

**SAVARIA CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2011 AND 2010 AND JANUARY 1, 2010**

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**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of "**SAVARIA CORPORATION**" are the responsibility of management and have been approved by the Board of Directors.

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and necessarily include some amounts that are based on management's best estimates and judgements.

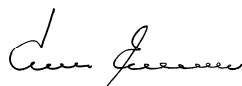
To discharge its responsibilities, the Corporation has developed and maintains systems of internal accounting controls and has established policies and procedures adapted to the industry in which it operates. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors must ensure that management fulfils its financial reporting responsibilities and is ultimately responsible for reviewing and approving the financial statements. The Audit Committee meets regularly with management to discuss the internal controls over the financial reporting process and financial reporting issues. The Committee also reviews the annual consolidated financial statements and the external auditors' report, and reports its findings to the Board for consideration when approving the financial statements for issuance to the Corporation's shareholders. The auditors appointed by the shareholders have full access to the Audit Committee, with or without management being present.

The consolidated financial statements as at December 31, 2011 and for the year then ended have been audited by the auditors appointed by the shareholders, KPMG LLP, Chartered Accountants.



Marcel Bourassa  
Chairman of the Board and Chief Executive Officer



Jean-Marie Bourassa, CA  
Chief Financial Officer

Laval (Québec) Canada  
March 29, 2012



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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of Savaria Corporation

We have audited the accompanying consolidated financial statements of Savaria Corporation, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Savaria Corporation as at as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

*KPMG LLP\**

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Chartered Accountants

Montréal, Canada

March 29, 2012

**SAVARIA CORPORATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(in thousands of dollars)*

	Note	December 31, 2011	December 31, 2010	January 1, 2010
<b>Assets</b>				
<b>Current assets</b>				
Cash		\$ 3 931	\$ 6 041	\$ 4 823
Restricted cash	14	400	400	400
Trade and other receivables	5	9 120	10 444	7 455
Foreign exchange forward contracts	23D	83	105	555
Current portion of long-term loans	7	328	90	27
Tax credits receivable		526	916	467
Inventories	6	14 371	14 536	12 600
Prepaid expenses		633	940	814
Current portion of long-term investments	11	710	795	-
<b>Total current assets</b>		<b>30 102</b>	<b>34 267</b>	<b>27 141</b>
<b>Non-current assets</b>				
Restricted cash	14	700	1 100	1 500
Foreign exchange forward contracts	23D	44	-	-
Tax credits receivable		509	524	558
Long-term loans	7	347	324	105
Fixed assets	8	1 741	1 930	1 566
Goodwill	9	4 051	4 051	506
Intangible assets	10	2 797	3 194	1 390
Long-term investments	11	753	704	5 758
Other assets		16	-	45
Deferred tax assets	19	1 353	1 256	1 403
<b>Total non-current assets</b>		<b>12 311</b>	<b>13 083</b>	<b>12 831</b>
<b>Total assets</b>		<b>\$ 42 413</b>	<b>\$ 47 350</b>	<b>\$ 39 972</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Bank loans	12	\$ 75	\$ 1 990	\$ 1 080
Trade and other payables	13	6 123	6 547	6 249
Income taxes payable		382	133	101
Deferred revenues		1 930	2 043	415
Current portion of long-term debt	14	4 877	4 236	1 845
Warranty provision	15	338	356	264
<b>Total current liabilities</b>		<b>13 725</b>	<b>15 305</b>	<b>9 954</b>
<b>Non-current liabilities</b>				
Long-term debt	14	7 984	9 156	8 852
Warranty provision	15	417	425	394
Deferred tax liabilities	19	142	386	-
<b>Total non-current liabilities</b>		<b>8 543</b>	<b>9 967</b>	<b>9 246</b>
<b>Total liabilities</b>		<b>22 268</b>	<b>25 272</b>	<b>19 200</b>
<b>Equity</b>				
Share capital	16	13 260	12 630	12 633
Share capital to be issued	4	-	567	-
Contributed surplus		2 114	2 064	1 910
Accumulated other comprehensive income		665	2 081	2 012
Retained earnings		4 106	4 736	4 217
<b>Total equity</b>		<b>20 145</b>	<b>22 078</b>	<b>20 772</b>
<b>Total liabilities and equity</b>		<b>\$ 42 413</b>	<b>\$ 47 350</b>	<b>\$ 39 972</b>

The notes on pages 9 to 58 are an integral part of these audited consolidated financial statements.

**SAVARIA CORPORATION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*(in thousands of dollars, except per share amounts)*

	Note	2011	2010
<b>Revenue</b>		\$ 65 274	\$ 65 236
<b>Cost of sales</b>		( 47 041 )	(47 024)
<b>Gross margin</b>		18 233	18 212
<b>Operating costs</b>			
Administrative expenses		( 7 035 )	(6 906)
Selling expenses		( 5 476 )	(5 269)
Engineering and research and development expenses		( 2 327 )	(2 077)
		( 14 838 )	(14 252)
Other income		-	434
<b>Operating income</b>		3 395	4 394
Finance income	18	233	52
Finance costs	18	( 750 )	(986)
<b>Net finance costs</b>		( 517 )	(934)
<b>Income before income tax</b>		2 878	3 460
Income tax expense	19	( 877 )	(892)
<b>Net income</b>		2 001	2 568
<b>Other comprehensive income</b>			
Change in the fair value of foreign exchange contracts designated as cash flow hedges		182	2 253
Deferred income tax		( 47 )	(626)
		135	1 627
Gains on foreign exchange contracts transferred to net income in the current year		( 2 237 )	(2 176)
Deferred income tax		599	633
		( 1 638 )	(1 543)
Net change in fair value of derivatives designated as cash flow hedges		( 1 503 )	84
Unrealized net gains (losses) on translation of financial statements of self-sustaining foreign operations		87	(15)
<b>Other comprehensive (loss) income, net of income tax</b>		( 1 416 )	69
<b>Total comprehensive income</b>		\$ 585	\$ 2 637
<b>Earnings per share:</b>	20		
Basic		\$ 0,09	\$ 0,12
Diluted		\$ 0,09	\$ 0,12

