ATS AUTOMATION TOOLING SYSTEMS INC.

Interim Consolidated Financial Statements

For the period ended July 3, 2011

(Unaudited)

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Financial Position
(in thousands of Canadian dollars - unaudited)

As at	Note	July 3 2011	March 31 2011	April 1 2010
ASSETS				
Current assets				
Cash and cash equivalents		**$ 83,715**	$ 117,119	$ 211,786
Accounts receivable		**90,412**	72,045	85,938
Costs and earnings in excess of billings on contracts in progress	8	**74,064**	57,399	44,786
Inventories	8	**12,616**	12,043	73,576
Deposits and prepaid assets	9	**20,464**	18,677	26,482
		281,271	277,283	442,568
Assets classified as held for distribution to owners	7	**228,876**	216,913	—
		510,147	494,196	442,568
Non-current assets				
Property, plant and equipment	10	**86,542**	86,417	160,547
Investment property	11	**3,986**	3,917	3,910
Goodwill		**59,316**	58,447	34,350
Intangible assets	12	**30,100**	31,136	5,411
Deferred income tax assets		**16,448**	16,839	23,686
Investment tax credit receivable		**20,807**	20,749	20,878
Portfolio investments	13	**—**	1,958	3,602
Other assets	14	**—**	—	33,380
		217,199	219,463	285,764
Total assets		**$ 727,346**	$ 713,659	$ 728,332
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness	16	**$ 6,628**	$ 4,274	$ 26,034
Accounts payable and accrued liabilities	13	**89,934**	93,115	91,809
Provisions	15	**8,389**	9,002	11,279
Billings in excess of costs and earnings on contracts in progress	8	**35,764**	29,015	31,544
Current portion of long-term debt	16	**213**	259	10,830
Current portion of obligations under finance leases	16	**—**	—	4,393
		140,928	135,665	175,889
Liabilities directly associated with assets classified as held for distribution to owners	7	**145,504**	134,342	—
		286,432	270,007	175,889
Non-current liabilities				
Provisions	15	**66**	162	4,160
Employee benefits		**5,685**	5,333	4,105
Long-term debt	16	**3,371**	3,322	4,420
Obligations under finance leases	16	**—**	—	18,418
		9,122	8,817	31,103
Total liabilities		**$ 295,554**	$ 278,824	$ 206,992
Shareholders' equity				
Share capital	17	**$ 481,937**	$ 481,908	$ 481,848
Contributed surplus		**15,227**	14,298	11,749
Accumulated other comprehensive income (loss)		**(597)**	(1,610)	2,061
Retained earnings (deficit)		**(64,553)**	(59,537)	25,682
Equity attributable to shareholders		**432,014**	435,059	521,340
Non-controlling interests		**(222)**	(224)	—
Total shareholders' equity		**431,792**	434,835	521,340
Total liabilities and shareholders' equity		**$ 727,346**	$ 713,659	$ 728,332

See accompanying notes to the interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Income (Loss)
(in thousands of Canadian dollars, except per share amounts - unaudited)

For the three months ended	Note	July 3 2011	June 27 2010
Revenues			
Revenues from construction contracts		**$ 115,078**	$ 91,162
Sale of goods		**5,835**	5,941
Services rendered		**5,962**	4,734
Total revenues		**126,875**	101,837
Operating costs and expenses			
Cost of revenues	8	**92,338**	76,888
Selling, general and administrative		**22,874**	15,905
Stock-based compensation	19	**1,136**	552
Earnings from operations		**10,527**	8,492
Net finance costs	23	**601**	154
Income from continuing operations before income taxes		**9,926**	8,338
Income tax expense	18	**3,718**	2,735
Income from continuing operations		**6,208**	5,603
Loss from discontinued operations, net of tax	7	**(11,222)**	(392)
Net income (loss)		**$ (5,014)**	$ 5,211
Attributable to			
Shareholders		**$ (5,016)**	$ 5,211
Non-controlling interests		**2**	—
		$ (5,014)	$ 5,211
Earnings (loss) per share	24		
Basic and diluted - from continuing operations		**$ 0.07**	$ 0.06
Basic and diluted - from discontinued operations	7	**(0.13)**	(0.00)
		$ (0.06)	$ 0.06

See accompanying notes to the interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Comprehensive Loss
(in thousands of dollars - unaudited)

For the three months ended	July 3 2011	June 27 2010
Net income (loss)	**$ (5,014)**	$ 5,211
Other comprehensive income (loss):		
Currency translation adjustment (net of income taxes 2011 – $nil, 2010 - $nil)	**1,217**	(6,857)
Net unrealized gain on available for sale financial assets (net of income taxes 2011 – $nil, 2010 - $nil)	**—**	528
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges (net of income taxes 2011 – $47, 2010 - $215)	**171**	(380)
Gain transferred to net income (loss) for derivatives designated as cash flow hedges (net of income taxes 2011 – $193, 2010 - $357)	**(533)**	(773)
Net gains (losses) on hedges of net investments in foreign operations (net of income taxes 2011 – $nil, 2010 - $nil)	**158**	(506)
Other comprehensive income (loss)	**1,013**	(7,988)
Comprehensive loss	**$ (4,001)**	$ (2,777)
Attributable to		
Shareholders	**$ (4,003)**	$ (2,777)
Non-controlling interests	**2**	—
	$ (4,001)	$ (2,777)

See accompanying notes to the interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Changes in Shareholders' Equity
(in thousands of Canadian dollars - unaudited)

Three months ended July 3, 2011

	Share capital	Contributed surplus	Retained deficit	Foreign currency translation adjustments	Cash flow hedges	Available for sale financial assets	Employee benefits	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders' equity
Balance, at March 31, 2011	**$ 481,908**	**$ 14,298**	**$ (59,537)**	**$ (2,767)**	**$ 1,279**	**$ —**	**$ (122)**	**$ (1,610)**	**$ (224)**	**$ 434,835**
Net loss	**—**	**—**	**(5,016)**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,016)**
Other comprehensive income	**—**	**—**	**—**	**1,375**	**(362)**	**—**	**—**	**1,013**	**—**	**1,013**
Non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2**	**2**
Stock-based compensation	**—**	**939**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**939**
Exercise of stock options	**29**	**(10)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**19**
Balance, at July 3, 2011	**$ 481,937**	**$ 15,227**	**$ (64,553)**	**$ (1,392)**	**$ 917**	**$ —**	**$ (122)**	**$ (597)**	**$ (222)**	**$ 431,792**

Three months ended June 27, 2010

	Share capital	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Available for sale financial assets	Employee benefits	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders' equity
Balance, at April 1, 2010	$ 481,848	$ 11,749	$ 25,682	$ —	$ 2,061	$ —	$ —	$ 2,061	$ —	$ 521,340
Net income	—	—	5,211	—	—	—	—	—	—	5,211
Other comprehensive loss	—	—	—	(7,363)	(1,153)	528	—	(7,988)	—	(7,988)
Non-controlling interests	—	—	—	—	—	—	—	—	(55)	(55)
Stock-based compensation	—	644	—	—	—	—	—	—	—	644
Exercise of stock options	5	(2)	—	—	—	—	—	—	—	3
Balance, at June 27, 2010	$ 481,853	$ 12,391	$ 30,893	$ (7,363)	$ 908	$ 528	$ —	$ (5,927)	$ (55)	$ 519,155

See accompanying notes to the interim consolidated financial statements

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

Three months ended	Note	July 3 2011	June 27 2010
Operating activities:			
Income from continuing operations		**$ 6,208**	$ 5,603
Items not involving cash			
Depreciation of property, plant and equipment		**1,816**	1,492
Amortization of intangible assets		**1,291**	638
Deferred income taxes		**1,129**	1,492
Other items not involving cash		**(154)**	(108)
Stock-based compensation	19	**1,136**	552
Gain on disposal of property, plant and equipment		**(7)**	(224)
		$ 11,419	$ 9,445
Change in non-cash operating working capital		**(37,043)**	(8,750)
Cash flows provided by (used in) operating activities of discontinued operations	7	**(11,873)**	4,525
Cash flows provided by (used in) operating activities		**$ (37,497)**	$ 5,220
Investing activities:			
Acquisition of property, plant and equipment		**$ (1,652)**	$ (5,345)
Acquisition of intangible assets		**(418)**	(63)
Business acquisition	6	**—**	(47,977)
Proceeds from disposal of property, plant and equipment		**513**	498
Proceeds on sale of portfolio investments		**2,054**	—
Cash flows used in investing activities of discontinued operations	7	**(1,867)**	(9,338)
Cash flows used in investing activities		**$ (1,370)**	$ (62,225)
Financing activities:			
Restricted cash	9	**1,301**	(1,476)
Bank indebtedness	16	**2,430**	(222)
Repayment of long-term debt	16	**(41)**	—
Issuance of common shares	19	**19**	3
Cash flows provided by (used in) financing activities of discontinued operations	7	**2,932**	(911)
Cash flows provided by (used in) financing activities		**$ 6,641**	$ (2,606)
Effect of exchange rate changes on cash and cash equivalents		**134**	277
Decrease in cash and cash equivalents		**(32,092)**	(59,334)
Cash and cash equivalents, beginning of period		**124,268**	211,786
Cash and cash equivalents, end of period		**$ 92,176**	$ 152,452
Attributable to			
Cash and cash equivalents – continuing operations		**$ 83,715**	$ 152,452
Cash and cash equivalents – held for distribution to owners		**8,461**	—
		$ 92,176	$ 152,452
Supplemental information			
Cash income taxes paid by continuing operations		**$ 446**	$ 361
Cash interest paid by continuing operations		**$ 77**	$ 51
Cash interest paid by discontinued operations		**$ 493**	$ 358

See accompanying notes to the interim consolidated financial statements

1. CORPORATE INFORMATION

ATS Automation Tooling Systems Inc. and its subsidiaries (collectively “ATS” or the “Company”) operate in two segments: Automation Systems (“ASG”) and Photowatt. The ASG segment produces custom-engineered turn-key automated manufacturing and test systems. The Photowatt segment is a turn-key solar project developer and integrated manufacturer of photovoltaic products. During the year ended March 31, 2011, the Board of Directors of ATS approved a plan designed to implement the separation of Photowatt from ATS via a spinoff of the Company’s combined solar businesses or a sale of PWF and/or PWO. The Company is engaged with a number of interested parties regarding the potential sale of PWF. If a favourable offer is made for PWF, the Company would give it full consideration. In the interim, the Company is advancing its separation strategy via the spinoff of the Photowatt businesses as a standalone public company to the existing shareholders of ATS. Photowatt is currently presented as assets classified as held for distribution to owners in the interim consolidated statements of financial position and as discontinued operations in the interim consolidated statements of income (loss). As a result, ATS’ continuing operations are reported as one operating segment, ASG. See note 21 to the interim consolidated financial statements.

