



REKO INTERNATIONAL GROUP INC.
2014 FINANCIAL STATEMENTS



The accompanying consolidated financial statements and other financial information in this annual report were prepared by management of Reko International Group Inc., reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the shareholders' auditors, PricewaterhouseCoopers LLP, and their report is presented herein.

"Diane Reko, B.COMM"
CHIEF EXECUTIVE OFFICER

"Carl A. Merton, CPA, CA, FCBV"
CHIEF FINANCIAL OFFICER

October 2, 2014

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REKO INTERNATIONAL GROUP INC.

We have audited the accompanying consolidated financial statements of Reko International Group Inc. and its subsidiaries which comprise the consolidated balance sheets as at July 31, 2014 and July 31, 2013 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise 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 Reko International Group Inc. and its subsidiaries as at July 31, 2014 and July 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"PricewaterhouseCoopers LLP"

CHARTERED PROFESSIONAL ACCOUNTANTS, LICENSED PUBLIC ACCOUNTANTS

Windsor, Ontario

October 2, 2014

As at July 31

(in 000's, except for per share amounts)

	2014	2013
ASSETS (Notes 9 and 10)		
Current		
Cash	\$ 1,720	\$ 2,334
Accounts receivable	14,281	8,879
Work-in-progress (Note 6)	8,831	11,294
Prepaid expenses and other current assets	420	527
Assets held for sale (Notes 7 and 8)	--	437
	25,252	23,471
Capital assets (Note 7)	18,932	18,509
Deferred income taxes (Note 4)	6,668	5,861
	\$ 50,852	\$ 47,841
LIABILITIES		
Current		
Bank indebtedness (Note 9)	\$ 10,280	\$ 9,200
Accounts payable and accrued liabilities	3,760	4,397
Provisions payable (Note 16)	40	190
Non-hedging financial derivatives (Note 5)	33	29
Unearned revenue on work-in-progress (Note 6)	142	198
Current portion of long-term debt (Note 10)	794	521
	15,049	14,535
Long-term debt (Note 10)	5,754	5,594
Deferred income taxes (Note 4)	--	7
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	18,784	18,772
Contributed surplus (Note 12)	1,792	1,758
Retained earnings	9,473	7,175
	30,049	27,705
	\$ 50,852	\$ 47,841

Contingencies (Note 20)

On behalf of the Board

The accompanying notes are an integral part of these consolidated financial statements

"Diane Reko"
DIRECTOR

"Andrew J. Szonyi"
DIRECTOR

As at July 31

(in 000's, except for per share amounts)

	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL EQUITY
Balance at July 31, 2012	\$ 18,772	\$ 1,758	\$ 5,502	\$ --	\$ 26,032
Share-based payments	--	--	--	--	--
Net income	--	--	1,673	--	1,673
Balance at July 31, 2013	\$ 18,772	\$ 1,758	\$ 7,175	\$ --	\$ 27,705
Balance at July 31, 2013	\$ 18,772	\$ 1,758	\$ 7,175	\$ --	\$ 27,705
Share issuance	12	--	--	--	12
Share-based payments	--	34	--	--	34
Net income	--	--	2,298	--	2,298
Balance at July 31, 2014	\$ 18,784	\$ 1,792	\$ 9,473	\$ --	\$ 30,049

As at July 31

(in 000's, except for per share amounts)

	2014	2013
Sales	\$ 38,894	\$ 40,674
Costs and expenses		
Cost of sales	29,101	32,422
Amortization	2,670	1,786
	31,771	34,208
Gross profit	7,123	6,466
Selling and administrative (Note 15)	4,730	4,307
Income before the following items	2,393	2,159
Foreign exchange (gain) loss	547	(81)
Other income	(398)	(297)
Business transformation expenses	--	130
Gain on sale of capital assets	(160)	(203)
Interest on long-term debt	379	456
Interest on other interest-bearing obligations	497	630
	865	635
Income before income taxes	1,528	1,524
Deferred income tax recovery (Note 4)	(770)	(149)
Net income and comprehensive income	\$ 2,298	\$ 1,673
Earnings per common share (Note 13)		
Basic	\$ 0.36	\$ 0.26
Diluted	\$ 0.36	\$ 0.26

Years ended July 31
(in 000's, except for per share amounts)

	2014	2013
OPERATING ACTIVITIES		
Net income for the year	\$ 2,298	\$ 1,673
Adjustments for:		
Amortization	2,670	1,786
Income tax recovery	(770)	(149)
Interest expense	876	1,086
Gain on sale of capital assets	(160)	(203)
Stock compensation	34	--
	4,948	4,193
Net change in non-cash working capital (Note 18)	(3,690)	3,819
Interest paid	(902)	(1,100)
Income tax paid	--	(16)
CASH PROVIDED BY OPERATING ACTIVITIES	356	6,896
FINANCING ACTIVITIES		
Net proceeds from bank indebtedness	1,080	(3,100)
Proceeds from issuance of capital stock	12	--
Proceeds from long-term debt	1,150	5,600
Unrealized foreign exchange loss	45	--
Payments on long-term debt	(762)	(9,551)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,525	(7,051)
INVESTING ACTIVITIES		
Investment in capital assets	(3,089)	(1,546)
Proceeds on sale of capital assets	594	2,822
CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(2,495)	1,276
Net change in cash	(614)	1,121
Cash, beginning of year	2,334	1,213
Cash, end of year	\$ 1,720	\$ 2,334

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

The Company, incorporated under the laws of Ontario, has several subsidiaries, which operate or exist in the Province of Ontario in Canada, the State of Michigan and the State of Alabama in the United States. The registered head office is located at 469 Silver Creek Industrial Drive, Lakeshore, Ontario, Canada.

The Company's revenue is generated from the sales of large custom machining, factory automation and manufacturing moulds, primarily for the automotive sector.