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**SAVARIA CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*(in thousands of dollars)*

	2010						
	Share capital		Share capital to be issued	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount					
<b>Balance at January 1, 2010</b>	<b>22 158 219</b>	<b>\$ 12 633</b>	<b>\$ -</b>	<b>\$ 1 910</b>	<b>\$ 2 012</b>	<b>\$ 4 217</b>	<b>\$ 20 772</b>
<b><u>Total comprehensive income</u></b>							
<b>Net Income</b>	-	-	-	-	-	2 568	2 568
<b>Other comprehensive income :</b>							
Change in the fair value of foreign exchange contracts designated as cash flow hedges, net of tax	-	-	-	-	1 627	-	1 627
Gains on foreign exchange contracts transferred to net income in the current year, net of tax	-	-	-	-	(1 543)	-	(1 543)
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	-	-	-	-	(15)	-	(15)
<b>Other comprehensive income</b>	-	-	-	-	69	-	69
<b>Total comprehensive income</b>	-	\$ -	\$ -	\$ -	\$ 69	\$ 2 568	\$ 2 637
<b><u>Transactions with owners, recorded directly in equity</u></b>							
Cancelled shares following issuer bid	(290 655)	(166)	-	-	-	(180)	(346)
Compensation expense on options granted	-	-	-	154	-	-	154
Share options exercised	50 000	43	-	-	-	-	43
Dividend on common shares	-	-	-	-	-	(1 869)	(1 869)
Shares to be issued in relation to a business acquisition (note 4)	-	-	567	-	-	-	567
Shares issued in relation to a business acquisition (note 4)	100 000	120	-	-	-	-	120
<b>Total transactions with owners</b>	<b>(140 655)</b>	<b>(3)</b>	<b>567</b>	<b>154</b>	<b>-</b>	<b>(2 049)</b>	<b>(1 331)</b>
<b>Balance at December 31, 2010</b>	<b>22 017 564</b>	<b>\$ 12 630</b>	<b>\$ 567</b>	<b>\$ 2 064</b>	<b>\$ 2 081</b>	<b>\$ 4 736</b>	<b>\$ 22 078</b>

The notes on pages 9 to 58 are an integral part of these audited consolidated financial statements.



**SAVARIA CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*(in thousands of dollars)*

	2011						
	Share capital		Share capital to be issued	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount					
<b>Balance at January 1, 2011</b>	22 017 564	\$ 12 630	\$ 567	\$ 2 064	\$ 2 081	\$ 4 736	\$ 22 078
<b><u>Total comprehensive income</u></b>							
<b>Net income</b>	-	-	-	-	-	2 001	2 001
<b>Other comprehensive income :</b>							
Change in the fair value of foreign exchange contracts designated as cash flow hedges, net of tax	-	-	-	-	135	-	135
Gains on foreign exchange contracts transferred to net income in the current year, net of tax	-	-	-	-	(1 638)	-	(1 638)
Unrealized net gains on translation of financial statements of self-sustaining foreign operations	-	-	-	-	87	-	87
<b>Other comprehensive income</b>	-	-	-	-	(1 416)	-	(1 416)
<b>Total comprehensive income</b>	-	\$ -	\$ -	\$ -	\$ (1 416)	\$ 2 001	\$ 585
<b><u>Transactions with owners, recorded directly in equity</u></b>							
Cancelled shares following issuer bid	(269 200)	(155)	-	-	-	(263)	(418)
Compensation expense on options granted	-	-	-	104	-	-	104
Share options exercised	132 500	218	-	(54)	-	-	164
Dividend on common shares	-	-	-	-	-	(2 368)	(2 368)
Shares issued in relation to a business acquisition (note 4)	1 000 000	567	(567)	-	-	-	-
<b>Total transactions with owners</b>	863 300	630	(567)	50	-	(2 631)	(2 518)
<b>Balance at December 31, 2011</b>	22 880 864	\$ 13 260	\$ -	\$ 2 114	\$ 665	\$ 4 106	\$ 20 145

The notes on pages 9 to 58 are an integral part of these audited consolidated financial statements.

