

Table of Contents

Consolidated Interim Financial Statements

Consolidated statement of financial position	1
Consolidated income statement	2
Consolidated statement of comprehensive income (loss)	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5

Notes to the Consolidated Interim Financial Statements

Note 1 – Nature of operations and summary of significant accounting policies	6
Note 2 – Changes in accounting policies	7
Note 3 – Net assets held for sale and discontinued operations	8
Note 4 – Accounts receivable	8
Note 5 – Finance expense – net	9
Note 6 – Government assistance	9
Note 7 – Earnings per share and dividends	9
Note 8 – Employee compensation	10
Note 9 – Other gains – net	10
Note 10 – Restructuring costs	10
Note 11 – Supplementary cash flows information	10
Note 12 – Contingencies	11
Note 13 – Fair value of financial instruments	11
Note 14 – Operating segments and geographic information	14
Note 15 – Related party transactions	16
Note 16 – Event after the reporting period	16

Consolidated Statement of Financial Position

<i>(amounts in millions of Canadian dollars)</i>	Notes	June 30 2015	March 31 2015
Assets			
Cash and cash equivalents		\$ 284.4	\$ 330.2
Accounts receivable	4	474.2	468.0
Contracts in progress: assets		351.4	309.8
Inventories		240.9	237.3
Prepayments		84.5	81.8
Income taxes recoverable		44.3	43.9
Derivative financial assets	13	24.3	30.3
Assets held for sale	3	61.4	61.2
Total current assets		\$ 1,565.4	\$ 1,562.5
Property, plant and equipment		1,454.1	1,461.2
Intangible assets		840.5	844.7
Investment in equity accounted investees		311.7	318.0
Deferred tax assets		32.1	33.2
Derivative financial assets	13	16.8	21.1
Other assets		410.9	416.2
Total assets		\$ 4,631.5	\$ 4,656.9
Liabilities and equity			
Accounts payable and accrued liabilities		\$ 672.2	\$ 732.7
Provisions	10	19.9	17.5
Income taxes payable		9.3	10.6
Contracts in progress: liabilities		155.5	154.6
Current portion of long-term debt		112.7	55.5
Derivative financial liabilities	13	40.4	54.0
Liabilities held for sale	3	11.9	14.2
Total current liabilities		\$ 1,021.9	\$ 1,039.1
Provisions		5.6	4.6
Long-term debt		1,178.5	1,224.3
Royalty obligations		161.5	158.4
Employee benefit obligations		151.3	185.7
Deferred gains and other non-current liabilities		147.0	165.1
Deferred tax liabilities		211.8	198.6
Derivative financial liabilities	13	13.5	17.2
Total liabilities		\$ 2,891.1	\$ 2,993.0
Equity			
Share capital		\$ 580.1	\$ 559.0
Contributed surplus		16.9	19.1
Accumulated other comprehensive income		180.7	177.3
Retained earnings		911.1	857.3
Equity attributable to equity holders of the Company		\$ 1,688.8	\$ 1,612.7
Non-controlling interests		51.6	51.2
Total equity		\$ 1,740.4	\$ 1,663.9
Total liabilities and equity		\$ 4,631.5	\$ 4,656.9

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Income Statement

Three months ended June 30

(amounts in millions of Canadian dollars, except per share amounts)

	Notes	2015	2014
Continuing operations			
Revenue	14	\$ 557.0	\$ 526.2
Cost of sales		399.4	389.7
Gross profit		\$ 157.6	\$ 136.5
Research and development expenses		20.8	14.4
Selling, general and administrative expenses		71.8	63.9
Other gains – net	9	(4.7)	(3.8)
After tax share in profit of equity accounted investees	14	(11.5)	(9.7)
Restructuring costs	10	7.7	-
Operating profit		\$ 73.5	\$ 71.7
Finance income	5	(2.0)	(2.1)
Finance expense	5	20.7	18.6
Finance expense – net		\$ 18.7	\$ 16.5
Earnings before income taxes		\$ 54.8	\$ 55.2
Income tax expense		9.8	11.6
Earnings from continuing operations		\$ 45.0	\$ 43.6
Discontinued operations			
Loss from discontinued operations	3	(0.5)	(2.0)
Net income		\$ 44.5	\$ 41.6
Attributable to:			
Equity holders of the Company		\$ 44.4	\$ 41.8
Non-controlling interests		0.1	(0.2)
		\$ 44.5	\$ 41.6
Earnings (loss) per share from continuing and discontinued operations attributable to equity holders of the Company			
Basic and diluted – continuing operations	7	\$ 0.17	\$ 0.17
Basic and diluted – discontinued operations	7	-	(0.01)
		\$ 0.17	\$ 0.16

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income (Loss)

Three months ended June 30

(amounts in millions of Canadian dollars)

