Consolidated financial statements of

Plaintree Systems Inc.

March 31, 2014
(in Canadian dollars)

Plaintree Systems Inc.
March 31, 2014 and March 31, 2013
(In Canadian dollars)

Table of contents

Deloitte LLP
1600 - 100 Queen Street
Ottawa ON K1P 5T8
Canada

Tel: (613) 236-2442
Fax: (613) 236-2195
www.deloitte.ca

Independent auditor's report

To the Shareholders of Plaintree Systems Inc.

We have audited the accompanying consolidated financial statements of Plaintree Systems Inc., which comprise the consolidated statements of financial position as at March 31, 2014 and March 31, 2013, and the consolidated statements of comprehensive (loss) income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Plaintree Systems Inc. as at March 31, 2014 and March 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

July 21, 2014

Plaintree Systems Inc.

Consolidated statements of financial position
as at March 31, 2014 and March 31, 2013

(in Canadian dollars)

	2014	2013
	$	$
Assets		
Current assets		
Cash	**-**	145,760
Trade receivables and other receivables	**1,885,105**	1,751,364
Unbilled revenue	**1,895,308**	1,024,553
Inventories (Note 5)	**1,293,747**	1,346,334
Prepaid expenses and other receivables	**177,231**	149,100
Note receivable (Note 7)	**401,858**	-
Due from related party (Note 9)	**1,096,641**	1,510,345
Asset held-for-sale (Note 6)	**-**	1,165,702
	6,749,890	7,093,158
Property, plant and equipment (Note 11)	**6,460,981**	4,364,613
Note receivable (Note 7)	**-**	446,509
Intangible assets (Note 10)	**1,057,936**	1,182,903
	14,268,807	13,087,183
Liabilities		
Current liabilities		
Bank indebtedness	**24,776**	-
Trade and other payables (Note 13)	**1,661,739**	1,831,967
Deferred revenue	**866,067**	474,996
Note payable (Note 4)	**-**	762,000
Current portion of long-term debt (Note 8)	**4,041,993**	3,285,478
	6,594,575	6,354,441
Due to related parties (Note 12)	**7,579,907**	4,927,046
	14,174,482	11,281,487
Shareholders' equity		
Share capital (Note 14)	**2**	2
Equity	**94,323**	1,805,694
	94,325	1,805,696
	14,268,807	13,087,183

Approved by the Board

"David Watson"

"Girvan Patterson"

See accompanying notes to the consolidated financial statements.

Plaintree Systems Inc.

Consolidated statements of comprehensive (loss) income
years ended March 31, 2014 and March 31, 2013
(in Canadian dollars)

	2014	2013
	$	$
Revenue	**20,803,602**	13,790,759
Cost of sales	**18,100,488**	10,458,258
Gross margin	**2,703,114**	3,332,501
Operating expenses		
Research and development	**1,407,291**	1,313,805
Finance and administration	**1,229,013**	1,164,260
Sales and marketing	**705,028**	544,527
Bad debt	**119,074**	2,377
Interest expense	**287,714**	170,802
Gain on disposal of property, plant and equipment	**(1,985)**	(278,170)
Loss on foreign exchange	**100,192**	22,614
	3,846,327	2,940,215
Net (loss) income before other expenses and income taxes	**(1,143,213)**	392,286
Other expenses		
Write-down of due from related party (Note 9)	**568,158**	-
Net (loss) income before income taxes	**(1,711,371)**	392,286
Current income tax expense	**-**	19,000
Net (loss) income and comprehensive (loss) income	**(1,711,371)**	373,286
Basic and diluted (loss) per common share (Notes 14 and 15)	**(0.20)**	(0.09)
Weighted average common shares outstanding	**12,925,253**	12,925,253

See accompanying notes to the consolidated financial statements.

Plaintree Systems Inc.

Consolidated statements of cash flows
years ended March 31, 2014 and March 31, 2013
(in Canadian dollars)

	2014	2013
	$	$
Cash flows from operating activities		
Net (loss) income	**(1,711,371)**	373,286
Add (deduct) items not affecting cash:		
Write-down of inventories	**213,093**	202,632
Write-down of due from related party	**568,158**	-
Depreciation of intangible assets	**134,127**	142,009
Depreciation of property, plant and equipment	**655,909**	595,422
Gain on sale of property, plant and equipment	**(1,985)**	(278,170)
Movements in working capital		
(Increase) decrease in trade and other receivables	**(133,741)**	64,936
Increase in unbilled revenue	**(870,755)**	(882,564)
(Increase) decrease in inventories	**(160,506)**	174,326
Decrease in prepaid and other assets	**16,520**	15,605
Increase in due from related parties	**(154,454)**	(244,680)
(Decrease) increase in trade and other payables	**(170,227)**	494,022
Increase in deferred revenue	**391,069**	12,119
Interest paid on related party debt	**195,688**	164,979
Net cash (used in) provided by operating activities	**(1,028,474)**	833,922
Cash flows from investing activities		
Payments to acquire property, plant and equipment	**(1,619,395)**	(349,425)
Payments to acquire intangible assets	**(9,160)**	-
Proceeds from disposal of property, plant and equipment	**34,805**	19,000
Net cash used in investing activiites	**(1,593,750)**	(330,425)
Cash flows from financing activities		
Borrowings to acquire property, plant and equipment	**2,004,086**	749,700
Repayment of note payable	**-**	(738,000)
Repayment of long-term debt	**(1,636,098)**	(1,054,518)
Increase in related party borrowings	**2,083,700**	5,081
Net cash from (used in) financing activities	**2,451,687**	(1,037,737)
Net decrease in cash	**(170,537)**	(534,240)
Cash, beginning of the year	**145,760**	680,000
(Bank indebtedness) cash, end of the year	**(24,776)**	145,760

See accompanying notes to the consolidated financial statements.