**SAVARIA CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*(in thousands of dollars)*

	Note	2011	2010
<b>Cash flow from operating activities</b>			
Net income		\$ 2 001	\$ 2 568
Adjustments for :			
Depreciation of fixed assets	8	688	507
Amortization of intangible assets	10	792	819
Change in the fair value of restructured notes and put option	11	(64)	49
Income tax expense	19	877	892
Capitalized finance costs on long-term debt		210	249
Compensation expense on share options granted	22	104	154
Foreign exchange contracts cashed in advance		-	2 530
Gains on foreign exchange contracts cashed in advance and transferred to net income		(2 076)	(2 004)
Gain on the sale of fixed assets		-	(3)
Unrealized foreign exchange loss (gain) on non-current monetary items		107	(123)
Business acquisition at a bargain purchase price	4	-	(398)
Interest cost		540	432
		<b>3 179</b>	<b>5 672</b>
Net changes in non-cash operating items	21	<b>1 032</b>	<b>(2 051)</b>
Increase in long-term loans		(21)	(279)
Proceeds from long-term loans		97	72
Income tax paid		(142)	(147)
<b>Net cash from operating activities</b>		<b>4 145</b>	<b>3 267</b>
<b>Cash flows from (used in) investing activities</b>			
Business acquisition, net of cash acquired	4	-	(3 869)
Receipts of long-term investments		100	4 210
Change in restricted cash		400	400
Proceeds from sales of fixed assets		29	43
Additions to fixed assets	8	(515)	(392)
Increase in intangible assets	10	(395)	(605)
<b>Net cash used in investing activities</b>		<b>(381)</b>	<b>(213)</b>
<b>Cash flows from (used in) financing activities</b>			
Changes in bank loans		(1 915)	910
Increase in long-term debt		2 628	2 041
Repayment of borrowings		(3 410)	(2 183)
Interest paid		(539)	(432)
Change in deferred expenses related to a long-term debt		(16)	-
Repurchase of common shares		(418)	(346)
Proceeds from exercise of share options		164	43
Dividend paid on common shares	16	(2 368)	(1 869)
<b>Net cash used in financing activities</b>		<b>(5 874)</b>	<b>(1 836)</b>
<b>Net change in cash</b>		<b>(2 110)</b>	<b>1 218</b>
Cash at January 1		6 041	4 823
<b>Cash at December 31</b>		<b>\$ 3 931</b>	<b>\$ 6 041</b>

The notes on pages 9 to 58 are an integral part of these audited consolidated financial statements.

**SAVARIA CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2011 AND 2010 AND JANUARY 1, 2010

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## **SAVARIA CORPORATION**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts are expressed in thousands of dollars, except share and option data)*

#### **1 . Reporting entity**

Savaria Corporation is a company domiciled in Canada. The address of its registered office is 2724 Etienne-Lenoir, Laval, Quebec. The consolidated financial statements of the Corporation as at and for the years ended December 31, 2011 and 2010 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation"). The activities of the Corporation consist of manufacturing, installing and distributing elevators, platform lifts and stairlifts for people with mobility challenges as well as converting and adapting vehicles also for persons with mobility challenges.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2010 which were prepared under Canadian generally accepted accounting principles ("GAAP") are available upon request from the Corporation's registered office or at [www.savaria.com](http://www.savaria.com).

#### **2 . Basis of presentation**

##### **A) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Corporation is provided in note 31. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods and at the date of transition under IFRS.

These consolidated financial statements have been audited by the Corporation's auditors and were approved by the Board of Directors on March 29, 2012.

##### **B) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- derivative financial instruments are measured at fair value;
- long-term investments in restructured notes and put option are measured at fair value through net income.

##### **C) Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

##### **D) Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

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

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are:

- inventory obsolescence provisions;
- goodwill;
- measurement of the fair value of the financial instruments, including derivatives, investments in restructured notes and put option.

### 3 . Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purpose of the transition to IFRS, unless otherwise indicated.

#### **A) Basis of consolidation**

##### **(i) Business combinations**

###### *Acquisitions on or after January 1, 2010*

For acquisitions on or after January 1, 2010, the Corporation measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net income.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

###### *Acquisitions prior to January 1, 2010*

As part of its transition to IFRS, the Corporation elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount previously recognized under Canadian GAAP.

##### **(ii) Subsidiaries**

All subsidiaries are entities owned at 100% by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed, when necessary, to align them with the policies adopted by the Corporation.

###### Subsidiaries

Savaria Concord Lifts Inc. ("Savaria Concord")

Weber Accessibility Systems, Inc. - inactive

Van-Action (2005) Inc. ("Van-Action")

Concord Elevator Holdings Inc. - inactive

Savaria (Huizhou) Mechanical Equipment Manufacturing Co., LTD ("Savaria Huizhou")

Concord Elevator (London) Ltd. ("Concord London")

Freedom Motors Inc. ("Freedom")

The Liberty Motor Co Inc. ("Liberty") - inactive

Savaria Lifts Ltd. ("Savaria Lifts")

Intercompany balances and transactions, and any unrealized revenue and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

#### **B) Foreign currency**

##### **(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Corporation entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

### 3 . Significant accounting policies (continued)

#### (i) Foreign currency transactions (Continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in net income, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### (ii) Foreign operations

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The revenue and expenses of foreign operations are translated to Canadian dollars at the average exchange rate for the period.

Foreign currency differences are recognized in other comprehensive income in the cumulative translation account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

### C) Financial instruments

#### (i) Non-derivative financial assets and liabilities

The Corporation classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification upon initial recognition which is normally at the time of purchase.

All revenues and charges related to financial instruments are presented as part of Finance income and Finance costs.

The Corporation has the following non-derivative financial assets and liabilities: financial assets at fair value through net income, held-to-maturity financial assets, loans and receivables financial assets and other financial liabilities.

##### *Financial assets at fair value through net income*

A financial asset is classified at fair value through net income when it is classified as held for trading or if designated as such upon initial recognition. Financial assets are designated at fair value through net income if embedded derivatives modify significantly the fair value of the host contract. Upon initial recognition, attributable transaction costs are recognized in net income as incurred. Financial assets at fair value through net income are measured at fair value, and changes therein are recognized in net income. This item includes long-term investments in restructured notes and the put option.

##### *Held-to-maturity financial assets*

When the Corporation has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Corporation from classifying investment securities as held-to-maturity for the current and the following two financial years. Long-term investments in guaranteed investment certificates are classified as held-to-maturity.

### 3 . Significant accounting policies (continued)

#### C) Financial instruments (continued)

##### (i) Non-derivative financial assets and liabilities (continued)

###### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash, restricted cash, trade and other receivables, and long-term loans.

Cash and restricted cash consist of bank balances and temporary investments with an initial maturity of three months or less.