Statement of compliance

The policies applied in these consolidated financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors on October 2, 2014.

Basis of measurement

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint operations are those entities over whose activity the Company has joint control, established by contractual agreement and for which the joint operation's exposure to demand, inventory or credit risk is substantially minimized. The consolidated financial statements include the Company's proportionate share of the joint operation's assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

Intragroup balances, and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with jointly controlled entities are eliminated to the extent of the Company's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Company's subsidiaries and joint operations are as follows:

SUBSIDIARY	LOCATION	PERCENTAGE OWNERSHIP	CONSOLIDATION
Concorde Precision Machining Inc.	Ontario	100%	Full
Reko Manufacturing Group Inc.	Ontario	100%	Full
Reko International Holdings Inc.	Michigan	100%	Full
Reko International Sales Inc.	Michigan	100%	Full
Reko Global Services, LLC	Alabama	50%	Share of assets, liabilities and equity

Changes in accounting policy

Effective August 1, 2013, the Company adopted the new suite of IFRS, including IFRS 7 Financial Instruments: Disclosure, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interest in Other Entities and IFRS 13 Fair Value Measurement. The adoption of the suite of IFRS did not cause a material retrospective restatement or reclassification and therefore an opening statement of financial position has not been presented. As a result of adoption of the suite of IFRS consolidation standards, the accounting policy for treatment of the Company's interest in Reko Global Services, LLC has been changed from proportionate consolidation to accounting for the assets, liabilities and equity of the entity consistent with the Company's ownership interest. The quantitative impact of this change is nil.

Foreign currency translation

The reporting currency of the reporting entity is Canadian dollars. Transactions in foreign currencies are translated at the foreign exchange rate in effect at the date of the transaction. The Company translates monetary assets and liabilities denominated in foreign currencies at the exchange rate as at the balance sheet date. Foreign exchange differences arising on translation are recognized in profit or loss. Revenues and expenses are translated at rates prevailing on the date of the transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates at the dates the fair value was determined. For the year ended July 31, 2014, the Company reported a foreign exchange loss of \$547 (2013 – gain of \$81).

The financial statements of U.S. subsidiaries, whose functional currency has been determined to be Canadian dollars, are translated such that monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average rates for the year. Translation gains or losses are included in income.

Financial instruments

The Company utilizes financial instruments in the management of its foreign currency exposure by economically hedging its foreign exchange exposure on anticipated net cash inflows in U.S. dollars through the use of U.S. dollar denominated debt and forward foreign exchange contracts. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Financial assets and financial liabilities are initially recognized at fair value. Subsequent to initial recognition, financial instruments are stated at fair value and their remeasurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

CLASSIFICATION	
Cash	Fair value through profit or loss ("FVTPL")
Non-hedging financial derivatives	FVTPL
Accounts receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FVTPL

Financial assets designated as FVTPL are financial assets typically held for trading or that are designated as FVTPL. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in non-operating items. Financial liabilities designated as FVTPL are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value through profit or loss. These are accounted for in the same manner as FVTPL assets.

HELD-TO-MATURITY

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. The Company has not designated any financial assets as held to maturity.

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 investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to earnings. Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method. The Company does not have any non-derivative financial assets classified as available for sale.

LOANS AND RECEIVABLES

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

OTHER FINANCIAL LIABILITIES

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

TRANSACTION COSTS

Transaction costs related to FVTPL financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other financial liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

EFFECTIVE INTEREST METHOD

The Company uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts, earned or incurred for financial instruments.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of the financial asset are transferred.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Use of significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are made on the assumption the Company will continue as a going concern and are based on information available at the time of preparation. Estimates may be revised where the circumstances on which they are based change or where new information becomes available.

Judgment is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

The Company has applied judgment in its use of the going concern assumption, identifying cash generating units, identifying indicators for impairment of long-lived assets and deferred taxes and assessing the Company's functional currency. In the absence of standards or interpretations applicable to a specific transaction, management uses its judgment to define and apply accounting policies that provide relevant and reliable information in the context of the preparation of the financial statements.

Estimates are used when estimating the useful lives of long-lived assets for the purposes of quantifying amortization, when accounting for or measuring such items as allowance for uncollectible accounts, allowances for provisions on loss contracts, realizable value of tax losses and other tax credits, assessing the percent complete of work-in progress, certain fair value measures including those related to share based payments and financial instruments, and when testing long-lived assets for impairment. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Revenue recognition

The Company deals primarily in contracts with a period of completion over several months. Revenue is recognized based on the percentage of completion method, provided the contract has progressed to the point where total costs can be reasonably estimated. The Company considers all jobs, which have completed all aspects of engineering and design to have progressed to the point where total costs can be reasonably estimated. Historically, this occurs somewhere between 15% and 25%, depending on the complexity of the job. The percentage of completion is determined by relating the actual cost of work performed to date to the current estimated total cost for each contract. Any projected loss is recognized immediately.

Operating lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Cash

Cash includes cash on hand and balances with maturities less than 90 days.

Accounts receivable

Accounts receivable are stated at their cost less allowance for doubtful accounts. The allowance for doubtful accounts is determined by taking into consideration the age of receivables, the Company's prior experience with the customer including their ability to pay and/or an assessment of the current economic conditions. Accounts receivable and allowance for doubtful accounts are written off when the balance is no longer considered to be collectible.

Work-in-progress

Work-in-progress includes unbilled contract revenue and inventory. Tooling inventory is valued at the lower of cost and net realizable value, less any amounts billed to the customer. Cost includes the cost of materials, direct labour applied to the product and specifically identified manufacturing overhead. The results reported under the percentage of completion method are based on management's estimates. Actual results could differ from these estimates.

