 and $284 respectively.

The following is a summary of the changes in the provision for restructuring costs:

	Six months ended	
	September 26 2010	September 27 2009
Balance, beginning of period	**$ 2,190**	$ 4,535
Severance and restructuring expense	**284**	3,926
Acquisition accrual	**1,000**	—
Cash payments	**(1,592)**	(4,631)
Foreign exchange	**6**	(75)
Balance, end of period	**$ 1,888**	$ 3,755

12. FINANCIAL INSTRUMENTS:

Derivative financial instruments

The Company uses forward foreign exchange contracts to manage foreign currency exposure. Forward foreign exchange contracts that are not designated in hedging relationships are classified as held-for-trading, with changes in fair value recognized in selling, general and administrative expenses in the interim consolidated statements of operations. During the three and six months ended September 26, 2010, the fair value of derivative financial assets classified as held-for-trading and included in deposits and prepaid assets decreased by $1,224 and $1,849 respectively (decreased by $369 and $601 respectively during the three and six months ended September 27, 2009) and the fair value of derivative financial liabilities classified as held-for-trading and included in accounts payable and accrued liabilities increased by $1,990 and $2,345 respectively during the three and six months ended September 26, 2010 (decreased by $738 and increased by $653 respectively during the three and six months ended September 27, 2009).

Cash flow hedges

During the three and six months ended September 26, 2010, an unrealized gain of $5 and $5 respectively was recognized in selling, general and administrative expense for the ineffective portion of cash flow hedges (unrealized loss of $21 and $nil during the three and six months ended September 27, 2009). After-tax unrealized gains of $969 and $27 are included in accumulated other comprehensive income at September 26, 2010 and are expected to be reclassified to earnings over the next 12 months when the revenue and purchases are recorded respectively (unrealized gains of $502 at September 27, 2009).

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

The components of accumulated other comprehensive loss are as follows:

	September 26 2010	March 31 2010
Accumulated currency translation adjustment	**$ (34,666)**	$ (39,495)
Accumulated unrealized gain on available-for-sale financial assets(i)	**807**	—
Accumulated unrealized net gain on derivative financial instruments designated as cash flow hedges(ii)	**996**	2,061
Accumulated other comprehensive loss	**$ (32,863)**	$ (37,434)

(i) During the year ended March 31, 2010, the Company determined that the impairment in one of its portfolio investments was other than temporary and therefore the accumulated unrealized loss of $951 was allocated to net income.

(ii) The accumulated unrealized net gain on derivative financial instruments designated as cash flow hedges is net of future income taxes of $351 at September 26, 2010 (March 31, 2010 - $935).

14. INVESTMENT IN JOINT VENTURE:

During the year ended March 31, 2010, Photowatt Ontario Inc. entered into an agreement to establish Ontario Solar PV Fields Inc., a joint venture. In fiscal 2008, Photowatt International S.A.S. entered into an agreement to establish the PV Alliance, a joint venture.

These are jointly-controlled enterprises and accordingly, the Company proportionately consolidates its 50% and 40% share of assets, liabilities, revenues and expenses for Ontario Solar PV Fields Inc. and PV Alliance, respectively, in the interim consolidated financial statements.

The following is a summary of the Company's proportionate share of the joint ventures:

	September 26 2010	March 31 2010
Balance Sheet		
Current assets	**$ 4,136**	$ 4,933
Property and equipment	**5,093**	4,960
Intangible assets	**3,183**	2,107
Investment tax credits	**340**	562
Current liabilities	**(2,661)**	(2,960)
Current portion of long-term debt	**(4,436)**	(3,170)
Long-term debt	**(3,929)**	(4,419)
Net assets	**$ 1,726**	$ 2,013

	Three months ended		**Six months ended**	
	September 26 2010	September 27 2009	**September 26 2010**	September 27 2009
Statement of Operations				
Net income (loss)	**$ (185)**	$ 47	**$ (65)**	$ (98)

	Three months ended		**Six months ended**	
	September 26 2010	September 27 2009	**September 26 2010**	September 27 2009
Cash flows from (used in)				
Operating activities	**$ (36)**	$ (1,452)	**$ 1,081**	$ 890
Investing activities	**(270)**	(227)	**(1,277)**	(2,896)
Financing Activities	**—**	2,702	**673**	3,711

The PV Alliance has loans from a shareholder proportionately worth 4,921 Euro (March 31, 2010 – 4,407 Euro). The loans are repayable over five years, guaranteed by the signing of a Pledge Agreement, and bear interest at the maximum fiscally deductible rate.

During the year ended March 31, 2010, the PV Alliance established a credit facility proportionately worth 8,015 Euro. The total amount outstanding on the facility is 1,124 Euro (March 31, 2010 – 1,124 Euro). The credit facility bears interest of 6.19% per annum and is received upon the program meeting certain efficiency milestones.

The PV Alliance maintains an operating lease for a portion of the Photowatt International S.A.S. building used by PV Alliance which results in annual lease payments proportionately worth 83 Euro. The contract with the lessee expires in 2018 with an option to terminate the lease in 2016. The lease contains an option to extend the lease for an additional nine years.

During the year ended March 31, 2010, the PV Alliance entered into an agreement under which the regional government of Rhộne-Alpes in France committed to providing the PV Alliance with funding of 15,000 Euro over a five-year period, conditional on certain employment levels being met in the region. During the three and six months ended September 26, 2010, the PV Alliance received government assistance of 192 Euro and 384 Euro respectively (three and six months ended September 27, 2009 – 192 Euro and 384 Euro respectively) which has been included in operating earnings.

15. INCOME TAXES:

For the three and six month periods ended September 26, 2010, the Company's effective income tax rate differs from the combined Canadian basic federal and provincial income tax rate of 31% (three and six months ended September 27, 2009 – 33%) primarily as a result of losses incurred in Europe, the benefit of which was not recognized for financial statement reporting purposes.

16. COMMITMENTS AND CONTINGENCIES:

In accordance with industry practice, the Company is liable to the customer for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide bank guarantees as security for advances received from customers pending delivery and contract performance. In addition, the Company may provide bank guarantees as security on equipment under lease and on order. At September 26, 2010, the total value of outstanding bank guarantees available under bank guarantee facilities was approximately $41,243 (March 31, 2010 – $11,932).

In the normal course of operations, the Company is party to a number of lawsuits, claims and contingencies. Accruals are made in instances where it is probable that liabilities have been incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its consolidated financial position.