Trade receivables are occasionally renegotiated as long-term loans. In these cases, the Corporation requires sufficient securities and personal guarantees to cover the amount of the loan.

##### (ii) Other financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Corporation has the following non-derivative other financial liabilities: bank loans, trade and other payables, dividends payable and long-term debt.

##### (iii) Derivative financial instruments, including hedge accounting

Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized in net income as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

The Corporation holds derivative financial instruments to hedge its foreign currency risk exposures.

At inception of the hedge, the Corporation formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

###### *Cash flow hedges*

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect net income, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in unrealized gains/losses on cash flow hedges in equity. The amount recognized in other comprehensive income is removed and included in net income in the same period as the hedged cash flows affect net income under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net income as finance income or finance costs.

### 3 . Significant accounting policies (continued)

#### C) Financial instruments (continued)

##### *Cash flow hedges (continued)*

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in unrealized gains/losses on cash flow hedges in equity remains there until the forecast transaction affects net income. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in net income.

##### *Separable embedded derivatives*

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through net income.

Changes in the fair value of separable embedded derivatives are recognized immediately in net income.

##### *Fair value measurements*

Fair value measurements are based on a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly including inputs and quoted prices in markets that are not considered to be active;
- Level 3 – Inputs that are not based on observable market data.

#### D) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity.

#### E) Fixed assets

##### (i) Recognition and measurement

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of fixed assets, and are recognized net within other income (costs) in net income.

##### (ii) Subsequent costs

The cost of replacing a part of an item of fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in net income as incurred.

##### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.



### 3 . Significant accounting policies (continued)

#### E) Fixed assets (continued)

##### (iii) Depreciation (continued)

Depreciation is recognized in net income on a straight-line basis over the estimated useful lives of each part of an item of fixed assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

· Machinery and equipment	5 to 15 years
· Office furniture	5 to 10 years
· Rolling stock	5 to 10 years
· Computer hardware	3 to 5 years
· Leasehold improvements	Terms of the leases

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### F) Goodwill and intangible assets

Intangible assets consist of capitalized development costs, trademarks, client lists and computer software.

##### (i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is measured at initial recognition in accordance with the description in note 3A)(i).

In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount previously recorded under Canadian GAAP.

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. The Corporation assesses periodically whether a provision for impairment in the value of goodwill should be recorded against net income. Goodwill is not amortized, rather it is tested for impairment annually on December 31, and when an event or circumstance occurs that could potentially result in a permanent decline in value.

##### (ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in net income as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in net income as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Research and development tax credits are recorded against deferred development costs when they are related to deferred costs. All other tax credits are recorded against the expenses that they relate to.

##### (iii) Amortization

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

### 3 . Significant accounting policies (continued)

#### F) Goodwill and intangible assets (continued)

##### (iii) Amortization (continued)

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in net income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

· Client lists	5 to 10 years
· Distribution licences	5 years
· Trademarks	5 years
· Maintenance contracts	5 to 10 years
· Leases at favourable rate	Terms of the leases
· Customer orders	Term of delivery of orders
· Computer software	5 years
· Capitalized development costs	3 years

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### G) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on the first-in first-out basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### H) Impairment

##### (i) Non-derivative financial assets

A financial asset not carried at fair value through net income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

##### Loans and receivables and held-to-maturity financial assets

The Corporation considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

### 3 . Significant accounting policies (continued)

#### H) Impairment (continued)

##### Loans and receivables and held-to-maturity financial assets (continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income and reflected in an allowance account against the asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

##### (ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time, or more frequently if an indicator of impairment should occur.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### I) Employee benefits

##### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the periods during which services are rendered by employees.

### **3 . Significant accounting policies (continued)**

#### **I) Employee benefits (continued)**

##### **(ii) Share-based payment transactions**

The grant-date fair value of share-based payment awards granted to employees and directors is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees and directors unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

#### **J) Provisions**

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### **K) Revenues**

##### **(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Given that most products are custom made, goods, generally, may not be returned.

##### **(ii) Installation and maintenance contracts**

Revenues from installation contracts are recognized using the percentage-of-completion method based on installation costs incurred versus projected costs. Revenues from maintenance contracts are recognized on a straight-line basis according to the advancement of the contract period. Unrecognized revenues are recorded as deferred revenues.

When more than one product or service is provided to a customer under one arrangement, the Corporation allocates revenue to each element of the arrangement based on the relative selling price as determined using the Corporation's best estimate of the selling price for that deliverable. Each element of the arrangement is recognized as described above.

#### **L) Lease payments**

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

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

### 3 . Significant accounting policies (continued)

#### M) Finance income and finance costs

Finance income comprises interest income on funds invested, fair value gain on financial assets at fair value through net income, and gains on ineffective portion of hedging instruments that are recognized in net income. Interest income is recognized as it accrues in net income, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, fair value loss on financial assets at fair value through net income, impairment losses recognized on financial assets, and losses on ineffective portion of hedging instruments that are recognized in net income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

#### N) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable net income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but it is our intent to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### O) Earnings per share

Basic net earnings per share is calculated by dividing net income applicable to common shares by the weighted average number of shares outstanding during the period. Diluted net earnings per share is calculated by dividing net income applicable to common shares by the weighted average number of shares used in the basic earnings per share calculation plus the weighted number of common shares that would be issued, assuming that all potentially dilutive stock options outstanding were exercised using the treasury stock method.

### 3 . Significant accounting policies (continued)

#### P) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Corporation's headquarters), other corporate expenses and income taxes.

Segment capital expenditure is the total cost incurred during the period to acquire fixed assets and intangible assets.

#### Q) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the Corporation's consolidated financial statements, except for IFRS 9 (2010) *Financial Instruments*, which becomes mandatory for the Corporation's 2015 consolidated financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not yet been determined.