Capital assets and amortization

OWNED ASSETS

Capital assets are stated at cost less accumulated amortization and impairment losses (see impairment loss accounting policy). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost of self-constructed assets and acquired assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognized for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Certain capital assets that had been revalued to fair value on August 1, 2010, the date of transition to IFRSs, are measured on the basis of deemed cost, being their fair value at the transition date.

When parts of capital assets have different useful lives, those components are accounted for as separate items of capital assets.

LEASED ASSETS

Leases for which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. The capital assets acquired by way of a finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated amortization and impairment losses (see impairment loss accounting policy).

SUBSEQUENT COSTS

The Company recognizes in the carrying amount of a capital asset the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as an expense as incurred.

AMORTIZATION

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of each capital asset. Land is not amortized. The estimated useful lives are as follows:

- Buildings 25 years
- Building roofs 15 years
- Heating, ventilation and cooling 10 years
- Machinery and equipment 5 – 20 years
- Controls 10 years
- Tooling 5 years
- Leasehold improvements 10 years
- Equipment under capital lease 10 – 20 years

The residual value and estimated useful life is reassessed annually.

Trade and other payables

Trade and other payables are stated at amortized cost.

Unearned revenue on work-in-progress

In situations where the customer is billed more than the Company has recognized revenue on an individual project on the reporting date, the invoiced amount in excess of the revenue recognized is recorded as unearned revenue on work-in-progress.

Income taxes

Income tax on the profit or loss from the periods presented comprises current and deferred income tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in comprehensive income, in which case it is recognized in comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting, nor taxable profit; and, differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of

realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date that are expected to apply when the deferred tax is realized/settled.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

Comprehensive income

Other comprehensive income, when it occurs, is presented below net income on the Consolidated Statements of Income and Comprehensive Income. Comprehensive income is composed of net income and other comprehensive income.

Accumulated other comprehensive income is a separate component of shareholders' equity which includes the accumulated balances of all components of other comprehensive income which are recognized in comprehensive income but excluded from net income.

Earnings per share

Basic earnings per share is calculated on net income using the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated on the weighted average number of common shares that would have been outstanding during the year had all "in the money" stock options outstanding been exercised and converted into common shares using the treasury method.

Impairment losses

The carrying amounts of the Company's long-lived non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease.

Reversals of impairment losses

An impairment loss, for other than a held-to-maturity security, investment in an equity instrument classified as available-for-sale and in respect of goodwill, is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Defined contribution employee benefit plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss as incurred.

Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Restructuring provisions

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for in advance.

Onerous contract provisions

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Stock-based compensation

The share option programme allows certain Company employees to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The Company measures the fair value of stock options at the grant date and spreads the expense over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using the Black-Scholes option-pricing model. This model requires the input of a number of assumptions, including expected dividend yields, expected stock volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on market conditions generally outside the Company's control. If other assumptions are used, stock-based compensation expense could be significantly impacted. As stock options are exercised, the proceeds received on exercise, in addition to the portion of the contributed surplus balance related to those stock options, is credited to share capital and contributed surplus is reduced accordingly.

Consideration given to customers

Cash consideration given by the Company to a customer, such as cash discounts and rebates, are presumed to be a reduction of the selling prices of the Company's products or services and are, therefore, accounted for as a reduction of revenue when recognized in the statement of income.

New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

The Company anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9 FINANCIAL INSTRUMENTS AND IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

IFRS 9 was a previously issued new standard to partially replace IAS 39 Financial Instruments: Recognition and Measurement. Originally it was to be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2013, but the IASB has changed the mandatory effective date and included additional disclosures about its initial adoption. The mandatory effective date of IFRS 9 has been changed to annual periods beginning on or after January 1, 2015. Disclosures that illustrate the effect of adopting IFRS 9 have been added to IFRS 7. The amendments to IFRS 7 have been incorporated into Appendix C of IFRS 9. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

The Company is currently assessing the impact that this amendment will have on the financial statements of the Company. However, it does not expect to implement the amendments until all chapters of the IAS 39 replacement have been published and they can comprehensively assess the impact of all changes.

IAS 36, IMPAIRMENT OF ASSETS

On May 30, 2013 the IASB made small changes to the disclosures required by IAS 36, Impairment of assets when the recoverable amount is determined based on fair value less cost of disposal. The IASB made consequential amendments to the disclosure requirements of IAS 36 when it issued IFRS 13. One of the amendments was drafted more widely than intended. This scope amendment corrects this and introduces additional disclosures about fair value measurements when there has been impairment or reversal of impairment. This amendment is effective for the Company's interim and annual consolidated financial statements commencing August 1, 2014. The Company is in the process of determining the impact of this disclosure requirement on its consolidated financial statements but does not expect the amendment to IAS 36 to have a significant impact on them.

IAS 32, FINANCIAL INSTRUMENTS: PRESENTATION

In December 2011, the IASB amended IAS 32, Financial Instruments: Presentation to clarify the meaning of when an entity has a current legally enforceable right of set-off. The amendments are effective for the Company's interim and annual consolidated financial statements commencing August 1, 2014 and are required to be applied retrospectively. The Company does not expect the amendment to have a significant impact on the consolidated financial statements.

IAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT

Effective for the Company's interim and annual financial statements commencing on August 1, 2014, the IASB amended this standard to allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation. The Company does not anticipate a significant impact to the financial statements related to these amendments.

IFRS 2 SHARE-BASED PAYMENT

The IASB issued amendments to IFRS 2 clarifying the definition of vesting conditions and apply to share-based payment transactions for which the grant date is on or after July 1, 2014. The Company does not anticipate a significant impact to the financial statements related to these amendments.

IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 is the culmination of a joint project between the IASB and the Financial Accounting Standards Board, the accounting standard setter in the U.S., to create a single revenue standard. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard moves away from a revenue recognition model based on an earnings process to an approach that is based on transfer of control of a good or service to a customer. Additionally, the new standard requires disclosures as to the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. The mandatory effective date of IFRS 15 is annual periods beginning on or after January 1, 2017. The Company is assessing the impact of the new standard on its results and financial position.

2. GEOGRAPHIC INFORMATION

The following information reflects the geographic breakdown of revenues and capital assets based on the physical location of the Company's operations. The Company does not track revenues based on ship to locations.

	2014	
	REVENUES	CAPITAL ASSETS
Canada	\$ 37,094	\$ 18,932
United States	1,800	--
	\$ 38,894	\$ 18,932
	2013	
	REVENUES	CAPITAL ASSETS
Canada	\$ 33,584	\$ 18,946
United States	7,090	--
	\$ 40,674	\$ 18,946

3. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts receivable, non-hedging financial derivatives, bank indebtedness, accounts payable and accrued liabilities and long-term debt.

Fair Value

The Company has determined the estimated fair value of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

ACCOUNTS RECEIVABLE, BANK INDEBTEDNESS, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Due to the short period of maturity of the instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of fair value.

CATEGORIES OF METHOD OF FAIR VALUING CASH, NON-HEDGING FINANCIAL DERIVATIVES AND LONG-TERM DEBT

The following table provides an analysis of cash and non-hedging financial derivatives that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	LEVEL 1	LEVEL 2	LEVEL 3	2014
Financial assets at FVTPL				
Cash	\$ 1,720	\$ --	\$ --	\$ 1,720
	\$ 1,720	\$ --	\$ --	\$ 1,720
Financial liabilities at FVTPL				
Non-hedging financial derivatives	\$ --	\$ 33	\$ --	\$ 33
	\$ --	\$ 33	\$ --	\$ 33
Financial liabilities at amortized cost				
Long-term debt	\$ --	\$ 6,634	\$ --	\$ 6,634
	\$ --	\$ 6,634	\$ --	\$ 6,634

	LEVEL 1	LEVEL 2	LEVEL 3	2013
Financial assets at FVTPL				
Cash	\$ 2,334	\$ --	\$ --	\$ 2,334
	\$ 2,334	\$ --	\$ --	\$ 2,334
Financial liabilities at FVTPL				
Non-hedging financial derivatives	\$ --	\$ 29	\$ --	\$ 29
	\$ --	\$ 29	\$ --	\$ 29
Financial liabilities at amortized cost				
Long-term debt	\$ --	\$ 6,217	\$ --	\$ 6,217
	\$ --	\$ 6,217	\$ --	\$ 6,217

NON-HEDGING FINANCIAL DERIVATIVES

The Company's non-hedging financial derivatives are the Company's future forward exchange contracts and are subject to fluctuations in foreign exchange rates between the Canadian and US dollar. The Company's non-hedging financial derivatives are valued based on discounting the future cash outflows associated with the contract based on the closing foreign exchange rate between the Canadian and US dollar.

LONG-TERM DEBT

The Company's long-term debt of \$6,634 is subject to fixed interest rates. The Company's long-term debt is valued based on discounting the future cash outflows associated with the long-term debt. The discount rate is based on the incremental premium above market rates for Government of Canada securities of similar duration. In each period thereafter, the incremental premium is held constant while the Government of Canada security is based on the then current market value to derive the discount rate.

FAIR VALUE VERSUS CARRYING AMOUNTS

The fair value of financial instruments, together with the carrying amounts shown in the balance sheet, is as follows:

As at July 31, 2014	FVTPL	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL LIABILITIES					
FINANCIAL ASSETS					
Cash	\$ 1,720	\$ --	\$ --	\$ 1,720	\$ 1,720
	1,720	--	--	1,720	1,720
Long-term debt	--	--	6,548	6,548	5,606
	33	--	6,548	6,581	5,639
Net financial assets (liabilities)	\$ 1,687	\$ --	\$ (6,548)	\$ (4,861)	\$ (3,919)
As at July 31, 2013					
FINANCIAL ASSETS					
Cash	\$ 2,334	\$ --	\$ --	\$ 2,334	\$ 2,334
	2,334	--	--	2,334	2,334
FINANCIAL LIABILITIES					
Non-hedging financial derivatives	29	--	--	29	29
Long-term debt	--	--	6,115	6,115	5,998
	29	--	6,115	6,144	6,027
Net financial assets (liabilities)	\$ 2,305	\$ --	\$ (6,115)	\$ (3,810)	\$ (3,693)

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated authority of risk management to the Audit Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management

standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and foreign exchange contracts.

ACCOUNTS RECEIVABLE

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which the customers operate, has less of an influence on credit risk. Approximately 65% of the Company's revenue is attributable to the Detroit 3 original equipment manufacturers and 70% of the Company's revenue is attributable to the automotive industry. Annually, between 80% and 90% of the Company's revenue is derived from customers who pay in United States dollars.

The Audit Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes application for accounts receivable insurance, and in some cases bank references. Open amount limits are established for each customer; actual open amounts are reported monthly to the Audit Committee and reviewed by the Audit Committee on a quarterly basis. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Goods are sold subject to available financial liens, so that in the event of non-payment the Company may have a secured claim. The Company does not require collateral in respect of accounts receivables. In addition, the Company maintains, to the extent available, industry standard accounts receivable insurance programs to reduce its exposure to credit risk.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The Company's financial assets that are exposed to credit risk consist primarily of cash, accounts receivable, non-hedging financial instruments and unbilled contract revenue.

Cash and non-hedging financial instruments are subject to counterparty credit risk. The Company mitigates this credit risk by dealing with counterparties who are major financial institutions that the Company anticipates will be able to satisfy its obligations with the Company.

