



CORPORATION

Interim Consolidated Financial Statements

March 31, 2010

(in thousands of Canadian dollars)

Vector Aerospace Corporation

Consolidated Balance Sheets (Unaudited)

As at March 31, 2010 and December 31, 2009 (in thousands of Canadian dollars)

	March 31 2010	December 31 2009
Assets (Note 5)		
Current Assets		
Cash	\$ 26,793	\$ 38,245
Receivables	94,088	96,860
Work in progress	47,910	42,911
Inventory	68,371	67,964
Prepaid expenses	4,118	3,728
Income tax receivable	4,960	3,185
Future income tax asset	883	1,395
	247,123	254,288
Fixed assets	129,874	133,019
Goodwill	7,483	7,483
Intangible and other assets (Note 4)	34,004	33,496
	\$ 418,484	\$ 428,286
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank indebtedness (Note 5)	\$ -	\$ 483
Payables and accruals	79,595	88,499
Income tax payable	6,271	1,830
Deferred revenue	29,152	37,419
Current portion of long-term debt (Note 5)	16,757	15,504
	131,775	143,735
Long-term debt (Note 5)	46,950	47,565
Other credits (Note 6)	21,072	21,779
Shareholders' equity	218,687	215,207
	\$ 418,484	\$ 428,286

Commitments and contingencies (Note 13)

See accompanying notes to consolidated financial statements

Vector Aerospace Corporation

Consolidated Statements of Operations (Unaudited)

For the Three Months ended March 31 (in thousands of Canadian dollars except per share amounts)

	Three Months	
	2010	2009
Revenue	\$ 128,078	\$ 140,715
Cost of sales	85,234	95,190
Sales, general and administration	27,547	30,339
Amortization and depreciation	3,002	1,872
Earnings from operations before unusual item	12,295	13,314
Unusual item (Note 10)	150	-
Earnings from operations	12,145	13,314
Interest expense (Note 5)	561	1,593
Earnings before income taxes	11,584	11,721
Income tax expense		
Current	2,743	2,126
Future	316	415
	3,059	2,541
Net earnings	\$ 8,525	\$ 9,180
Earnings per share (Note 9)		
Basic	\$ 0.19	\$ 0.24
Diluted	\$ 0.18	\$ 0.24

See accompanying notes to consolidated financial statements

Vector Aerospace Corporation

Consolidated Statements of Shareholders' Equity (Unaudited)

For the Three Months Ended March 31 (in thousands of Canadian dollars)

	2010	2009
Retained earnings, beginning of period	\$ 67,714	\$ 36,650
Net earnings	8,525	9,180
Retained earnings, end of period	76,239	45,830
Capital stock (Note 7)	163,048	112,000
Accumulated other comprehensive loss (Note 8)	(20,600)	(7,405)
Total shareholders' equity	\$ 218,687	\$ 150,425

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income (Unaudited)

For the Three Months Ended March 31 (in thousands of Canadian dollars)

	Three Months	
	2010	2009
Net earnings	\$ 8,525	\$ 9,180
Other comprehensive income :		
Unrealized currency translation (loss) gain on self-sustaining foreign operations	(5,413)	1,485
Unrealized gain on interest rate swaps	-	398
Tax on unrealized loss on interest rate swaps	-	(136)
Other comprehensive (loss) income (Note 8)	(5,413)	1,747
Comprehensive income	\$ 3,112	\$ 10,927

See accompanying notes to consolidated financial statements

Vector Aerospace Corporation

Consolidated Statements of Cash Flows (Unaudited)
For the Three Months Ended March 31 (in thousands of Canadian dollars)