	2015	2014
Net income	\$ 44.5	\$ 41.6
Items that may be reclassified to net income		
Foreign currency translation		
Net currency translation difference on the translation of financial statements of foreign operations	\$ (1.2)	\$ (60.1)
Net gain on certain long-term debt denominated in foreign currency and designated as hedges of net investments in foreign operations	8.7	15.7
Reclassification to income	(4.0)	-
Income taxes	0.6	2.8
Share in foreign currency translation difference of equity accounted investees	(5.8)	(8.0)
	\$ (1.7)	\$ (49.6)
Net change in cash flow hedges		
Effective portion of changes in fair value of cash flow hedges	\$ 1.3	\$ 18.5
Reclassification to income	5.3	(2.7)
Income taxes	(1.8)	(4.3)
After tax share in net change of cash flow hedges of equity accounted investees	0.5	0.2
	\$ 5.3	\$ 11.7
Net change in available-for-sale financial instruments		
Net change in fair value of available-for-sale financial asset	\$ 0.1	\$ -
	\$ 0.1	\$ -
Items that are never reclassified to net income		
Defined benefit plan remeasurements		
Defined benefit plan remeasurements	\$ 38.9	\$ (9.4)
Income taxes	(10.6)	2.5
	\$ 28.3	\$ (6.9)
Other comprehensive income (loss)	\$ 32.0	\$ (44.8)
Total comprehensive income (loss)	\$ 76.5	\$ (3.2)
Attributable to:		
Equity holders of the Company	\$ 76.1	\$ (2.6)
Non-controlling interests	0.4	(0.6)
	\$ 76.5	\$ (3.2)
Total comprehensive income (loss) attributable to equity holders of the Company:		
Continuing operations	\$ 75.1	\$ (0.2)
Discontinued operations	1.0	(2.4)
	\$ 76.1	\$ (2.6)

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

<i>Three months ended June 30, 2015</i> <i>(amounts in millions of Canadian dollars, except number of shares)</i>	Attributable to equity holders of the Company							Non- controlling interests	Total equity
	Notes	Common shares Number of shares	Common shares Stated value	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total		
Balances, beginning of period		266,903,070	\$ 559.0	\$ 19.1	\$ 177.3	\$ 857.3	\$ 1,612.7	\$ 51.2	\$ 1,663.9
Net income		-	\$ -	\$ -	\$ -	\$ 44.4	\$ 44.4	\$ 0.1	\$ 44.5
Other comprehensive income (loss):									
Foreign currency translation		-	-	-	(2.0)	-	(2.0)	0.3	(1.7)
Net changes in cash flow hedges		-	-	-	5.3	-	5.3	-	5.3
Net changes in available-for-sale financial instruments		-	-	-	0.1	-	0.1	-	0.1
Defined benefit plan remeasurements		-	-	-	-	28.3	28.3	-	28.3
Total comprehensive income		-	\$ -	\$ -	\$ 3.4	\$ 72.7	\$ 76.1	\$ 0.4	\$ 76.5
Stock options exercised		1,269,550	11.6	-	-	-	11.6	-	11.6
Optional cash purchase		1,065	-	-	-	-	-	-	-
Transfer upon exercise of stock options		-	3.5	(3.5)	-	-	-	-	-
Share-based payments		-	-	1.3	-	-	1.3	-	1.3
Stock dividends	7	407,652	6.0	-	-	(6.0)	-	-	-
Cash dividends	7	-	-	-	-	(12.9)	(12.9)	-	(12.9)
Balances, end of period		268,581,337	\$ 580.1	\$ 16.9	\$ 180.7	\$ 911.1	\$ 1,688.8	\$ 51.6	\$ 1,740.4

<i>Three months ended June 30, 2014</i> <i>(amounts in millions of Canadian dollars, except number of shares)</i>	Attributable to equity holders of the Company							Non- controlling interests	Total equity
	Notes	Common shares Number of shares	Common shares Stated value	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total		
Balances, beginning of period		263,771,443	\$ 517.5	\$ 19.5	\$ 129.5	\$ 775.1	\$ 1,441.6	\$ 40.6	\$ 1,482.2
Net income		-	\$ -	\$ -	\$ -	\$ 41.8	\$ 41.8	\$ (0.2)	\$ 41.6
Other comprehensive income (loss):									
Foreign currency translation		-	-	-	(49.2)	-	(49.2)	(0.4)	(49.6)
Net changes in cash flow hedges		-	-	-	11.7	-	11.7	-	11.7
Defined benefit plan remeasurements		-	-	-	-	(6.9)	(6.9)	-	(6.9)
Total comprehensive income (loss)		-	\$ -	\$ -	\$ (37.5)	\$ 34.9	\$ (2.6)	\$ (0.6)	\$ (3.2)
Stock options exercised		494,312	5.4	-	-	-	5.4	-	5.4
Optional cash purchase		1,055	-	-	-	-	-	-	-
Transfer upon exercise of stock options		-	1.4	(1.4)	-	-	-	-	-
Share-based payments		-	-	1.0	-	-	1.0	-	1.0
Stock dividends	7	392,969	5.3	-	-	(5.3)	-	-	-
Cash dividends	7	-	-	-	-	(10.5)	(10.5)	-	(10.5)
Balances, end of period		264,659,779	\$ 529.6	\$ 19.1	\$ 92.0	\$ 794.2	\$ 1,434.9	\$ 40.0	\$ 1,474.9

The balance of retained earnings and accumulated other comprehensive income as at June 30, 2015 was \$1,091.8 million (2014 – \$886.2 million).