#### IFRS 9 - *Financial Instruments*

IFRS 9 (2009) replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost;
- or
- financial assets measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in net income except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 (2010) provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to net income at a later date.

IFRS 9 (2010) added guidance to IFRS 9 (2009) on the classification and measurement of financial liabilities, and this guidance is consistent with the guidance in IAS 39 except as described below.

Under IFRS 9 (2010), for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in OCI, with the remainder of the change recognized in net income. However, if this requirement creates or enlarges an accounting mismatch in net income, the entire change in fair value will be recognized in net income. Amounts presented in OCI will not be reclassified to net income at a later date.

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Corporation intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015.

### 3 . Significant accounting policies (continued)

#### Q) New standards and interpretations not yet adopted (continued)

##### IFRS 10 - Consolidated Financial Statements

IFRS 10 replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities* ("SPE"). IAS 27 (2008) survives as IAS 27 (2011) *Separate Financial Statements*, only to carry forward the existing accounting requirements for separate financial statements.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).

The Corporation intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 10 has not yet been determined.

##### IFRS 13 - Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on net income or other comprehensive income.

IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Corporation intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

### 4 . Business acquisition

#### (i) Concord London

On February 1, 2010, the Corporation acquired 100% of the outstanding common shares of Concord London, a retailer specialized in the installation and maintenance of elevators and platform lifts in the province of Ontario. The agreement provided for an initial payment of \$1,500,000 on the date of acquisition and four annual payments of \$600,000 on the anniversary date of the acquisition. This note payable bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. The transaction included a potential 1 million common shares to be issued one year after the signing of the agreement if the condition of a potential union bargaining right being nullified was met. The fair value of the common shares to be issued was based on the listed share price of the Corporation of \$0.81 on February 1, 2010, discounted by 12.5% to reflect the one-year period before the share issuance, and also adjusted to reflect the probability that the condition be met, which was estimated at 80%. The shares to be issued have been recorded in the amount of \$567,000 under the heading of share capital to be issued and were issued in February 2011.

Acquisition related costs that included legal fees and due diligence costs amounting to \$120,000 have been included in Administrative expenses for the first quarter of 2010. Goodwill in the amount of \$2,638,000 has been recognized following this acquisition.

Trade and other receivables are comprised of trade receivables with gross contractual amounts of \$984,000 and allowance for bad debt of \$24,000 for a net amount of \$960,000. The full net amount has been collected.

Revenues and net income in the amount of \$5,220,000 (2010-\$4,707,000) and \$499,000 (2010-\$438,000), respectively, are included in the consolidated statement of comprehensive income for the year ended on December 31, 2011.

#### 4 . Business acquisition (continued)

##### (ii) Concord Elevator (Alberta) Ltd. ("Concord Alberta")

On July 19, 2010, the subsidiary Savaria Lifts acquired certain assets and liabilities of Concord Alberta, a retailer specialized in the installation and maintenance of elevators and platform lifts in the province of Alberta. The agreement provided for an initial payment of \$240,000 on the date of acquisition as well as a payment of \$100,000 on the first anniversary date of the acquisition. This note payable bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. Acquisition related costs that included legal fees and due diligence costs were not significant. Goodwill in the amount of \$291,000 has been recognized following this acquisition.

Revenues and net losses in the amount of \$1,110,000 (2010-\$497,000) and \$24,000 (2010-\$31,000), respectively, are included in the consolidated statement of comprehensive income for the year ended on December 31, 2011.

##### (iii) Freedom

On August 2, 2010, the Corporation acquired 100% of the outstanding common shares of Freedom, a corporation specialized in the conversion of mini-vans for people with disabilities. The agreement provided for an initial payment of \$2,560,000 on the date of acquisition as well as a payment of \$500,000 on the first anniversary date of the acquisition. This note payable bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. Acquisition related costs that included legal fees and due diligence costs amounting to \$72,000 have been included in Administrative expenses for the third quarter of 2010. Goodwill in the amount of \$616,000 has been recognized following this acquisition.

Trade and other receivables are comprised of trade receivables with gross contractual amounts of \$748,000 and allowance for bad debt of \$19,000 for a net amount of \$729,000. The full net amount has been collected.

##### (iv) Liberty

On August 2, 2010, the Corporation acquired 100% of the outstanding common shares of Liberty, a corporation specialized in the conversion of mini-vans for people with disabilities. The agreement provided for the issuance of 100,000 common shares and an initial payment of \$250,000 on the date of acquisition as well as two annual payments of \$125,000 on the anniversary date of the acquisition. The fair value of the common shares issued was based on the listed share price of the Corporation of \$1.20 on August 31, 2010. The note payable related to this acquisition bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. Acquisition related costs that included legal fees and due diligence costs amounting to \$83,000 have been included in Administrative expenses for the third quarter of 2010.

Since the net value of the identifiable assets acquired and liabilities assumed exceeded the consideration paid, a gain in the amount of \$398,000 has been included in the Other income in the third quarter of 2010. This transaction resulted in a gain because of the recognition of deferred tax assets related to accumulated losses for years prior to the acquisition.

Trade and other receivables are comprised of trade receivables with gross contractual amounts of \$580,000 and recoverable sales tax of \$113,000. The full net amount has been collected.

The operations of Freedom and Liberty have been integrated into one entity as of January 1, 2011. Revenues and net losses for this combined entity in the amount of \$5,231,000 (2010-\$3,435,000) and \$104,000 (2010-\$177,000), respectively, are included in the consolidated statement of comprehensive income for the year ended on December 31, 2011.

These acquisitions have been accounted for using the purchase method, and the operating results have been included in the consolidated financial statements from the dates of acquisition. The breakdown of the purchase price presented below is final.