Plaintree Systems Inc.

Consolidated statements of changes in equity
years ended March 31, 2014 and March 31, 2013
(in Canadian dollars)

	Number of common shares	Issued capital	Number of Class A preferred shares [1]	Issued capital	Retained earnings (deficit)	Shareholders' equity
		$		$	$	$
Balances at March 31, 2012	12,925,253	1	18,325	1	1,432,408	1,432,410
Net income and comprehensive income	-	-	-	-	373,286	373,286
Balances at March 31, 2013	12,925,253	1	18,325	1	1,805,694	1,805,696
Net loss and comprehensive loss	-	-	-	-	(1,711,371)	(1,711,371)
Balances at March 31, 2014	**12,925,253**	**1**	**18,325**	**1**	**94,323**	**94,325**

[1] Class A preferred shares have a 8% cumulative dividend, calculated on redemption amount, redeemable at the option of the Company at any time at $1000 per share plus accrued dividends; non-voting.

See accompanying notes to the consolidated financial statements.

1. Description of the business

Plaintree Systems Inc. ("Plaintree" or the "Company") was incorporated in Canada under the Canada Business Corporation Act and is publicly traded on the CNSX under "NPT". The Company operates an Electronics division (the Hypernetics business, the free space optics business and Summit Aerospace USA Inc. (“Summit”) business) and a Specialty Structures division (the Triodetic business and Arnprior Fire Trucks Corp.). Plaintree was historically a designer and manufacturer of wireless connections transmitting data on beams of light versus conventional radio frequency, commonly referred to as free space optics ("FSO"). The Hypernetics business manufactures avionic components for various applications including aircraft antiskid braking, aircraft instrument indicators, solenoids and permanent magnet alternators. The Triodetic business is a design/build manufacturer of steel, aluminium and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames and industrial dome coverings. On May 23, 2013 the Company completed the acquisition of a 16,300 sq. ft. manufacturing facility in Pocono Summit, PA, where they will continue the operation of Summit, a wholly-owned subsidiary of Plaintree which specializes in the high end machining of super-alloys for the aircraft and helicopter markets. The address of the Company’s registered office and principal place of business is 10 Didak Drive, Arnprior, Ontario, K7S 0C3.

2. Basis of presentation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were approved for issue by the Board of Directors on July 21, 2014.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for share-based compensation, which is measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

c) Basis of consolidation

The consolidated financial statements include the accounts of Plaintree Systems Inc. and its wholly-owned subsidiaries Summit Aerospace USA Inc., Plaintree Systems Corp. and Triodetic Inc. (U.S. companies) and Arnprior Fire Trucks Corp. and Triodetic Ltd. (Canadian companies). Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries align with the policies adopted by the Company. All inter-company transactions have been eliminated.

3. Significant accounting policies

The significant accounting policies include the following:

Inventories

Inventories are valued using a weighted average cost formula and are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are allocated to the weighted average cost of inventory by the method most appropriate to the particular class of inventory. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment for losses. When parts of material items of property, plant and equipment have significantly different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives using the straight-line method as follows:

Building	20 years
Leasehold improvements	10 years
Factory equipment	10 years
Computer equipment	3 years
Office equipment and furniture	10 years
Vehicles	4 years

Intangible assets

The Company's intangible assets consist of a customer relationship, a non-competition agreement and software. Software is stated at cost less accumulated depreciation and accumulated impairment for losses. The Company uses the income approach to determine the fair value of its acquired customer relationship and non-competition agreement intangible assets. This approach is a valuation technique that calculates the fair value of an intangible asset based on the cash flows that an asset can be expected to generate over its remaining useful life. These assets are capitalized and are amortized to operations over their estimated useful lives from the date that they are acquired and available for use, since this most closely reflects the expected usage and consumption patterns related to the future economic benefits embodied in the assets. The Company considers the length of time over which it expects to earn or recover the present value of the assets. Depreciation is recognized so as to write off the cost of assets over their useful lives using the straight-line method as follows:

Software	2 years
Customer relationship	10 years
Non-competition agreement	6.5 years

Impairment of long-lived assets

The Company's policy is to review all long-lived assets for impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount as an asset may not be recoverable. The Company will record an impairment of the assets if the recoverable amount, determined as the higher of an asset's fair value less costs to sell or the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the tax effects of any change in estimate accounted for on a prorated basis.

Revenue recognition

Revenue from product sales is recorded on shipment when all significant contractual obligations have been satisfied provided evidence of an arrangement exists, the price to the customer is fixed and determinable and collection is probable.

3. Significant accounting policies (continued)

Revenue recognition (continued)

Revenue on fixed-price contracts is recognized based on the estimated percentage-of-completion of services rendered that reflects the extent of work accomplished. Management estimates the percentage-of-completion by reference to measures of performance that are reasonably determinable and are directly related to the activities critical to completion of the contract. The Company uses this method of revenue recognition as projected contract revenue and costs may reasonably be estimated based on the Company’s business practices, methods and historical experience. This method requires estimates of costs and profits over the entire term of the contract. Management regularly reviews underlying estimates of project profitability; revisions to estimates are reflected in the consolidated statement of comprehensive (loss) income in the period in which the facts that give rise to the revision become known. Provisions for estimated losses, if any, are recognized in the period in which the loss is determined. Contract losses are measured as the amount by which the estimated costs of the contract exceed the estimated total revenue from the contract.

Progress billings are recorded as deferred revenue to the extent that the billings exceed revenue recognized to date. Unbilled revenue is recorded to the extent that revenue has been recognized, but not yet billed to the customer.