The Company is listed on the Toronto Stock Exchange and is incorporated and domiciled in Ontario, Canada. The address of its registered office is 730 Fountain Street North, Cambridge, Ontario, Canada.

The interim consolidated financial statements of the Company for the three months ended July 3, 2011 were authorized for issue by the Audit Committee of the Board of Directors on August 16, 2011.

2. BASIS OF PREPARATION

These interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss or other comprehensive income. Certain figures for the previous period have been reclassified to conform to the current period’s interim consolidated financial statement presentation. All interim consolidated financial information is presented in Canadian dollars and has been rounded to the nearest thousand, except where otherwise stated.

Statement of compliance
These interim consolidated financial statements of ATS have been prepared in accordance with IAS 34 “Interim Financial Reporting” and IFRS 1, “First-time Adoption of IFRS” as issued by the International Accounting Standards Board (“IASB”). These interim consolidated financial statements have been prepared using the accounting policies the Company expects to adopt in its annual consolidated financial statements for the year ending March 31, 2012.

The Company’s consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). Canadian GAAP differs in some areas from IFRS. The comparative figures were restated to reflect these adjustments. Certain information and footnote disclosures which are considered material to the understanding of the Company’s transition to IFRS along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and comprehensive income are included in note 25. These interim consolidated financial statements should be read in conjunction with the Company’s 2011 annual consolidated financial statements and with consideration of the IFRS transition disclosures included in note 25 to these interim consolidated financial statements.

Basis of consolidation
These interim consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are those entities where the Company directly or indirectly owns the majority of the voting power or can otherwise control the activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Non-controlling interests in the equity and results of the Company's subsidiaries are presented separately in the interim consolidated statements of income (loss) and within shareholders' equity in the interim consolidated statements of financial position.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All material intercompany balances, transactions, revenues and expenses and profits or losses, including dividends resulting from intercompany transactions, have been eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill: Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS policy.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquiree at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units ("CGU") or groups of CGUs based on the level at which management monitors it. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

(b) Interest in joint ventures: The Company has interests in jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the individual entity. The Company accounts for its share of the joint ventures by using the proportionate consolidation method. Under this method, the Company recognizes its proportionate share of the joint venture's assets, liabilities, revenues and expenses in the financial statements. The financial statements of the joint ventures are prepared for the same reporting period as the parent company.

(c) Foreign currency: Functional currency is the currency of the primary economic environment in which the reporting entity operates and is normally the currency in which the entity generates and expends cash. Each entity in the Company determines its own functional currency and items included in the interim consolidated financial statements of each entity are measured using that functional currency.

Transactions
Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the interim consolidated statements of income (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Translation
The assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates and their revenue and expense items are translated at exchange rates prevailing at the date of the transactions. The resulting exchange differences are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the interim consolidated statements of income (loss).

(d) Revenue recognition: Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenues can be reliably measured. Revenues are measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duties. The following specific recognition criteria must be met before revenues are recognized:

Sale of goods
Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on the delivery of goods or transfer of title to the customer.

Rendering of services
Revenues from services rendered are recognized when the stage of completion can be measured reliably. Service revenues include maintenance contracts, extended warranty, and other services provided. Stage of completion of the contract is determined as follows:

- Revenues from time and material contracts are recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

- Revenues from long-term service contracts are recognized on a percentage of completion basis over the term of the contracts, unless there is a pattern of recognition that more accurately represents the stage of completion.

Construction contracts
Revenues from construction contracts are recognized using the percentage of completion method. The degree of completion is determined based on costs incurred, excluding costs that are not representative of progress to completion, as a percentage of total costs anticipated for each contract. Incentive awards, claims or penalty provisions are recognized when such amounts are likely to occur and can reasonably be estimated. When the outcome of a construction contract cannot be estimated reliably, contract

revenues are recognized only to the extent of contract costs incurred that are likely to be recoverable. A complete provision is made for losses on contracts in progress when such losses first become known. Revisions in cost and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known.

(e) Investment tax credits and government grants: Investment tax credits are accounted for as a reduction in the cost of the related asset or expense where there is reasonable assurance that such credits will be realized. Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted from the cost that it is intended to compensate. When the grant relates to an asset, it is deducted from the cost of the related asset. If a grant becomes repayable, the inception to date impact of the assistance previously recognized in earnings is reversed immediately in the period that the assistance becomes repayable.

(f) Taxes:

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income. Current income tax related to items recognized directly in equity is recognized in equity and not in the interim consolidated statements of income (loss). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred taxes are recognized for all taxable temporary differences, except in specific circumstances outlined in IAS 12.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in specific circumstances outlined in IAS 12.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that all or part of the deferred tax asset will be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable the benefit will be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax related to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.
Revenues, expenses and assets are recognized net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the interim consolidated statements of financial position.

(g) Non-current assets classified as held for distribution to owners and discontinued operations: Non-current assets classified as held for distribution to owners are measured at the lower of their carrying amount and fair value less costs to distribute. Non-current assets are classified as held for distribution to owners if their carrying amounts will be de-recognized principally through a distribution transaction rather than recovered through continuing use. This condition is regarded as being met only when the distribution is highly probable and the assets are available for immediate distribution in their present condition. Management must be committed to the distribution, which should be expected to qualify for recognition as a completed distribution within one year from the date of classification. In the interim consolidated statement of comprehensive income (loss) of the reporting period, and of the comparable period, revenues and expenses from discontinued operations are reported separately from revenues and expenses from continuing operations, down to the level of net income (loss) after income taxes. The resulting net income or loss (after income taxes) is reported separately in the interim consolidated statement of comprehensive income (loss).

Property, plant and equipment and intangible assets once classified as held for distribution are not depreciated or amortized.

(h) Property, plant and equipment: Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, ATS derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the interim consolidated statements of income (loss) as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25 to 40 years
Production equipment	3 to 10 years
Other equipment	3 to 10 years

Leasehold improvements are amortized over the shorter of the term of the related lease or their remaining useful life on a straight-line basis.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or eventual disposition. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the interim consolidated statements of income (loss) when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(i) Leases: The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to ATS substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the interim consolidated statements of income (loss).

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that ATS will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Leases where ATS does not assume substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the interim consolidated statements of income (loss) on a straight-line basis over the lease term.

(j) Borrowing costs: Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

(k) Investment property: Investment properties, which are properties held to earn rental income and/or capital appreciation, are measured at acquisition cost less straight-line depreciation and impairment losses. The depreciation policy for investment property is consistent with the policy for owner-occupied property.

(l) Intangible assets: Acquired intangible assets are primarily software, patents, customer relationships, brands, technologies, and licenses. Intangible assets acquired separately are initially recorded at fair market value and subsequently at cost less accumulated amortization and impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives, ranging from 3 to 20 years, on a straight-line basis. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the interim consolidated statements of income (loss) in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives, primarily brands, are not amortized but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the interim consolidated statements of income (loss) when the asset is derecognized.

Research and development expenditures
Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset only when they have met the conditions of IAS 38.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of revenues. During the period of development, the asset is tested for impairment annually.

(m) Financial instruments:

Financial assets
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. ATS determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus directly attributable transaction costs.

ATS' financial assets include cash and cash equivalents, accounts receivables, investments in equities included in portfolio investments, and derivative financial instruments.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the interim consolidated statements of financial position at fair value with changes in fair value recognized in selling, general and administrative expenses in the interim consolidated statements of income (loss).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortization is included in net finance costs in the interim consolidated statements of income (loss). The losses arising from impairment are recognized in the interim consolidated statements of income (loss) in net finance costs.

Available-for-sale financial assets
Available-for-sale financial assets include equity securities, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income (loss) until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the interim consolidated statements of income (loss) in net finance costs and removed from other comprehensive income.

Derecognition
A financial asset is derecognized when the rights to receive cash flows from the asset have expired and the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Company has transferred substantially all the risks and rewards of the asset, or ATS has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
ATS assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an asset or a group of assets is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the interim consolidated statements of income (loss) — is removed from other comprehensive income and recognized in the interim consolidated statements of income (loss). Impairment losses on equity investments are not reversed through the statements of interim consolidated income (loss); increases in their fair value after impairments are recognized directly in other comprehensive income.

Financial liabilities
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, bank indebtedness, long-term debt, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the interim consolidated statements of income (loss).

The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Long-term debt
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the interim consolidated statements of income (loss) when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the interim consolidated statements of income (loss).