	Three Months	
	2010	2009
Source (use) of cash		
Operating activities		
Net earnings	\$ 8,525	\$ 9,180
Items not involving cash		
Amortization and depreciation	3,002	1,872
Loss on disposal of assets	145	(5)
Future income tax	316	415
Stock-based compensation	302	201
Defined benefit pension plan	782	(826)
Cash flow from operations	13,072	10,837
Change in non-cash working capital (Note 11)	(18,680)	(11,050)
Cash used in operating activities	(5,608)	(213)
Investing activities		
Additions to fixed assets	(1,244)	(4,017)
Proceeds from the disposal of fixed assets	14	-
Net additions to rental and spare engines	(2,289)	332
Intangible and other assets	(4,235)	(150)
Business acquisition (note 13)	-	(6,545)
Cash used in investing activities	(7,754)	(10,380)
Financing activities		
Change in bank indebtedness	(1,860)	(417)
Issuance of long-term debt	5,180	-
Repayment of long-term debt	(3,231)	(3,208)
Capital stock issuances and other	69	45
Cash provided by (used in) financing activities	158	(3,580)
Effect of change in exchange rates	1,752	(469)
Net change in cash during the period	(11,452)	(14,642)
Cash, beginning of period	38,245	21,301
Cash, end of period	\$ 26,793	\$ 6,659
Supplemental cash flow information		
Interest paid	\$ 547	\$ 1,246
Income taxes (recovered) paid	\$ (1,466)	\$ 1,589

See accompanying notes to consolidated financial statements

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2010 (all tabular amounts in thousands of Canadian dollars except per share amounts)

1. Basis of presentation

Vector Aerospace Corporation ("Vector" or "the Company") is a global provider of aviation maintenance, repair, and overhaul services for fixed-wing and rotary-wing aircraft gas turbine engines, helicopter dynamic components and helicopter airframes. The Company has full service overhaul facilities in Canada, South Africa and the United Kingdom and smaller regional service facilities in the United States and Kenya serving both commercial and military markets. The Company provides services through the following operating divisions: Vector Aerospace Engine Services – Atlantic Inc. ("Engine Services – Atlantic"), Vector Aerospace Engine Services UK Limited ("Engine Services – UK"), Vector Aerospace Helicopter Services Inc. ("Helicopter Services – NA") and Vector Aerospace International Limited ("Helicopter Services – UK"). Some of these divisions have regional facilities and sales and marketing representation in various locations throughout the world.

These consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), with respect to the presentation of interim financial information. Accordingly, they do not include all disclosures required in the preparation of annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2009. The accounting policies used in the preparation of these statements are consistent with those described in the Company's audited consolidated financial statements for the year ended December 31, 2009.

The preparation of timely financial statements in conformity with generally accepted accounting principles necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. These estimates will affect assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting periods. Such estimates and assumptions are based on informed judgements made by management. Actual results could differ materially from those estimated.

2. Future accounting pronouncements

Business Combinations

In January 2009, the CICA issued three new accounting standards: Section 1582, Business Combinations, Section 1601 Consolidated Financial Statements, and Section 1602, Non-Controlling Interests. These three financial standards will be effective for financial statements related to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the implications of these new standards.

Section 1582, Business Combinations, supersedes Section 1581, Business Combinations, and sets out recognition standards for business combinations. The term "business" is more broadly defined than in the existing standard. It establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired or a gain from a bargain purchase; requires acquisition costs to be expensed; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Section constitutes the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. The Section applies prospectively to business combinations for which the acquisition date occurs at the beginning of the first annual fiscal year beginning on or after January 1, 2011.

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2010 (all tabular amounts in thousands of Canadian dollars except per share amounts)

2. Future accounting pronouncements (cont'd)

Consolidated Financial Statements and Non-Controlling Interests

Section 1601 and 1602 supersede former Section 1600, Consolidated Financial Statements. Section 1601, which sets out standards for the preparation of consolidated financial statements, is effective for interim and annual consolidated financial statements related to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination, and will be converged with the requirements of IAS 27, "Consolidated and Separate Financial Statements", for non-controlling interest, and is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011. Management is reviewing the new pronouncement for any possible impact on the Company's financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to converge with IFRS. The changeover date from current Canadian GAAP to IFRS has been established as January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which need to be addressed and will require the restatement, for comparative purposes, of amounts reported by the company for its year ending December 31, 2010. Management is currently assessing the adoption of these new standards but the financial reporting impact on the transition to IFRS cannot be reasonably estimated at this time.