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Three months ended June 30

(amounts in millions of Canadian dollars)

	Notes	2015	2014
Operating activities			
Earnings from continuing operations		\$ 45.0	\$ 43.6
Adjustments for:			
Depreciation of property, plant and equipment	14	28.1	25.4
Amortization of intangible and other assets	14	22.0	18.8
Financing cost amortization	5	0.4	0.4
After tax share in profit of equity accounted investees		(11.5)	(9.7)
Deferred income taxes		3.8	5.3
Investment tax credits		(8.7)	(2.9)
Share-based compensation		(0.9)	2.3
Defined benefit pension plans		3.9	0.8
Amortization of other non-current liabilities		(9.8)	(7.6)
Other		(5.5)	9.1
Changes in non-cash working capital	11	(113.2)	(82.7)
Net cash (used in) provided by operating activities		\$ (46.4)	\$ 2.8
Investing activities			
Business combinations	11	\$ (0.7)	\$ (2.0)
Capital expenditures for property, plant and equipment		(23.6)	(39.7)
Proceeds from disposal of property, plant and equipment		0.1	0.4
Capitalized development costs		(7.1)	(12.9)
Enterprise resource planning (ERP) and other software		(2.5)	(5.0)
Net proceeds from (payments to) equity accounted investees		0.3	(2.5)
Dividends received from equity accounted investees		12.3	5.9
Other		0.2	1.3
Net cash used in investing activities		\$ (21.0)	\$ (54.5)
Financing activities			
Proceeds from borrowing under revolving unsecured credit facilities		\$ 133.0	\$ 122.5
Repayment of borrowing under revolving unsecured credit facilities		(106.7)	(80.0)
Proceeds from long-term debt, net of transaction costs		6.5	6.3
Repayment of long-term debt		(5.5)	(4.5)
Repayment of finance lease		(3.9)	(3.7)
Dividends paid		(12.9)	(10.5)
Common stock issuance		11.6	5.4
Net cash provided by financing activities		\$ 22.1	\$ 35.5
Effect of foreign exchange rate changes on cash and cash equivalents		\$ (0.5)	\$ (7.6)
Net decrease in cash and cash equivalents		\$ (45.8)	\$ (23.8)
Cash and cash equivalents, beginning of period		330.2	312.3
Cash and cash equivalents, beginning of period, related to discontinued operations		-	(7.7)
Cash and cash equivalents, end of period		\$ 284.4	\$ 280.8
Supplemental information:			
Dividends received		\$ 12.3	\$ 5.9
Interest paid		10.0	10.6
Interest received		2.4	2.3
Income taxes paid		7.1	8.6

The accompanying notes form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Interim Financial Statements

(Unless otherwise stated, all tabular amounts are in millions of Canadian dollars)

The consolidated interim financial statements were authorized for issue by the board of directors on August 12, 2015.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

CAE Inc. and its subsidiaries (or the Company) design, manufacture and supply simulation equipment, provide training, and develop integrated training solutions for defence and security markets, commercial airlines, business aircraft operators, helicopter operators, aircraft manufacturers and for healthcare education and service providers. CAE's flight simulators replicate aircraft performance in normal and abnormal operations as well as a comprehensive set of environmental conditions utilizing visual systems that contain an extensive database of airports, other landing areas, flying environments, mission-specific environments, and motion and sound cues to create a fully immersive training environment. The Company offers a range of flight training devices based on the same software used on its simulators. The Company also operates a global network of training centres with locations around the world.

The Company's operations are managed through three segments:

- (i) Civil Aviation Training Solutions – Provides comprehensive training solutions for flight, cabin, maintenance and ground personnel in commercial, business and helicopter aviation, a range of flight simulation training devices, as well as ab initio pilot training and crew sourcing services;
- (ii) Defence and Security – Is a training systems integrator for defence forces across the air, land and sea domains, and for government and civil security organizations responsible for public safety;
- (iii) Healthcare – Designs, manufactures and markets simulators, simulation centre management solutions and courseware for training of medical and allied healthcare students and clinicians in educational institutions, hospitals and defence organizations.

The Company's mining business which provides mining services and tools has been classified as held for sale (see Note 3).

CAE is a limited liability company incorporated and domiciled in Canada. The address of the main office is 8585 Côte-de-Liesse, Saint-Laurent, Québec, Canada, H4T 1G6. CAE shares are traded on the Toronto Stock Exchange and on the New York Stock Exchange.

Seasonality and cyclicity of the business

The Company's business operating segments are affected in varying degrees by market cyclicity and/or seasonality. As such, operating performance over a given interim period should not necessarily be considered indicative of full fiscal year performance.

The Civil Aviation Training Solutions segment sells equipment directly to airlines and to the extent that the entire commercial airline industry is affected by cycles of expansion and contraction, the Company's performance will also be affected. The segment activities are also affected by the seasonality of its industry – in times of peak travel (such as holidays), airline and business jet pilots are generally occupied flying aircraft rather than attending training sessions. The opposite also holds true – slower travel periods tend to be more active training periods for pilots. Therefore, the Company has historically experienced lower demand during the second quarter.

Order intake for the Defence and Security segment can be impacted by the unique nature of military contracts and the irregular timing in which they are awarded.

