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PRESS RELEASE
FOR IMMEDIATE RELEASE

HÉROUX-DEVTEK REPORTS RECORD RESULTS IN FISCAL 2009

- Sales for the year increased 9.7% to $337.6 million
- Operating income grew 24.1% to $34.5 million or 10.2% of sales
- Net income of $21.4 million or $0.67 per share fully diluted
- Healthy balance sheet with nearly $40 million in cash and cash equivalents

Longueuil, Quebec, May 29, 2009 — Héroux-Devtek Inc. (TSX: HRX), a leading Canadian manufacturer of aerospace and industrial products, today reported its results for the fourth quarter and fiscal year ended March 31, 2009. The Company concluded fiscal 2009 with record sales and net income, as well as a solid balance sheet.

FISCAL 2009 RESULTS

Sales for fiscal 2009 amounted to $337.6 million, an increase of 9.7% over sales of $307.9 million in fiscal 2008. Operating income increased 24.1% over last year to reach $34.5 million, or 10.2% of sales, compared with $27.8 million, or 9.0% of sales, last year. Net income in fiscal 2009 totalled $21.4 million, or $0.67 per share, fully diluted, up from $19.0 million, or $0.59 per share, fully diluted, in fiscal 2008. When excluding a $2.4 million income tax benefits due to the utilization of tax losses carried forward and a $0.9 million favourable impact coming from the forgiveness of a loan, net income would have increased from $15.7 million to $21.4 million or 36.3%. Cash flows from operations amounted to $48.0 million, up 26.9% from $37.8 million a year earlier.

Fluctuations in the value of the Canadian dollar versus the US currency increased fiscal 2009 sales by $6.9 million, or 2.2%, compared with last year. In spite of this favourable variance, currency fluctuations had a 0.3% negative impact on gross profit, compared with last year and expressed as a percentage of sales, considering the Company's hedging policy. The impact of currency movements on the Company's gross profit margin, expressed as a percentage of sales, is mitigated by the use of forward foreign exchange sales contracts and the natural hedging from the purchase of materials made in US dollars.

Financial highlights	Quarters ended March 31,		Fiscal years ended March 31,	
(in thousands of dollars, except per share data)	2009	2008	2009	2008
Sales	92,146	83,088	337,635	307,882
Operating income	10,020	9,627	34,453	27,768
Net income	6,431	6,474	21,363	19,019
Per share - basic ($)	0.20	0.20	0.68	0.60
Per share - diluted ($)	0.20	0.20	0.67	0.59
Cash flows from operations	14,056	11,966	48,042	37,848
Weighted-average shares outst. (basic, in '000s)	31,391	31,636	31,583	31,610

As at March 31, 2009, Héroux-Devtek's balance sheet remained healthy with cash and cash equivalents of $39.8 million and long-term debt, including the current portion, of $87.3 million. As a result, the net debt-to-equity ratio stood at 0.24:1 at the end of fiscal 2009, compared with 0.29:1 one year earlier. The net-debt-to-equity ratio is defined as the total long-term debt, including the current portion, less cash and cash equivalents over shareholders' equity.

"Fiscal 2009 was a very successful year for Héroux-Devtek, as all divisions further improved their market position in spite of rapidly deteriorating business conditions in certain segments," said Héroux-Devtek President and CEO, Gilles Labbé. "The Landing Gear Division won two large-scale design and development mandates as well as important aftermarket contracts, the Aerostructure Division further strengthened its relationship with key customers through the attribution of additional orders on strategic programs, and the Gas Turbine Components Division significantly improved its profitability. We concluded the year in a strong financial position and with a solid backlog, well diversified among customers and market segments."

FOURTH QUARTER RESULTS

For the fourth quarter ended March 31, 2009, sales grew 10.9% to $92.1 million, versus $83.1 million last year. Operating income was essentially stable at $10.0 million or 10.9% of sales, compared with $9.6 million or 11.6% of sales a year earlier. Last year's fourth quarter operating income included the forgiveness of a $1.3 million non-interest bearing loan accounted for as a reduction of cost of sales, which increased the operating margin by 1.5%. Net income amounted to $6.4 million, or $0.20 per share fully diluted, in the fourth quarter of 2009, versus $6.5 million or $0.20 per share, fully diluted, a year ago. Net income for the fourth quarter of fiscal 2008 benefitted from $0.8 million, or $0.03 per share, fully diluted, in tax loss utilization, while the net impact of writing off the non-interest bearing loan also increased diluted earnings per share by $0.03. Cash flows from operations were $14.1 million, an increase of 17.5% over $12.0 million a year ago.

RECENT EVENTS

On April 28, 2009, Lockheed Martin Aeronautics Company awarded the Aerostructure Division a multi-year contract to manufacture complex structural components and assemblies for the outer wing, inner wing, and forward fuselage for all three F-35 Lightning II (JSF) aircraft variants in support of Low Rate Initial Production (LRIP) lots 3 through 7 over the next five years. Based on best estimated quantity production rates, the value of the contract is estimated to be in excess of Cdn$50 million and is in addition to a Cdn$135 million, multi-year contract awarded in 2007 for forged aluminum bulkheads and other complex components.

SECTOR RESULTS

Aerospace sales for fiscal 2009 amounted to $299.4 million, an increase of 7.3% over sales of $278.9 million in fiscal 2008. Sales of the Landing Gear Division grew 4.9% to $190.7 million resulting from greater volume in the business jet and helicopter markets, as well as improved throughput on repair and overhaul work, partially offset by the labour strike at Boeing, the unfavourable exchange rates considering the Company's hedging position and the completion of a major large commercial retrofit program late in fiscal 2008. Aerostructure sales grew 13.2% to $107.6 million driven by schedule catch-up on military sales, the ramp up of the JSF program and favourable currency movements during the year, somewhat offset by lower sales to the large commercial aerospace market. Fourth quarter sales for the Aerospace segment increased 8.8% to $82.3 million.

The Aerospace segment operating income for fiscal 2009 was $29.3 million, up from $27.4 million a year earlier. As a percentage of sales, it reached 9.8% in fiscal 2009 and 2008. Despite higher sales, the currency translation loss on net monetary items mainly at the Landing Gear Division more than offset this favourable variance. In the fourth quarter, operating income amounted to $9.0 million compared with $9.3 million last year, reflecting the favourable effect, in fiscal 2008, of the aforementioned loan forgiveness.

Industrial sales totalled $38.2 million in fiscal 2009, up 32.0% from $29.0 million last year. All major market segments, namely gas turbines, wind energy and heavy industry markets, experienced double-digit revenue growth. Industrial sales for the fourth quarter of fiscal 2009 increased 36.5% in comparison with a year ago, to $9.9 million.

Operating income for the Industrial segment amounted to $5.2 million, or 13.5% of sales in fiscal 2009, versus $0.4 million or 1.4% of sales, last year. This improvement mirrors the increase in value-added sales to the industrial gas turbine and wind energy markets as well as better overall production efficiency and sales mix. In the fourth quarter of fiscal 2009, operating income reached $0.7 million compared with $0.3 million last year.

OUTLOOK

In the face of mounting economic uncertainty, the volume of order intake for commercial aircraft manufacturers has been reduced in recent months. While backlogs remain sound, existing orders can be deferred or cancelled which could lead to further reductions in production schedules. The military aerospace market remains solid with major programs progressing as expected, particularly the JSF program, for which the U.S. Department of Defense recently recommended increasing the number of aircraft to be purchased throughout the U.S. government's 2010 fiscal year. Still, the new U.S. administration may reduce funding of future military budgets. In the power generation industry, the industrial gas turbine and wind energy markets will be impacted over the short-term by the financial crisis given the significant capital requirements of these projects and the infrastructure issues associated with the distribution of power from these new energy sources.

"The current economic environment will unquestionably slow the activity of some business segments. However, our achievements of the past year and the measures we are taking to continue to reduce costs and improve operating efficiency have positioned us strongly for the coming years. Although Héroux-Devtek can count on strong customer relationships and a solid backlog, we are not anticipating any significant sales growth for fiscal 2010 considering the prevailing economic uncertainty,'' concluded Mr. Labbé.

CONFERENCE CALL

Héroux-Devtek Inc. will hold a conference call to discuss these results on Friday, May 29, 2009 at 10 AM (ET). Interested parties can join the call by dialling 416-644-3417 (Toronto or overseas) or 1-800-731-6941 (elsewhere in North America). The conference call can also be accessed via live webcast at www.herouxdevtek.com, www.newswire.ca or www.q1234.com.

If you are unable to call in at this time, you may access a tape recording of the meeting by calling 1-877-289-8525 and entering the passcode 21306169# on your phone. This tape recording will be available on Friday, May 29, 2009, as of 12:00 PM until 11:59 PM on Friday, June 5, 2009.

PROFILE

Héroux-Devtek (TSX: HRX), a Canadian company, serves two main market segments: Aerospace and Industrial Products, specializing in the design, development, manufacture and repair of related systems and components. Héroux-Devtek supplies both the commercial and military sectors of the Aerospace segment with landing gear (including spare parts, repair and overhaul services) and airframe structural components. The Company also supplies the Industrial segment with large components for power generation equipment and precision components for other industrial applications. Approximately 65% of the Company's sales are outside Canada, mainly in the United States. The Company's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Dorval, Laval and Rivière-des-Prairies); Kitchener and Toronto, Ontario; Arlington, Texas and Cincinnati, Ohio.