3. Inventory

The total value of inventory expensed to cost of sales for the three months ended March 31, 2010 was \$53,830,000 (2009 – \$58,740,000).

4. Intangible and other assets

	March 31 2010	December 31 2009
OEM overhaul and service facility agreements and other assets, less accumulated amortization of \$27,856,000 (2009 – \$26,972,000)	\$ 24,848	\$ 22,917
Customer contracts, less accumulated amortization of \$480,000 (2009 - \$442,000)	1,789	2,026
Computer software, less accumulated amortization of \$835,000 (2009 - \$707,000)	2,633	2,674
Future income tax asset	2,466	2,534
Accrued defined benefit pension asset (net of liability)	2,268	3,345
	\$ 34,004	\$ 33,496

Amortization expense related to intangible assets during the quarter was \$223,000 (2009 - \$189,000).

Amortization expense related to original equipment manufacturer ("OEM") overhaul and service facility agreements and other assets during the quarter was \$1,097,000 (2009 – \$566,000).

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2010 (all tabular amounts in thousands of Canadian dollars except per share amounts)

4. Intangible and other assets (cont'd)

The net expense included in the Consolidated Statement of Operations for benefits provided under the defined benefit pension plans for the quarter was \$3,120,000 (2009 - \$3,095,000).

5. Bank indebtedness and long-term debt

			March 31 2010	December 31 2009
Bank indebtedness				
Pound Sterling (Base + 2.0%) (2010 – £nil; 2009 – £285,000)			\$ -	\$ 483
			\$ -	\$ 483
Long-term debt				
Interest rates	Principal payment frequency	Maturity	March 31 2010	December 31 2009
North American financial institutions				
LIBOR + 2.0%	Quarterly	March 2012	\$ 6,948	\$ 7,817
LIBOR + 2.0%	Quarterly	April 2011	17,642	18,535
North American – other				
4.02%	Semi-Annually	Dec 2011	2,504	-
3.32%	Semi-Annually	Dec 2011	2,676	-
5.46%	Semi-Annually	Feb 2018	10,131	10,622
0% to 7.83%	Monthly	Aug 2014	4,287	4,563
3.38%	Semi-Annually	June 2012	9,648	9,943
UK financial institutions				
Base rate + 1.5%	Quarterly	July 2011	2,468	2,792
LIBOR +2.0%	Quarterly	March 2013	7,403	8,797
Total long-term debt			63,707	63,069
Less: current portion			16,757	15,504
			\$ 46,950	\$ 47,565

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2009 (all tabular amounts in thousands of Canadian dollars except per share amounts)

5. Bank indebtedness and long-term debt (cont'd)

Collateral

As collateral for the North American financial institutions' lending facilities, the Company has provided a general security agreement creating a first ranking mortgage security interest over certain fixed assets and a general assignment of specified receivables and inventory with a total net book value of approximately \$225,946,000 (December 31, 2009 - \$222,077,000).

As collateral for the 5.46% term loans the Company has provided first ranking security interest over certain rental engines with a net book value of \$40,766,000 (December 31, 2009 - \$39,147,000).

Included in the 0% to 7.83% term loans are unsecured facilities of \$2,278,000 (December 31, 2009 - \$2,297,000). As collateral for the 0% to 7.83% term loans the Company has provided first ranking security interest over certain assets with a total net book value of \$8,031,000 (December 31, 2009 - \$7,833,000).

The loans which bear interest at the rates of 4.02%, 3.32% and 3.38 % are unsecured.

The Company has provided a charge over specific freehold property and a floating-charge debenture over specified assets with a total net book value of \$41,806,000 (December 31, 2009 - \$42,042,000) as collateral for the UK financial institutions' Pound Sterling bank indebtedness and the Base rate + 1.5% term loan which is due July 2011.

The Company has provided a charge over specific freehold property and a floating-charge debenture over specified assets with a total net book value of \$93,910,000 as collateral for the Pound Sterling bank indebtedness and the LIBOR + 2.0% term loan which is due March 2013.