In addition, a provision for potential warranty claims is recorded at the time of sale, based on warranty terms and prior claims experience. Extended warranty contracts are sold separately from the product and the associated revenue is recognized over the term of the agreement.

Functional currency

The Canadian dollar is the functional currency of the parent company and its subsidiaries.

Monetary assets and liabilities, which are denominated in foreign currencies, are translated to the entity’s functional currency at period end exchange rates, and foreign currency transactions included in the consolidated statements of comprehensive (loss) income are translated at average rates prevailing during the period. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statement of comprehensive (loss) income.

The accounts of the Company's wholly-owned U.S. subsidiaries, which have Canadian dollar functional currencies, have been translated into Canadian dollars using the exchange rates at period’s end for monetary items and at exchange rates at the transaction date for non-monetary items measured at historical costs.

Stock option plans

The Company measures equity settled stock options granted based on their fair value at the grant date and recognizes compensation expense over the vesting period. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in comprehensive (loss) income. Consideration paid by employees on the exercise of stock options is recorded as share capital and the related share-based payments are transferred from contributed surplus to share capital.

Investment tax credits

Investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation.

Research and development expenditures

Current research costs are expensed as incurred while expenditures for research and development equipment, net of related investment tax credits, are capitalized.

3. Significant accounting policies (continued)

Research and development expenditures (continued)

Development costs are deferred and amortized when the criteria for deferral under IFRS are met, or otherwise, are expensed as incurred. To date, no such costs have been capitalized.

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Revenue recognition

Application of the accounting principles related to measurement and recognition of revenue requires the Company to make judgments and estimates.

Revenue for fixed price contracts based on the estimated percentage-of-completion of services rendered reflects management's estimates of the percentage-of-completion at each period-end. This method requires management to estimate total costs and profits over the entire term of the contract.

Impairment of trade receivables

Management determines the estimated recoverability of trade receivables based on the evaluation and ageing of trade receivables, including the current creditworthiness and the past collection history of the customers and reviews these estimates at the end of each reporting period. The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables.

Useful lives of property, plant and equipment and intangible assets

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment of similar nature and functions and reviews these estimates at the end of each reporting period. The useful lives of intangible assets are based on management's best estimate of the expected life of the economic benefits that will be derived from the assets.

Functional currency

Revenue contracts are priced in a variety of currencies whereas the cost structure inputs are primarily in Canadian dollars. Secondary indicators of functional currency, including financing and cash holdings are primarily in Canadian dollars. As the primary indicators of functional currency do not clearly indicate a specific currency, the indicators as a whole have been judged to indicate the Canadian dollar is the functional currency of the parent company and its subsidiaries.

Impairment of property, plant and equipment and intangible assets

Management assesses the impairment indicators under IFRS and whether impairment is required on the property, plant and equipment and intangible assets.

Estimation uncertainty

Critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of future cash flows utilized in assessing net recoverable amounts and net realizable values; useful lives; allowance for bad debt; useful lives of property, equipment and intangible assets; percentage-of-completion for revenue recognition; unbilled revenues; deferred revenues; inventory obsolescence; ability to utilize tax losses and investment tax credits; and measurement of deferred taxes. In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis where required.

3. Significant accounting policies (continued)

Critical accounting estimates and judgements (continued)

Estimation uncertainty (continued)

These estimates have been applied in a manner consistent with that in the prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

Income taxes

The Company's deferred income tax assets and liabilities are recognized for the future tax consequences attributable to tax loss carryforwards and to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change of statutory tax rates is recognized in income in the period of enactment or substantive enactment. Deferred income tax assets are recognized to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Earnings per share

Earnings per share has been calculated on the basis of net income attributable to common shareholders divided by the weighted average number of common shares outstanding during the period. Income attributable to common shareholders is equal to net income less the dividends accumulated on the preferred shares. Diluted earnings per common share is calculated by dividing the applicable net income attributable to common shareholders by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. The Company uses the treasury stock method in determining the denominator for earnings per share. Under this method it is assumed that the proceeds from the exercise of options and unrecognized compensation cost are used to repurchase common shares at the weighted average market price of the shares for the period.

Financial instruments

All financial instruments are initially recognized at fair value including transaction costs, except those at fair value through profit or loss ("FVTPL") for which transaction costs are expensed when incurred.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until realized when the cumulative gain or loss is transferred to other income.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest rate method.

3. Significant accounting policies (continued)

Financial instruments (continued)

Loans and receivables

Loans and receivables are subsequently accounted for at amortized cost using the effective interest rate method.

Other liabilities

Other liabilities are subsequently recorded at amortized cost using the effective interest rate method and include all financial liabilities, other than derivative instruments.

Fair value through profit or loss

Financial asset or liability that is held-for-trading measured at fair value each period with gains and losses through income.

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash is designated as at FVTPL which is measured at fair value, with changes in fair value being recorded income at each period end.

Trade accounts receivable are classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost with interest accretion recorded in comprehensive (loss) income. Due to the short-term nature of these assets and liabilities, the carrying amounts approximate fair value.

All loans, bank loans, bonds and debentures or similar debt are measured at amortized cost with interest accretion recorded in net income.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The inputs fall into three levels that may be used to measure fair value:

Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 - Applies to assets or liabilities for which there is no observable market data.

New Standards effective for April 1, 2013

IFRS 10 Consolidated Financial Statements ("IFRS 10")

IFRS 10 was effective for the period that begins on or after January 1, 2013, which is our reporting period beginning April 1, 2013. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidated requirements in SIC-12 *Consolidation - Special Purpose Entities* and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after 1 January 2013. The application of IFRS 10 has not had any material impact on the amounts recognized in the consolidated financial statements.