Forward-looking statement

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Company. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Company's products and services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

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Note to readers: Complete unaudited consolidated financial statements and Management's Discussion & Analysis of Financial Position and Operating Results are available on Héroux-Devtek's website at www.herouxdevtek.com

CONSOLIDATED BALANCE SHEETS
As at March 31, 2009 and 2008
(In thousands of Canadian dollars)
Unaudited

	Notes	2009	2008
Assets	15		
Current assets			
Cash and cash equivalents		$ 39,759	$ 24,431
Accounts receivable		52,190	44,887
Income tax receivable		5,630	5,415
Other receivables	21	3,739	5,420
Inventories	9	95,647	86,625
Prepaid expenses		2,011	1,458
Future income taxes	18	11,172	9,142
Other current assets		-	9,235
		210,148	186,613
Property, plant and equipment, net	10	155,481	124,596
Finite-life intangible assets, net	11	11,190	5,787
Other assets	12	362	3,646
Goodwill	13	39,993	35,812
		$ 417,174	$ 356,454
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	21	$ 83,575	$ 68,117
Accounts payable – other	14	18,559	2,860
Income tax payable		3,241	2,349
Future income taxes	18	3,568	6,680
Current portion of long-term debt	15	4,221	5,011
		113,164	85,017
Long-term debt	15	83,047	72,242
Other liabilities	16	15,982	8,564
Future income taxes	18	8,490	9,853
		220,683	175,676
Shareholders' equity			
Capital stock	17	102,822	104,260
Contributed surplus	17	1,375	1,115
Accumulated other comprehensive loss		(12,124)	(9,932)
Retained earnings		104,418	85,335
		196,491	180,778
		$ 417,174	$ 356,454

Commitments and contingencies (Notes 21 and 22)
The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors

Christian Dubé (signed)
Director

Gilles Labbé (signed)
Director

CONSOLIDATED STATEMENTS OF INCOME
For the years ended March 31, 2009 and 2008
(In thousands of Canadian dollars, except share and per share data)
Unaudited

	Notes	2009	2008
Sales		$ 337,635	$ 307,882
Cost of sales, including amortization expense of $20,106 ($16,518 in 2008)	7	280,716	261,235
Gross profit		56,919	46,647
Selling and administrative expenses	17	22,466	18,879
Operating income		34,453	27,768
Financial expenses, net	15	4,485	4,999
Income before income tax expense		29,968	22,769
Income tax expense	18	8,605	3,750
Net income		$ 21,363	$ 19,019
Earnings per share – basic		$ 0.68	$ 0.60
Earnings per share – diluted		$ 0.67	$ 0.59
Weighted-average number of shares outstanding during the year		31,583,173	31,609,638

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended March 31, 2009 and 2008
(In thousands of Canadian dollars)
Unaudited

	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Comprehensive income (loss)
Balance at March 31, 2008, as previously reported		$104,260	$1,115	$(9,932)	$85,335	$ -
Changes in accounting policy:						
Inventories	2	-	-	-	(1,940)	-
Balance at March 31, 2008, adjusted		104,260	1,115	(9,932)	83,395	-
Common shares issued or repurchased:	17					
Under the stock purchase and ownership incentive plan		321	-	-	-	-
Repurchase of common shares under the Company's normal course issuer bid	17	(1,759)		-	(340)	-
Stock-based compensation expense	17	-	260	-		-
Net income		-		-	21,363	21,363
Net gains (losses) on derivative financial instruments designated as cash flow hedges, net of taxes of $7,851		-	-	(17,154)	-	(17,154)
Net (gains) losses on derivative financial instruments designated as cash flow hedges in prior years transferred to net income in the current year, net of taxes of $169		-	-	(201)	-	(201)
Cumulative translation adjustment		-	-	15,163	-	15,163
Balance at March 31, 2009		$102,822	$1,375	$(12,124)	$104,418	$ 19,171

	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Comprehensive income (loss)
Balance at March 31, 2007		$103,620	$ 691	$(2,437)	$66,316	$ -
Common shares issued:	17					
Under the stock option plan		413	-	-	-	-
Under the stock purchase and ownership incentive plan		227	-	-	-	-
Stock-based compensation expense	17	-	424	-	-	-
Net income		-	-	-	19,019	19,019
Net gains (losses) on derivative financial instruments designated as cash flow hedges, net of taxes of $3,059		-	-	6,442	-	6,442
Net (gains) losses on derivative financial instruments designated as cash flow hedges in prior years transferred to net income in the current year, net of taxes of $3,557		-	-	(7,493)	-	(7,493)
Cumulative translation adjustment		-	-	(6,444)	-	(6,444)
Balance at March 31, 2008		$104,260	$1,115	$(9,932)	$85,335	$11,524

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended March 31, 2009 and 2008
(In thousands of Canadian dollars)
Unaudited

	Notes	2009	2008
Cash and cash equivalents provided by (used for):			
Operating activities			
Net income		$ 21,363	$ 19,019
Items not requiring an outlay of cash:			
Amortization		20,106	16,518
Future income taxes	18	4,770	1,622
Gain on forgiveness of debt	7	-	(1,251)
Loss on sale of property, plant and equipment		18	78
Amortization of deferred financing costs	15	168	183
Amortization of net deferred loss related to a financial derivative instrument	15	-	51
Accretion expense of asset retirement obligations and non-interest bearing loans	15	1,357	947
Stock-based compensation expense	17	260	681
Cash flows from operations		48,042	37,848
Net change in non-cash working capital items related to operations	19	(2,783)	(14,780)
Cash flows related to operating activities		45,259	23,068
Investing activities			
Additions to property, plant and equipment	10	(23,489)	(26,773)
Increase in finite-life intangible assets	11	(3,721)	(321)
Proceeds on disposal of property, plant and equipment		18	291
Cash flows related to investing activities		(27,192)	(26,803)
Financing activities			
Increase in long-term debt	15	8,268	15,621
Repayment of long-term debt	15	(15,387)	(8,990)
Repurchase of common shares	17	(2,099)	-
Issuance of common shares	17	321	640
Other		273	(743)
Cash flows related to financing activities		(8,624)	6,528
Effect of changes in exchange rates on cash and cash equivalents		5,885	1,514
Change in cash and cash equivalents during the year		15,328	4,307
Cash and cash equivalents at beginning of year		24,431	20,124
Cash and cash equivalents at end of year		$ 39,759	$ 24,431
Supplemental information:			
Interest paid		$ 2,787	$ 3,339
Income taxes paid		$ 2,473	$ 640

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

Note 1. Nature of activities

Héroux-Devtek Inc. and its subsidiaries (the "Company") specialize in the design, development, manufacture, repair and overhaul of systems and components used principally in the aerospace and industrial sectors. As a result, a significant portion of the Company's sales are made to a limited number of clients mainly located in the United States and Canada.

Note 2. Changes in accounting policies

ADOPTED IN FISCAL YEAR 2009

Effective April 1, 2008, the Company adopted four new *Handbook* Sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 3031 Inventories

In June 2007, the Accounting Standard Board ("AcSB") released Section 3031, *Inventories*, which replaces Section 3030, *Inventories*. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") IAS 2, *Inventories*. The Section prescribes the measurement of inventories at the lower of cost and net realizable value. It provides further guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value and circumstances for their subsequent reversal. It also provides more restrictive guidance on the cost methodologies used to assign costs to inventories and describes additional disclosure requirements. These required additional disclosures relating to inventories are:

- The amount of inventories recognized as an expense
- The amount of any write-down of inventories
- The amount of any reversal of any write-down
- The circumstances or events that led to the reversal of a write-down

As at April 1, 2008, the Company adopted the unit cost method in replacement of the average cost method. The unit cost method is a prescribed cost method under which the actual production costs are charged to each unit produced and recognized to income as the unit is delivered. The excess-over-average production costs concept (production costs incurred in the early stage of a contract, in excess of the average estimated unit cost for the entire contract), is not allowed under the unit cost method. In addition, as a result of the more restrictive guidance on the determination of costs, the Company has revised its manufacturing overhead costs allocation policy, whereby abnormal costs are expensed and the allocation of manufacturing overhead costs is specifically determined on normal production capacity. Based on these new rules, the Company has applied these changes in accounting policy by adjusting the opening retained earnings balance and by making certain reclassifications in the Company's balance sheet as at April 1, 2008. Also, the program tooling costs and development costs, which were recorded as part of inventories in prior years, were either written off to retained earnings or reclassified to property, plant and equipment and finite-life intangible assets, the amortization of these costs being based on the pre-determined contract quantity. The consolidated financial statements for the prior fiscal year were not restated, as permitted under the new Section.