Under the North American and UK bank credit facilities, the Company is subject to certain financial covenants including limitation on the Company's ability to increase indebtedness, create liens, make capital expenditures, engage in mergers or acquisitions, sell assets, transfer funds and make dividend payments.

	March 31 2010	December 31 2009
Foreign currency denominated long-term debt		
US dollar debt – US\$14,600,000 (2009 - US\$9,500,000)	\$ 14,828	\$ 9,943
Pound Sterling debt – £6,400,000 (2009 – £6,850,000)	9,871	11,589
	\$ 24,699	\$ 21,532
	Three Months Ended March 31	
	2010	2009
Interest expense		
Interest on bank indebtedness	\$ 53	\$ 471
Interest expense on long-term debt	508	1,122
	\$ 561	\$ 1,593

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2009 (all tabular amounts in thousands of Canadian dollars except per share amounts)

5. Bank indebtedness and long-term debt (cont'd)

At March 31, 2010 the Company had in place short-term lines of credit totalling \$51,964,000 (December 31, 2008 – \$53,610,000) and long-term debt of \$63,707,000 (December 31, 2009 – \$63,069,000). The Company's operating facilities in North America and the UK are each subject to a borrowing base calculation that restricts borrowing amounts based on percentages of inventory and certain accounts receivable. Each of the North American and UK operating credit facilities borrowing base varies on a monthly basis. Borrowings under the operating facilities were \$nil in aggregate at March 31, 2010 (December 31, 2009 – \$483,000). In addition, the Company had outstanding letters of credit of \$3,003,000 at March 31, 2010 (December 31, 2009 – \$3,209,000). At March 31, 2010, the Company had unused, available operating credit facilities of approximately \$35,000,000 (December 31, 2009 – \$34,970,000) in North America and \$13,961,000, equivalent to £9,053,000 (December 31, 2009 – \$14,949,000, equivalent to £8,836,000) in the UK after taking into account the borrowing base calculation.

Repayment requirements

As at March 31, 2010, scheduled principal debt repayment requirements over the next five years and thereafter are as follows:

2010	\$ 16,757
2011	27,188
2012	10,089
2013	1,962
2014	2,029
Thereafter	5,682
	<u>\$ 63,707</u>

6. Other credits

	March 31 2010	December 31 2009
Deferred government assistance, less accumulated amortization of \$14,757,000 (2009 – \$14,557,000)	\$ 5,681	\$ 5,882
Future income tax liability	15,391	15,897
	<u>\$ 21,072</u>	<u>\$ 21,779</u>

Amortization related to deferred government assistance during the quarter was \$200,000 (2009 – \$184,000).

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2009 (all tabular amounts in thousands of Canadian dollars except per share amounts)

7. Capital stock

Authorized:

The Company is authorized to issue an unlimited number of first and second preferred shares, issuable in series, and an unlimited number of common shares without par value. No preferred shares have been issued. At March 31, 2010 the change in issued common shares was as follows:

	Three months ended March 31, 2010		Year ended December 31, 2009	
	Stated Number	Capital	Stated Number	Capital
Balance, beginning of year	45,994	\$ 162,680	37,708	\$ 111,754
Issuance of shares from treasury	8	16	8,242	49,676
Shares issued to employees for cash under share purchase plan	11	50	44	181
Stock-based compensation	–	302	–	1,096
Balance, end of period	46,013	\$ 163,048	45,994	\$ 162,680

Under the Company's stock option plan, the Company may grant options to certain officers, directors and employees. In the first three months of 2010, 395,591 options were granted (2009 – nil) and no options (2009 – 15,000 with an exercise price of \$5.15) expired. There were 8,000 options exercised during the first three months of 2010 (2009 - nil) at a weighted average exercise price of \$2.00.

At March 31, 2010, the Company had 2,744,947 (December 31, 2009 – 2,357,356) options outstanding at a weighted average exercise price of \$4.79 (December 31, 2009 - \$4.57), with expiry dates ranging between 2010 and 2018 (2009 – between 2009 and 2018). Options have an exercise price equal to the market price of the Company's stock on the date of grant and have a contractual life ranging from seven to ten years from date of grant.