3. Significant accounting policies (continued)

New Standards effective for April 1, 2013 (continued)

IFRS 11 Joint Arrangements ("IFRS 11 ")

IFRS 11 was effective for the period that begins on or after January 1, 2013, which is our reporting period beginning April 1, 2013. IFRS 11 was issued by the IASB in May 2011. IFRS 11 provides a view of joint arrangements by based on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 requires the use of the equity method of accounting for interests in joint ventures, except for joint operations, thereby eliminating the proportionate consolidation method. The application of IFRS 11 has not had any material impact on the amounts recognized in the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 was effective for the period that begins on or after January 1, 2013, which is our reporting period beginning April 1, 2013. IFRS 12 was issued by the IASB in May 2011. IFRS 12 incorporates the disclosure requirements for all strategic investments including interests in subsidiaries, joint arrangements, and associates as well as unconsolidated structured entities. The application of IFRS 12 has not had any material impact on the amounts recognized or disclosures in the consolidated financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13")

IFRS 13 was effective for the period that begins on or after January 1, 2013, which is our reporting period beginning April 1, 2013. IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The application of IFRS 13 has not had any material impact on the amounts recognized or disclosures in the consolidated financial statements.

New and revised IFRS in issue but not effective

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective January 21, 2018. The impact of this ongoing project will be assessed by the Company as remaining phases of the project are complete.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amendments to IAS 32 *Financial Instruments*: *Presentation* clarifies certain aspects because of diversity in application of the requirements on offsetting, focus on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

3. Significant accounting policies (continued)

New and revised IFRS in issue but not effective (continued)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (continued)

The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

IFRIC 21 Levies ("IFRIC 21")

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- the liability is recognised progressively if the obligating event occurs over a period of time.
- if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB amended IAS 36 to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed. The IAS 36 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard is applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017

The impact of these standards and amendments has not yet been determined.

4. Note payable

On February 6, 2012, Plaintree Systems Inc. completed its acquisition of the business and assets of Summit Tool Corporation ("Summit Tool").

The purchase price for the acquisition was US$3 million with US$1.5 million paid on closing and the balance to be payable in three tranches as follows:

(i) US$375,000 paid on August 6, 2012;
(ii) US$375,000 paid on February 6, 2013; and
(iii) US$750,000 paid on August 6, 2013.

As of March 31, 2014, the note payable balance is $NIL (2013 - $762,000).

(In Canadian dollars)

5. Inventories

	2014	2013
	$	$
Raw materials	**505,003**	373,909
Work in process	**600,148**	675,822
Finished goods	**188,596**	296,603
	1,293,747	1,346,334

The cost of inventories recognized as an expense during the year was $6,794,059 (2013 - $10,354,760). The total carrying value of inventory at March 31, 2014 was pledged as security through general security agreements under bank lines of credit and related party liabilities.

The Company wrote down its inventories by $213,093 in fiscal 2014 (2013 - $202,632) to reflect where the carrying amount exceeded net realizable value. The Company had write ups in the year totalling $120,255 (2013 - $151,692).

6. Asset held-for-sale

The asset held-for-sale as of March 31, 2013, consisted of a manufacturing property owned by the Company that was available for sale.

During fiscal 2014 it was determined that the asset held-for-sale no longer met the criteria under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* to be classified as a current asset. The asset was reclassified to property, plant and equipment at the lower of its carrying amount assuming it had been depreciated to date and its fair value less costs to sell or value in use.

7. Note receivable

On March 28, 2012, the Company sold one of its two manufacturing buildings for $470,000. The Company assumed a vendor take-back first mortgage of $446,509 for a three-year term with interest at prime plus 2% per annum and principal repayments beginning April 1, 2013. As at March 31, 2014, a balance of $401,858 remained owing to the Company. The note matures on March 31, 2015 and as such the note is recorded as a current asset.

(In Canadian dollars)

8. Long-term debt

	2014	2013
	$	$
Mortgage loan, payable in monthly principal installments of $4,028, bearing interest at a rate equal to the bank's LIBOR rate plus 3.5%, secured by a general security agreement, maturing May 2020.	**756,960**	-
Bank loan, payable in monthly blended installments of $4,221, bearing interest at a rate of prime plus 1.25% per annum, secured by a general security agreement, maturing October 2027.	**337,385**	372,785
Term loan payable in monthly blended installments of $733, bearing interest at a rate of prime minus 0.65% per annum, secured by a mortgage on a property, maturing November 2016.	**97,871**	104,282
Demand non-revolving loan payable in monthly blended installments of $691, at a rate of prime plus 1.5%, secured by general security agreement, maturing five years from the date of each draw-down or February 2022.	**80,618**	88,910
Demand non-revolving loan payable in monthly blended installments of $2,867, at a rate of prime plus 1.5%, secured by a general security agreement, maturing five years from the date of each draw-down or October 2021.	**317,464**	351,873
Demand non-revolving loan payable in monthly blended installments of $4,901, at a rate of prime plus 1.5%, secured by a general security agreement, maturing ten years following full draw-down of the loan or June 2016.	**251,497**	310,312
Demand non-revolving U.S. dollar denominated loan payable in monthly blended installments of US$65,000, interest at LIBOR plus 3% per annum, maturing January 2016. (Balance of US$360,539)	**1,675,073**	1,427,480
Demand non-revolving U.S. dollar denominated loan payable in monthly blended installments of $9,906, interest at a rate of 3.63%, secured by a general security agreement, maturing June 2017. (Balance of US$684,772)	**398,576**	471,475
Term non-revolving U.S. dollar denominated loan payable in monthly installments of $3,161, bearing interest at the rate of prime plus 1.25% per annum, secured by a general security agreement, maturing September 2018. (Balance of US$1,515,217)	**126,549**	158,361
	4,041,993	3,285,478