Basis of preparation

The key accounting policies applied in the preparation of these consolidated interim financial statements are consistent with those disclosed in Note 1 of the Company's consolidated financial statements for the year ended March 31, 2015, except for the changes in accounting policies described in Note 2. These policies have been consistently applied to all periods presented. These condensed consolidated interim financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements for the year ended March 31, 2015.

These consolidated interim financial statements have been prepared in accordance with Part I of the CPA Canada Handbook (referred to as IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, IAS 34, *Interim Financial Reporting*.

These consolidated interim financial statements have been prepared under the historical cost convention, except for the following items measured at fair value: contingent consideration, derivative financial instruments, financial instruments at fair value through profit and loss, available-for-sale financial assets and liabilities for cash-settled share-based arrangements.

The functional and presentation currency of CAE Inc. is the Canadian dollar.

Use of judgements, estimates and assumptions

The preparation of consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the year ended March 31, 2015, with the exception of a refinement in the method to estimate the cost and obligation of defined benefit plans, and changes in estimates that are required in determining the provision for income taxes. Taxes on income in the interim periods are accrued by jurisdiction using the effective tax rate that would be applicable to expected total annual profit or loss of the jurisdiction.

As at April 1, 2015, the Company has refined the method to estimate the cost of the Canadian defined benefit pension plans and the present value of the employee benefit obligations. In prior years, the net pension cost was estimated utilizing a single weighted average discount rate derived from the yield curve used to measure the defined benefit obligations at the beginning of the year. Under the refined method, individual discount rates are derived from the same yield curve, which reflect the different timing of benefit payments. This change in accounting estimate is accounted for prospectively. This change does not significantly affect the measurement of the employee benefit obligations and the total net pension plan cost compared to the previous method.

NOTE 2 – CHANGES IN ACCOUNTING POLICIES

New and amended standards adopted by the Company

The amendments to IFRS effective for the fiscal year 2016 have no material impact on the Company's consolidated financial statements results.

New and amended standards not yet adopted by the Company

Revenue from contracts with customers

In May 2014, the IASB released IFRS 15, *Revenue from Contracts with Customers*, which supersedes IAS 11, *Construction Contracts* and IAS 18, *Revenue*, and the related interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. In July 2015, the IASB confirmed its proposal to defer the effective date of IFRS 15 to annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

Financial Instruments

The IASB previously published versions of IFRS 9, *Financial Instruments* that introduced new classification and measurement requirements in 2009 and 2010 and a new hedge accounting model in 2013. In July 2014, the IASB released the final version of IFRS 9, *Financial Instruments* which replaces earlier versions of IFRS 9 issued and completes the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

NOTE 3 – NET ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Company decided to divest its mining business following the decision to focus its resources and capital investment in targeted growth opportunities in its other three core markets: Civil Aviation Training Solutions, Defence and Security, and Healthcare. The related assets and liabilities have been presented as held for sale. On July 24, 2015, the sale of the mining business was finalized (see Note 16).

The assets and liabilities classified as held for sale are as follows:

	June 30	March 31
	2015	2015
Current assets ⁽¹⁾	\$ 14.3	\$ 15.8
Intangible assets	44.5	42.9
Other non-current assets	2.6	2.5
Assets held for sale	\$ 61.4	\$ 61.2
Current liabilities	\$ 10.7	\$ 12.9
Other non-current liabilities	1.2	1.3
Liabilities held for sale	\$ 11.9	\$ 14.2
Net assets held for sale	\$ 49.5	\$ 47.0

⁽¹⁾ Includes cash and cash equivalents

Analysis of the result of discontinued operations is as follows:

<i>Three months ended June 30</i>	2015	2014
Revenue	\$ 7.4	\$ 8.4
Expenses	7.4	9.3
Earnings (loss) before income taxes and measurement to fair value	\$ -	\$ (0.9)
Income tax expense	0.5	0.2
Earnings (loss) before measurement to fair value	\$ (0.5)	\$ (1.1)
Earnings (loss) on measurement to fair value of assets held for sale	-	(1.0)
Income tax recovery	-	0.1
Loss from discontinued operations	\$ (0.5)	\$ (2.0)
 <i>Three months ended June 30</i>	 2015	 2014
Net cash provided by (used in) operating activities	\$ 1.3	\$ (2.8)
Net cash used in investing activities	(0.6)	(1.1)

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are carried on the consolidated statement of financial position net of allowance for doubtful accounts. This provision is established based on the Company's best estimates regarding the ultimate recovery of balances for which collection is uncertain. Uncertainty of ultimate collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client and delay in collection beyond the contractually agreed upon payment terms. Management regularly reviews accounts receivable, monitors past due balances and assesses the appropriateness of the allowance for doubtful accounts.