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2009 (all tabular amounts in thousands of Canadian dollars except per share amounts)

7. Capital stock (cont'd)

The following summarizes information about stock options outstanding at March 31, 2010.

Exercise Prices	Year of Grant	Number Granted (Thousands)	Number Outstanding (Thousands)	Remaining Contractual Life (Years)	Number Vested (Thousands)	Vesting Period
\$ 2.00	2004	300.0	55.0	3	55.0	20% on grant, 20% on each anniversary
\$ 2.04	2004	300.0	100.0	4	100.0	20% on grant, 20% on each anniversary
\$ 2.31	2004	450.0	250.0	4	250.0	Immediately
\$ 3.70	2000	25.5	15.5	1	15.5	20% on grant, 20% on each anniversary
\$ 4.15	2008	280.1	254.1	5	126.0	25% on each anniversary
\$ 4.22	2006	220.0	180.0	6	180.0	25% on each anniversary
\$ 4.25	2008	10.0	10.0	5	6.0	20% on grant, 20% on each anniversary
\$ 4.25	2006	168.0	64.8	7	47.2	20% on grant, 20% on each anniversary
\$ 4.56	2006	50.0	50.0	6	50.0	Immediately
\$ 4.63	2008	100.0	100.0	5	100.0	Immediately
\$ 5.02	2008	118.9	118.9	7	118.9	Immediately
\$ 5.50	2008	150.0	150.0	5	-	Performance based
\$ 5.50	2008	100.0	100.0	5	-	Performance based
\$ 5.50	2008	49.8	49.8	8	19.9	20% on grant, 20% on each anniversary
\$ 5.50	2009	50.0	50.0	7	50.0	Immediately
\$ 5.50	2009	576.8	568.4	6	142.1	25% on each December 31
\$ 5.60	2007	197.8	180.6	4	108.3	20% on grant, 20% on each anniversary
\$ 6.00	2008	50.0	50.0	7	50.0	Immediately
\$ 6.10	2010	395.6	395.6	7	0.0	25% on each December 31
\$ 6.80	2009	2.3	2.3	6	0.5	20% on grant, 20% on each anniversary
		3,594.8	2,745.0		1,419.4	

Total options vested at March 31, 2010 were 1,419,393 (December 31, 2009 - 1,380,393) at a weighted average exercise price of \$4.10 (December 31, 2009 - \$4.08).

Stock-based compensation expense related to vesting options was \$302,000 for the first quarter of 2010 (2009 - \$201,000) and was recorded in sales, general and administration expenses. The fair value of the options is calculated using the Black-Scholes Option Pricing Model assuming an expected life of two to six and one half years, a risk free interest rate between 1.89% and 4.38%, a dividend yield of 0%, and volatility ranging from 25% to 52.6%. The weighted average fair value of options granted in the first three months of 2010 was \$2.31 per share (no options granted in 2009).

The aggregate number of options and employee shares issued under the Vector Employee Stock Option Plan and the Vector Employee Share Purchase Plan cannot exceed 10% of the issued and outstanding common shares of the Company at any point in time. As of March 31, 2010, 2,744,947 options were issued and outstanding under the Employee Stock Option Plan, 399,500 common shares have been issued under the Employee Share Purchase Plan and 523,365 common shares have been issued upon exercise of options under the Employee Stock Option Plan.

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2009 (all tabular amounts in thousands of Canadian dollars except per share amounts)

8. Accumulated other comprehensive loss

	March 31 2009	March 31 2009
Balance, beginning of period	\$ (15,187)	\$ (9,152)
Other comprehensive (loss) income	(5,413)	1,747
Balance, end of period	\$ (20,600)	\$ (7,405)

Quarter-end exchange rates

The exchange rates used to translate balance sheet accounts of self-sustaining foreign operations to Canadian dollars are as follows:

	March 31 2010	December 31 2009
US Dollars	1.02	1.05
UK Pounds Sterling	1.54	1.69
South African Rand	0.14	0.14

Foreign exchange losses included in net earnings for the three months ended March 31, 2010 were \$1,052,000 (2009 – \$518,000).