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

(n) Derivative financial instruments and hedge accounting: The Company uses derivative financial instruments such as forward foreign exchange contracts and interest rate swaps to hedge its foreign currency risk and interest rate risk, respectively. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are recorded directly in the interim consolidated statements of income (loss), except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

The Company designates certain derivative financial instruments as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. The application of hedge accounting enables the recording of gains, losses, revenues and expenses from hedging items in the same period as those related to the hedged item. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have actually been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income, while any ineffective portion is recognized immediately in the interim consolidated statements of income (loss).

Amounts recognized as other comprehensive income are transferred to the interim consolidated statements of income (loss) when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income are transferred at the initial carrying amount of the non-financial asset or liability.

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

The Company uses forward foreign exchange contracts as hedges of its exposure to foreign currency risk on anticipated revenue and firm commitments. The Company uses interest rate swap contracts with approved financial institutions to reduce its exposure to floating interest rates.

Hedges of net investments
Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument related to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses related to the ineffective portion are recognized in the interim consolidated statements of income (loss). On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the interim consolidated statements of income (loss).

The Company uses forward foreign exchange contracts as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

(o) Inventories: Inventories are stated at the lower of cost and net realizable value on a first-in, first-out basis. The cost of raw materials includes purchase cost and costs incurred in bringing each product to its present location and condition. The cost of work in progress and finished goods includes cost of raw materials, labour and related manufacturing overhead, excluding borrowing costs, based on normal operating capacity. Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of raw materials. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(p) Impairment of non-financial assets: The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the interim consolidated statements of income (loss) in those expense categories consistent with the function of the impaired asset.

Goodwill
Goodwill is tested for impairment annually or as circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(q) 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 interim consolidated statements of income (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 the service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restructuring provisions
Restructuring provisions are only recognized when general recognition criteria for provisions are fulfilled. Additionally, the Company needs to have in place a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and the appropriate time-line. The people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

(r) Employee benefits: The Company operates pension plans in accordance with the applicable laws and regulations in the respective countries in which the Company conducts business. The pension benefits are provided through defined benefit plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income.

The past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate as explained in note 4), less past service costs and actuarial gains and losses not yet recognized and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and actuarial gains and losses not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

(s) Share-based payments: The Company operates three equity-settled, share-based compensation plans, namely the Employee Share Purchase Plan, the Deferred Stock Unit Plan, and the Stock Option Plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a proportionate basis consistent with the vesting features of each grant and incorporates an estimate of the number of equity instruments that will ultimately vest. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest based on the non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in the interim consolidated statements of income (loss) with a corresponding adjustment to equity. The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premiums when the options are exercised.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities, at the end of the reporting period. 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 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. The Company based its assumptions and estimates on parameters available when the interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the critical judgments, estimates and assumptions that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the interim consolidated financial statements:

(a) Revenue recognition and contracts in progress: Revenues on construction contracts are recognzied on a percentage of completion basis as outlined in note 3(d) "Construction Contracts". In applying the accounting policy on construction contracts, judgment is required in determining the estimated costs to complete a contract. These cost estimates are reviewed at each reporting period and by their nature may give rise to income volatility.

(b) Income taxes: Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

If the assessment of the Company's ability to utilize the deferred tax asset changes, the Company would be required to recognize more or fewer of the deferred tax assets which would increase or decrease income tax expense in the period in which this is determined. The Company establishes provisions based on reasonable estimates for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous taxation audits and differing interpretations of tax regulations by the taxable entity and the respective tax authority. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all the relevant factors. The Company reviews the adequacy of these provisions at each quarter. However, it is possible that at some future date an additional liability could result from audits by the taxation authorities. Where the final tax outcome of these matters is different from the amount initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(c) Discontinued operations: In fiscal 2011, the Company's Board of Directors approved a plan designed to implement the separation of Photowatt from ATS. The Company is advancing its separation strategy via the spinoff of the Photowatt business as a standalone public company to the existing shareholders of ATS. Photowatt is currently presented as assets classified as held for distribution to owners in the interim consolidated statements of financial position and as discontinued operations in the interim consolidated statements of income (loss). The Company is also engaged with a number of parties regarding a sale of the Photowatt France based division, Photowatt International S.A.S. If a favourable offer is made, the Company would give it full consideration. In the interim, the Company is pursuing its spinoff strategy. Net assets held for distribution to owners should not be carried at amounts that exceed estimated fair value less costs to effect the distribution. In this regard, following the writedown of assets of Photowatt recorded in the fourth quarter of fiscal 2011, management believes that the net assets of Photowatt France and Photowatt Ontario are carried in these financial statements at amounts that do not exceed their estimated fair values.

(d) Share-based payment transactions: The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, weighted average risk-free interest rate, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 19 to the interim consolidated financial statements.

(e) Impairment of non-financial assets: Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculations involve significant estimates and assumptions. Items estimated include cash flows, discount rates and assumptions on revenue growth rates. These estimates could effect the Company's future results if the current estimates of future performance and fair values change.

(f) Provisions: As described in note 3(q) to the interim consolidated financial statements, the Company records a provision when an obligation exists, an outflow of economic resources required to settle the obligation is probable and a reliable estimate can be made of the amount of the obligation. The Company records a provision based on the best estimate of the required economic outflow to settle the present obligation at the balance sheet date. While management believes these estimates are reasonable, differences in actual results or changes in estimates could have a material impact on the obligations and expenses reported by the Company.

5. FUTURE ACCOUNTING CHANGES

Standards issued but not yet effective or amended up to the date of issuance of the Company's interim consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

IFRS 7 – Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosures for financial assets that have been transferred, but not derecognized, to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures for continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for fiscal periods beginning on or after July 1,

2011. The amendment affects disclosure only and has no impact on the Company's financial position or results of operations.

IFRS 9 – Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for fiscal periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011. The adoption of the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets, but will potentially have no impact on classification and measurement of financial liabilities. ATS will quantify the impact in conjunction with the other phases when issued.

IFRS 10 – Consolidated Financial Statements
This standard will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidated - Special Purpose Entities. This standard incorporates a single model for consolidating all entities that are controlled and revises the definition of when an investor controls an investee to be when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and a continuous reassessment as facts and circumstances change. IFRS 10 is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 10 on its financial position and results of operations.

IFRS 11 – Joint Arrangements
This standard will replace IAS 31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting. IFRS 11 is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 11 on its financial position and results of operations.

IFRS 12 – Disclosure of Interest in Other Entities
The new standard includes disclosure requirements for subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. IFRS 12 is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 12 on its interim consolidated financial statements.

IFRS 13 – Fair Value Measurement
The new standard creates a single source of guidance for fair value measurement, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated financial statements.

IAS 1 – Presentation of Financial Statements
The amendment requires financial statements to group together items within other comprehensive income that may be reclassified to the profit or loss section of the interim consolidated statements of income (loss). The amendment reaffirms existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendment requires tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of

(in thousands of Canadian dollars, except per share amounts - unaudited)

other comprehensive income either before tax or net of tax). IAS 1 is effective for fiscal periods beginning on or after July 1, 2012, with early adoption permitted. The Company is assessing the impact of IAS 1 on its interim consolidated financial statements.

IAS 12 – Income Taxes — Recovery of Underlying Assets
The amendment clarifies the determination of deferred taxes in investment properties measured at fair value. The amendment introduces a rebuttable presumption that deferred taxes on investment properties measured using the fair value model in IAS 40 should be determined on the basis that their carrying amount will be recovered through sale. Furthermore, it introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 to always be measured on the sale basis of the asset. The amendment becomes effective for fiscal periods beginning on or after January 1, 2012. The Company is assessing the impact of IAS 12 on its interim consolidated financial statements.

IAS 19 – Employee Benefits
The amendment eliminates the option to defer the recognition of gains and losses, known as the 'corridor method', requires remeasurements to be presented in other comprehensive income, and enhances the disclosure requirements for defined benefit plans. The amendment becomes effective for fiscal periods beginning on or after January 1, 2013. The Company is assessing the impact of IAS 19 on its consolidated financial statements.

6. ACQUISITIONS

(a) 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 ASG segment. The Sortimat acquisition aligns with ATS' strategy of expanding its position in the global automation market and enhancing growth opportunities, particularly in strategic markets such as life sciences.

The total cash consideration for Sortimat is $49,450 (38,474 Euro). This amount excludes 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 two years from the acquisition date. The milestones related to operating performance are not expected to be achieved and have therefore not been accrued. The amounts payable related to the specific management are recognized as they are earned through the interim consolidated statements of income (loss). During the three months ended July 3, 2011, the Company recognized in selling, general and administrative expenses $465 related to specific management services (three months ended June 27, 2010 – $154). Acquisition-related costs, primarily for advisory services, of $1,162 were expensed as incurred during the three months ended June 27, 2010.

Cash used in the investment is determined as follows:

Cash consideration	$ 49,450
Less cash acquired	(1,473)
	$ 47,977

(in thousands of Canadian dollars, except per share amounts - unaudited)

The consideration was allocated to the underlying assets acquired and liabilities assumed based upon their fair values at the date of acquisition. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets. The Company determined the fair values of the acquired assets and liabilities assumed based on discounted cash flows, market information, independent valuations and management's estimates. The allocation of the purchase price at fair value is as follows:

Purchase price allocation	
Cash	$ 1,473
Current assets	18,419
Property, plant and equipment	9,100
Other long-term assets	385
Intangible assets with a definite life	
Technology	9,640
Customer relationships	12,981
Other	767
Intangible assets with an indefinite life	
Brands	4,370
Current liabilities	(27,834)
Long-term debt	(3,590)
Net identifiable assets	25,711
Non-controlling interest	55
Residual purchase price allocated to goodwill	23,684
	$ 49,450

Non-cash working capital includes accounts receivable of $8,372, representing gross contractual amounts receivable of $9,169 less management's best estimate of the contractual cash flows not expected to be collected of $797.