Details of accounts receivable are as follows:

	June 30	March 31
	2015	2015
Current trade receivables	\$ 143.1	\$ 170.6
Past due trade receivables		
1-30 days	48.1	52.9
31-60 days	19.9	10.9
61-90 days	18.5	12.8
Greater than 90 days	50.9	58.9
Allowance for doubtful accounts	(15.3)	(15.6)
Total trade receivables	\$ 265.2	\$ 290.5
Accrued receivables	115.8	103.0
Receivables from related parties (Note 15)	45.0	28.7
Other receivables	48.2	45.8
Total accounts receivable	\$ 474.2	\$ 468.0

NOTE 5 – FINANCE EXPENSE – NET

<i>Three months ended June 30</i>	2015	2014
Finance expense:		
Long-term debt (other than finance leases)	\$ 14.0	\$ 13.3
Finance leases	2.6	2.4
Royalty obligations	2.1	1.6
Employee benefit obligations	1.4	1.2
Financing cost amortization	0.4	0.4
Provisions and other non-current liabilities	0.2	0.4
Other	1.1	0.3
Borrowing costs capitalized ⁽¹⁾	(1.1)	(1.0)
Finance expense	\$ 20.7	\$ 18.6
Finance income:		
Loans and finance lease contracts	\$ (1.8)	\$ (1.8)
Other	(0.2)	(0.3)
Finance income	\$ (2.0)	\$ (2.1)
Finance expense – net	\$ 18.7	\$ 16.5

⁽¹⁾ The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 4.00% for the three months ended June 30, 2015 (2014 – 3.75%).

NOTE 6 – GOVERNMENT ASSISTANCE

The following table provides aggregate information regarding contributions recognized and amounts not yet received for the projects New Core Markets and Innovate:

<i>Three months ended June 30</i>	2015	2014
Outstanding contribution receivable, beginning of period	\$ 8.8	\$ 5.0
Contributions	6.1	7.8
Payments received	(7.1)	(2.9)
Outstanding contribution receivable, end of period	\$ 7.8	\$ 9.9

The aggregate contributions recognized for all programs are as follows:

<i>Three months ended June 30</i>	2015	2014
Contributions credited to capitalized expenditures:		
Project New Core Markets	\$ 0.1	\$ 0.6
Project Innovate	1.1	2.5
Contributions credited to income:		
Project New Core Markets	0.5	0.4
Project Innovate	4.4	4.3
Total contributions:		
Project New Core Markets	\$ 0.6	\$ 1.0
Project Innovate	5.5	6.8

There are no unfulfilled conditions or unfulfilled contingencies attached to these government contributions.

NOTE 7 – EARNINGS PER SHARE AND DIVIDENDS

The denominators for the basic and diluted earnings per share computations are as follows:

<i>Three months ended June 30</i>	2015	2014
Weighted average number of common shares outstanding	267,424,196	263,945,491
Effect of dilutive stock options	370,301	1,071,240
Weighted average number of common shares outstanding for diluted earnings per share calculation	267,794,497	265,016,731

As at June 30, 2015, options to acquire 1,640,300 common shares (2014 – 1,430,400) have been excluded from the above calculation since their inclusion would have had an anti-dilutive effect.

The dividends declared for the first quarter of fiscal 2016 were \$18.9 million or \$0.07 per share (2015 – \$15.8 million or \$0.06 per share).

NOTE 8 – EMPLOYEE COMPENSATION

The total employee compensation expense recognized in the determination of net income is as follows:

<i>Three months ended June 30</i>	2015	2014
Salaries and other short-term employee benefits	\$ 179.9	\$ 173.6
Share-based payments, net of equity swap	7.5	4.6
Post-employment benefits – defined benefit plans ⁽¹⁾	8.9	6.4
Post-employment benefits – defined contribution plans	2.3	2.0
Termination benefits	8.3	2.9
Total employee compensation expense	\$ 206.9	\$ 189.5

⁽¹⁾ Includes net interest on employee benefit obligations.

NOTE 9 – OTHER GAINS – NET

<i>Three months ended June 30</i>	2015	2014
Disposal of property, plant and equipment	\$ 0.1	\$ 0.1
Net foreign exchange gain (losses)	3.2	(1.4)
Reversal of royalty obligations	-	4.0
Other	1.4	1.1
Other gains – net	\$ 4.7	\$ 3.8

NOTE 10 – RESTRUCTURING COSTS

The Company has implemented a process improvement program to realize the benefits from the transformation of its production processes and product offering to further strengthen its competitive position, which will further reduce its workforce over the next 12 months. Restructuring costs, consisting mainly of severances and other related costs, were recognized in net income and in current provision during the quarter.

Changes in the restructuring provision are as follow:

<i>Three months ended June 30</i>	2015	2014
Provision, beginning of period	\$ 4.7	\$ 13.1
Additions	8.8	-
Amounts used	(2.1)	(1.3)
Unused amounts reversed	(1.1)	-
Exchange differences	-	(0.4)
Provision, end of period	\$ 10.3	\$ 11.4

NOTE 11 – SUPPLEMENTARY CASH FLOWS INFORMATION

a) Changes in non-cash working capital are as follows:

<i>Three months ended June 30</i>	2015	2014
Cash (used in) provided by non-cash working capital:		
Accounts receivable	\$ (1.5)	\$ 6.9
Contracts in progress: assets	(43.5)	(26.4)
Inventories	(4.2)	(30.3)
Prepayments	(1.0)	(1.4)
Income taxes recoverable	5.7	(0.6)
Accounts payable and accrued liabilities	(72.6)	(8.7)
Provisions	4.7	(4.5)
Income taxes payable	(1.6)	(3.5)
Contracts in progress: liabilities	0.8	(14.2)
Changes in non-cash working capital	\$ (113.2)	\$ (82.7)

b) Business combinations:

During the first quarter of fiscal 2016, the Company paid \$0.7 million (2015 - \$2.0 million) for business combination transactions that occurred in previous periods.