For the year ended, July 31, 2014, sales to the Company's three largest customers represented 13.1%, 8.8% and 8.8%, respectively, of total sales. These same customers represent approximately 16.0%, 3.6% and 0.9% of total accounts receivable, respectively as at July 31, 2014.

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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 150 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As part of that ability, the Company maintains a \$20,000 line of credit facility that is secured against the Company's accounts receivable and work-in-process. Interest is payable on the drawn portion of the line-of-credit at the rate of LIBOR or Banker's Acceptance rates plus 300 basis points. As at July 31, 2014, the Company has undrawn lines of credit available to it of approximately \$11,440; however, under its current margining provisions with its lender, the maximum it can draw on its available lines of credit is limited to \$6,530.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit Committee.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the parent Company, the Canadian dollar. The Company's goal is to maintain foreign currency future contracts that are within \$2,000 of its total accounting foreign currency exposure. The Company uses forward foreign exchange contracts to mitigate its currency risk, all with a maturity of less than one year from the reporting date.

At July 31, 2014, the Company had outstanding foreign exchange contracts, representing commitments to buy and sell foreign currencies. U. S. dollars contracts represent the significant commitments as follows:

	U.S. DOLLAR AMOUNT	WEIGHTED AVERAGE RATE
Sell U.S. dollars for delivery in 2015 under forward exchange contracts	\$ 9,500	1.0883

Based on the Company's foreign currency exposures, as at July 31, 2014, a change in the U.S. dollar/Canadian dollar foreign exchange rate to reflect a 100 basis point strengthening of the U.S. dollar would have decreased net income by \$37. We caution that this sensitivity is based on an assumed

net U.S. dollar denominated asset or liability balance at a point in time. Our net U.S. dollar denominated asset or liability position changes on a daily basis, sometimes materially.

INTEREST RATE RISK

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities. The Company uses LIBORs, bankers' acceptances and its line-of-credit to reduce the exposure to interest rate changes.

The Company's interest rate risk primarily arises from its floating rate debt, in particular its bank indebtedness. At July 31, 2014, \$9,584 of the Company's total debt portfolio is subject to movements in floating interest rates.

Based on the value of interest-bearing financial instruments, subject to movements in floating interest rates, as at July 31, 2014, an assumed 0.5 percentage point increase in interest rates on the first day of the year would have decreased net income by \$48, with an equal but opposite effect for an assumed 0.5 percentage point decrease.

OTHER MARKET PRICE RISK

The Company does not enter into commodity contracts other than to meet the Company's expected usage and sale requirements; such contracts are not settled net.

Capital management

The Board's policy is to ensure sufficient liquidity to pursue its organic growth strategy, while at the same time taking a conservative approach to financial leverage and management of financial risk. The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally generated cash flows and when internally generated cash flow is insufficient, its revolving bank credit facility.

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to shareholders' equity, which it aims to maintain at less than 1:1. As at July 31, 2014 and July 31, 2013, the above capital management criteria can be illustrated as follows:

	2014	2013
Net debt		
Bank indebtedness	\$ 10,280	\$ 9,200
Current portion of long-term debt	794	521
Long-term debt	5,754	5,594
Less: cash	(1,720)	(2,334)
Net debt	\$ 15,108	\$ 12,981
Shareholders' equity	\$ 30,049	\$ 27,705
Ratio	0.50	0.47

From time to time, the Company purchases its own shares on the market; the timing of these purchases depends on market prices.

There were no changes in the Company's approach to capital management during the year.

As part of the Company's existing debt agreements, three financial covenants are monitored and communicated, as required by the terms of credit agreements, on a quarterly basis, by management, to ensure compliance with the agreements. The quarterly covenants are: i) debt to equity ratio – calculated as total debt, excluding deferred income taxes divided by shareholders' equity minus minority interest, if any; ii) current ratio – calculated as current assets divided current liabilities and (iii) debt service coverage ratio – calculated as EBITDA less cash taxes (for previous 52 weeks) divided by interest expense plus repayments of long-term debt (based on upcoming 52 weeks).

The Company was in compliance with these covenants at all times during the year.

4. INCOME TAXES

Significant components of the Company's deferred income taxes are as follows:

	2014	2013
Deferred tax asset		
SR & ED tax credits	\$ 3,572	\$ 2,363
Undeducted SR&ED tax expenditures	1,169	1,963
Non-capital losses	216	511
Capital assets	2,886	1,858
Other	105	140
Deferred tax asset	\$ 7,948	\$ 6,835
Deferred tax liability		
Tax impact of SR & ED tax credits	\$ 897	\$ 670
Unbilled contract revenue	376	311
Other	7	--
Deferred tax liability	\$ 1,280	\$ 981
Net deferred tax asset	\$ 6,668	\$ 5,854

Presented on the balance sheet as follows, based on net tax position of individual legal entities:

Deferred tax asset	\$ 6,668	\$ 5,861
Deferred tax liability	\$ --	\$ 7

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the years in which these temporary differences and loss carry forwards are deductible. Management considers the scheduled reversal of future tax liabilities, the character of future income tax assets and available tax planning strategies in making this assessment.

The provision for income taxes reflects an effective tax rate which differs from the combined Federal and Provincial rate for the following reasons:

	2014	2013
Combined Federal and Provincial rate	26.5%	26.5%
Manufacturing and processing deduction	(1.5%)	(1.5%)
Increase in net realizable value	(76.9%)	(35.1%)
Permanent and other differences	1.5%	0.3%
Effective rate	(50.4%)	(9.8%)

The details of taxable losses by jurisdiction are as follows:

	2014	2013
Canada, which expire in 2032	864	2,044
United States, which expire between 2022 and 2032	11,250	10,745

5. NON-HEDGING FINANCIAL DERIVATIVES

The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange. As at July 31, 2014, the Company had entered into foreign exchange contracts to sell an aggregate amount of \$9,500 (USD). These contracts mitigate the Company's expected exposure to U.S. dollar denominated net assets and mature at the latest at December 18, 2014, at an average exchange rate of \$1.0883 Canadian. The mark-to-market value on these financial instruments as at July 31, 2014 was an unrealized loss of \$33, which has been recorded in net income for the year.