As at April 1, 2008, the effect of these changes in accounting policy, including certain reclassifications, and their related income tax impact on the Company's consolidated balance sheet were as follows:

	Reported as at March 31, 2008	Impact of changes in accounting policy: Inventories — Write-off	Impact of changes in accounting policy: Inventories — Reclassification	Restated as at April 1, 2008
Assets				
Inventories	$ 86,625	$ (2,869)	$(2,878)	$ 80,878
Property, plant and equipment, net	124,596	-	1,691	126,287
Finite-life intangible assets	5,787	-	1,187	6,974
Liabilities				
Income taxes payable	$ 2,349	$ (929)	$ -	$ 1,420
Retained earnings	$ 85,335	$(1,940)	$ -	$ 83,395

Section 1535, *Capital Disclosures*
This Section establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose the following:

- Its objectives, policies and processes for managing capital;
- Summary quantitative data about what it manages as capital;
- Whether during the period it complied with any imposed capital requirements to which it is subject;
- When the entity has not complied with such requirements, the consequences of such non-compliance.

Section 3862, *Financial Instruments – Disclosures*
This Section modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation*. The new standards require entities to provide disclosures in their financial statements that enable users to evaluate:

- The significance of financial instruments for the entity's financial position and performance;
- The nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863, *Financial Instruments – Presentation*
This Section carries forward unchanged the presentation requirements of former Section 3861, *Financial Instruments – Disclosure and Presentation* (see Note 6).

The new disclosure and presentation requirements under Sections 1535 and 3862 referred to above are further outlined in Notes 4 and 5 to the March 31, 2009 consolidated financial statements.

Note 3. Summary of significant accounting policies

Basis of presentation
The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the significant accounting policies summarized below.

Basis of consolidation
The principal wholly owned subsidiaries of the Company included in the consolidated financial statements are the following:

- McSwain Manufacturing Corporation and A.B.A. Industries, Inc.
- Progressive Incorporated
- Devtek Aerospace Inc.

Use of estimates
The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues (sales) and expenses and disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates relate to the sales contract assumptions, determination of pension and other employee benefits, reserves for environmental matters, asset retirement obligations, the useful life of assets for amortization and evaluation of net recoverable amount, the determination of fair value of assets acquired and liabilities assumed in business combinations, implied

fair value of goodwill, income tax and the determination of the fair value of financial instruments. Actual results could differ from these estimates.

Translation of foreign currency

The functional currency of the Company is the Canadian dollar.

- Self-sustaining foreign operations

  The assets and liabilities of foreign subsidiaries are translated at the exchange rate in effect at the balance sheet dates. Revenues and expenses are translated at the average exchange rate for the year. Translation gains and losses are deferred and shown separately in shareholders' equity as accumulated other comprehensive income (loss).

- Foreign currency transactions

  Foreign currency transactions are translated using the temporary method. Under this method, monetary balance sheet items are translated into Canadian dollars at the exchange rate prevailing at year-end. Revenues and expenses are translated using the average exchange rates prevailing during each month of the year. Translation gains and losses are included in the consolidated statements of income.

Financial instruments

Financial instruments are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. On initial recognition, all financial instruments including embedded derivatives financial instruments that are not closely related to the host contract are measured at fair value. After initial recognition, the measurement of financial instruments depends on their classification: held for trading ("HFT"), available-for-sale ("AFS"), loans and receivables ("L&R"), held-to-maturity ("HTM") or other than HFT liabilities.

Financial assets and financial liabilities classified as HFT are measured at fair value, with gains and losses recognized to income for the period in which they arise. Financial assets classified as L&R or HTM and financial liabilities classified as other than HFT are measured at amortized cost using the effective interest method.

Financial assets classified as AFS are measured at fair value. Unrealized gains and losses including changes in foreign exchange rates are recognized directly to other comprehensive income (loss) ("OCI"), except for impairment losses, which are recognized to income, until the financial assets are derecognized, at which time the cumulative gains or losses previously recognized in accumulated OCI are recognized in income for the year.

The Company has made the following classification of its financial instruments:

- Cash and cash equivalents are classified as HFT.
- Amounts receivable are classified as L&R.
- Amounts payable in current liabilities and long-term debt (including current portion) are classified as other than HFT liabilities.

Derivative financial instruments

In accordance with its risk management policy, the Company uses derivative financial instruments to manage its foreign currency and interest rate exposures. These derivative financial instruments are measured at fair value, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contract. Management is responsible for establishing standards of acceptable risks and monitoring, as appropriate, the transactions covering these risks. The Company uses financial instruments for the sole purpose of hedging existing commitments or obligations. These derivative financial instruments are not used for trading purposes.

The Company has designated foreign exchange forward contracts and interest-rate swap agreements as cash flow hedges. In a cash flow hedge relationship, a change in fair value of these derivatives is recognized as a component of OCI to the extent that the hedging relationship is effective. The ineffective portion of the hedging relationship and changes in fair value of derivatives not designated as a cash flow hedge, including embedded derivatives, are recognized as gains and losses in net income. The amount recognized in OCI is transferred to net income, and recorded as an adjustment of the cost or revenue of the related hedged item when realized.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments held with investment grade financial institutions, with maturities of three months or less from the date of acquisition.

Inventory valuation, capitalized development costs, cost of sales and revenue recognition

[a] Inventory valuation, capitalized development costs and related cost of sales

Inventories include raw materials, direct labour and related manufacturing overhead and include, if applicable, the amount of amortization of the non-recurring costs of the related contracts. These non-recurring costs represent essentially direct design engineering costs, direct manufacturing engineering costs, other direct pre-production costs (test units, prototypes, and other related costs) and toolings which are recorded and amortized on the following basis:

NON-RECURRING COSTS	RECORDED IN THE BALANCE SHEET AS	AMORTIZATION METHOD
Direct design engineering costs	Finite-life intangible assets – capitalized development costs	Predetermined contract quantity
Direct manufacturing engineering costs	Finite-life intangible assets – capitalized development costs	Predetermined contract quantity
Other direct pre-production costs	Finite-life intangible assets – capitalized development costs	Predetermined contract quantity
Tooling costs related to specific sales contracts	Property, plant and equipment	Predetermined contract quantity but not exceeding ten (10) years.
Other tooling costs	Property, plant and equipment	Straight-line basis over five (5) years.

Contract quantities are established based on management's assessment at the beginning of the production stage for each contract, taking into consideration, among other factors, existing firm orders and options. The Company's management conducts quarterly reviews as well as a detailed annual review in the fourth quarter of its capitalized development costs related to contracts and their recoverability, and contract quantities.

Inventories consist of raw materials, work in progress and finished goods which are valued at the lower of cost (unit cost method) and net realizable value.

The unit cost method is the cost method under which the actual production costs are charged to each unit produced and recognized to income as the unit is delivered.

Progress billings received from customers are deducted from related costs in inventories. Progress billings received in excess of related costs in inventories, if any, are classified as Customers' advances in accounts payable and accrued liabilities.

[b] Revenue recognition

Revenues from the sale of aerospace and industrial products are recognized as the related units are delivered and collectability is reasonably assured.

Provisions for losses on contract, if any, are made as soon as it is determined that total estimated contract costs are expected to exceed the total contract revenue, and are recorded in accounts payable and accrued liabilities.

Long-lived assets

Long-lived assets consist of property, plant and equipment and finite-life intangible assets which include capitalized development costs (see above). Long-lived assets held for use are reviewed for impairment when certain events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability test is performed using undiscounted future cash flows that are directly associated with the assets' use and eventual disposition. The amount of the impairment, if any, is measured as the difference between the carrying value and the fair value of the impaired assets and presented as an additional current period depreciation expense.

Long-lived assets are recorded at cost and amortization is provided for on a straight-line basis, except for the backlog which is amortized on a pro-rata basis over the life of the related sales contracts and the units delivered, over the estimated useful lives of the related assets, as follows:

Buildings and leasehold improvements	5 to 40 years
Machinery, equipment and tooling	3 to 15 years
Machinery and equipment held under capital lease	3 to 15 years
Automotive equipment	3 to 10 years
Computer and office equipment	3 to 5 years
Finite-life intangible assets	
- Software-related costs	3 to 5 years
- Backlog	Based on the life of the related sales contracts and units delivered

Amortization of construction in progress begins when they are ready for their intended use.

Government assistance

Government assistance, including investment tax credits and the discounted portion of the non-interest bearing loan, is recorded as a reduction of the related capital expenditure, development cost, inventory or expense when there is reasonable assurance that the assistance will be received. In fiscal year 2009, the Company recorded as a reduction of cost of sales an amount of $3,333 ($2,597 in 2008), and as a reduction of the related capital expenditure or development cost an amount of $937 ($2,213 in 2008) for government assistance.

Asset retirement obligations

The Company's asset retirement obligations represent essentially environmental rehabilitation costs related to the Company's manufacturing plant in Longueuil, Québec. The fair value of these obligations is measured in the year in which they are incurred when a reasonable estimate of their fair value can be made. The fair value of the obligations was determined as the sum of the estimated discounted future cash flows of the legal obligations associated with the future retirement of these rehabilitation costs. These assets retirement costs are capitalized as part of the property, plant and equipment and amortized over the relevant assets' useful lives, while changes to the present value of the obligations are charged to income.

As of March 31, 2009, a provision of $5,188 ($5,022 as of March 31, 2008) is included in the Company's accounts payable and accrued liabilities based on management's estimate of total discounted future cash flows using a rate of 4.5% (4.5% in 2008). During fiscal 2009, an accretion expense of $210 was recorded ($204 in 2008) in financial expenses (see Note 15).