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. A portion of the goodwill is deductible for tax purposes.

The consideration of the purchase price along with transaction costs were funded from existing cash on hand. This acquisition was accounted for as a business combination with the Company as the acquirer of Sortimat. The non-controlling interest was calculated as the proportionate share in the recognized amounts of the acquiree's identifiable net assets. The purchase method of accounting was used and the earnings have been consolidated from the acquisition date, June 1, 2010.

(b) Assembly & Test Worldwide ("ATW"): On January 5, 2011, the Company completed its acquisition of the majority of Assembly & Test Worldwide, Inc.'s U.S.-based and German automation and test systems businesses (collectively "ATW"). ATW is a manufacturer of assembly and test systems with capability in the transportation, life sciences and energy markets.

The total cash consideration for ATW pending post-closing adjustments is $17,285 ($17,377 US). Acquisition-related costs, primarily for advisory services, of $1,109 were expensed as incurred for the year ended March 31, 2011.

(in thousands of Canadian dollars, except per share amounts - unaudited)

Cash used in the investment is determined as follows:

Cash consideration	$ 17,285
Less cash acquired	(1,432)
	$ 15,853

The consideration was allocated to the underlying assets acquired and liabilities assumed based upon their fair values at the date of acquisition. The Company determined the fair values based on discounted cash flows, market information, independent valuations and management's estimates. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets. Final valuations of certain items 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 2012 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	$ 1,432
Current assets	28,673
Property, plant and equipment	990
Intangible assets with a definite life	
Customer relationships	1,100
Other	74
Current liabilities	(21,223)
Defined benefit pension obligation	(426)
Net identifiable assets	10,620
Non-controlling interest	(61)
Residual purchase price allocated to goodwill	6,726
	$ 17,285

Non-cash working capital includes accounts receivable of $13,677, representing gross contractual amounts receivable of $13,826 less management's best estimate of the contractual cash flows not expected to be collected of $149.

The primary factors that contributed to a purchase price that resulted in the recognition of goodwill are: the existing ATW business; the acquired workforce; significant experience and products in the automation and test systems businesses; time-to-market benefits of acquiring an established organization in key international markets such as the United States and Europe; and the combined strategic value to the Company's growth plan. A portion of the goodwill is expected to be deductible for tax purposes.

The consideration of the purchase price along with transaction costs were funded from existing cash on hand. This acquisition was accounted for as a business combination with the Company as the acquirer of ATW. The purchase method of accounting was used and the earnings have been consolidated from the acquisition date, January 5, 2011.

(in thousands of Canadian dollars, except per share amounts - unaudited)

7. DISCONTINUED OPERATIONS

During the year ended March 31, 2011, the Company's Board of Directors approved a plan designed to implement the separation of Photowatt from ATS. The Company is advancing its separation strategy via the spinoff of Photowatt as a standalone public company to the existing shareholders of ATS. The spinoff is expected to be completed during the fiscal year ending March 31, 2012 and, as such, Photowatt is presented as assets classified as held for distribution to owners in the interim consolidated statements of financial position and as discontinued operations in the interim consolidated statements of income (loss).

For the three months ended	**July 3 2011**	June 27 2010
Revenue	**$ 62,884**	$ 48,787
Operating costs and expenses	**74,058**	48,875
Loss from discontinued operations	**(11,174)**	(88)
Net finance costs	**345**	350
Loss from discontinued operations before income taxes	**(11,519)**	(438)
Income tax recovery	**(297)**	(46)
Loss from discontinued operations, net of tax	**$ (11,222)**	$ (392)
Loss per share:		
Basic and diluted loss - from discontinued operations	**$ (0.13)**	$ (0.00)

Included in the three months ended July 3, 2011 loss from discontinued operations was $5,987 of non-cash charges related to the write-down of inventory to its net realizable value, following declines in market average selling prices due to changes in European feed-in tarrifs and excess module supply in the European solar industry.

(in thousands of Canadian dollars, except per share amounts - unaudited)

The major classes of assets and liabilities of Photowatt classified as held for distribution to owners are as follows:

	Note	**July 3 2011**	March 31 2011
Assets			
Cash and cash equivalents		**$ 8,461**	$ 7,149
Accounts receivable		**43,983**	36,732
Costs and earnings in excess of billings on contracts in progress		**5,649**	7,964
Inventories	8	**86,278**	83,114
Deposits and prepaid assets	9	**16,911**	14,607
Property, plant and equipment	10	**24,412**	22,995
Intangible assets	12	**3,435**	3,169
Deferred income taxes		**3,770**	4,509
Goodwill		**5,140**	5,149
Other assets	14	**30,837**	31,524
Assets classified as held for distribution to owners		**$ 228,876**	$ 216,912
Liabilities			
Bank indebtedness	16	**$ 2,132**	$ 548
Accounts payable and accrued liabilities		**62,304**	56,179
Provisions	15	**20,304**	19,330
Billings in excess of costs and earnings on contracts in progress		**8,719**	8,496
Long-term debt	16	**26,812**	27,635
Obligations under finance leases	16	**24,228**	21,228
Defined benefit plan		**1,005**	926
Liabilities directly associated with assets classified as held for distribution to owners		**145,504**	134,342
Net assets directly associated with disposal group		**$ 83,372**	$ 82,570

(in thousands of Canadian dollars, except per share amounts - unaudited)

8. CONSTRUCTION CONTRACTS AND INVENTORIES

	July 3 2011	March 31 2011	April 1 2010
Contracts in progress:			
Costs incurred	**$ 507,299**	$ 505,987	$ 345,246
Reclassified as held for distribution to owners	**(125,230)**	(94,590)	—
	$ 382,069	$ 411,397	$ 345,246
Estimated earnings	**$ 106,999**	$ 116,231	$ 81,704
Reclassified as held for distribution to owners	**(27,045)**	(21,216)	—
	$ 79,954	$ 95,015	$ 81,704
Progress billings	**$(575,998)**	$(594,366)	$(413,708)
Reclassified as held for distribution to owners	**152,275**	116,338	—
	$(423,723)	$(478,028)	$(413,708)
Continuing operations	**$ 38,300**	$ 27,852	$ 13,242
Reclassified as held for distribution to owners	**—**	532	—
	$ 38,300	$ 28,384	$ 13,242
Disclosed as:			
Costs and earnings in excess of billings on contracts in progress	**$ 74,064**	$ 57,399	$ 44,786
Billings in excess of costs and earnings on contracts in progress	**(35,764)**	(29,015)	(31,544)
	$ 38,300	$ 28,384	$ 13,242

	July 3 2011	March 31 2011	April 1 2010
Inventories are summarized as follows:			
Raw materials	**$ 49,356**	$ 45,118	$ 41,048
Reclassified as held for distribution to owners	**(42,749)**	(38,307)	—
	$ 6,607	$ 6,811	$ 41,048
Work in process	**$ 21,363**	$ 20,480	$ 8,333
Reclassified as held for distribution to owners	**(15,803)**	(15,846)	—
	$ 5,560	$ 4,634	$ 8,333
Finished goods	**$ 28,175**	$ 29,559	$ 24,195
Reclassified as held for distribution to owners	**(27,726)**	(28,961)	—
	$ 449	$ 598	$ 24,195
Total	**$ 98,894**	$ 95,157	$ 73,576
Reclassified as held for distribution to owners	**(86,278)**	(83,114)	—
	$ 12,616	$ 12,043	$ 73,576

(in thousands of Canadian dollars, except per share amounts - unaudited)

From continuing operations:
The amount charged to net income and included in cost of revenues for the write-down of inventory for valuation issues during the three months ended July 3, 2011 was $173 (June 27, 2010 – $517). The amount recognized in net income and included in cost of revenues for the reversal of previous inventory write-downs due to rising prices in the first quarter of 2012 was $nil (June 27, 2010 – $69). The amount of inventories carried at net realizable value as at July 3, 2011 was $198 (March 31, 2011 – $206).

From discontinued operations:
The amount charged to net income and included in discontinued operations for the write-down of inventory for valuation issues during the three months ended July 3, 2011 was $5,987 (June 27, 2010 – $24). The amount recognized in net income and included in discontinued operations for the reversal of previous inventory write-downs due to rising prices in the first quarter of 2012 was $nil (June 27, 2010 – $nil). The amount of inventories carried at net realizable value as at July 3, 2011 was $75,460 (March 31, 2011 – $74,950).

9. DEPOSITS AND PREPAID ASSETS

	July 3 2011	March 31 2011	April 1 2010
Prepaid assets	**$ 7,082**	$ 4,777	$ 4,231
Reclassified as held for distribution to owners	**(2,408)**	(2,168)	—
	$ 4,674	$ 2,609	$ 4,231
Restricted cash (i)	**$ 7,042**	$ 8,211	$ 582
Reclassified as held for distribution to owners	**—**	—	—
	$ 7,042	$ 8,211	$ 582
Silicon and other deposits (ii)	**$ 19,410**	$ 17,834	$ 16,335
Reclassified as held for distribution to owners	**(12,438)**	(12,372)	—
	$ 6,972	$ 5,462	$ 16,335
Forward contracts and other	**$ 3,841**	$ 2,462	$ 5,334
Reclassified as held for distribution to owners	**(2,065)**	(67)	—
	$ 1,776	$ 2,395	$ 5,334
Total	**$ 37,375**	$ 33,284	$ 26,482
Reclassified as held for distribution to owners	**(16,911)**	(14,607)	—
	$ 20,464	$ 18,677	$ 26,482

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

(ii) Silicon deposits consist of deposits made on silicon supply contracts which are expected to be utilized against silicon purchases within the next fiscal year. See note 20 to the interim consolidated financial statements for additional information.