AS AT JULY 31, 2014	MATURITY	NOTIONAL VALUE	AVERAGE RATE	NOTIONAL USD EQUIVALENT	CARRYING & FAIR VALUE LIABILITY
Sell USD / Buy CAD	0 - 6 months	\$ 9,467	\$ 1.0883	\$ 9,500	\$ 33

AS AT JULY 31, 2013	MATURITY	NOTIONAL VALUE	AVERAGE RATE	NOTIONAL USD EQUIVALENT	CARRYING & FAIR VALUE LIABILITY
Sell USD / Buy CAD	0 - 6 months	\$ 14,971	\$ 1.0248	\$ 15,000	\$ 29

6. WORK-IN-PROGRESS

WORK-IN-PROGRESS IS COMPRISED OF:	2014	2013
Work-in-progress incurred plus profits less provision for future losses	\$ 29,277	\$ 30,178
Less: progress billings	(20,588)	(19,082)
	\$ 8,689	\$ 11,096

RECOGNIZED AND INCLUDED IN THE FINANCIAL STATEMENTS AS:	2014	2013
Work-in-progress	\$ 8,831	\$ 11,294
Unearned revenue on work-in-progress	(142)	(198)
	\$ 8,689	\$ 11,096

7. CAPITAL ASSETS

Capital assets are comprised of:

	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	EQUIPMENT UNDER CONSTRUCTION	TOTAL
Cost or deemed cost						
Balance at July 31, 2012	\$ 898	\$ 13,334	\$ 37,019	\$ 467	\$ 1,501	\$ 53,219
Additions	--	190	356	9	991	1,546
Transfers	8	--	1,585	--	(1,593)	--
Disposals	(203)	(4,970)	(230)	--	(135)	(5,538)
Balance at July 31, 2013	\$ 703	\$ 8,554	\$ 38,730	\$ 476	\$ 764	\$ 49,227
Additions	--	--	81	--	3,008	3,089
Transfers	--	139	2,729	36	(2,904)	--
Disposals	(42)	(825)	--	--	--	(867)
Balance at July 31, 2014	\$ 661	\$ 7,868	\$ 41,540	\$ 512	\$ 868	\$ 51,449

	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	EQUIPMENT UNDER CONSTRUCTION	TOTAL
Amortization and impairment losses						
Balance at July 31, 2012	\$ --	\$ 5,316	\$ 26,072	\$ 26	\$ --	\$ 31,414
Amortization for the year	--	290	1,468	28	--	1,786
Transfer	--	--	--	--	--	--
Disposals	--	(2,700)	(219)	--	--	(2,919)
Balance at July 31, 2013	\$ --	\$ 2,906	\$ 27,321	\$ 54	\$ --	\$ 30,281
Amortization for the year	--	283	2,359	28	--	2,670
Transfers	--	--	--	--	--	--
Disposals	--	(434)	--	--	--	(434)
Balance at July 31, 2014	\$ --	\$ 2,755	\$ 29,680	\$ 82	\$ --	\$ 32,517
Carrying value						
Balance at July 31, 2013	\$ 703	\$ 5,648	\$ 11,409	\$ 422	\$ 764	\$ 18,946
Balance at July 31, 2014	\$ 661	\$ 5,113	\$ 11,860	\$ 430	\$ 868	\$ 18,932

8. ASSETS HELD FOR SALE

During the year, the Company sold capital assets for net proceeds of \$594 that were listed as Assets held for sale at the end of the previous year. The net proceeds were used to reduce the Company's bank indebtedness.

9. BANK INDEBTEDNESS

The bank indebtedness is payable over various maturities, not exceeding 90 days, with interest at various amounts ranging from LIBOR plus a premium to bank prime plus 300 basis points, as follows:

	2014	2013
Canadian dollar bankers' acceptances - bearing interest at 5.25% (2013 - 5.31%), due in less than 30 days	\$ 1,000	\$ 2,000
U.S. dollar LIBORs - bearing interest at 4.15% (2013 - 4.33%), due in less than 30 days	8,500	2,000
U.S. dollar LIBORs - bearing interest at 4.33%, due in less than 90 days	--	5,000
Foreign exchange on U.S. dollar LIBORs	780	200
	\$ 10,280	\$ 9,200

The bank indebtedness is secured by a general assignment of book debts and work-in-process together with a second collateral mortgage of \$85,000 on all land and buildings. At July 31, 2014, the Company's available operating lines of credit of \$20,000 were limited to \$15,090, due to lender defined margining capabilities.

10. LONG-TERM DEBT

The long-term debt is comprised of:

	2014	2013
Mortgage payable - 6%, repayable \$62 monthly including interest, due in full January 2018, secured by land, buildings and certain machinery, and a second position on a general assignment of book debts and work-in progress	\$ 4,956	\$ 5,392
Loan payable - U.S. Base Rate plus 275 basis points, \$18 monthly plus interest, due in full in October 2018, secured by equipment	1,040	--
Loan payable - 6.50% repayable \$20 monthly including interest due in full August 2017 secured by equipment	638	825
	6,634	6,217
Deduct - unamortized finance fees	86	102
principal portion included in current liabilities	794	521
Long-term portion	\$ 5,754	\$ 5,594

Total bank credit facilities and minimum lease payments are as follows:

YEAR	BANK CREDIT FACILITIES	CAPITAL LEASES	TOTAL
Next 12 months	\$ 901	\$ --	\$ 901
2 years	942	--	942
3 years	987	--	987
4 years	3,724	--	3,724
5 years	80	--	80
Balance of obligation	\$ 6,634	\$ --	\$ 6,634

11. SHARE CAPITAL

Share capital is comprised of:

	AUTHORIZED	ISSUED SHARES	AMOUNT
Class A preference shares	Unlimited	Nil	--
Class B preference shares	Unlimited	Nil	--
Common shares - no par value	Unlimited	6,429,920	\$ 18,784

	SHARES	AMOUNT
Outstanding, July 31, 2012	6,420,920	\$ 18,772
Transactions during the year	--	--
Outstanding, July 31, 2013	6,420,920	18,772
Transactions during the year	9,000	12
Outstanding, July 31, 2014	6,429,920	\$ 18,784

The following table presents the maximum number of shares that would be outstanding if all the dilutive "in the money" instruments outstanding, as at July 31, 2014 were exercised:

Common shares outstanding at July 31, 2014	6,429,920
Stock options (Note 14)	--
	6,429,920

12. CONTRIBUTED SURPLUS

Contributed surplus is comprised of:

	2014	2013
Balance, beginning of year	\$ 1,758	\$ 1,758
Amounts charged to contributed surplus in respect of exercised stock options	(5)	--
Amounts charged to contributed surplus in respect of the stock based compensation	39	--
Balance, end of year	\$ 1,792	\$ 1,758

13. EARNINGS PER SHARE

The calculation of basic earnings per share at July 31, 2014 was based on the net income attributable to common shareholders of \$2,298 (2013: \$1,673) and a weighted average number of common shares outstanding of 6,422,420 calculated as follows:

	2014	2013
Basic earnings per share:		
Net income	\$ 2,298	\$ 1,673
Average number of common shares outstanding during the year	6,422,420	6,420,920
Basic earnings per share	\$ 0.36	\$ 0.26
Diluted earnings per share:		
Net earnings available to common shareholders	\$ 2,298	\$ 1,673
Average number of common shares outstanding during the year	6,422,420	6,420,920
'In the money' stock options outstanding during the year	--	--
	6,422,420	6,420,920
Diluted earnings per share	\$ 0.36	\$ 0.26

Diluted earnings per share exclude 55,000 common shares issuable under the Company's Stock Option Plan because these options were not 'in-the-money' and the effect would be anti-dilutive.

14. STOCK-BASED COMPENSATION

The Company has established a stock option plan for directors, officers, and key employees. The terms of the plan state that the aggregate number of shares, which may be issued and sold, will not exceed 10% of the issued and outstanding common shares of the Company on a non-diluted basis. The issue price of the shares shall be determined at the time of grant based on the closing market price of the shares on the specified date of issue. Options shall be granted for a period of five years with a vesting progression, in the Board's discretion, of 30% in the year of grant, 30% in the second year, and 40% in the third year. Options given to outside directors vest immediately and can be exercised immediately.

During 2014, the Company issued 55,000 stock options, of which 15,000 were awarded to outside directors, 5,000 were awarded to a director/officer and 35,000 were awarded to officers/employees. The strike price of the options awarded was \$1.15.

As at July 31, 2014, the following options and warrants were outstanding:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY
55,000	\$ 1.15	2019

The weighted average of the options is as follows:

	2014		2013	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	46,000	\$ 1.30	46,000	\$ 1.30
Expired during the year	(37,000)	1.33	--	--
Issued during the year	55,000	1.15	--	--
Exercised during the year	(9,000)	1.33	--	--
Cancelled during the year	--	--	--	--
Outstanding at the end of the year	55,000	\$ 1.15	46,000	\$ 1.30
Exercisable at the end of the year	27,000	\$ 1.15	46,000	\$ 1.30

The description of the method and significant assumptions used during the year to estimate the fair values of options, including the weighted average information, is as follows:

	2014	2013
Expected life	5 years	5 years
Expected dividends	\$ Nil	\$ Nil
Expected volatility - based on a 60 month historical average	57.33%	59.18%
Risk-free rate of return	0.63%	0.98%
Total compensation cost recognized in income for stock-based employee compensation awards	\$ 39	\$ Nil

15. OPERATING LEASES - LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

	2014	2013
Less than one year	\$ 10	\$ 10
Between one and five years	42	42
More than five years	--	--
	\$ 52	\$ 52

During the year ended July 31, 2014, \$10 was expensed with respect to operating leases.

16. PROVISIONS

The following is a summary of the amounts accrued as provisions:

	2014	2013
Short-term provisions	\$ 40	\$ 190

17. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

In addition to their salaries, the Company also provides non-cash benefits to its executive officers and contributes to a post-employment defined contribution benefit plan on their behalf. In accordance with the terms of the plan, executive officers living in Canada are entitled to receive a \$1 contribution to the pension plan annually, once they have completed 5 years of service to the Company. During the year, the Company expensed contributions of \$4 to the defined contribution plan in Canada, of key management personnel. The above contribution plans are identical to the contribution plans provided to all employees of the Company.

Executive officers are also eligible, as are all employees, to participate in the Company's share option programme.