Goodwill

Goodwill represents the excess of the purchase price, including acquisition costs, over the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually, or more frequently if events or circumstances, such as significant declines in expected cash flows, indicate that it is more likely than not that the asset might be impaired. Goodwill is considered to be impaired when the carrying value of a segment ("reporting unit"), including the allocated goodwill, exceeds its fair value.

The Company evaluates the recoverability of goodwill using a two-step test approach at the reporting unit. Under the first step, the fair value of the reporting unit, based upon discounted future cash flows, is compared to its net carrying amount. If the fair value is greater than the carrying amount, no impairment is deemed to exist and the second step is not required to be performed. If the fair value is less than the carrying amount, a second test must be performed whereby the implied fair value of the reporting unit's goodwill must be estimated. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. The carrying value of goodwill in excess of its implied fair value is charged to income.

Deferred financing costs

Deferred financing costs are amortized using the effective interest method and their unamortized portion is shown as a reduction of long-term debt.

Pension and other retirement benefit plans

- The actuarial determination of the accrued benefit obligations for pensions uses the accrued benefit method for the flat benefit plan and the projected benefit method prorated on services for the other plans (which incorporate management's best estimate of future salary levels, when applicable, other cost escalations, retirement ages of employees and other actuarial factors).

- For the purpose of calculating the expected return on plan assets, those assets are valuated at fair value.

- Actuarial gains (losses) arise from the difference between the actual rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period and from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The weighted-average remaining service period of the active employees is 16 years for 2009 and 2008.

- Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of active employees at the date of amendment.

- On April 1, 2000, the Company adopted the new accounting standard on employee future benefits using the prospective application method. The Company is amortizing the transitional obligation on a straight-line basis over 17 years, which was the weighted-average remaining service period of employees expected to receive benefits under the benefit plans as of April 1, 2000.

- When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

Income taxes

Income taxes are provided for using the liability method. Under this method, future income tax assets and liabilities are determined based on all significant differences between the carrying amounts and tax bases of assets and liabilities using substantively enacted tax rates and laws, which will be in effect for the year in which the differences are expected to reverse.

A valuation allowance is recorded to reduce the carrying amount of future income tax assets, when it is more likely than not that such assets will not be realized.

Earnings per share

The earnings per share amounts are determined using the weighted-average number of shares outstanding during the year. The treasury stock method is used to calculate diluted earnings per share. This method assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Stock-based compensation and other stock-based payments

- Stock option plan

  The Company has a stock option plan where options to purchase common shares are issued essentially to officers and key employees. The Company uses the binomial valuation model to determine the fair value of stock options, and expenses all granting of stock options based on their earned period. The related compensation expense is included in selling and administrative expenses and its counterpart is accounted for in the Company’s contributed surplus.

- Stock purchase and ownership incentive plan

  The Company has a stock purchase and ownership incentive plan allowing key management employees to subscribe, by salary deduction, to a number of common shares issued by the Company. The common share issuance is accounted for in the Company’s capital stock. Also, the Company matches 50% of the employee’s contribution, which cannot exceed 10% of the employee’s annual base salary, by awarding to the employee, additional common shares acquired on the Toronto Stock Exchange (TSX) at market price. However, the Company’s matching award cannot exceed 4% of the employee’s annual base salary. Common shares purchased by the Company on behalf of the employee are accounted for as a compensation expense which is included in the Company’s selling and administrative expenses.

- Stock appreciation right plan

  The Company has a stock appreciation right (SAR) plan where rights are issued to its non-employee directors. The SAR enables the participants to receive by way of bonus, on the exercise date of a SAR, a cash amount equal to the excess of the market price of a common share on the exercise date of the SAR over the granted price of the SAR. The SARs are expensed on an earned basis and their costs are determined based on the Company’s common shares quoted market value over their granted value. The related compensation expense is included in selling and administrative expenses and its counterpart is accounted for in the Company’s accounts payable and accrued liabilities.

Environmental obligations

Environmental liabilities are recorded when environmental claims or remedial efforts are probable, and the costs can be reasonably estimated. Environmental costs that relate to current operations are expensed or capitalized, as appropriate. Environmental costs of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate or prevent environmental contamination that has yet to occur are included in property, plant and equipment and are generally amortized over the remaining useful life of the underlying asset. Costs that relate to an existing condition caused by past operations, and which do not contribute to future revenue generation, are expensed.

FUTURE CHANGES IN ACCOUNTING POLICIES

Goodwill and intangible assets

In February 2008, the AcSB issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. This Section is effective for the Company for interim and annual financial statements beginning on April 1, 2009. This Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are aligned with IFRS IAS 38, *Intangible Assets*.

International Financial Reporting Standards

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required for the Company for interim and annual financial statements beginning on April 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 2 *Inventories* and IAS 38, *Intangible Assets*, thus mitigating the impact of adopting IFRS at the mandatory transition date.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the AcSB released Section 1582, which replaces Section 1581, *Business Combinations*. It provides the Canadian equivalent to IFRS 3, *Business Combinations.* For the Company, this Section applies prospectively to business combinations for which the acquisition is subsequent to fiscal 2011. Earlier application is permitted. Section 1582 must be applied together with Section 1601 and Section 1602 if it is implemented for a fiscal year beginning before April 1, 2011.

In January 2009, the AcSB also released Section 1601, *Consolidated Financial Statements* and Section 1602, Non-*Controlling Interest,* which replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements of the parent, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of IAS 27, *Consolidated and Separate Financial Statements*.

For the Company, these sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after April 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. These sections must be applied together with Section 1582, *Business Combinations* if they are implemented for a fiscal year beginning before April 1, 2011.

The Company is evaluating the effect of these new standards on its consolidated financial statements.

Note 4. Financial risk management

The Company is primarily exposed to market risk, credit risk and credit concentration risk, and liquidity risk as a result of holding financial instruments.

Market risk	Risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is primarily exposed to the following market risks: • Foreign exchange risk • Interest rate risk
Credit risk and credit concentration risk	Credit risk – Risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation Credit concentration risk – Risk that the business is concentrated on a limited number of customers and financial institutions, which could cause an increased credit risk as defined above
Liquidity risk	Risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities

Market risk

Foreign exchange risk

The Company is exposed to risks resulting from foreign currency fluctuations arising either from carrying on business in Canada in foreign currencies or through operations in the United States. Based on the last full fiscal year ended March 31, 2009, the Company's sales made from its Canadian and American operations and in the related currencies were as follow (calculated based on the Company's consolidated sales):

	CANADIAN OPERATIONS	U.S. OPERATIONS	TOTAL
U.S. currency	49%	32%	81%
Canadian currency	19%	-	19%
% consolidated sales	68%	32%	100%

The total financial instruments denominated in U.S. currency in the Company's consolidated balance sheet, as at March 31, 2009, are as follow:

	U.S. dollars
Current financial assets	$61,437
Long-term financial assets	-
Total financial assets	$61,437
Current financial liabilities	$29,177
Long-term financial liabilities	50,512
Total financial liabilities	$79,689

In an effort to mitigate the foreign currency fluctuation exposure on sales, the Company makes use of derivative contracts to hedge this exposure, essentially to the U.S. currency and arising from its Canadian operations.

The Company's foreign exchange policy requires the hedging of 50% to 75%, on average, of the identified foreign currency exposure, mainly over the next two fiscal years, of the forecasted cash inflows generated by sales in U.S. currency made by its Canadian operations and related to long-term sales contracts, net of the forecasted cash outflows in U.S. currency made by its Canadian operations and related essentially to raw material and certain other material costs. This hedging policy also applies to the net forecasted cash inflows/outflows as described above, for certain specific long-term sales contracts, on a very limited basis, for an additional period of one to three fiscal years.

As at March 31, 2009, the Company, in accordance with the foreign exchange policy explained above, had foreign exchange forward contracts totalling US$162.8 million at a weighted average rate of 1.1396 (Canadian dollar over U.S. dollar, "cad/usd") (US$145.5 million at a weighted average rate of 1.0922 cad/usd as at March 31, 2008) maturing over the next five fiscal years, with the majority maturing over the next two fiscal years.

At March 31, 2009, the Company had also entered into foreign exchange forward contracts totalling US$11.3 million at a weighted average rate of 1.2396 (nil at March 31, 2008) maturing over the next four fiscal years with the majority maturing over the next two fiscal years to cover foreign exchange risk related to certain embedded derivatives.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Company's financial instruments including the above-mentioned foreign exchange forward contracts as at the balance sheet date. As at March 31, 2009, a 1% strengthening of the Canadian dollar over the U.S. currency, while all other variables would remain fixed, would have decreased consolidated net income by $108 and increased comprehensive income by $363 while a 1% reduction would have had an opposite impact of essentially the same amounts.

Interest rate risk

The Company is exposed to interest rate fluctuations primarily due to its variable interest rate on its long-term debt's Bank Credit Facilities (see Note 15 to the consolidated financial statements). In addition, the interest rate fluctuations could also have an impact on the Company's interest income which is derived from its cash and cash equivalents.

The Company's interest rate policy generally requires, in general, maintaining an appropriate mix of fixed and variable interest rates debt to mitigate the net impact of fluctuating interest rate.