(in thousands of Canadian dollars, except per share amounts - unaudited)

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leaseholds	Production equipment	Other equipment	Total
Cost:					
Balance, at April 1, 2010	$ 19,043	$ 100,728	$ 133,520	$ 37,999	$ 291,290
Additions	2,034	16,635	4,568	8,853	32,090
Disposals	(625)	(1,014)	(9,642)	(1,156)	(12,437)
Acquisition of a subsidiary	1,702	5,616	1,680	1,092	10,090
Exchange adjustments	(54)	1,154	1,607	399	3,106
Reclassified as held for distribution to owners	(785)	(29,980)	(119,011)	(20,562)	(170,338)
Balance, at March 31, 2011	21,315	93,139	12,722	26,625	153,801
Additions	—	12	75	1,565	1,652
Disposals	(209)	(401)	(67)	(15)	(692)
Exchange adjustments	266	910	239	632	2,047
Balance, at July 3, 2011	**$ 21,372**	**$ 93,660**	**$ 12,969**	**$ 28,807**	**$ 156,808**

	Land	Buildings and leaseholds	Production equipment	Other equipment	Total
Depreciation and impairment:					
Balance, at April 1, 2010	$ —	$ (40,981)	$ (69,952)	$ (19,810)	$ (130,743)
Depreciation expense	—	(7,049)	(10,907)	(1,919)	(19,875)
Disposals	—	508	8,458	1,102	10,068
Exchange adjustments	—	(497)	(1,691)	(1,264)	(3,452)
Impairment charges	—	(20,572)	(49,949)	(204)	(70,725)
Reclassified as held for distribution to owners	—	29,458	115,686	2,199	147,343
Balance, at March 31, 2011	—	(39,133)	(8,355)	(19,896)	(67,384)
Depreciation expense	—	(950)	(257)	(609)	(1,816)
Disposals	—	96	80	10	186
Exchange adjustments	—	(412)	(625)	(215)	(1,252)
Balance, at July 3, 2011	**$ —**	**$ (40,399)**	**$ (9,157)**	**$ (20,710)**	**$ (70,266)**

	Land	Buildings and leaseholds	Production equipment	Other equipment	Total
Net book value:					
At July 3, 2011	**$ 21,372**	**$ 53,261**	**$ 3,812**	**$ 8,097**	**$ 86,542**
At March 31, 2011	$ 21,315	$ 54,006	$ 4,367	$ 6,729	$ 86,417
At April 1, 2010	$ 19,043	$ 59,747	$ 63,568	$ 18,189	$ 160,547

Included in other equipment as at July 3, 2011 is $1,482 (March 31, 2011 - $726) of assets which are under construction and have not been amortized.

(in thousands of Canadian dollars, except per share amounts - unaudited)

11. INVESTMENT PROPERTY

	July 3 2011	March 31 2011	April 1 2010
Balance, beginning of period	**$ 3,917**	$ 3,910	$ 3,910
Foreign exchange adjustment	**69**	7	—
Balance, end of period	**$ 3,986**	$ 3,917	$ 3,910

The estimated fair value of the Company's investment property at July 3, 2011 approximates its carrying value, based on comparable market data for similar properties. The investment property is a plot of vacant land which does not earn any rental income nor incurs any direct operating expenses, including repairs and maintenance.

12. INTANGIBLE ASSETS

	Development projects	**Computer software, licenses and other**	**Technology**	**Customer relationships**	**Brands**	**Total**
Cost:						
Balance, at April 1, 2010	$ 4,340	$ 14,736	$ —	$ —	$ —	$ 19,076
Additions	2	2,339	—	—	—	2,341
Disposals	(245)	(291)	—	—	—	(536)
Acquisition of a subsidiary	—	841	9,640	14,681	4,370	29,532
Exchange adjustments	(73)	372	452	844	299	1,894
Reclassified as held for distribution to owners	(1,065)	(5,040)	—	—	—	(6,105)
Balance, at March 31, 2011	2,959	12,957	10,092	15,525	4,669	46,202
Additions	—	418	—	—	—	418
Disposals	—	(6)	—	—	—	(6)
Acquisition of a subsidiary	—	—	—	(600)	—	(600)
Exchange adjustments	—	152	150	227	79	608
Balance, at July 3, 2011	**$ 2,959**	**$ 13,521**	**$ 10,242**	**$ 15,152**	**$ 4,748**	**$ 46,622**

	Development projects	**Computer software, licenses and other**	**Technology**	**Customer relationships**	**Brands**	**Total**
Amortization:						
Balance, at April 1, 2010	$ (3,318)	$ (10,347)	$ —	$ —	$ —	$ (13,665)
Amortization	(396)	(1,396)	(903)	(1,871)	—	(4,566)
Disposals	245	291	—	—	—	536
Exchange adjustments	2	(267)	(14)	(28)	—	(307)
Reclassified as held for distribution to owners	1,064	1,872	—	—	—	2,936
Balance, at March 31, 2011	(2,403)	(9,847)	(917)	(1,899)	—	(15,066)
Amortization	(82)	(225)	(280)	(704)	—	(1,291)
Disposals	—	6	—	—	—	6
Exchange adjustments	—	(125)	(15)	(31)	—	(171)
Balance, at July 3, 2011	**$ (2,485)**	**$ (10,191)**	**$ (1,212)**	**$ (2,634)**	**$ —**	**$ (16,522)**

(in thousands of Canadian dollars, except per share amounts - unaudited)

Net book value:						
At July 3, 2011	**$ 474**	**$ 3,330**	**$ 9,030**	**$ 12,518**	**$ 4,748**	**$ 30,100**
At March 31, 2011	$ 556	$ 3,110	$ 9,175	$ 13,626	$ 4,669	$ 31,136
At April 1, 2010	$ 1,022	$ 4,389	$ —	$ —	$ —	$ 5,411

Research and development costs that are not eligible for capitalization have been expensed and are recognized in selling, general and administrative expenses.

13. FINANCIAL INSTRUMENTS

The carrying values of the Company's financial instruments are classified into the following categories:

Fair value through profit or loss	**July 3 2011**	March 31 2011	April 1 2010
Bank indebtedness	**$ 6,628**	$ 4,274	$ 26,034
Derivatives designated as held-for-trading[(i)] – loss	**639**	1,657	2,205
	$ 7,267	$ 5,931	$ 28,239
Fair value through other comprehensive income			
Derivatives designated as cash flow hedges – gain	**$ 1,210**	$ 1,718	$ 2,996
Loans and receivables			
Cash and cash equivalents	**$ 83,715**	$ 117,119	$ 211,786
Accounts receivable	**79,736**	67,216	81,741
	$ 163,451	$ 184,335	$ 293,527
Available-for-sale			
Portfolio investments	**$ —**	$ 1,958	$ 3,602
Other financial liabilities			
Accounts payable and accrued liabilities	**$ 78,748**	$ 89,552	$ 78,261
Current portion of long-term debt	**213**	259	10,830
Long-term debt	**3,371**	3,322	4,420
	$ 82,332	$ 93,133	$ 93,511

(i) Derivative financial instruments in a gain position are included in deposits and prepaid assets on the interim consolidated statements of financial position while derivative financial instruments in a loss position are included in accounts payable and accrued liabilities.

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, bank indebtedness and long-term debt approximate their respective carrying values.

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 income (loss). During the three months ended July 3, 2011, the fair value of derivative financial assets classified as held-for-trading and included in deposits and prepaid assets decreased by $106 (decreased by $625 during the three months ended June 27, 2010) and the fair value of derivative financial liabilities classified as held-for-trading and included in accounts payable

(in thousands of Canadian dollars, except per share amounts - unaudited)

and accrued liabilities decreased by $1,078 during the three months ended July 3, 2011 (increased by $355 during the three months ended June 27, 2010).

Cash flow hedges
During the three months ended July 3, 2011 and the three months ended June 27, 2010, there was no unrealized gain or loss recognized in selling, general and administrative expenses for the ineffective portion of cash flow hedges. An after-tax unrealized gains of $887 and $30 are included in accumulated other comprehensive loss at July 3, 2011 and are expected to be reclassified to income over the next 12 months when the revenue and purchases are recorded (unrealized gains of $903 and $5 at June 27, 2010).

14. OTHER ASSETS

	July 3 2011	March 31 2011	April 1 2010
Silicon deposits (i)	**$ 27,399**	$ 28,159	$ 32,389
Reclassified as held for distribution to owners	**(27,399)**	(28,159)	—
	$ —	$ —	$ 32,389
Other	**$ 3,438**	$ 3,365	$ 991
Reclassified as held for distribution to owners	**(3,438)**	(3,365)	—
	$ —	$ —	$ 991
Total	**$ 30,837**	$ 31,524	$ 33,380
Reclassified as held for distribution to owners	**(30,837)**	(31,524)	—
	$ —	$ —	$ 33,380

(i) Silicon deposits consist of deposits made on silicon supply contracts which are expected to be utilized against silicon purchases beyond the next fiscal year. See note 20 to the interim consolidated financial statements for additional information.