9. Per share information

The weighted average common shares used in the calculation of basic and diluted earnings per share, was calculated as follows (in thousands of shares):

	Three Months	
	2010	2009
Weighted average number of common shares outstanding – basic	46,000	37,718
Effect of dilutive options	483	209
Weighted average number of common shares outstanding – diluted	46,483	37,927

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2009 (all tabular amounts in thousands of Canadian dollars except per share amounts)

10. Unusual item

	Three Months	
	2010	2009
Reorganization costs	\$ 150	\$ –
	\$ 150	\$ –

During the first quarter of 2010, the Company recorded a charge of \$150,000 (2009 – \$nil) for costs related to severance benefits payable in accordance with the terms of the Company's collective agreement with the Union and UK statutory obligations under labour laws, pertaining to a restructuring and relocation of some of its facilities in the UK to enhance synergies and streamline processes and platforms. The total cost of this reorganization is projected to be approximately \$2,318,000 (GBP 1,429,000), which is expected to be completed by the third quarter of 2010. To date, \$1,446,000 has been recorded as a charge for the reorganization and \$1,181,000 is included in payables and accruals as on March 31, 2010.

11. Change in non-cash working capital

	Three Months	
	2009	2009
Receivables	\$ (557)	\$ 2,300
Work in progress	(7,243)	1,279
Inventory	(1,272)	(5,604)
Prepaid expenses and other	(506)	298
Income tax	2,643	416
Payables and accruals	(6,287)	(7,624)
Deferred revenue	(5,458)	(2,115)
Increase in non-cash working capital	\$ (18,680)	\$ (11,050)

12. Segmented information

Effective April 1, 2009, the Company changed the reporting of its operating segments to better reflect the current organizational structure. All prior period comparatives have been restated to reflect the new segments. The Company provides services through three business segments — Engines, Airframes and Components. The segments derive revenue principally from providing maintenance, repair and overhaul services on gas turbine engines, components and helicopter airframes. The Company evaluates business segment performance based on earnings from operations before any unusual items.

The Engines segment includes Engine Services – Atlantic with overhaul facilities in Summerside, Prince Edward Island and Johannesburg, South Africa, Helicopter Services – NA with overhaul facilities in Richmond, British Columbia and Engine Services - UK with overhaul facilities in Croydon and Gosport, United Kingdom. The Airframes segment includes Helicopter Services – NA operations in Langley, British Columbia and Andalusia, Alabama and Helicopter Services – UK in Gosport, England. The Components segment includes Helicopter Services – UK operations in Perth, Scotland and Helicopter Services – NA operations in Richmond, British Columbia and Andalusia, Alabama. These segments each have smaller regional service facilities and sales and marketing representation in various locations throughout the world.

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2009 (all tabular amounts in thousands of Canadian dollars except per share amounts)

12. Segmented information (cont'd)

Three Months Ended March 31, 2010					
	Engines	Airframes	Components	Corporate and other	Total
Revenue from external customers	\$ 74,428	\$ 35,216	\$ 18,434	\$ –	\$ 128,078
Earnings from operations before amortization and unusual item	\$ 9,178	\$ 7,834	\$ 1,302	\$ (3,017)	\$ 15,297
Amortization	2,462	322	184	34	3,002
Earnings from operations before unusual items	\$ 6,716	\$ 7,512	\$ 1,118	\$ (3,051)	\$ 12,295
Unusual Item	150	–	–	–	150
Earnings from operations	\$ 6,566	\$ 7,512	\$ 1,118	\$ (3,051)	\$ 12,145
Capital expenditures	\$ 630	\$ 505	\$ 67	\$ 42	\$ 1,244