In July 2007 and March 2009, in order to limit the effect of interest rate variations over a portion of its long-term debt denominated in U.S. currency, the Company entered into a four-year interest-rate swap agreement and a two-year interest-rate swap agreements for an amount of US$15,000 and US$10,000, respectively, that fix the Libor U.S. rate at 5.53% and 1.75%, respectively. Both interest-rate swap agreements mature on August 1, 2011.

The interest rate risk sensitivity is calculated on the floating rate liability at the end of the year. Assuming a 100-basis point increase in the interest rate as at March 31, 2009, while all other variables would remain fixed, this would have reduced the Company's consolidated net income for the year then ended by $157. For the derivative financial instruments (interest-rate swap agreements), a shift of 100-basis point increase in the yield curve, as of March 31, 2009, would have increased the Company's comprehensive income for the year then ended by $607 while a 100-basis point decrease would have reduced it by $630.

Credit risk and credit concentration risk

The credit and credit concentration risks represent counterparty risks where the parties with which the Company enters into the related agreements or contracts could be unable to fulfill their commitments.

Credit risk is primarily related to the potential inability of customers to discharge their obligations with regard to the Company's accounts receivable and, of financial institutions with regard to the Company's cash and cash equivalents and derivative financial instruments.

Credit concentration risk is related to the fact that a significant portion of the Company's sales, approximately 63%, are made to a limited number of customers and that the Company deals mainly with a limited number of financial institutions.

Accounts receivable

The credit and credit concentration risks related to this financial instrument are limited due to the fact that the Company deals generally with large corporations and Government agencies, with the exception of sales made to non-governmental agencies outside North America which represent approximately 1% of the Company's total annual consolidated sales for 2009 fiscal.

Historically, the Company has not made any significant write-off of accounts receivable and the number of days in accounts receivable as at March 31, 2009 was at acceptable levels in the industries in which the Company operates.

The credit quality of accounts receivable is monitored on a regular basis through the Company's decentralized operations.

Changes in the allowance for doubtful accounts were as follows for the year ended March 31, 2009:

Balance as at April 1, 2008	$ 936
Provision for doubtful accounts	1,025
Amounts written off	(66)
Effect of foreign exchange rate changes	38
Balance as at March 31, 2009	$ 1,933

The Company's trade receivables that are past due but not impaired amounted to $12,085 as at March 31, 2009, of which $1,264 were more than 90 days past due.

Cash and cash equivalents and derivative financial instruments

The credit and credit concentration risks related to these financial instruments are limited due to the fact that the Company deals exclusively with Canadian chartered banks and their U.S. subsidiaries which have acceptable credit ratings. On that basis, the Company does not anticipate any breach of agreement by counterparties.

The maximum exposure to credit risk for financial instruments represented the following as at March 31, 2009 (See Note 6 to the consolidated financial statements):

	Held for Trading (HFT)	Hedging items [(1)]	Loans and Receivables (L&R)
Cash and cash equivalents	$ 39,759	$ -	$ -
Accounts receivable	-	-	52,190
Other receivables	-	-	1,947
Other assets	-	362	-

(1) Represents the fair value of certain derivative financial instruments designated in a hedging relationship.

Liquidity risk

The Company is exposed to the risk of being unable to honour its financial commitments by the deadlines set and under the terms of such commitments and at a reasonable price. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of long-term sales contracts and planned capital expenditures.

The maturity analysis of financial liabilities represented the following as at March 31, 2009 and includes the Company's Senior Credit Facilities negotiated and contracted only with Canadian chartered banks and their U.S. subsidiaries (See Note 6 to the consolidated financial statements):

	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 53,557	$ -	$ -	$ -	$ 53,557
Accounts payable – other	18,559	-	-	-	18,559
Long-term debt (2)	4,335	65,605 (1)	7,765	15,853	93,558
Other liabilities	-	10,444	-	-	10,444

(1) Includes the used Bank's Credit Facilities of $54,235 maturing on October 4, 2011.
(2) Includes interest accretion on non-interest bearing loans.

Note 5. Capital risk management

The general objectives of the Company's management, in terms of capital management, reside essentially in the preservation of the Company's capacity to continue operating, to continue providing benefits to its stakeholders and also, in providing an adequate return on investment to its shareholders by selling its products and services at a price commensurate with the level of operating risk assumed by the Company.

The Company thus determines the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risk characteristics of the underlying assets.

In order to maintain or adjust its capital structure, the Company can:

- Issue new common shares from treasury;
- Repurchase common shares;
- Sell certain assets to reduce indebtedness;
- Return capital to shareholders;
- Modify dividends paid to shareholders (however, the Company does not anticipate paying dividends on its outstanding common shares in the near future).

In the Company's current activity sectors involving long-term contracting and major capital expenditures, the total cash flows generated by the Company must be consistent with its net debt-to-equity ratio and comparable with wide-spread practices in these sectors. This net debt-to-equity ratio, represented by net debt divided by shareholders' equity, is the overriding factor in the Company's capital management and monitoring practices.

The net debt is equal to total debt representing the current portion of long-term debt and long-term debt, less cash and cash equivalents. Shareholders' equity includes capital stock, contributed surplus, accumulated other comprehensive income (loss) and retained earnings. In some cases, shareholders' equity may be adjusted by amounts recorded in accumulated other comprehensive income (loss), particularly those related to cash flow hedges, depending on their nature and materiality. Moreover, in some cases and for the same reasons as those indicated above, total debt and shareholders' equity may be adjusted by the amount of subordinated or unsecured loans and off-balance sheet items.

During fiscal 2009, the Company pursued the same capital management strategy as last year, which consists in generally maintaining a sufficient net debt-to-equity ratio, so as to allow access to financing at a reasonable or acceptable cost in relation to risk taken. The Company's net debt-to-equity ratio for fiscal 2009 was 0.24:1 compared to 0.29:1 last fiscal year. Moreover, the Company is not subject to any regulatory capital requirements and the Company's capital management has not changed since the prior year.

Note 6. Financial instruments

The classification of financial instruments and their carrying amounts and fair values were as follows as at:

	March 31, 2009					March 31, 2008				
	Carrying value				Fair Value	Carrying value				Fair Value
	HFT	L&R	Hedging items	Total (1)		HFT	L&R	Hedging items	Total (1)	
Financial assets										
Cash and cash equivalents	$39,759	$ -	$ -	$39,759	$39,759	$24,431	$ -	$ -	$24,431	$24,431
Accounts receivable(2)	-	52,190	-	52,190	52,190	-	44,887	-	44,887	44,887
Other receivables(3)	-	1,947	-	1,947	1,947	-	3,804	-	3,804	3,804
Other current assets(4)	-	-	-	-	-	-	2,529	6,706	9,235	9,235
Other assets(6)	-	-	362	362	362	-	-	3,641	3,641	3,641
	$39,759	$54,137	$ 362	$94,258	$94,258	$24,431	$51,220	$10,347	$85,998	$85,998

	March 31, 2009					March 31, 2008				
	Carrying value				Fair Value	Carrying value				Fair Value
	HFT	Other than HFT	Hedging items	Total (1)		HFT	Other Than HFT	Hedging items	Total (1)	
Financial liabilities										
Accounts payable and accrued liabilities(5)	$ -	$53,557	$ -	$53,557	$53,557	$ -	$48,537	$ -	$48,537	$48,537
Accounts payable – other	-	9,917	8,642	18,559	18,559	-	1,469	1,391	2,860	2,860
Long-term debt, including current portion	-	87,906	-	87,906	90,076	-	77,253	-	77,253	79,832
Long-term liabilities – Other liabilities(6)	-	-	10,444	10,444	10,444	-	-	2,234	2,234	2,234
	$ -	$151,380	$19,086	$170,466	$172,636	$ -	$127,259	$3,625	$130,884	$133,463

(1) Represents only the carrying values of financial assets and liabilities included in the corresponding balance sheet caption.
(2) Comprising trade receivables.
(3) Comprising certain other receivables.
(4) Includes the fair value of short-term derivative financial instruments.
(5) Comprising trade accounts payable and accrued liabilities, including interest and certain payroll-related liabilities and, the fair value of short-term derivative financial instruments.
(6) Includes the fair value of long-term derivative financial instruments.

Fair value of financial instruments

Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is determined by reference to quoted bid or asks prices, as appropriate, in the most advantageous active market for the instrument to which the Company has immediate access. When bid and ask prices are unavailable, the Company uses the closing price of the most recent transaction of that instrument. In the absence of an active market, the Company determines fair value based on internal or external valuation models, such as discounted cash flow analysis and using observable market-based inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses primarily external, readily observable market inputs, including factors such as interest rates, currency rates, and price and rate volatilities, as applicable. Furthermore, when determining fair value, the Company also considers the credit ratings and credit spreads of the related debtor or of the Company, as recommended by the EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". Assumptions or inputs that are not based on observable market data are used when external data are unavailable.

No profit or loss was accounted for fiscal 2009 and 2008 on financial instruments designated as HFT, except for the information provided in note 15.

Note 7. Cost of sales

During fiscal 2008, the Company wrote off a non-interest bearing loan of $1,251 ($851, net of income taxes) which was accounted for as a reduction of cost of sales for the year ended March 31, 2008. This loan was initially granted as a government incentive to promote and support the development of an aerospace program. This write-off was made as this loan was forgiven by the related government, following the conclusion that the loan's terms of repayment could not be met (see Note 15).