15. PROVISIONS

Total	**Warranty**	**Restructuring**	**Other**	**Total**
Balance, at April 1, 2010	$ 10,137	$ 2,190	$ 3,112	$ 15,439
Provisions made during the period	17,409	14,476	3,085	34,970
Provisions reversed during the period	(1,734)	—	(2,473)	(4,207)
Provisions used during the period	(9,302)	(5,800)	(2,804)	(17,906)
Exchange adjustments	63	139	(4)	198
Reclassified as held for distribution to owners	(10,307)	(9,023)	—	(19,330)
Balance, at March 31, 2011	$ 6,266	$ 1,982	$ 916	$ 9,164
Provisions made during the period	936	—	1,031	1,967
Provisions reversed during the period	(287)	(140)	—	(427)
Provisions used during the period	(584)	(669)	(1,039)	(2,292)
Exchange adjustments	31	13	(1)	43
Balance, at July 3, 2011	**$ 6,362**	**$ 1,186**	**$ 907**	**$ 8,455**

(in thousands of Canadian dollars, except per share amounts - unaudited)

Disclosed as:

	July 3 2011	March 31 2011	April 1 2010
Current	**$ 8,389**	$ 9,002	$ 11,279
Non-current	**66**	162	4,160
	$ 8,455	$ 9,164	$ 15,439

Warranty provisions
Warranty provisions are related to sales of products and are based on experience reflecting statistical trends of warranty costs.

Restructuring
Restructuring charges are recognized in the period incurred and when the criteria for provisions are fulfilled. Termination benefits are recognized as a liability and an expense when the Company is demonstrably committed through a formal restructuring plan.

16. BANK INDEBTEDNESS, OBLIGATIONS UNDER FINANCE LEASES AND LONG-TERM DEBT

The Company's primary credit facility (the "Credit Agreement") provides total credit facilities of up to $95,000, comprised of an operating credit facility of $65,000 and a letter of credit facility of up to $30,000 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, 2012.

The operating credit facility is available in Canadian dollars by way of prime rate advances, letters 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 0.90% to 1.90% until October 1, 2011 and 0.90% to 2.40% thereafter. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or the LIBOR, respectively, plus 1.90% to 2.90% until October 1, 2011 and 1.90% to 3.40% thereafter.

Under the Credit Agreement, the Company pays a fee for usage of the $30,000 letter of credit facility which ranges from 0.80% to 1.90%.

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 0.475% to 0.725% until October 1, 2011, and 0.475% to 0.850% thereafter.

The Credit Agreement is subject to debt leverage tests, a current ratio test and an interest coverage 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.

As at July 3, 2011, the Company had issued letters of credit in the amount of $5,799 under the primary credit facility (March 31, 2011 - $5,619).

(in thousands of Canadian dollars, except per share amounts - unaudited)

The Company has additional credit facilities available of $12,466 (6,638 Euro, 41,163 Indian Rupees and 2,000 Swiss Francs). The total amount outstanding on these facilities is $10,212 (March 31, 2011 - $7,855), of which $6,628 is classified as bank indebtedness and $3,584 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 the 2,000 Swiss Francs credit facility is secured by a letter of credit under the primary credit facility.

As at July 3, 2011, the Company's subsidiary, Photowatt International S.A.S., has credit facilities including finance lease obligations, of $40,823 (March 31, 2011 - $40,668) outstanding, of which $2,132 is classified as bank indebtedness (March 31, 2011 - $548), $18,357 is classified as long-term debt (March 31, 2011 - $19,326) and $20,334 is classified as obligations under finance leases (March 31, 2011 - $20,794). Additional credit facilities of $29,319 (20,963 Euro) are available to Photowatt International S.A.S., upon meeting certain requirements. The interest rates applicable to the credit facilities range from Euribor plus 0.5% to Euribor plus 3.35% 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 facility classified as long-term debt requires annual payments of $5,243 (3,750 Euro) and expires on October 15, 2014. The credit facilities which are classified as bank indebtedness are subject to either annual renewal or 60 day notification.

The PV Alliance joint venture has additional credit facilities as described in note 22. The Photowatt International S.A.S. and PV Alliance bank indebtedness, obligations under finance leases and long-term debt amounts have been classified as held for distribution to owners at March 31, 2011.

(i) Bank indebtedness

	July 3 2011	March 31 2011	April 1 2010
Photowatt International S.A.S.	**$ 2,132**	$ 548	$ 26,034
Other facilities	**6,628**	4,274	—
Reclassified as held for distribution to owners	**(2,132)**	(548)	—
	$ 6,628	$ 4,274	$ 26,034

(ii) Long-term debt

	July 3 2011	March 31 2011	April 1 2010
PV Alliance	**$ 8,455**	$ 8,308	$ 7,589
Photowatt International S.A.S.	**18,357**	19,326	7,661
Other facilities	**3,584**	3,581	—
Reclassified as held for distribution to owners	**(26,812)**	(27,634)	—
	3,584	3,581	15,250
Less: current portion	**213**	259	10,830
	$ 3,371	$ 3,322	$ 4,420

(in thousands of Canadian dollars, except per share amounts - unaudited)

Scheduled principal repayments and interest payments on long-term debt from continuing operations as at July 3, 2011 are as follows:

	Principal	Interest
2013	$ 213	$ 94
2014	273	115
2015	284	103
2016	292	91
2017	301	90
Thereafter	2,221	294
	$ 3,584	$ 787

Scheduled principal repayments and interest payments on long-term debt from discontinued operations as at July 3, 2011 are as follows:

	Principal	Interest
2013	$ 10,538	$ 1,693
2014	6,375	507
2015	5,879	307
2016	2,767	114
2017	137	74
Thereafter	1,116	238
	$ 26,812	$ 2,933

(iii) Obligations under finance leases

The Company has entered into finance lease agreements to lease production equipment for the Photowatt segment. The following balances are classified as held for distribution to owners as at July 3, 2011 and March 31, 2011:

	July 3 2011	March 31 2011	April 1 2010
Future minimum lease payments	**$ 26,224**	$ 22,638	$ 25,767
Less: interest charges	**1,996**	1,411	2,956
Present value of minimum lease payments	**24,228**	21,227	22,811
Less: current portion	**5,890**	5,050	4,393
	$ 18,338	$ 16,177	$ 18,418

	Lease payments	Interest
2013	$ 5,890	$ 817
2014	6,102	605
2015	6,173	384
2016	4,731	164
2017	1,332	26
	$ 24,228	$ 1,996

The finance lease agreements do not contain renewal terms, purchase options or escalation clauses. Certain of the finance leases are secured by certain assets of Photowatt International S.A.S. and PV Alliance and a commitment to restrict payments to the Company and debt leverage tests. The Company is in compliance with these covenants and restrictions.

(in thousands of Canadian dollars, except per share amounts - unaudited)

Interest of $117 (three months ended June 27, 2010 – $142) relating to obligations under finance leases has been included in discontinued operations for the three months ended July 3, 2011. The interest rates applicable to the obligations under finance leases range from Euribor plus 1.38% to Euribor plus 1.9% and 4.9% per annum.

17. SHARE CAPITAL

The changes in the common shares issued and outstanding during the periods presented were as follows:

	Number of common shares	Share capital
Balance, at April 1, 2010	87,278,155	$ 481,848
Exercise of stock options	11,000	60
Balance, at March 31, 2011	87,289,155	481,908
Exercise of stock options	4,400	29
Balance, at July 3, 2011	**87,293,555**	**$ 481,937**

(in thousands of Canadian dollars, except per share amounts - unaudited)

18. TAXATION

Reconciliation of income taxes: Income tax expense differs from the amounts which would be obtained by applying the combined Canadian basic federal and provincial income tax rate to income from continuing operations before income taxes. These differences result from the following items:

For the three months ended	**July 3 2011**	June 27 2010
Income from continuing operations before income taxes	**$ 9,926**	$ 8,338
Combined Canadian basic federal and provincial income tax rate	**27.83%**	30.17%
Income tax expense based on combined Canadian basic federal and provincial income tax rate	**$ 2,762**	$ 2,515
Increase (decrease) in income taxes resulting from:		
Reversal of a deferred tax asset	**—**	(1,095)
Permanent differences, unrecognized assets and rate changes	**976**	1,336
Manufacturing and processing allowance and all other items	**(20)**	(21)
	$ 3,718	$ 2,735
Income tax expense reported in the interim consolidated statements of income (loss):		
Current	**$ 2,589**	$ 1,243
Deferred	**1,129**	1,492
	$ 3,718	$ 2,735
Income tax recovery reported in equity or goodwill:		
Net gain on revaluation of cash flow hedges	**$ (172)**	$ (448)
Other items recognized through equity	**(44)**	—
Recognition of deferred tax asset upon acquisition	**—**	(951)
	$ (216)	$ (1,399)

19. STOCK-BASED COMPENSATION

In the calculation of the stock-based compensation expense in the interim consolidated statements of income (loss), 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 three months ended July 3, 2011 the Company granted 200,000 time vesting stock options (325,000 in the three months ended June 27, 2010). The stock options granted vest over four years and expire on the seventh anniversary from the date of issue. During the three month periods ended July 3, 2011 and June 27, 2010, 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 three month periods ended July 3, 2011 and June 27, 2010, no performance based options vested.

(in thousands of Canadian dollars, except per share amounts - unaudited)

For the three months ended		**July 3 2011**		June 27 2010
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of period	**7,465,167**	**$ 7.52**	6,368,674	$ 7.89
Granted	**200,000**	**7.10**	325,000	6.34
Exercised	**(4,400)**	**5.16**	(1,000)	3.49
Forfeited/cancelled	**(92,059)**	**18.69**	(90,696)	22.31
Stock options outstanding, end of period	**7,568,708**	**$ 7.37**	6,601,978	$ 7.62
Stock options exercisable, end of period, time vested options	**1,280,307**	**$ 7.91**	1,027,511	$ 9.63
Stock options exercisable, end of period, performance options	**991,448**	**$ 6.14**	991,448	$ 6.14

The fair values of the Company's stock 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:

For the three months ended	**July 3 2011**	June 27 2010
Weighted average risk-free interest rate	**2.25%**	2.28%
Dividend yield	**0%**	0%
Weighted average expected volatility	**56%**	58%
Weighted average expected life	**4.75 years**	4.75 years
Number of stock options granted:		
Time vested	**200,000**	325,000
Weighted average exercise price per option	**$ 7.10**	$ 6.34
Weighted average value per option:		
Time vested	**$ 3.43**	$ 3.16

The Deferred Stock Unit Plan ("DSU Plan") liability is revalued quarterly based on the change in the Company's stock price. The change in the value of the DSU Plan liability is included in operating results in the period of change. At July 3, 2011, the value of the outstanding liability related to the DSU Plan was $1,471 (March 31, 2011 - $1,239).