NOTE 12 – CONTINGENCIES

The Company is subject to audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, authorities may disagree with positions and conclusions taken by the Company in its filings.

During fiscal 2015, the Company received a reassessment from the Canada Revenue Agency challenging the Company's characterization of the amounts received under the SADI program. No amount has been recognized in the Company's financial statements, since the Company believes that there are strong grounds for defence and will vigorously defend its position. Such matters cannot be predicted with certainty, however, the Company believes that the resolution of these proceedings will not have a material adverse effect on its financial position.

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is determined by reference to the available market information at the reporting date. When no active market exists for a financial instrument, the Company determines the fair value of that instrument based on valuation methodologies as discussed below. In determining assumptions required under a valuation model, the Company primarily uses external, readily observable market data inputs. Assumptions or inputs that are not based on observable market data incorporate the Company's best estimates of market participant assumptions and are used when external data is not available. Counterparty credit risk and the Company's own credit risk are taken into account in estimating the fair value of all financial assets and financial liabilities.

The following assumptions and valuation methodologies have been used to measure the fair value of financial instruments:

- (i) The fair value of accounts receivable, contracts in progress, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities;
- (ii) The fair value of derivative instruments, which include forward contracts, swap agreements and embedded derivatives accounted for separately, is determined using valuation techniques and is calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date. Derivative instruments reflect the estimated amounts that the Company would receive or pay to settle the contracts at the reporting date;
- (iii) The fair value of the available-for-sale investment, which does not have a readily available market value, is estimated using a discounted cash flow model, which includes some assumptions that are not based on observable market prices or rates;
- (iv) The fair value of non-current receivables is estimated based on discounted cash flows using current interest rates for instruments with similar terms and remaining maturities;
- (v) The fair value of provisions, long-term debts and non-current liabilities, including finance lease obligations and royalty obligations, are estimated based on discounted cash flows using current interest rates for instruments with similar terms and remaining maturities.

The carrying values and fair values of financial instruments, by class, are as follows at June 30, 2015:

	At FVTPL ⁽¹⁾	Available- for-Sale	Loans & Receivables	DDHR ⁽²⁾	Carrying Value		Fair Value
					Total		
Financial assets							
Cash and cash equivalents	\$ 284.4	\$ -	\$ -	\$ -	\$ 284.4		\$ 284.4
Accounts receivable	-	-	453.2 ⁽³⁾	-	453.2		453.2
Contracts in progress: assets	-	-	351.4	-	351.4		351.4
Derivative financial assets	10.7	-	-	30.4	41.1		41.1
Other assets	23.4 ⁽⁴⁾	1.7 ⁽⁵⁾	152.4 ⁽⁶⁾	-	177.5		190.1
	\$ 318.5	\$ 1.7	\$ 957.0	\$ 30.4	\$ 1,307.6		\$ 1,320.2

	At FVTPL ⁽¹⁾	Other Financial Liabilities	DDHR ⁽²⁾	Carrying Value		Fair Value
				Total		
Financial liabilities						
Accounts payable and accrued liabilities	-	\$ 490.7 ⁽⁷⁾	\$ -	\$ 490.7		\$ 490.7
Provisions	0.8	19.1	-	19.9		19.9
Total long-term debt	-	1,295.2 ⁽⁸⁾	-	1,295.2		1,397.6
Other non-current liabilities	-	174.9 ⁽⁹⁾	-	174.9		205.8
Derivative financial liabilities	13.7	-	40.2	53.9		53.9
	\$ 14.5	\$ 1,979.9	\$ 40.2	\$ 2,034.6		\$ 2,167.9

The carrying values and fair values of financial instruments, by class, were as follows at March 31, 2015:

	At FVTPL ⁽¹⁾	Available- for-Sale	Loans & Receivables	DDHR ⁽²⁾	Carrying Value		Fair Value
					Total		
Financial assets							
Cash and cash equivalents	\$ 330.2	\$ -	\$ -	\$ -	\$ 330.2		\$ 330.2
Accounts receivable	-	-	451.1 ⁽³⁾	-	451.1		451.1
Contracts in progress: assets	-	-	309.8	-	309.8		309.8
Derivative financial assets	15.2	-	-	36.2	51.4		51.4
Other assets	23.7 ⁽⁴⁾	1.6 ⁽⁵⁾	155.1 ⁽⁶⁾	-	180.4		197.2
	\$ 369.1	\$ 1.6	\$ 916.0	\$ 36.2	\$ 1,322.9		\$ 1,339.7

	At FVTPL ⁽¹⁾	Other Financial Liabilities	DDHR ⁽²⁾	Carrying Value		Fair Value
				Total		
Financial liabilities						
Accounts payable and accrued liabilities	-	\$ 556.5 ⁽⁷⁾	\$ -	\$ 556.5		\$ 556.5
Provisions	1.5	15.1	-	16.6		16.6
Total long-term debt	-	1,284.0 ⁽⁸⁾	-	1,284.0		1,406.2
Other non-current liabilities	-	181.2 ⁽⁹⁾	-	181.2		216.5
Derivative financial liabilities	16.0	-	55.2	71.2		71.2
	\$ 17.5	\$ 2,036.8	\$ 55.2	\$ 2,109.5		\$ 2,267.0

⁽¹⁾ FVTPL: Fair value through profit and loss.