Note 8. Selling and administrative expenses

Foreign exchange gains or losses resulting from the translation of net monetary items denominated in foreign currencies are included in the Company's selling and administrative expenses. In fiscal 2009, the foreign exchange loss included in the Company's selling and administrative expenses amounted to $1,241 (gain of $771 in 2008 as a reduction of selling and administration expenses).

Note 9. Inventories

Inventories consist of:

	2009	2008
Raw materials	$ 51,586	$ 40,825
Work in progress and finished goods	78,273	68,447
Less: Progress billings	34,212	22,647
	$ 95,647	$ 86,625

The amount of inventories recognized as cost of sales for fiscal 2009 is detailed as follows:

	2009
Aerospace segment	$223,905
Industrial segment	27,164
	$251,069

The change in write-downs related to inventories for fiscal 2009 is detailed as follows:

	2009
Write-downs recognized as cost of sales	$ 4,742
Reversal of write-downs recognized as a reduction of cost of sales	$ 1,694

The inventory write-down reversal is determined following the revaluation, each year-end, of the net realizable value of inventories based on the related sales contracts and production costs. It also includes the charges against the reserve for products delivered during the year for which a net realizable value reserve was required and recorded in prior periods.

Note 10. Property, plant and equipment

Property, plant and equipment consist of:

	2009 Cost	2009 Accumulated amortization	2009 Net book Value
Land	$ 4,073	$ -	$ 4,073
Buildings and leasehold improvements	56,538	30,001	26,537
Machinery, equipment and tooling	226,811	114,939	111,872
Construction in progress, machinery and equipment	11,111	-	11,111
Automotive equipment	1,136	971	165
Computer and office equipment	10,386	8,663	1,723
	$ 310,055	$ 154,574	$ 155,481

	2008 Cost	2008 Accumulated amortization	2008 Net book Value
Land	$ 3,697	$ -	$ 3,697
Buildings and leasehold improvements	52,402	17,244	35,158
Machinery, equipment and tooling	175,478	100,590	74,888
Construction in progress, machinery and equipment	8,513	-	8,513
Automotive equipment	1,118	971	147
Computer and office equipment	9,630	7,437	2,193
	$ 250,838	$ 126,242	$ 124,596

The purchases of property, plant and equipment of $23,489 for the year ended March 31, 2009, ($26,773 in 2008) presented in the consolidated statements of cash flows are shown net of $9,917 ($1,469 in 2008) in machinery and equipment which were delivered in the last two months of the respective years but not yet paid as at March 31. The additions to property, plant and equipment are also presented net of machinery and equipment of $5,261 ($9,571 in 2008) which were acquired through capital leases during the year ended March 31, 2009.

Amortization expense of property, plant and equipment amounted to $18,756 in fiscal 2009 ($14,962 in 2008).

At March 31, 2009, cost of machinery, equipment and tooling includes assets acquired through capital leases amounting to $24,543 ($11,688 at March 31, 2008) with accumulated amortization of $5,408 ($5,639 as at March 31, 2008).

At March 31, 2009 and 2008, construction in progress includes the cost of new machinery and equipment being installed as of that date (see Note 21).

Note 11. Finite-life intangible assets

Finite-life intangible assets include software related costs, backlog acquired pursuant to an acquisition and the capitalized development costs related to some Aerospace long-term sales contracts. Changes in finite-life intangible assets are as follows:

	2009	2008
Balance at beginning of year	$ 5,787	$ 7,722
Transitional adjustment following a change in accounting policy (see Note 2)	1,187	-
Acquisition of software	1,554	321
Capitalization of development costs	2,167	-
Amortization	(1,350)	(1,556)
Effect of changes in exchange rate	1,845	(700)
	$ 11,190	$ 5,787

The finite-life intangible assets consist of:

	2009		
	Cost	Accumulated amortization	Net book value
Software	$ 15,761	$ 13,898	$ 1,863
Capitalized development costs	4,024	83	3,941
Backlog	9,271	3,885	5,386
	$ 29,056	$ 17,866	$ 11,190

	2008		
	Cost	Accumulated amortization	Net book Value
Software	$ 13,629	$ 12,696	$ 933
Backlog	7,545	2,691	4,854
	$ 21,174	$ 15,387	$ 5,787

Note 12. Other assets

The Company's other assets are summarized as follows:

	2009	2008
Derivative financial instruments – foreign exchange forward contracts	$ 362	$ 3,646

Note 13. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired businesses. Changes in the goodwill balance can be detailed as follows:

	2009	2008
Balance at beginning of year	$ 35,812	$ 38,093
Effect of changes in exchange rate	4,181	(2,281)
	$ 39,993	$ 35,812

Note 14. Accounts payable – others

The Company's accounts payable – others are summarized as follows:

	2009	2008
Derivative financial instruments – foreign exchange forward contracts	$ 8,642	$ 1,391
Machinery and equipment (see Note 10)	9,917	1,469
	$ 18,559	$ 2,860

Note 15. Long-term debt

	2009	2008
Senior Secured Syndicated Revolving Credit Facilities ("Credit Facilities") of up to $125,000 ($80,000 as of March 31, 2008) (see below), either in Canadian or U.S. currency equivalent, maturing on October 4, 2011, with no extension, which bear interest at bankers' acceptance plus 1.0% for the Canadian Credit Facilities at March 31, 2009 (representing an effective interest rate of 1.7%; 4.6% in 2008) and at Libor plus 1.0% at March 31, 2009 for the U.S. Credit Facilities (representing an effective interest rate of 1.5%; 3.7% in 2008).		
At March 31 2009, the Company used nil ($9,000 at March 31, 2008) and US$43,000 on the Credit Facilities (US$43,000 at March 31, 2008).	$ 54,235	$ 53,140
Non-interest bearing loans, repayable in variable annual instalments, with various expiry dates until 2025.	19,042	12,977
Obligations under capital leases bearing interest between 4.2% and 9.3% maturing from June 2009 to January 2016, with amortization periods ranging from five to eight years, secured by the related property, plant and equipment, net of interest of $2,355 ($1,797 at March 31, 2008).	14,509	11,773
Deferred financing costs, net	(518)	(637)
	87,268	77,253
Less: current portion	4,221	5,011
	$ 83,047	$ 72,242

Senior Secured Syndicated Revolving Credit Facilities

The Senior Secured Revolving Credit Facilities will mature on October 4, 2011, with no extension. On April 14, 2008, the Company increased its $80 million Credit Facilities to $125 million, essentially under the same terms and conditions.

These Credit Facilities allow the Company and its subsidiaries to borrow up to $125,000 (either in Canadian and U.S. currency equivalent – see below), from a group of banks and their U.S. subsidiaries or branches and are used for working capital, capital expenditures and other general corporate purposes, are secured by all assets of the Company, and its subsidiaries and are subject to certain covenants and corporate guarantees granted by the Company and its subsidiaries.

Interest rates vary based on prime, bankers' acceptance, Libor or U.S. base rate plus a relevant margin depending on the level of the Company's indebtedness and cash flows.

These Credit Facilities are governed by two credit agreements (Canadian and U.S.).

Non-interest bearing loans

Non-interest bearing loans represent essentially government assistance for the purchase of specialized equipment or tooling and for the modernization or additions to the Company's facilities. They were granted as incentives under certain federal regional programs and provincial industrial programs to promote the development of the industry in Canada. Some of these loans are repayable according to certain specific terms, in particular depending on the Company's aerospace sales and the Company's sales of certain predetermined aircraft landing gear or parts within specific timeframes (see Note 7 – Cost of sales).

These loans are measured at a discounted value using a market rate of interest and the discount is accreted to net income using the effective interest rate.

Covenants

Long-term debt is subject to certain general and financial covenants related among others to the working capital, capital expenditures, indebtedness, cash flows and equity of the Company and/or certain subsidiaries. As at March 31, 2009, the Company had complied with all covenants.

Minimum repayments

Minimum repayments of long-term debt during the next five years are as follows:

Years ending March 31

Years	Repayments on capital leases	Repayments on non-interest bearing loans	Repayments of credit facilities	Total
2010	$ 3,419	$ 1,651	$ –	$ 5,070
2011	2,702	1,689	–	4,391
2012	2,692	613	54,235	57,540
2013	2,670	2,436	–	5,106
2014	4,631	3,301	–	7,932

The minimum repayments include interest on obligations under capital leases of $2,355.

Financial expenses for the years ended March 31 comprise the following:

	2009	2008
Interest	$ 3,230	$ 4,321
Interest accretion on non-interest bearing loans	1,147	743
Amortization of deferred financing costs	168	183
Standby fees	210	157
Accretion expense of asset retirement obligations	210	204
Amortization of net deferred loss related to derivative financial instruments	-	51
Gain on financial instruments classified as HFT - Interest income	(480)	(660)
Financial expenses, net	$ 4,485	$ 4,999

Note 16. Other liabilities

The Company's other liabilities comprise the following:

	2009	2008
Pension plans and other post-retirement benefits (Note 20)	$ 5,288	$ 6,330
Derivative financial instruments – interest rate swaps	2,030	1,397
Derivative financial instruments – foreign exchange forward contracts	8,414	837
Other	250	-
	$ 15,982	$ 8,564

Note 17. Capital stock

Authorized capital stock

The authorized capital stock of the Company consists of the following:

An unlimited number of voting common shares, without par value;
An unlimited number of first preferred shares, issuable in series; and
An unlimited number of second preferred shares, issuable in series.