(in thousands of Canadian dollars, except per share amounts - unaudited)

20. COMMITMENTS AND CONTINGENCIES

The minimum operating lease payments related primarily to facilities and equipment, purchase obligations and other obligations are as follows:

From continuing operations:

	Operating leases	Purchase obligations
Due within one year	$ 2,798	$ 68,899
Due in one to five years	5,914	22
Due in over five years	4,136	—
	$ 12,848	$ 68,921

From discontinued operations:

	Operating leases	Purchase obligations
Due within one year	$ 2,315	$ 104,952
Due in one to five years	8,417	140,419
Due in over five years	424	69,145
	$ 11,156	$ 314,516

The Company’s off-balance sheet arrangements consist of purchase obligations, various operating lease financing arrangements related primarily to facilities and equipment, and derivative financial instruments which have been entered into in the normal course of business.

The Company’s purchase obligations consist of silicon supply commitments and other materials purchase commitments. The major silicon supply commitments are take-or-pay arrangements with fixed price commitments.

The Company has initiated discussions with certain vendors with respect to exiting certain long-term supply contracts in its discontinued operations. No provisions for those contracts have been recognized in the interim consolidated financial statements.

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 July 3, 2011, the total value of outstanding bank guarantees available under bank guarantee facilities was approximately $25,015 (March 31, 2011 – $26,297) from continuing operations and was approximately $9,032 (March 31, 2011 – $13,857) from discontinued operations.

In the normal course of operations, the Company is party to a number of lawsuits, claims and contingencies. 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.

(in thousands of Canadian dollars, except per share amounts - unaudited)

21. SEGMENTED DISCLOSURE

Photowatt is currently presented as classified as assets held for distribution to owners in the interim consolidated statement of financial position and as discontinued operations in the interim consolidated statements of income (loss). As a result, ATS' continuing operations are reported as one operating segment, ASG.

Geographic segmentation of revenues is determined based on the customer's installation site. Non-current assets represent property, plant and equipment, goodwill and intangible assets that are attributable to individual geographic segments, based on location of the respective operations.

						July 3 2011
		Property, plant and equipment		**Goodwill**		**Intangible assets**
Canada	**$**	**35,148**	**$**	**5,213**	**$**	**2,262**
United States and Mexico		**19,575**		**28,409**		**2,873**
Europe		**29,413**		**21,701**		**24,917**
Asia – Pacific and other		**2,406**		**3,993**		**48**
Total Company	**$**	**86,542**	**$**	**59,316**	**$**	**30,100**

						March 31 2011
		Property, plant and equipment		Goodwill		Intangible assets
Canada	$	34,805	$	5,213	$	2,194
United States and Mexico		19,840		27,961		3,602
Europe		29,266		21,326		25,302
Asia – Pacific and other		2,506		3,947		38
Total Company	$	86,417	$	58,447	$	31,136

Revenues from external customers for the three months ended		**July 3 2011**		June 27 2010
Canada	**$**	**7,062**	$	6,206
United States and Mexico		**53,501**		43,214
Europe		**33,104**		13,509
Asia – Pacific and other		**33,208**		38,908
Total Company	**$**	**126,875**	$	101,837

For the three months ended July 3, 2011 and June 27, 2010, the Company did not have revenues from any single customer which amounted to 10% or more of total consolidated revenues.

22. INTEREST IN JOINT VENTURES

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.

(in thousands of Canadian dollars, except per share amounts - unaudited)

These are jointly-controlled enterprises and accordingly, the Company proportionately consolidated its 50% and 40% share of assets, liabilities, revenues and expenses of Ontario Solar PV Fields Inc. and PV Alliance, respectively, in the interim consolidated financial statements. Ontario Solar PV Fields Inc. and PV Alliance are currently presented as assets classified as held for distribution to owners in the interim consolidated statements of financial position and as discontinued operations in the interim consolidated statements of income (loss).

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

As at	**July 3 2011**	March 31 2011	April 1 2010
Current assets	**$ 8,057**	$ 6,761	$ 5,495
Property, plant and equipment	**7,705**	7,778	4,960
Intangible assets	**2,950**	2,924	2,107
Current liabilities	**(6,375)**	(6,515)	(6,130)
Current portion of long-term debt	**(5,293)**	(4,914)	—
Current portion of obligations under finance leases	**(712)**	—	—
Long-term debt	**(3,162)**	(3,394)	(4,419)
Long-term portion of obligations under finance leases	**(3,183)**	—	—
	$ (13)	$ 2,640	$ 2,013

For the three months ended	**July 3 2011**	June 27 2010
Interim consolidated statements of income (loss)		
Net income (loss)	**$ (390)**	$ 120

The PV Alliance has loans from a shareholder totalling 12,305 Euro at July 3, 2011 (March 31, 2011 – 12,305 Euro). The portion of the shareholder loans relating to ATS is 4,921 Euro (March 31, 2011 – 4,921 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 totalling 20,038 Euro. The portion of the credit facility relating to ATS is 8,015 Euro. The total amount outstanding on the facility is 1,124 Euro at July 3, 2011 (March 31, 2011 – 1,124 Euro). The credit facility bears interest of 6.19% per annum and is received when the program to develop solar cell technology meets certain cell efficiency targets.

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 totalling 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 months ended July 3, 2011, the PV Alliance received government assistance of 137 Euro (three months ended June 27, 2010 – 192 Euro) which has been included in operating income.

(in thousands of Canadian dollars, except per share amounts - unaudited)

23. NET FINANCE COSTS

For the three months ended		**July 3 2011**		June 27 2010
Interest expense	**$**	**(749)**	$	(293)
Interest income		**148**		139
	$	**(601)**	$	(154)

24. EARNINGS (LOSS) PER SHARE

For the three months ended		**July 3 2011**		June 27 2010
Net income (loss) available to common shareholders	**$**	**(5,014)**	$	5,211

	July 3 2011	June 27 2010
Weighted average number of common shares outstanding	**87,290,426**	87,278,632
Dilutive effect of stock option conversion	**494,306**	369,085
Diluted weighted average number of common shares outstanding	**87,784,732**	87,647,717

For the three months ended July 3, 2011, stock options to purchase 5,437,458 common shares are excluded from the weighted average number of common shares in the calculation of diluted earnings per share as they are anti-dilutive (5,262,983 common shares were excluded for the three months ended June 27, 2010).

25. TRANSITION TO IFRS

The Company's financial statements for the year ending March 31, 2012 will be the first annual financial statements that comply with IFRS and these annual financial statements will be prepared as described in note 1 to the interim consolidated financial statements, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was April 1, 2010 (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be March 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Initial elections upon adoption
Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

<u>IFRS Exemption Options</u>

1. **Business combinations –** IFRS 1 provides the option to apply IFRS 3, *Business Combinations,* retrospectively or prospectively from the transition date. The Company has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date and such business combinations have not been restated. Any goodwill arising on such business combinations before the transition date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

2. **Employee benefits –** IFRS 1 provides the option to recognize all cumulative actuarial gains and losses on pensions and post-retirement benefits directly through equity at the transition date. The Company has elected to take this exemption and recognize all cumulative actuarial gains and losses in opening retained earnings at the transition date.

3. **Currency translation differences –** Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from a date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Company has elected to use the exemption and record the adjustment on the transition date.

4. **Share-based payments –** IFRS 2, *Share-based Payments,* encourages application of its provision to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that have not vested by the transition date. The Company has elected to use the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that have not vested by April 1, 2010. As a result of the transition method elected, the Company reduced previously recognized Canadian GAAP share based compensation expense.

5. **Borrowing costs –** IAS 23, *Borrowing Costs,* requires an entity to capitalize the borrowing costs related to all qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. IFRS 1 provides an option to apply IAS 23 transition provisions at the later date of January 1, 2009 or the transition date. The Company elected to apply IAS 23 prospectively from the transition date.

(in thousands of Canadian dollars, except per share amounts - unaudited)

6. **Fair value or revaluation as deemed cost –** IFRS 1 provides the option to measure an item of property, plant and equipment at the transition date at its fair value and use that fair value as its deemed cost at that date. The Company elected to use this exemption and has recorded certain of its properties at fair value.

IFRS Mandatory Exceptions

Set forth below are the applicable IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS.

1. **Hedge accounting –** Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of its transition date are reflected as hedges in the Company's results under IFRS. Any derivatives not meeting the IAS 39 criteria for hedge accounting were fair valued and recorded in the interim consolidated statements of financial position as a non-hedging derivative financial instrument.