(In Canadian dollars)

8. Long-term debt (continued)

Principal repayments required in the next five years and thereafter are as follows:

	$
2015	1,158,665
2016	1,109,158
2017	296,375
2018	295,668
2019	221,983
Thereafter	960,144
	4,041,993

As of March 31, 2014, the Company was in breach of the debt service coverage ratio which was required to be maintained at a minimum of 125%. Debt service coverage ratio is determined by dividing earnings before interest, taxes, depreciation and amortization by the annual payments of principal and interest. As a result of the covenant breach, the long-term debt has been reclassified to current. The bank has waived the covenant requirements to April 1, 2015 and has continued to provide funding under the terms of the facility.

The Company also has lines of credit to a maximum of $2,000,000 and US$1,936,925. Each line of credit bears interest at prime plus 1% and is payable on demand.

9. Due from related party

Subsequent to year-end, the Company purchased the assets of Spotton Corporation for $120 (Note 22). It was determined that the related note receivable was impaired and it was written down by $568,158. The remaining balance $1,096,641 is unsecured, due on demand and accrues interest at prime plus 2%.

10. Intangible assets

	Customer relationship	Non-competition agreement	Computer software	Total
	$	$	$	$
Cost, balance				
March 31, 2012	1,303,270	10,000	174,081	1,487,351
Additions	-	-	-	-
March 31, 2013	1,303,270	10,000	174,081	1,487,351
Additions	**-**	**-**	9,160	9,160
March 31, 2014	**1,303,270**	**10,000**	**183,241**	**1,496,511**
Accumulated depreciation, balance				
March 31, 2012	-	-	(162,439)	(162,439)
Depreciation	(130,327)	(1,539)	(10,143)	(142,009)
March 31, 2013	(130,327)	(1,539)	(172,582)	(304,448)
Depreciation	(130,327)	(1,539)	(2,262)	(134,127)
March 31, 2014	**(260,654)**	**(3,078)**	**(174,844)**	**(438,575)**
Carrying amount, as at				
March 31, 2013	1,172,943	8,461	1,499	1,182,903
March 31, 2014	**1,042,616**	**6,922**	**8,397**	**1,057,936**

(In Canadian dollars)

11. Property, plant and equipment

	Factory equipment	Computer equipment	Furniture	Vehicles	Lease improvements	Building	Land	Total
	$	$	$	$	$	$	$	$
Cost, balance								
March 31, 2012	5,201,434	1,000,124	194,444	147,904	846,334	151,000	50,000	7,591,240
Additions	919,071	11,310	2,625	58,820	-		-	991,826
Disposals	(53,162)	(62,072)	-	(22,000)	-	-	-	(137,234)
March 31, 2013	6,067,343	949,362	197,069	184,724	846,334	151,000	50,000	8,445,832
Additions	140,888	3,135	-	85,290	257,743	2,173,484	124,557	2,785,097
Disposals	-	-	-	(32,820)	-	-	-	(32,820)
March 31, 2014	**6,208,231**	**952,497**	**197,069**	**237,194**	**1,104,077**	**2,324,484**	**174,557**	**11,198,109**
Accumulated depreciation, balance								
March 31, 2012	(2,277,784)	(964,239)	(169,794)	(78,563)	(77,037)	(36,673)	-	(3,606,090)
Depreciation	(390,183)	38,805	(4,516)	(28,681)	(83,004)	(7,550)	-	(475,129)
March 31, 2013	(2,667,967)	(925,434)	(174,310)	(107,244)	(160,041)	(44,223)	-	(4,081,219)
Depreciation	(460,160)	(17,212)	(4,559)	(33,671)	(89,787)	(50,520)	-	(655,909)
March 31, 2014	**(3,128,127)**	**(942,646)**	**(178,869)**	**(140,915)**	**(249,828)**	**(94,743)**	**-**	**(4,737,128)**
Carrying amount, as at								
March 31, 2013	3,399,376	23,928	22,759	77,480	686,293	106,777	50,000	4,364,613
March 31, 2014	**3,080,104**	**9,851**	**18,200**	**96,279**	**854,249**	**2,229,741**	**174,557**	**6,460,981**

12. Due to related parties

	2014	2013
	$	$
Due to senior officers	**3,665,568**	3,392,540
Dividends payable	**60,000**	60,000
Due to Targa Group Inc., debenture interest	**247,672**	247,672
Due to Tidal Quality Management Inc.	**713,284**	322,370
Due to Targa Group Inc., line of credit	**1,194,737**	763,070
Due to Targa Group Inc., demand loan	**1,563,833**	66,581
Due to Targa Group Inc., demand loan interest	**134,813**	134,813
	7,579,907	4,987,046
Less: current portion	**-**	(60,000)
	7,579,907	4,927,046

As at March 31, 2014, a balance of $3,665,568 ($2,718,520 principal and $947,048 interest), (2013 - $2,578,846 in principal and $813,694 in interest) remained owing to senior officers of the Company. These amounts are classified as long-term as the parties have agreed not to demand repayment before August 2015.

On July 14, 2011, the board of directors of the Company declared a cash dividend of $10.91405 per Class A preferred share ($200,000 in the aggregate) payable on July 22, 2011 to the holders of record at the close of business on July 18, 2011. The Class A preferred shares are held by related parties and are entitled to annual cumulative dividends of 8% on the $1,000 redemption amount of the Class A preferred share. An amount of $60,000 (2013 - $60,000) of the dividend remains outstanding as of March 31, 2014. The balance is classified as long-term as the related party has agreed not to demand payment before August 2015.