Key management personnel compensation comprised:

	2014	2013
Salaries and cash bonuses	\$ 683	\$ 624
Short-term employment benefits	27	30
Post-employment benefits	4	4
	\$ 714	\$ 658

Key management personnel and director transactions

Directors of the Company control 2.7% of the voting shares of the Company. A relative of a director owns, directly or indirectly 51.8% of the voting shares of the Company.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital (exclusive of assets held for sale) is comprised of:

	2014	2013
Accounts receivable	\$ (5,402)	\$ 2,730
Non-hedging financial derivatives	4	118
Work-in-progress	2,463	983
Prepaid expenses and other current assets	114	482
Accounts payable and accrued liabilities	(663)	(283)
Provisions	(150)	(60)
Unearned revenue on work-in-progress	(56)	(151)
	\$ 3,690	\$ 3,819

19. REKO GLOBAL SERVICES, LLC

The Company maintains a 50% ownership interest in Reko Global Services, LLC ("RGS"). RGS is principally located at 1117 West Veterans Blvd. in Auburn, Alabama. The Company determined that its ownership interest in RGS should be treated as joint operation. RGS' joint operation involves the procurement of tooling from low cost off-shore countries for provision to the Company's customers and its joint operation partner's customers. RGS does not have any restrictions on its ability to transfer funds to the Company in any form.

20. CONTINGENCIES & COMMITMENTS

The Company, in the course of its operations, is subject to environmental and other claims, lawsuits and contingencies.

Provisions are made in instances where it is probable that a net outflow of cash will occur. The Company has no reason to believe that the ultimate outcome of these matters would have significant impact on its financial position, cash flows or results of operations.

SUMMARY OF INCOME (LOSS)

	2014	2013	2012	2011	2010
Sales	\$ 38,894	\$ 40,674	\$ 42,091	\$ 39,863	\$ 40,151
Cost and expenses					
Cost of sales	29,101	32,422	32,890	34,141	36,040
Depreciation and amortization	2,670	1,786	2,010	2,755	5,058
	31,771	34,208	34,900	36,896	41,098
Gross profit	7,123	6,466	7,191	2,967	(947)
Selling and administrative	4,730	4,307	5,509	5,869	5,990
(Loss) income before the following	2,393	2,159	1,682	(2,902)	(6,937)
(Gain) loss on sale of capital assets	(160)	(203)	(742)	(226)	(24)
Income - other	(398)	(297)	(390)	--	--
Unrealized foreign exchange (gain) loss	547	(81)	109	(975)	119
Asset impairment	--	--	--	3,795	--
Business transformation expenses	--	130	248	2,359	--
Interest on long-term debt	379	456	774	864	1,026
Interest expense, net	497	630	631	763	449
	865	635	630	6,580	1,570
Income (Loss) before income taxes	1,528	1,524	1,052	(9,482)	(8,507)
Income taxes (recovered)					
Current	--	--	--	--	--
Deferred	(770)	(149)	(215)	184	(1,038)
	(770)	(149)	(215)	184	(1,038)
Net income (loss) for the year	\$ 2,298	\$ 1,673	\$ 1,267	\$ (9,666)	\$ (7,469)
Basic income (loss) per common share	\$ 0.36	\$ 0.26	\$ 0.20	\$ (1.51)	\$ (1.16)

Note: 2011 to 2014 figures are based on IFRS and 2010 are based on Canadian Generally Accepted Accounting Principles Part V Pre-changeover Accounting Standards.

STATISTICAL DATA COSTS AND EXPENSES AS A PERCENT OF SALES BASED ON CONTINUING OPERATIONS

	2014	2013	2012	2011	2010
Costs and expenses					
Cost of sales	74.8%	79.7%	78.1%	85.7%	90.0%
Depreciation and amortization	6.9%	4.4%	4.8%	6.9%	12.6%
Selling and administration	12.2%	10.6%	13.1%	14.7%	14.9%
	93.9%	94.7%	96.0%	107.3%	117.5%
Gross margin	18.3%	15.9%	17.1%	7.4%	(2.3%)
Return on sales	3.3%	4.1%	3.0%	(24.2%)	(18.6%)
Effective tax rate	(50.4%)	(10.2%)	(20.0%)	1.9%	12.2%

DIRECTORS AND OFFICERS

Diane Reko
Chair of the Board of Directors, Chief Executive Officer, and a Director and an Officer

Carl A. Merton, CPA, CA, FCBV
Chief Financial Officer and an Officer

Dr. Andrew J. Szonyi, PH.D., P.ENG., MBA, GPLLM
Lead Independent Director and Chair of the Audit and Compensation Committees (President, Andrew J. Szonyi & Associates, Toronto, Ontario)

John Sartz
Director and a member of the Audit and Compensation Committees (President, Viking Capital Corporation, Toronto, Ontario)

Victor Neufeld, CPA, CA
Director and a member of the Audit and Compensation Committees (Chief Executive Officer, Aphria, Leamington, Ontario)

INVESTOR RELATIONS CONTACT

Carl A. Merton, CPA, CA, FCBV
Chief Financial Officer

469 Silver Creek Industrial Drive
Lakeshore, Ontario N8N 4W2
Tel: (519) 727-3287
Fax: (519) 727-4315

irelations@rekointl.com

ANNUAL MEETING

The Annual Meeting of the Shareholders will be held at the Torino Restaurant & Banquet Hall, 12049 Tecumseh Road, Tecumseh, ON N8N 1M1 on December 4, 2014 at 3:00 p.m.

LISTING

The Common Shares of the Company are listed on the TSX Venture Exchange (symbol: REK)

CORPORATE DIRECTORY

CORPORATE OFFICE
469 Silver Creek Industrial Drive
Lakeshore, Ontario N8N 4W2

Tel: (519) 727-3287
Fax: (519) 727-6681

www.rekointl.com

AUDITORS

PRICEWATERHOUSECOOPERS LLP
Windsor, Ontario

BANKERS

BANK OF MONTREAL
Windsor, Ontario

COMERICA BANK
Detroit, Michigan

COUNSEL

Bartlet & Richardes LLP
Windsor, Ontario

TRANSFER AGENT

CST Trust Company
P.O. Box 700 Station B
Montreal, Quebec H3B 3K3

Tel: (416) 682-3860
Toll Free: 1-800-387-0825

inquiries@canstockta.ca
www.canstockta.com