2. **Estimates –** Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile shareholders' equity, income (loss), comprehensive loss and cash flows for prior periods. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for shareholders' equity, income (loss) and comprehensive loss:

Reconciliation of Shareholders' Equity

As at	Note	March 31 2011	June 27 2010	April 1 2010
Shareholders' equity under Canadian GAAP		$ 509,089	$ 527,128	$ 528,209
Differences increasing (decreasing) reported Shareholders' equity:				
1. Employee benefits	A	(149)	(27)	(27)
2. Revenues	B	144	1,371	1,040
3. Income taxes	C	1,272	(93)	142
4. Depreciation and amortization	D	(1,774)	(1,573)	(1,368)
5. Deemed cost adjustment	E	(5,439)	(5,423)	(5,645)
6. Business combinations	F	(5,867)	(2,173)	(1,011)
7. Provisions	H	(725)	—	—
8. Property, plant and equipment impairment	I	(61,716)	—	—
Total shareholders' equity under IFRS		$ 434,835	$ 519,210	$ 521,340

(in thousands of Canadian dollars, except per share amounts - unaudited)

Reconciliation of Net Income (Loss)

	Notes	Year ended March 31 2011	Three months ended June 27 2010
Net income (loss) under Canadian GAAP		$ (18,006)	$ 6,438
Differences in GAAP increasing (decreasing) reported income (loss):			
1. Revenues	B	(896)	331
2. Income taxes	C	1,128	(235)
3. Depreciation and amortization	D	(375)	(148)
4. Deemed cost adjustment	E	127	25
5. Business combinations	F	(4,852)	(1,162)
6. Share-based compensation	G	(128)	(38)
7. Provisions	H	(725)	—
8. Property, plant and equipment impairment	I	(61,716)	—
Net income (loss) under IFRS		$ (85,443)	$ 5,211

Reconciliation of Comprehensive Loss

	Note	Year ended March 31 2011	Three months ended June 27 2010
Comprehensive loss under Canadian GAAP		$ (21,601)	$ (1,690)
Differences in GAAP decreasing (increasing) reported comprehensive loss:			
Foreign currency cumulative translation adjustment	J	(47)	140
Actuarial gains on defined benefit plans, net of tax	A	122	—
Change in net loss		(67,437)	(1,227)
Comprehensive loss under IFRS		$ (88,963)	$ (2,777)

A. ***Employee benefits:*** As stated in the section entitled, "IFRS exemption options," the Company elected to recognize all cumulative actuarial gains and losses that existed at the transition date in opening retained earnings for all of its employee benefit plans. Under Canadian GAAP, the employee benefit amounts were presented with accounts payable and accrued liabilities. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income.

B. ***Revenues:*** Construction contracts are specifically defined under IFRS and require percentage-of-completion revenue recognition. Additionally, service revenues are to be accounted for on a percentage-of-completion basis under IFRS. All revenue contracts have been analyzed to ensure that appropriate revenue recognition criterion has been applied. Revenues previously recognized using completed contract revenue recognition that are required to be recognized under percentage-of-completion accounting under IFRS have been adjusted along with the corresponding cost of sales and inventory impacts.

C. ***Income taxes:*** Income tax is recalculated based on differences between Canadian GAAP and IFRS. Income taxes and equity also includes an adjustment to tax effect the share issuance costs which should be reported in equity under IFRS but are reported in income under Canadian GAAP.

D. ***Depreciation and amortization:*** Under IFRS, the method of depreciation has been changed to the straight-line method for all assets. Additionally, assets have been separated into their component parts and each part is depreciated separately under IFRS.

E. ***Deemed cost adjustment:*** As stated in the section entitled, “IFRS exemption options,” the Company has applied the one-time adjustment to record certain property, plant and equipment and certain investment property at their fair values at April 1, 2010. The carrying value of the properties going forward is the fair value at the transition date.

F. ***Business combinations:*** Acquisition related costs directly attributable to a business combination may be capitalized to the cost of the acquisition as part of the purchase price allocation under Canadian GAAP. Under IFRS, with the exception of share issuance costs, these costs are to be expensed as incurred. Additionally, restructuring costs included in the purchase price allocation under Canadian GAAP are expensed under IFRS.

G. ***Stock-based compensation:*** Equity based awards are expensed on a graded vesting basis with each tranche of the grant considered a separate award with a different vesting date and a separate fair value. Under IFRS each grant is separately accounted for whereas under Canadian GAAP the total fair value of the grant is recognized in income and contributed surplus on a straight-line basis over the vesting period of the award. Under IFRS forfeitures are determined based on management’s estimate of the number of awards expected to vest in the future. This estimate reduces the stock-based compensation expense and contributed surplus over the vesting period.

H. ***Provisions:*** Under IFRS restructuring costs are recognized as a provision when an obligation occurs as a result of a past event, it is probable that an outflow of resources will be required and a reliable estimate of the obligation can be made, resulting in certain timing differences from Canadian GAAP.

I. ***Property, plant and equipment impairment***: Impairment testing of property, plant and equipment under Canadian GAAP is based on a two-step approach when circumstances indicate the carrying value of an asset may not be recoverable. At March 31, 2011, under Canadian GAAP, indicators of impairment were identified in the Company’s Photowatt division in France. The property, plant and equipment assets were therefore required to be tested for impairment. The first step of the impairment test conducted under Canadian GAAP used undiscounted cash flows projected over the life of the primary asset and compared them to the carrying value of the assets being tested. The first step of the impairment test completed as of March 31, 2011 under Canadian GAAP indicated that the value of Photowatt’s property, plant and equipment in France was recoverable, and therefore the second step to determine the amount of the impairment loss was not required.

IFRS requires a one-step impairment test for identifying and measuring impairment. This test requires a comparison of the asset’s carrying value to the higher of its value in use or its fair value less costs to sell. IFRS tests asset groups for impairment at the independent CGU level, which is the lowest grouping of assets that generates independent cash inflows. For non-current assets, the Company has determined its CGU’s to be at the operating division level. Under IFRS, the Company’s impairment test was carried out at the CGU level using a discounted cash flow model to determine the recoverable amount of the Photowatt CGU in France. A discount rate of 25% was selected based on the risks specific to the solar industry and Photowatt International S.A.S.’s specific standing in the industry. The fair value determined from the recoverable amount calculation was compared to the carrying amount of the Photowatt International S.A.S. CGU, resulting in an impairment of the CGU’s non-current assets. As a result, under IFRS, the Company recorded an impairment charge against its property, plant and equipment of $61,716 in the fourth quarter of fiscal 2011.

J. ***Cumulative translation adjustment:*** As stated in the section entitled, "IFRS exemption options," the Company has applied the one-time exemption to set the foreign currency cumulative translation adjustment to zero at April 1, 2010.

K. **Classification of Photowatt as "Discontinued Operations":** IFRS requires that an evaluation is made as to whether non-current assets (or a disposal group) should be classified as "held for sale" or as "held for distribution to owners" when specific criteria related to their sale or distribution are met. Canadian GAAP requires that non-current assets to be distributed to owners continue to be classified as held and used until disposed of. The Company has determined that under IFRS, the separation of Photowatt met the criteria of non-current assets held for distribution to owners as of March 31, 2011 and therefore has reclassified this disposal group as "held for distribution to owners" as of March 31, 2011 and reclassified Photowatt's operating results as "discontinued operations" for the current and comparative periods presented in the interim consolidated financial statements.

Interim consolidated statements of financial position restatements

1. ***Deferred taxes classification:*** All deferred tax assets and liabilities are classified as non-current under IFRS.

2. ***Provisions:*** Provisions are required to be separately stated from accounts payable and accrued liabilities under IFRS.

Interim consolidated statements of cash flows impact

There was no change to total cash flows from operating, investing, or financing activities under IFRS.

Restated financial statements

The following are reconciliations of the interim consolidated financial statements previously presented under Canadian GAAP to the amended interim consolidated financial statements prepared under IFRS.

(in thousands of Canadian dollars, except per share amounts - unaudited)

Reconciliation of Consolidated Statement of Financial Position as of April 1, 2010
(thousands of Canadian dollars)

	Canadian GAAP	IFRS Adjustments	IFRS
ASSETS			
Current assets			
Cash and cash equivalents	$ 211,786	$ —	$ 211,786
Accounts receivable	85,995	(57)	85,938
Costs and earnings in excess of billings on contracts in progress	42,924	1,862	44,786
Inventories	80,280	(6,704)	73,576
Deferred income tax assets	553	(553)	—
Deposits and prepaid assets	27,492	(1,010)	26,482
	449,030	(6,462)	442,568
Non-current assets			
Property, plant and equipment	171,451	(10,904)	160,547
Investment property	—	3,910	3,910
Goodwill	34,350	—	34,350
Intangible assets	4,864	547	5,411
Investment tax credit receivable	20,878	—	20,878
Deferred income tax assets	35,243	(11,557)	23,686
Portfolio investments	3,602	—	3,602
Other assets	33,380	—	33,380
	$ 303,768	$ (18,004)	$ 285,764
	$ 752,798	$ (24,466)	$ 728,332
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	$ 26,034	$ —	$ 26,034
Accounts payable and accrued liabilities	118,518	(26,709)	91,809
Provisions	—	11,279	11,279
Billings in excess of costs and earnings on contracts in progress	30,216	1,328	31,544
Deferred income tax liabilities	12,326	(12,326)	—
Current portion of long-term debt	10,830	—	10,830
Current portion of obligations under finance leases	4,260	133	4,393
	202,184	(26,295)	175,889
Non-current liabilities			
Provisions	—	4,160	4,160
Employee benefits	—	4,105	4,105
Long-term debt	4,420	—	4,420
Obligations under finance leases	17,985	433	18,418
	22,405	8,698	31,103
Shareholders' equity			
Share capital	479,542	2,306	481,848
Contributed surplus	11,244	505	11,749
Accumulated other comprehensive income (loss)	(37,434)	39,495	2,061
Retained earnings	74,857	(49,175)	25,682
	$ 528,209	$ (6,869)	$ 521,340
	$ 752,798	$ (24,466)	$ 728,332