(In Canadian dollars)

12. Due to related parties (continued)

As at March 31, 2014, a balance of $247,672 in debenture interest (2013 - $247,672) is outstanding. The balance is classified as long-term as the related party has agreed not to demand payment before August 2015.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears, including interest of $155,882 owing to this related party, amounted to $324,103 (2013 - $322,370). The Company accepted partial financing in the form of a note payable in the amount of $373,473 with accumulated interest of $15,970 as of March 31, 2014 from Tidal for a new facility in Pocono Summit. The interest is at bank prime plus 2% and accrues on the principal balance. The party has agreed not to demand repayment of the total balance of $713,284 (2013 - $322,370) before August 2015 and the amount is classified as long-term.

The Company has a demand loan of up to $1,800,000 and a revolving line of credit of up to $1,000,000 with Targa. Under the loan agreements, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The Targa Credit Facility is secured by a security interest granted over the assets of the Company. At March 31, 2014, $1,000,000, (2013 - $600,000) remained outstanding on the line of credit with accumulated interest of $194,737 (2013 - $163,070) for a balance of $1,194,737 (2013 - $763,070). At March 31, 2014, $1,491,040, (2013 - $66,581) remained outstanding on the demand loan with accumulated interest of $72,793 for a balance of $1,563,833. Targa has agreed that it will not demand repayment before August 2015 and, accordingly, the amounts are classified as long-term.

Accumulated interest in the amount of $134,813 (2013 - $134,813), on a loan from Targa, for which the principal was fully repaid in fiscal 2008, remains outstanding as of March 31, 2014. The party has agreed not to demand repayment before August 2015 and, accordingly, the amount is classified as long-term.

13. Trade and other payables

Trade and other payables are comprised of the following:

	2014	2013
	$	$
Accounts payable	**1,171,091**	1,217,898
Accrued liabilities	**173,107**	359,917
Salaries and benefits payable	**317,541**	254,152
	1,661,739	1,831,967

14. Share capital

Authorized
Unlimited number of common shares
Unlimited number of Class A preferred shares

Class A 8% cumulative dividend, calculated on redemption amount, redeemable at the option of the Company at any time at $1,000 per share plus accrued dividends; liquidation preference of the redemption value plus cumulative dividends (when and if declared) to common shares; non-voting. As at March 31 2014, the accrued and unpaid dividends on the Class A preferred shares were $8,362,500.

(In Canadian dollars)

14. Share capital (continued)

	$
Issued	
Common shares	12,925,253
Class A Preferred shares	18,325

Stock option plans

The Company’s Stock Option Plan allows the Company to grant options to officers and service providers to a maximum number of 1,200,000.

Options under the stock option plans are issued for a period as determined by the Board of Directors of the Company at the time of grant up to a period of ten years from the date of grant and the exercise price may not be less than the latest closing price of the common shares on the last trading day preceding the date of grant. Eligibility is determined by the Company's Board of Directors and the aggregate number available for issuance to any one person may not exceed 5% of the issued and outstanding common shares.

There are no stock options outstanding as of March 31, 2014 as they all expired during the year (2013 - 560,000 options outstanding and fully vested that were issued at $0.12 and had a weighted average contractual life of 0.4).

15. Basic and diluted earnings per common share

Net (loss) income attributable to common shares used in the numerator of basic and diluted earnings per share is calculated as follows:

For the years ended March 31, 2014 and 2013, diluted earnings per share equals basic earnings per share due to the anti-dilutive effect of options noted below.

	2014	2013
	$	$
Stock options	**-**	560,000

16. Segmented information

The Company's chief decision maker, the CEO, tracks the Company's operations as two business segments - the design, development, manufacture, marketing and support of electronic products, and the specialty structural products. From time to time, the Company provides management services primarily to related companies. The revenue and cost of sales related to these services are presented in the consolidated statements of comprehensive (loss) income. No other expenses or assets are attributable to this segment. The Company determines the geographic location of revenues based on the location of its customers. Of the total balance of $6,460,981 in property, plant and equipment $3,205,608 is located in Canada and $3,255,373 in the United States. All of the intangible assets are located in Canada.

The write down of the related party debt relates to the Electronics segment.

(In Canadian dollars)

16. Segmented information (continued)

Revenues by division

	2014	2013
	$	$
Electronics	**5,656,151**	6,127,101
Specialty structures	**15,147,451**	7,663,658
	20,803,602	13,790,759

Net (loss) income before taxes by division

	2014	2013
	$	$
Electronics	**420,271**	1,205,829
Specialty structures	**(1,563,483)**	(813,543)
	(1,143,212)	392,286

Revenues by geographical location

	2014	2013
	$	$
Canada	**15,054,547**	7,100,933
United states	**4,731,998**	5,585,664
Other	**1,017,057**	1,104,162
	20,803,602	13,790,759

Product revenue concentration (customers with revenues in excess of 10%)

	2014	2013
	$	$
Number of customers	**2**	2
% of total revenue	**11%, 34%**	11%, 16%

Assets by division

	2014	2013
	$	$
Electronics	**5,744,474**	10,421,191
Specialty structures	**8,524,333**	2,665,992
	14,268,807	13,087,183

(In Canadian dollars)

17. Income taxes

Deferred income taxes reflect the impact of loss carry-forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts are measured by tax laws. The tax effects of temporary differences and loss carry-forwards that gave rise to significant portions of the deferred tax asset, which have not been recognized, are as follows:

	2014	2013
	$	$
Accounting depreciation in excess of tax	**1,570,000**	1,940,000
Research and development expenses not deducted for tax	**5,952,000**	5,952,000
Losses available to offset future income taxes	**1,280,000**	786,000
Valuation allowance	**(8,802,000)**	(8,678,000)
	-	-

The Company has claimed less research and development expenses for income tax purposes than has been reflected in the financial statements. These unclaimed expenses total approximately $20,755,000 (2013 - $20,755,000) for Canadian federal and provincial tax purposes. These are available without expiry to reduce future years' taxable income.