The rights, privileges, restrictions and conditions related to the preferred shares may be established by the Board of Directors.

The issued and outstanding capital stock of the Company consists of the following:

	2009	2008
31,171,688 common shares at March 31, 2009 (31,639,019 at March 31, 2008)	$102,822	$104,260

Issuance of common shares

During fiscal 2009, the Company issued 66,669 common shares at a weighted average price of $4.81 for a total net cash consideration of $321. These shares were all issued under the Company's stock purchase and ownership plan (see below).

During fiscal 2008, the Company issued 111,002 common shares at a weighted-average price of $5.77 for a total net cash consideration of $640. A number of 83,300 common shares were issued (all in the first quarter of fiscal 2008) following the exercise of stock options for a total cash consideration of $413 and the remainder of 27,702 common shares were issued under the Company's stock purchase and ownership incentive plan for a total net cash consideration of $227 (see below).

Normal course issuer bid

On November 24, 2008, the Company launched a normal course issuer bid ("NCIB") under which the Company may repurchase up to 1,500,000 of its common shares, representing approximately 5% of the issued and outstanding common shares. The NCIB terminates on November 23, 2009, or on such earlier date as the Company may complete its repurchases.

During fiscal 2009, the Company repurchased 534,000 shares at an average price of $3.93, for a total net cash consideration of $2,099 under the normal course issuer bid. The excess ($340) of the cost of the common shares over their average book value ($1,759) was accounted for as a reduction of the Company's retained earnings.

From the 534,000 repurchased common shares during fiscal year 2009, 30,000 shares had not been cancelled yet as of March 31, 2009.

Stock option plan

Under the stock option plan (the "plan"), stock options ("options") are granted to officers and key employees to purchase the Company's common shares. The plan establishes that the subscription price shall not be lower than the average closing price of the related shares for the five trading days preceding the granting of the options. Options generally may be exercised after the first anniversary of the date of grant until the seventh anniversary of the date of grant. They vest over a period ranging from one to four years. For options granted after September 1, 2003, a predetermined target market price level must be reached in order for such options to become exercisable. Cancelled or forfeited options are included in the remaining number of shares reserved for issuance under the plan.

The aggregate number of common shares reserved for issuance under the plan is 2,808,257 of which 249,718 shares had not yet been granted as at March 31, 2009.

During fiscal 2009, the Company granted 175,000 options (355,000 in 2008) to key employees representing a total fair value of $802 ($1,378 in 2008) or a weighted-average fair value per option of $4.58 ($3.88 in 2008) calculated using a binomial valuation model assuming a six-year expected life, expected volatility of 47% (48% in 2008), no expected dividend distribution and a compounded risk free interest rate of 3.6% (4.5% in 2008). Option cost is amortized over their vesting period and an expense of $260 ($424 in 2008) was accounted for in selling and administrative expenses with a corresponding credit to the contributed surplus in the Company's shareholders' equity.

As of March 31, 2009, 1,384,221 stock options were issued and outstanding as follows:

	Outstanding options			Vested options	
Range of exercise price	Number	Weighted-average years to maturity	Weighted-average exercise price	Number	Weighted-average exercise price
$3.50 to $4.99	806,221	4.16	$4.58	520,721	$4.54
$5.00 to $6.49	148,000	2.42	5.00	148,000	5.00
$6.50 to $10.00	430,000	4.48	9.88	163,750	9.84
	1,384,221	4.08	$6.27	832,471	$5.67

During the fiscal years ended March 31, the number of options has changed as follows:

	2009		2008	
	Weighted-average exercise price	Number of stock options	Weighted-average exercise price	Number of stock options
Balance at beginning of year	$6.68	1,274,221	$ 5.49	1,090,521
Granted	4.58	175,000	9.90	355,000
Exercised	-	-	4.96	(83,300)
Cancelled / forfeited	9.65	(65,000)	6.55	(88,000)
Balance at end of year	$6.27	1,384,221	$ 6.68	1,274,221

Stock purchase and ownership incentive plan

On September 2, 2004, the Board of Directors of the Company approved a stock purchase and ownership incentive plan to induce management employees to hold, on a long-term basis, common shares of the Company.

Under this plan, eligible employees can subscribe monthly, by salary deductions, up to 10% of their base salary, a number of common shares issued by the Company corresponding to their monthly contribution. The subscription price of the issued common shares represents 90% of the average closing price of the Company's common share on the TSX over the five trading days preceding the common share subscription. Also, the Company matches 50% of the employee's contribution by awarding the employee, on a monthly basis, additional common shares acquired on the TSX at market price. However, the Company's matching award cannot exceed 4% of the employee's annual base salary. Common shares awarded to the employee, as well as the subscribed common shares, will vest and be released over a three-year period; the first period began on July 1, 2005.

A trustee is in charge of the administration of the plan, including market purchases and subscriptions to the Company's common shares for and on behalf of the participating employees.

The aggregate number of common shares reserved for issuance under this plan represents 340,000 common shares and has been taken out from the common shares already reserved for the Company's stock option plan.

During fiscal 2009, 66,669 common shares were issued for a total cash consideration of $321 (27,702 for a total cash consideration of $227 in 2008) and 27,047 common shares were awarded (12,279 in 2008) to the participating employees. Since the beginning of the plan, 173,829 common shares were issued and 74,625 common shares were awarded to the participating employees. The cost related to the awarded common shares amounting to $151 is recorded as compensation expense ($114 in 2008) and is included in the Company's selling and administrative expenses.

Stock appreciation rights plan

The Company has a stock appreciation rights ("SAR") plan under which rights are issued to its non-employee directors. The SAR enables the participants to receive by way of bonuses, on the exercise date of a SAR, a cash amount equal to the excess of the market price of the Company's common share over the granted price of the SAR.

In fiscal 2009, 35,000 SARs were granted (all in the second quarter of fiscal 2009) at a granted value of $7.29 (24,000 SARs at a granted value of $9.90 in 2008). The SARs are expensed on an earned basis and their costs are determined based on the Company's common shares quoted market value over their granted price. In fiscal 2009, no expense was recorded for SARs ($257 was recorded for fiscal 2008).

In fiscal 2009, no SARs were exercised (7,500 SARs at an average granted value of $6.56 last year) and 7,500 SARs were cancelled all in the second quarter of fiscal 2009 (9,000 SARs for the same period last year).

As at March 31, 2009, on a cumulative basis, 123,000 SARs were still outstanding at a weighted-average granted value of $6.59 (95,500 SARs at a weighted-average granted value of $6.53 as at March 31, 2008) which expire on various dates from fiscal 2010 to 2015.

Note 18. Income taxes

The computation of income tax expense is as follows:

	2009	2008
Income taxes at combined federal and provincial tax rates	$ 9,345	$ 7,330
Changes in enacted rates	87	261
Recognition of tax benefits – losses carried forward and other items	(201)	(2,420)
Permanent differences	(898)	(696)
Income tax rate difference – U.S. subsidiaries	393	70
Impact of income tax rate differential on future income taxes	(55)	(424)
Other items	(66)	(371)
	$ 8,605	$ 3,750

Temporary differences and loss carry-forwards, which give rise to future income tax assets and liabilities, are as follows:

	2009	2008
Future income tax assets		
Current		
Non-deductible reserves	$ 3,766	$ 5,255
Inventories	4,626	3,185
Receivables	637	334
Derivative financial instruments	2,933	455
Other	(790)	(87)
	$ 11,172	$ 9,142
Future income tax liabilities		
Current		
Non-deductible reserves	$ 3,273	$ 4,497
Derivative financial instruments	295	2,183
	$ 3,568	$ 6,680
Long-term		
Property, plant and equipment	$ 9,152	$ 9,362
Goodwill	2,612	1,793
Non-deductible reserves	(845)	(1,442)
Non-interest bearing loans	389	(500)
Future tax benefits from tax losses	-	(572)
Derivative financial instruments	(2,818)	1,212
	$ 8,490	$ 9,853

As at March 31, 2009, there were no operating losses carried forward and other temporary differences for which no related income tax assets have been recognized in the consolidated financial statements.

Income tax expense is as follows:	2009	2008
Current	$ 3,835	$ 2,128
Future	4,770	1,622
	$ 8,605	$ 3,750

Note 19. Net change in non-cash working capital items related to operations

The net change in non-cash working capital items related to operations is detailed as follows:

	2009	2008
Accounts receivable	$ (7,303)	$ 1,963
Income tax receivable	(215)	(2,892)
Other receivables	1,681	(755)
Inventories	(14,504)	10,749
Prepaid expenses	(553)	(484)
Other current assets	2,511	(488)
Accounts payable and accrued liabilities and, other liabilities	7,152	(20,128)
Accounts payable – other	1,391	(1,391)
Income tax payable	1,821	2,349
Effect of changes in exchange rate(1)	5,236	(3,703)
	$ (2,783)	$ (14,780)

(1) Reflects the total impact of changes in exchange rate during the related period on non-cash items listed above for the Company's U.S. subsidiaries.