Three Months Ended March 31, 2009					
	Engines	Airframes	Components	Corporate and other	Total
Revenue from external customers	\$ 84,246	\$ 34,066	\$ 22,403	\$ –	\$ 140,715
Earnings from operations before amortization and unusual items	\$ 9,999	\$ 5,423	\$ 2,293	\$ (2,529)	\$ 15,186
Amortization	1,388	170	160	154	1,872
Earnings from operations before unusual items	\$ 8,611	\$ 5,253	\$ 2,133	\$ (2,683)	\$ 13,314
Unusual Items	–	–	–	–	–
Earnings from operations	\$ 8,611	\$ 5,253	\$ 2,133	\$ (2,683)	\$ 13,314
Capital expenditures	\$ 3,657	\$ 274	\$ 70	\$ 16	\$ 4,017

Revenues are attributed to countries based on location of customers.

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2009 (all tabular amounts in thousands of Canadian dollars except per share amounts)

12. Segmented information (cont'd)

Geographic information – Revenue	Three Months Ended March 31	
	2010	2009
North America		
Canada	\$ 28,539	\$ 21,983
United States	30,965	36,841
United Kingdom	41,801	43,975
Europe	5,527	15,593
Africa	6,915	8,348
Asia	3,846	4,047
Central and South America	7,456	3,643
Middle East	103	2,952
Other countries	2,926	3,333
	\$ 128,078	\$ 140,715

As at March 31, 2010, goodwill of \$7,483,000 (December 31, 2009 - \$7,483,000) was recorded in Canada and intangible assets of \$2,519,000 (December 31, 2009 – \$2,544,000) in Canada and \$1,905,000 (December 31, 2009 – \$2,156,000) in the United Kingdom.

The Company provides services to many customers across different geographic areas. For the three months ended March 31, 2010, two customers individually accounted for more than 10 % of the Company's revenue (10.7% and 10.4%) (2009 – one customer accounted for 11.1 %).

Geographic information – Fixed assets (net book value)	March 31	December 31
	2010	2009
Canada	\$ 79,261	\$ 77,685
United Kingdom	47,847	52,502
United States	1,943	1,989
Other countries	823	843
	\$ 129,874	\$ 133,019

Vector Aerospace Corporation

Notes to the Consolidated Financial Statements (Unaudited)

March 31, 2009 (all tabular amounts in thousands of Canadian dollars except per share amounts)

13. Business acquisition

On December 18, 2009, the Company purchased 100% of the common shares and business operations of Pratt & Whitney Canada CSC Africa (Proprietary) Limited for consideration of \$11,063,000 subject to a working capital adjustment. The working capital adjustment is estimated to reduce the purchase consideration. The working capital adjustment and the amount due to the vendor post closing is expected to be settled in 2010. The acquisition was financed through existing credit facilities. The results of the renamed entity, Vector Aerospace Africa (Proprietary) Limited ("Vector Africa"), have been included in the Company's financial statements since December 1, 2009, the effective date of the acquisition.

Vector Africa is located at Lanseria Airport near Johannesburg, South Africa and provides maintenance, repair and overhaul services.

The acquisition has been accounted for using the purchase method of accounting and the purchase price has been allocated based on the fair values of the assets acquired and liabilities assumed.

The net assets acquired are as follows:

	Purchase Price
Assets acquired:	
Cash and cash equivalents	\$ 1,024
Other assets - current	4,249
Fixed assets	3,067
Intangible assets	2,531
	\$ 10,871
Liabilities assumed:	
Payables and accruals	\$ 784
	\$ 784
Net assets acquired	\$ 10,087
Purchase consideration:	
Cash paid on closing	\$ 7,184
Estimated working capital adjustment and amount due to Vendor post-closing	2,474
Acquisition costs	429
Total purchase consideration	\$ 10,087

The fair value of the net assets acquired of \$11,357,000 exceeded the total purchase consideration by \$1,270,000. The excess was allocated proportionally as a reduction to the values of fixed assets and intangibles.

The final amount owing of \$6,545,000 (£3,657,000) was paid in January 2009 for the acquisition of the United Kingdom Ministry of Defence (MoD) Defence Aviation Repair Agency (DARA) Rotary Wing and Components businesses.

14. Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.