At March 31, 2014, the Company has approximately $617,000 (2013 - $617,000) of investment tax credits, relating primarily to research and development, available to reduce future year's Canadian federal income taxes. These potential benefits expire as follows:

	$
2021	240,000
2022	344,000
2029	12,000
2030	16,000
2031	5,000
	617,000

The provision for income taxes in the statement of comprehensive income (loss) differs from the amount computed by applying the Canadian statutory rate to the income (loss) before income taxes for the following reasons:

	2014	2013
	$	$
Net income before income taxes	**(1,711,371)**	392,286
Canadian statutory rate	**26.5%**	26.5%
Expected income tax (benefit) expense	**(453,513)**	103,956
Changes in unrealized deferred tax assets	**166,556**	122,695
Changes in future tax rates and provision	**-**	(372,848)
Permanent differences	**80,538**	59,902
Benefit of current loss and assets of subsidiary not recorded	**206,419**	101,151
Other	**-**	4,144
Income tax expense	**-**	19,000

(In Canadian dollars)

17. Income taxes (continued)

The Company has losses available to reduce future years' Canadian federal taxable income totaling approximately $4,550,000. These potential benefits expire as follows:

	$
2030	1,955,000
2031	318,000
2032	783,000
2033	513,000
2034	981,000
	4,550,000

The Company has U.S. losses of approximately $1,800,000 which begin to expire in 2030.

18. Guarantees, commitments and contingencies

Guarantees

The Company has entered into agreements that contain features which meet the definition of a guarantee.

One letter of guarantee is outstanding at March 31, 2014 (2013 - $NIL) for US$210,926 (CAN$233,178) which expires in December 2014.

Commitments

The Company leases office space under an operating lease that expires in October 2017. Future minimum payments due in each of the next three years, and in aggregate, under the operating leases are as follows:

	$
2015	48,780
2016	48,780
2017	48,780
	146,340

Product warranties

As part of the normal sale of product, the Company provides its customers with standard one-year product warranties and from time to time it sells separately priced extended warranties. The Company currently has parts only warranty obligations that are included with the normal sale of the product. The Company recognizes a warranty provision as required.

(In Canadian dollars)

18. Guarantees, commitments and contingencies (continued)

Contractual obligations

The following table provides a summary of the Company's obligations outstanding as at March 31, 2014:

Payments due by period

	Total	Current	2016	2017	2018	2019	Thereafter
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	**1,661,739**	1,661,739					
Due to related parties-debenture interest	**247,672**	-	247,672	-	-	-	-
Due to related parties-other	**3,860,381**	-	3,860,381	-	-	-	-
Due to related parties-line of credit	**1,194,737**	-	1,194,737	-	-	-	-
Due to related parties-demand loan	**1,563,833**	-	1,563,833	-	-	-	-
Due to related parties-lease payments	**207,851**	61,511	48,780	48,780	48,780	-	-
Long-term debt	**4,041,993**	1,158,665	1,109,158	296,375	295,668	221,983	960,144
	12,778,206	2,881,915	8,024,561	345,155	344,448	221,983	960,144

19. Financial instruments

Fair value hierarchy

Cash is classified as a Level 1 financial instrument. During the year, there has been no significant transfer of amounts between Level 1 and Level 2. There are no items classified in Level 2 or 3.

The Company has exposure to credit risk, market risk and liquidity risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls, sound business practices and on occasion derivative financial instruments.

a) Credit risk

Credit risk arises from cash held with banks and credit exposure to customers, and others from outstanding trade receivables and unbilled revenue and notes receivable. The maximum credit risk in the year amounted to $4,182,271 (2013 - $3,368,168).The objective of managing counterparty credit risk is to prevent losses on financial assets, specifically cash, trade receivables and unbilled revenue. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

Cash

Cash consists of bank deposits. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested in highly rated financial institutions. As at March 31, 2014, the Company was in a cash deficit position of $(24,776), (2013 - cash of $145,760). During the years ended March 31, 2014 and 2013, the Company did not hold any investments in asset-backed commercial paper.

19. Financial instruments (continued)

a) Credit risk (continued)

Accounts receivable

Accounts receivable consists primarily of trade receivables. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company. This risk is mitigated through established credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. The carrying amount of trade receivables are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of comprehensive income (loss). When a receivable balance is considered uncollectible, it is written off against the allowance for trade receivables.

Maximum credit risk is limited to the balance in cash, trade receivables and unbilled revenue totalling $3,780,418 (2013 - $2,921,677). The Company is subject to concentration risk in relation to its trade receivable balances. As of March 31, 2014, trade receivables were comprised of five customers totalling 17%, 14%, 12%, 11% and 10%, respectively (2013 - 2 customers totalling 26% and 15%, respectively). As at March 31, 2014, the Company's ageing of accounts receivable was approximately 95% (2013 - 93%) under sixty days, 2% (2013 - 6%) over 60 - 90 days and 3% (2013 - 1%) over 90 days and the allowance for doubtful accounts was $NIL (2013 - $NIL).

b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operations.

Interest risk

The Company is financed through loans from related parties and bank loans which bear interest at rates tied to the Canadian bank prime rate. The Company's exposure to interest rate risk relates primarily to variable interest rates on bank and related party debt totalling $9,792,985. The variable interest rates range from prime less 0.65% to prime plus 2.0%. A 1% change in the bank prime interest rate causes a $97,930 change in annual interest expense. The Company does not use derivative instruments to reduce its exposure to interest rate fluctuations.