⁽²⁾ DDHR: Derivatives designated in a hedge relationship.

⁽³⁾ Includes trade receivables, accrued receivables and certain other receivables.

⁽⁴⁾ Represents restricted cash.

⁽⁵⁾ Represents the Company's portfolio investment.

⁽⁶⁾ Includes non-current receivables and advances.

⁽⁷⁾ Includes trade accounts payable, accrued liabilities, interest payable, certain payroll-related liabilities and current royalty obligations.

⁽⁸⁾ Excludes transaction costs.

⁽⁹⁾ Includes non-current royalty obligations and other non-current liabilities.

The Company did not elect to voluntarily designate any financial instruments at FVTPL; moreover, there have not been any changes to the classification of the financial instruments since inception.

Fair value hierarchy

The fair value hierarchy reflects the significance of the inputs used in making the measurements and has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices in markets that are not active) or indirectly (i.e. quoted prices for similar assets or liabilities);

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the financial instruments, by class, which are recognized at fair value:

	June 30			March 31		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Financial assets						
At FVTPL						
Cash and cash equivalents	\$ 284.4	\$ -	\$ 284.4	\$ 330.2	\$ -	\$ 330.2
Restricted cash	23.4	-	23.4	23.7	-	23.7
Forward foreign currency contracts	8.2	-	8.2	12.4	-	12.4
Embedded foreign currency derivatives	2.2	-	2.2	2.8	-	2.8
Equity swap agreements	0.3	-	0.3	-	-	-
Available-for-sale	-	1.7	1.7	-	1.6	1.6
Derivatives designated in a hedge relationship						
Forward foreign currency contracts	15.4	-	15.4	18.0	-	18.0
Foreign currency swap agreements	15.0	-	15.0	18.2	-	18.2
	\$ 348.9	\$ 1.7	\$ 350.6	\$ 405.3	\$ 1.6	\$ 406.9
Financial liabilities						
At FVTPL						
Contingent consideration arising on business combinations	\$ -	\$ 0.8	\$ 0.8	\$ -	\$ 1.5	\$ 1.5
Forward foreign currency contracts	13.7	-	13.7	15.5	-	15.5
Embedded foreign currency derivatives	-	-	-	0.1	-	0.1
Equity swap agreements	-	-	-	0.4	-	0.4
Derivatives designated in a hedge relationship						
Forward foreign currency contracts	38.0	-	38.0	52.7	-	52.7
Interest rate swap agreements	2.2	-	2.2	2.5	-	2.5
	\$ 53.9	\$ 0.8	\$ 54.7	\$ 71.2	\$ 1.5	\$ 72.7

Changes in Level 3 financial instruments are as follows:

<i>Three months ended June 30</i>	2015	2014
Balance, beginning of period	\$ 0.1	\$ (2.7)
Total realized and unrealized gains:		
Included in other comprehensive income	0.1	-
Issued and settled	0.7	2.0
Balance, end of period	\$ 0.9	\$ (0.7)

NOTE 14 – OPERATING SEGMENTS AND GEOGRAPHIC INFORMATION

The Company elected to organize its operating segments principally on the basis of its customer markets. The Company manages its operations through its three segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Results by segment

The profitability measure employed by the Company for making decisions about allocating resources to segments and assessing segment performance is operating profit (hereinafter referred to as segment operating income). The accounting principles used to prepare the information by operating segments are the same as those used to prepare the Company's consolidated financial statements. The method used for the allocation of assets jointly used by operating segments and costs and liabilities jointly incurred (mostly corporate costs) between operating segments is based on the level of utilization when determinable and measurable, otherwise the allocation is based on a proportion of each segment's cost of sales.

<i>Three months ended June 30</i>	Civil Aviation Training Solutions		Defence and Security		Healthcare		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
External revenue	\$ 336.2	\$ 308.9	\$ 196.9	\$ 197.9	\$ 23.9	\$ 19.4	\$ 557.0	\$ 526.2
Depreciation and amortization								
Property, plant and equipment	23.9	22.0	3.5	2.7	0.7	0.7	28.1	25.4
Intangible and other assets	7.2	6.8	12.0	9.5	2.8	2.5	22.0	18.8
Write-downs (reversals of write-downs)								
of accounts receivable – net	0.7	(0.3)	-	(0.1)	-	-	0.7	(0.4)
After tax share in profit of equity								
accounted investees	10.1	7.4	1.4	2.3	-	-	11.5	9.7
Segment operating income	57.0	49.5	23.6	21.9	0.6	0.3	81.2	71.7

Capital expenditures which consist of additions to non-current assets (other than financial instruments and deferred tax assets), by segment are as follows:

<i>Three months ended June 30</i>	2015	2014
Civil Aviation Training Solutions	\$ 28.6	\$ 39.3
Defence and Security	3.8	15.3
Healthcare	0.9	3.2
Total capital expenditures	\$ 33.3	\$ 57.8

Operating profit

The following table provides a reconciliation between total segment operating income and operating profit:

<i>Three months ended June 30</i>	2015	2014
Total segment operating income	\$ 81.2	\$ 71.7
Restructuring costs (Note 10)	(7.7)	-
Operating profit	\$ 73.5	\$ 71.7

Assets and liabilities employed by segment

The Company uses assets employed and liabilities employed to assess resources allocated to each segment. Assets employed include accounts receivable, contracts in progress, inventories, prepayments, property, plant and equipment, intangible assets, investment in equity accounted investees, derivative financial assets and other assets. Liabilities employed include accounts payable and accrued liabilities, provisions, contracts in progress, deferred gains and other non-current liabilities and derivative financial liabilities.