#### 4 . Business acquisition (continued)

	Concord London	Concord Alberta	Freedom	Liberty	Total
<b>Assets acquired</b>					
Cash	\$ 727	\$ -	\$ -	\$ -	\$ 727
Current asset items	1 497	30	2 016	2 022	5 565
Fixed assets	221	10	114	149	494
Intangible assets	913	170	668	270	2 021
Deferred tax assets	-	58	-	421	479
Goodwill	2 638	291	616	-	3 545
	\$ 5 996	\$ 559	\$ 3 414	\$ 2 862	\$ 12 831
<b>Liability assumed</b>					
Bank indebtedness	\$ -	\$ -	\$ 22	\$ 16	\$ 38
Current liability items	1 533	205	244	1 897	3 879
Deferred tax liability	328	-	139	-	467
Warranty provision	-	-	54	40	94
Note payable	-	-	-	110	110
Long-term debt	36	4	-	-	40
	\$ 1 897	\$ 209	\$ 459	\$ 2 063	\$ 4 628
<b>Fair value of net assets acquired</b>	\$ 4 099	\$ 350	\$ 2 955	\$ 799	\$ 8 203
Less: Cash (bank indebtedness) in acquired operations	727	-	(22)	(16)	689
Other income (bargain purchase gain)	-	-	-	398	398
Share capital to be issued	567	-	-	-	567
Share capital issued	-	-	-	120	120
Notes payable, current portion	543	100	395	30	1 068
Note payable, long-term portion	1 492	-	-	-	1 492
<b>Cash flows related to the acquisitions</b>	\$ 770	\$ 250	\$ 2 582	\$ 267	\$ 3 869

Of the \$2,021,000 of acquired intangible assets, \$874,000 was assigned to customer lists, \$870,000 to maintenance contracts, \$260,000 to customer orders and \$17,000 to a lease at a favourable rate.

The \$3,545,000 of goodwill was assigned to the Accessibility and the Adapted vehicles segments in the amounts of \$2,929,000 and \$616,000, respectively. Of that total amount, \$150,000 is expected to be deductible for tax purposes. The beginning balance of \$506,000, associated with the Accessibility segment, is added to the amount of \$3,545,000 for a total amount of goodwill of \$4,051,000 as at December 31, 2011.

#### 5 . Trade and other receivables

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	\$ 9 026	\$ 10 275	\$ 8 398
Less: Allowance for doubtful accounts	(628)	(653)	(1 481)
	\$ 8 398	\$ 9 622	\$ 6 917
Sales taxes recoverable	605	658	513
Other receivables	117	164	25
	\$ 9 120	\$ 10 444	\$ 7 455

The Corporation's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 23.

## 6 . Inventories

	December 31, 2011	December 31, 2010	January 1, 2010
Raw materials and sub-assembly components	\$ 11 745	\$ 11 771	\$ 10 393
Work in process	427	413	658
Finished goods	2 199	2 352	1 549
	<b>\$ 14 371</b>	<b>\$ 14 536</b>	<b>\$ 12 600</b>

In 2011, raw materials, sub-assembly components and changes in work in process and finished goods recognized as cost of sales amounted to \$43,339,000 (2010-\$43,988,000). In 2011, the write-down of inventories to net realizable value amounted to \$513,000 (2010-\$37,000). There were no reversals of write-downs in 2011 or 2010. The write-down and reversal are included in cost of sales.

As of December 31, 2011 and 2010 all of the above inventory was pledged as security for liabilities.

## 7 . Long-term loans

	December 31, 2011	December 31, 2010	January 1, 2010
The long-term loan is part of an exclusive distribution agreement for the Corporation's products with a US company. The original amount of the loan is \$203,000 (US\$200,000). The balance of the loan as at December 31, 2011 is \$81,000 (US\$80,000). The loan is without interest and is payable in ten annual instalments beginning in June 2006.	\$ 81	\$ 99	\$ 126
The long-term loan is part of a distribution agreement for the Corporation's products with a US company. The original amount of the loan is \$305,000 (US\$300,000) of which \$76,000 (US\$75,000) is the result of a transfer from accounts receivable. The balance of the loan as at December 31, 2011 is \$203,000 (US\$200,000). The loan is without interest, if sales volume objectives are met, and is payable in twelve equal monthly instalments of \$5,000 (US\$5,000) followed by 36 equal monthly instalments of \$7,000 (US\$7,000) beginning in July 2010.	203	269	-
The long-term loan is part of a distribution agreement for the Corporation's products with a US company. The original amount of the loan which equals the balance as at December 31, 2011 is \$331,000 (US\$325,000) which is the result of a transfer from accounts receivable. The loan bears interest at a rate of 5% and is payable in eighteen equal monthly instalments of \$19,000 (US\$19,000) beginning in January 2012.	331	-	-
The long-term loan is part of an exclusive distribution agreement for the Corporation's products with a Chinese company. The original amount of the loan which equals the balance as at December 31, 2011 is \$23,000 (RMB140,000). The loan is without interest and is payable in four annual instalments beginning in January 2012.	23	-	-
Others	37	46	6
	<b>\$ 675</b>	<b>\$ 414</b>	<b>\$ 132</b>
Non-current	\$ 347	\$ 324	\$ 105
Current	328	90	27
	<b>\$ 675</b>	<b>\$ 414</b>	<b>\$ 132</b>