Foreign currency risk

There is a risk to the Company's earnings that arises from fluctuations in foreign exchange rates, and the degree of volatility of these rates. The Company's financial results are reported in Canadian dollars. The Company is exposed to foreign exchange fluctuations against the Canadian dollar as sales are primarily denominated in U.S. dollars and other foreign currencies, while expenditures are primarily denominated in Canadian dollars. The Company did not use derivative financial instruments to manage this risk. For the year ended March 31, 2014, the Company had a foreign exchange loss of $100,192 (2013 - loss of $22,614). A 10% change in the value of the U.S. dollar against the Canadian dollar would have an approximate foreign exchange gain or loss of $329,060 and $133,503 for the fiscal years ended March 31, 2014 and 2013, respectively.

19. Financial instruments (continued)

b) Market risk (continued)

Foreign currency risk (continued)

Assets and liabilities denominated in U.S. dollars (expressed in Canadian dollars) are as follows:

	2014	2013
	$	$
(Bank indebtedness) cash	**(775,861)**	209,476
Trade receivables	**828,998**	1,014,730
Unbilled revenue	**319,582**	514,439
Trade and other payables	**(335,970)**	(248,958)
Deferred revenue	**(496,746)**	(163,763)
Note payable	**-**	(762,000)
Long-term debt	**(2,830,609)**	(1,898,955)
	(3,290,606)	(1,335,031)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains a positive working capital position. The Company aims to maintain a current ratio, defined as current assets over current liabilities, of at least 1:1.

The Company generally makes bi-monthly payments to vendors. At March 31, 2014, most of the Company's accounts payable were current. The vast majority of accounts payable fall due for payment within forty-five days. Accrued liabilities are generally due after more than one month and in some cases it may not yet be possible to determine the contracted date for payment.

The Company is required to maintain certain financial covenants in connection with its existing banking arrangements (Note 21).

d) Fair values

The carrying amounts for cash, trade accounts receivable, and accounts payable and accrued liabilities approximate fair value due to the short maturity of these instruments or the terms of the instrument. The carrying amount for the long-term debt approximated fair value as the interest rate was reflective of rates currently available for similar debt.

The fair values of amounts due to and due from related parties are not determinable as comparable arm's length debts are not available.

20. Related parties

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are members of the Company's executive management team, which include the CEO, CFO and VP-Mergers and Acquisitions. They control approximately 34.4% of the outstanding shares of the Company. Compensation provided to key management is as follows:

	2014	2013
	$	$
Short-term employee benefits	**470,000**	460,000
Share-based payments	**-**	-
	470,000	460,000

20. Related parties (continued)

Key management personnel compensation (continued)

If terminated for other than just cause, each executive officer is entitled to up to twelve months prior written notice or payment thereof in lieu at the rate in effect at the time of termination.

Related party transactions

During the year ended March 31, 2014, the Company incurred interest expense of $287,714 (2013 - $170,802) which is primarily interest on related party balances as described in Notes 9 and 12.

On March 31, 2014 the Company's senior officers agreed to defer payment of consulting fees and salaries payable to August 2015. During fiscal 2014, a portion of these fees and salaries, amounting to $233,925 (2013 - $103,950), was paid to the senior officers. At March 31, 2014, these outstanding fees and salaries to senior officers of the Company, who are also majority shareholders of Targa, amounted to $2,718,521 (2013 - $2,578,846), plus interest charges of $947,048 (2013 - $813,694) for a total payable of $3,665,569 (2013 - $3,392,540). These amounts are included in due to related parties - other.

The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

21. Capital management

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders, sell assets to reduce debt or obtain new debt. The Company considers the items included in equity as well as long-term debt as capital, which totals $4,136,320 (2013 - $5,091,174) at year-end.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year revenue increases with positive increases in earnings before interest, tax, depreciation and amortization. These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation over exposure.

The Company is subject to various covenants on long-term debt (including debt to tangible net worth, current assets to current liabilities, capital and debt service ratios). The Company is in breach of the debt service ratio covenant to which the bank has provided forbearance and will not demand repayment before April 1, 2015. The bank expects the Company to be onside on their covenant by March 31, 2015 (Note 8).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended March 31, 2014 compared to the year ended March 31, 2013.

22. Subsequent events

On March 31, 2014, Plaintree entered into an agreement to acquire all the share capital of Spotton Corporation ("Spotton") for a purchase price of $120. The transaction closed on April 1, 2014 and Spotton now operates as a wholly-owned subsidiary of Plaintree under the Company's Specialty Structures Division. Spotton is currently operating out of the Company's Arnprior premises. Spotton's business involves the design and manufacture of high end custom hydraulic and pneumatic valves and cylinders for the industrial and oil and gas markets.

The Company's Summit Aerospace USA Inc. division accepted a loan from the Pennsylvania Industrial Development Authority (PIDA) as partial financing towards the manufacturing facility in Pocono Summit, PA purchased in May 2013. In April 2014 the Company received a draw from the loan in the amount of US$421,852. Monthly repayments are amortized over fifteen years at a fixed rate of 1.5%. The loan facility is for an aggregate of US$720,000 for a term of seven years, funding 45% of the cost of the building, land and renovations.

On April 1, 2014, the Company reorganized the non-US sales activities of Triodetic and all of the sales activities in relation to non-US business will be dealt with by Triodetic Ltd., a wholly-owned subsidiary of Plaintree. Plaintree's Triodetic division will still continue to manufacture the structures to be sold through Triodetic Ltd.