Note 20. Pension and other retirement benefit plans

Description of benefit plans

The Company has funded and unfunded defined benefit pension plans as well as defined contribution pension plans that provide pension benefits to its employees. Retirement benefits provided by the defined benefit pension plans are based on either years of service and flat amount, years of service and final average salary, or set out by individual agreements.

Benefits provided by the post-retirement benefit plans are set out by individual agreements, which mostly provide for life insurance coverage and health care benefits. Since their amount is not significant, they are not included in the figures below.

Total cash payments

Total cash payments for employee future benefits for fiscal 2009, consisting of cash contributed by the Company to its funded defined benefit pension plans and cash payments directly to beneficiaries for its unfunded defined benefit pension plans were $2,768 ($1,668 in 2008) while the cash contributed to its defined contribution plans amounted to $1,751 ($1,546 in 2008).

Defined benefit plans

The Company measures the fair value of plan assets for accounting purposes as at March 31 of each year while its defined benefit obligations are valued as at December 31 of each year and projected to March 31 for all plans except one, for which the valuation is carried out as at March 31. The most recent actuarial valuation for funding purposes of the Unionized Pension Plan was performed as at December 31, 2007. A partial actuarial valuation is being conducted as at May 1, 2009 to reflect benefits negotiated on May 1, 2008 and a complete actuarial valuation will be conducted no later than December 31, 2010. The most recent actuarial valuations for funding purposes of the Registered Executive Pension Plans were as at January 1, 2006. The next required actuarial valuations will be conducted as at January 1, 2009 and will be completed by September 30, 2009.

Defined benefit pension plan obligations

Accrued benefit obligations	2009	2008
Balance at beginning of year	$ 34,825	$ 34,732
Current service cost	1,106	1,023
Employee contributions	653	618
Interest cost	1,701	1,545
Benefits paid	(1,574)	(1,685)
Actuarial gains	(7,878)	(1,408)
Balance at end of year	$ 28,833	$ 34,825

Defined benefit pension plan assets

Fair value of plan assets	2009	2008
Balance at beginning of year	$ 20,336	$ 20,416
Actual return on plan assets	(2,951)	(681)
Employer contributions	2,768	1,668
Employee contributions	653	618
Benefits paid	(1,574)	(1,685)
Balance at end of year	$ 19,232	$ 20,336

Plan assets consist of:

Asset category(1)	2009	2008
Equity securities	56%	60 %
Debt securities	38	34
Other	6	6
Total	100%	100 %

(1) Measured as of the measurement date as at March 31 of each year.

Reconciliation of the funded status of the defined benefit pension plans to the amounts recorded in the consolidated financial statements

	2009	2008
Fair value of plan assets	$ 19,232	$ 20,336
Accrued benefit obligations	28,833	34,825
Funded status – plans deficit	(9,601)	(14,489)
Unamortized net actuarial loss	2,672	6,323
Unamortized past service cost	1,046	1,167
Unamortized transitional obligation	595	669
Accrued benefit liability, net of valuation allowance	$ (5,288)	$ (6,330)

The accrued benefit liability, net of valuation allowance, is included in the Company's consolidated balance sheets under other long-term liabilities (Note 16 – Other liabilities).

Plans with accrued benefit obligations in excess of plan assets

The above accrued benefit obligations and fair value of plan assets at year-end represent also all amounts in respect of pension plans that are not fully funded.

Elements of defined benefit pension costs recognized in the year

	2009	2008
Current service cost, net of employee contributions	$ 1,106	$ 1,023
Interest cost	1,701	1,545
Actual return on plan assets	2,951	681
Actuarial gains	(7,878)	(1,408)
Elements of employee future benefits costs before adjustments to recognize the long-term nature of employee future benefit costs	$ (2,120)	$ 1,841
Adjustments to recognize the long-term nature of employee future benefit costs:		
▪ Difference between expected return and actual return on plan assets for the year	(4,440)	(2,132)
▪ Difference between actuarial (gain) loss recognized for the year and actual actuarial (gain) loss on accrued benefit obligations for the year	8,091	1,606
▪ Difference between amortization of past service costs for the year and actual plan amendments for the year	121	121
▪ Amortization of the transitional obligations	74	101
Defined benefit pension costs recognized	$ 1,726	$ 1,537

Significant assumptions

The significant assumptions used are as follows (weighted-average):

	2009	2008
Accrued benefit obligations as at March 31:		
Discount rate	7.50%	5.20 %
Rate of compensation increase	3.50	3.50
Defined benefit pension costs for years ended March 31:		
Discount rate	5.20%	4.80 %
Expected long-term rate of return on plan assets	7.00	7.00
Rate of compensation increase	3.50	3.50

Defined contribution pension plans

The defined contribution pension costs are as follows:

	2009	2008
Defined contribution pension costs	$ 1,751	$ 1,546

Note 21. Commitments

Building lease contracts

The Company has entered into leases for buildings which are used for manufacturing operations and administration. The total commitments at March 31, 2009 amounted to $2,029 excluding escalation clauses. The minimum annual lease payments over the next five years are: $576 in 2010, $519 in 2011, $455 in 2012, $329 in 2013 and $150 in 2014.

Operating lease contracts – machinery and equipment

Under operating lease contracts for machinery and equipment used for its manufacturing operations, the Company has commitments at March 31, 2009 of $7,171 for which the minimum annual operating lease payments, over the next five years, are: $1,940 in 2010, $1,515 in 2011, $1,407 in 2012, $1,337 in 2013 and $972 in 2014.

Under these operating lease contracts, the Company has the option to purchase the related machinery and equipment at the end of the contract. These purchase option payments, if exercised, represent the following: $600 in 2010 and $612 in 2014.

Machinery and equipment acquisition commitments

The Company has released purchase orders relating to machinery and equipment which have not been delivered yet to the Company's facilities. These outstanding purchase orders at March 31, 2009 amounted to $4,709 ($16,546 in 2008) for which $1,115 ($2,299 in 2008) of deposits on machinery and equipment were made and are included in the Company's other receivable.

Guarantees

The Company executes agreements that provide for indemnification and guarantees to counterparties in transactions such as business disposition and the sale of assets.

These indemnification undertakings and guarantees may require the Company to compensate the counterparties for costs or losses incurred as a result of various events including breaches of representations and warranties, intellectual property right infringement, loss of or damage to property environmental liabilities, changes in or in the interpretation of laws and regulations (including tax legislation), valuation differences or as a result of litigation that may be suffered by the counterparties.

In the sale of all or a part of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Company may be subjected to indemnify against claims from its past conduct of the business. The nature of these indemnification agreements prevents the Company from estimating the maximum potential liability that could be required under guarantees, since these events have not yet occurred. The duration of these indemnification agreements could extend up to 2024. At March 31, 2009 and 2008, an amount of $6,000 was provided for in the Company's accounts payable and accrued liabilities in respect to these items.

Note 22. Contingencies

The Company is involved in litigations and claims in the normal course of business. Management is of the opinion that any resulting settlements would not materially affect the financial position and operating results of the Company.

Note 23. Segmented information

Based on the nature of the Company's markets (clients, manufacturing techniques and regulatory requirements), two main operating segments were identified: Aerospace and Industrial. The Aerospace segment includes the design, development, manufacture, repair and overhaul and sale of systems and components for military and civil aviation, while the Industrial segment represents essentially the manufacture and sale of gas turbine components and other high precision machined products for the wind energy and heavy equipment industries.

The Company evaluates the performance of its operating segments primarily based on operating income before financial expenses and income tax expense.

The Company accounts for intersegment and related party sales and transfers, if any, at the exchange amount.

The accounting policies used to account for the operating segments are the same as those described in the summary of the Company's significant accounting policies.

Segmented information consists of the following:

Activity segments

	2009			2008		
	Aerospace	Industrial	Total	Aerospace	Industrial	Total
Sales	$ 299,418	$ 38,217	$ 337,635	$ 278,919	$ 28,963	$ 307,882
Operating income	29,291	5,162	34,453	27,370	398	27,768
Financial expenses			4,485			4,999
Income before income tax expense			29,968			22,769
Assets	385,043	32,131	417,174	333,493	22,961	356,454
Goodwill	38,864	1,129	39,993	34,893	919	35,812
Additions to property, plant and equipment	20,512	2,977	23,489	23,141	3,632	26,773
Increase in finite-life intangible assets	3,721	-	3,721	283	38	321
Amortization	17,084	3,022	20,106	13,990	2,528	16,518

Geographic segments

	2009			2008		
	Canada	U.S.	Total	Canada	U.S.	Total
Sales	$ 229,836	$ 107,799	$ 337,635	$ 220,157	$ 87,725	$ 307,882
Property plant and equipment, net	94,706	60,775	155,481	74,623	49,973	124,596
Finite-life intangible assets, net	5,692	5,498	11,190	754	5,033	5,787
Goodwill	18,266	21,727	39,993	17,534	18,278	35,812
Export sales (1)	$ 124,638			$ 124,208		

66% of the Company's sales (68% in 2008) were to U.S. clients.

(1) Export sales are attributed to countries based on the location of the clients.

Note 24. Reclassification

Comparative figures for the financial statements as at March 31, 2008 and for the year then ended have been reclassified to conform to the March 31, 2009 presentation.