## 8 . Fixed assets

	Machinery and equipment	Office furniture	Rolling stock	Computer hardware	Leasehold improvements	Total
<b>Cost</b>						
Balance at January 1, 2010	\$ 6 823	\$ 869	\$ 371	\$ 937	\$ 1 467	\$ 10 467
Acquisitions through business combinations (note 4)	124	34	249	78	9	494
Additions	171	22	95	41	92	421
Disposals	( 3 611 )	( 488 )	( 147 )	( 596 )	-	( 4 842 )
Effect of movements in exchange rates	( 2 )	-	( 1 )	( 1 )	-	( 4 )
Balance at December 31, 2010	\$ 3 505	\$ 437	\$ 567	\$ 459	\$ 1 568	\$ 6 536
Balance at January 1, 2011	\$ 3 505	\$ 437	\$ 567	\$ 459	\$ 1 568	\$ 6 536
Additions	190	3	195	18	109	515
Disposals	( 43 )	-	( 107 )	-	-	( 150 )
Effect of movements in exchange rates	10	1	3	2	5	21
Balance at December 31, 2011	\$ 3 662	\$ 441	\$ 658	\$ 479	\$ 1 682	\$ 6 922
<b>Depreciation</b>						
Balance at January 1, 2010	\$ 6 071	\$ 682	\$ 177	\$ 807	\$ 1 164	\$ 8 901
Depreciation expense	159	49	86	72	141	507
Disposals	( 3 626 )	( 494 )	( 109 )	( 573 )	-	( 4 802 )
Balance at December 31, 2010	\$ 2 604	\$ 237	\$ 154	\$ 306	\$ 1 305	\$ 4 606
Balance at January 1, 2011	\$ 2 604	\$ 237	\$ 154	\$ 306	\$ 1 305	\$ 4 606
Depreciation expense	257	34	132	60	205	688
Disposals	( 38 )	-	( 83 )	-	-	( 121 )
Effect of movements in exchange rates	2	1	1	1	3	8
Balance at December 31, 2011	\$ 2 825	\$ 272	\$ 204	\$ 367	\$ 1 513	\$ 5 181
<b>Carrying amount</b>						
At January 1, 2010	\$ 752	\$ 187	\$ 194	\$ 130	\$ 303	\$ 1 566
At December 31, 2010	\$ 901	\$ 200	\$ 413	\$ 153	\$ 263	\$ 1 930
At December 31, 2011	\$ 837	\$ 169	\$ 454	\$ 112	\$ 169	\$ 1 741

As at December 31, 2011, office furniture and computer hardware included assets under finance leases with a net value of \$88,000 (2010-\$103,000) and \$25,000 (2010-\$29,000) , respectively.

## 9 . Goodwill

	Note	December 31, 2011	December 31, 2010	January 1, 2010
Balance at January 1		\$ 4 051	\$ 506	\$ 506
Increases through business combinations	4	-	3 545	-
Balance at December 31		\$ 4 051	\$ 4 051	\$ 506

## 9 . Goodwill (continued)

### Impairment testing for CGUs containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Corporation's operating divisions which represent the Corporation's operating segments.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Accessibility	\$ 3 435	\$ 3 435	\$ 506
Adapted vehicles	616	616	-
	<b>\$ 4 051</b>	<b>\$ 4 051</b>	<b>\$ 506</b>

The recoverable amount of these CGUs are based on their values in use. They have been determined to be higher than their carrying amounts.

Values in use are determined by discounting the future cash flows generated from the continuing use of the units. Unless indicated otherwise, values in use in 2011 have been determined similarly as in 2010. The calculation of the values in use are based on the following key assumptions:

- Cash flows are projected over a period of five years based on past experience and actual operating results using a constant growth rate of 2% in both 2010 and 2011 for the Accessibility segment, and nil for the Adapted vehicles segment;
- The anticipated annual revenue growth included in the cash flow projections are based on the business plan;
- A high and low after-tax discount rate of 12.5% and 11.3% percent (same in 2010) is applied in determining the recoverable amount of the unit. The discount rate is estimated based on past experience and industry average weighted average cost of capital, which is based on a possible range of debt leveraging of 40% at a market interest rate of 5%;
- The values assigned to the key assumptions represent management's assessment of future trends in the accessibility industry and are based on both external sources and internal sources (historical data).

## 10 . Intangible assets

	Cost					
	Balance at January 1	Additions	Additions internally developed	Additions through business combinations (note 4)	Disposals	Balance at December 31
<b>2010</b>						
Trademarks	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ 300
Client lists	947	-	-	874	-	1 821
Distribution licences	-	322	-	-	-	322
Maintenance contracts	-	-	-	870	-	870
Leases at favourable rate	-	-	-	17	-	17
Customer orders	-	-	-	260	-	260
Software	778	49	-	-	(271)	556
Deferred development costs	1 002	-	234	-	(202)	1 034
	<b>\$ 3 027</b>	<b>\$ 371</b>	<b>\$ 234</b>	<b>\$ 2 021</b>	<b>\$ (473)</b>	<b>\$ 5 180</b>