Assets and liabilities employed by segment are reconciled to total assets and liabilities as follows:

	June 30 2015	March 31 2015
Assets employed		
Civil Aviation Training Solutions	\$ 2,594.3	\$ 2,587.8
Defence and Security	1,102.7	1,079.3
Healthcare	243.0	250.1
Assets classified as held for sale (Note 3)	61.4	61.2
Assets not included in assets employed	630.1	678.5
Total assets	\$ 4,631.5	\$ 4,656.9
Liabilities employed		
Civil Aviation Training Solutions	\$ 571.3	\$ 603.6
Defence and Security	353.3	403.8
Healthcare	45.2	43.6
Liabilities classified as held for sale (Note 3)	11.9	14.2
Liabilities not included in liabilities employed	1,909.4	1,927.8
Total liabilities	\$ 2,891.1	\$ 2,993.0

Products and services information

The Company's revenue from external customers for its products and services are as follows:

<i>Three months ended June 30</i>	2015	2014
Revenue		
Simulation products	\$ 245.6	\$ 240.9
Training and services	311.4	285.3
	\$ 557.0	\$ 526.2

Geographic information

The Company markets its products and services globally. Sales are attributed to countries based on the location of customers. Non-current assets other than financial instruments and deferred tax assets are attributed to countries based on the location of the assets.

<i>Three months ended June 30</i>	2015	2014
Revenue from external customers		
Canada	\$ 47.7	\$ 37.7
United States	203.7	162.5
United Kingdom	63.3	55.6
Germany	15.4	19.2
Other European countries	94.5	101.1
United Arab Emirates	17.1	25.5
China	40.9	33.4
Other Asian countries	41.0	40.9
Australia	15.1	25.1
Other countries	18.3	25.2
	\$ 557.0	\$ 526.2

	June 30 2015	March 31 2015
Non-current assets other than financial instruments and deferred tax assets		
Canada	\$ 849.9	\$ 852.4
United States	849.0	872.3
Brazil	98.4	90.7
United Kingdom	296.4	292.6
Luxembourg	173.9	170.3
Netherlands	116.8	116.1
Other European countries	267.3	261.8
Asian countries	109.7	113.5
Other countries	78.3	90.0
	\$ 2,839.7	\$ 2,859.7

NOTE 15 – RELATED PARTY TRANSACTIONS

The following table presents the Company's outstanding balances with its joint ventures:

	June 30 2015	March 31 2015
Accounts receivable (Note 4)	\$ 45.0	\$ 28.7
Contracts in progress: assets	27.5	28.1
Other assets	24.3	29.2
Accounts payable and accrued liabilities	13.6	13.9
Contracts in progress: liabilities	7.2	3.9

Other assets include a finance lease receivable of \$16.1 million (March 31, 2015 – \$17.0 million) maturing in October 2022 and carrying an interest rate of 5.14% per annum, loans receivable of \$1.8 million (March 31, 2015 – \$5.7 million) maturing in September 2016 and December 2017 and carrying respectively interest rates of LIBOR 6 month plus 1% and 11% per annum and a long-term interest free receivable of \$6.4 million (March 31, 2015 – \$6.5 million) with no repayment term. As at June 30, 2015 and March 31, 2015, there are no provisions held against any of the receivables from related parties.

The following table presents the Company's transactions with its joint ventures:

<i>Three months ended June 30</i>	2015	2014
Revenue	\$ 20.0	\$ 35.7
Purchases	1.2	0.3
Other income	0.7	0.6

In addition, during the first quarter of fiscal 2016, transactions amounting to \$0.5 million (2015 – \$0.6 million) were made, at market prices, with organizations of which some of the Company's directors are officers.

Compensation of key management personnel

Key management personnel have the ability and responsibility to make major operational, financial and strategic decisions for the Company and include certain executive officers. The compensation of key management for employee services is shown below:

<i>Three months ended June 30</i>	2015	2014
Salaries and other short-term employee benefits	\$ 0.9	\$ 1.2
Post-employment benefits – defined benefit plans ⁽¹⁾	0.3	0.4
Share-based payments	2.1	0.7
	\$ 3.3	\$ 2.3

⁽¹⁾ Includes net interest on employee benefit obligations.

NOTE 16 – EVENT AFTER THE REPORTING PERIOD

On July 24, 2015, the Company completed the sale of its mining business for an amount totaling \$32.0 million in cash excluding a working capital adjustment and a potential additional consideration of up to \$10.0 million that is contingent on certain financial results being met. As a result, the net loss on discontinued operations is estimated at \$6.0 million for the second quarter.