## 10 . Intangible assets (continued)

	Cost					
	Balance at January 1	Additions	Additions internally developed	Additions through business combinations	Disposals	Balance at December 31
<b>2011</b>						
Trademarks	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ 300
Client lists	1 821	-	-	-	-	1 821
Distribution licences	322	-	-	-	-	322
Maintenance contracts	870	-	-	-	-	870
Leases at favourable rate	17	-	-	-	-	17
Customer orders	260	-	-	-	(260)	-
Software	556	12	-	-	-	568
Deferred development costs	1 034	-	383	-	(389)	1 028
	<b>\$ 5 180</b>	<b>\$ 12</b>	<b>\$ 383</b>	<b>\$ -</b>	<b>\$ (649)</b>	<b>\$ 4 926</b>
	Amortization			Carrying amount		
	Balance at January 1	Amortization expense	Disposals	Balance at December 31	January 1	December 31
<b>2010</b>						
Trademarks	\$ -	\$ -	\$ -	\$ -	\$ 300	\$ 300
Client lists	402	167	-	569	545	1 252
Distribution licences	-	38	-	38	-	284
Maintenance contracts	-	71	-	71	-	799
Leases at favourable rate	-	5	-	5	-	12
Customer orders	-	260	-	260	-	-
Software	681	32	(268)	445	97	111
Deferred development costs	554	246	(202)	598	448	436
	<b>\$ 1 637</b>	<b>\$ 819</b>	<b>\$ (470)</b>	<b>\$ 1 986</b>	<b>\$ 1 390</b>	<b>\$ 3 194</b>
<b>2011</b>						
Trademarks	\$ -	\$ 60	\$ -	\$ 60	\$ 300	\$ 240
Client lists	569	269	-	838	1 252	983
Distribution licences	38	64	-	102	284	220
Maintenance contracts	71	87	-	158	799	712
Leases at favourable rate	5	6	-	11	12	6
Customer orders	260	-	(260)	-	-	-
Software	445	41	-	486	111	82
Deferred development costs	598	265	(389)	474	436	554
	<b>\$ 1 986</b>	<b>\$ 792</b>	<b>\$ (649)</b>	<b>\$ 2 129</b>	<b>\$ 3 194</b>	<b>\$ 2 797</b>

### Amortization

Amortization is recognized in cost of sales, administrative expenses, selling expenses and engineering and research and development expenses.

## 11 . Long-term investments

	December 31, 2011	December 31, 2010	January 1, 2010
Restructured notes (face value of \$1,863,000, \$1,917,000 as of December 31, 2010 and \$2,185,000 as of January 1, 2010)	\$ 1 282	\$ 1 290	\$ 1 310
Put option	181	209	348
Guaranteed investment certificate (fair value of \$4,100,000 as of January 1, 2010)	-	-	4 100
	\$ 1 463	\$ 1 499	\$ 5 758
Non-current	\$ 753	\$ 704	\$ 5 758
Current	710	795	-
	\$ 1 463	\$ 1 499	\$ 5 758

### Restructured notes

The Corporation holds investments with a face value of \$1,863,000 (US\$1,832,000) that are invested in restructured notes following the replacement of Asset-Backed Commercial Paper. These investments were valued at their fair value at year-end.

#### Valuation

The fair value estimate of the restructured notes has been calculated based on information provided by BlackRock Canada Ltd., the asset administrator, and other publicly available information.

Using this information, the Corporation was able to determine the key characteristics of each class of restructured notes received: face value, credit rating, interest rate, projected interest payments and maturity date. The Corporation then estimated the return that a prospective investor would require for each class of notes ("Required Yield") in order to calculate the net present value of the future cash flows for each class using the Required Yield as the discount factor.

During the year, the fair value of the restructured notes was affected by a number of factors including a lessening in the perceived risk of the MAV 2 Class C notes, volatility in the credit markets with an improvement in the first half of the year and a deterioration in the second half, improvements in the net asset value of certain tracking notes, volatility in the value of the US dollar in relation to the Canadian dollar and the simple passage of time. As a result of its analysis, the Corporation estimated the fair value of these notes to be \$1,282,000 (US\$1,261,000) as at December 31, 2011. The Corporation recorded a \$92,000 (2010-\$90,000) gain during the year. Following this change in value, there remains a balance of the reserve for impairment of \$581,000 (2010-\$627,000) (US\$571,000, 2010-\$631,000).

It is to be pointed out that these notes are subject to uncertainty as to their eventual cash value. Although management believes that its valuation technique is appropriate under the circumstances, changes in significant assumptions could materially affect the value of the restructured notes in upcoming periods. The resolution of these uncertainties could result in the ultimate value of these investments varying significantly from management's current best estimates.

During fiscal 2011, the Corporation received a total of \$100,000 (2010-\$110,000) (US\$101,000, 2010-\$104,000) in repayment of certain restructured notes. The amounts received were used as a partial reimbursement on loans secured by the restructured notes. As at December 31, 2011, the face value and estimated fair value of the remaining restructured notes are broken down as follows:

## 11 . Long-term investments (continued)

Restructuring notes	in thousands of US dollars		Expected maturity date
	Face value	Estimated fair value *	
MAV 2 Notes			
A1 (rated A)	\$ 835	\$ 733	July 15, 2056
C	26	7	July 15, 2056
Ineligible asset-tracking notes			
MAV 2 - Class 13	132	86	March 20, 2014
MAV 3 - Class 25	839	435	December 25, 2036
Total investments	\$ 1 832	\$ 1 261	

\* the range of fair values estimated by the Corporation varied between US\$1,240,000 and US\$1,289,000

In 2009, the Corporation signed two long-term financing agreements with its financial institution to ensure the sufficient availability of liquidity to meet its financial obligations while awaiting the disposal of the restructured notes. These agreements were renewed for an additional year during the second quarter of 2011 and now mature in March 2012 and March 2013. The loans are renewable on a yearly basis up to a maximum of four years for the first agreement and three years for the second agreement.

The Corporation holds an option to assign to the bank the ownership of its ineligible asset-tracking notes as well as any proceeds therefrom as payment of 75% of the principal on the related debt. As at December 31, 2011, the Corporation estimated the fair value of this option at \$181,000 (US\$177,000) (December 31, 2010-\$209,000; January 1, 2010-\$348,000) . The estimated fair value is based on the balance of the portion of the loan related to this option minus the fair value of the applicable restructured notes.

The Corporation also holds an option to assign to the bank the ownership of its MAV 2 notes as well as any proceeds therefrom as payment of 45% of the principal on the related debt. As at December 31, 2011, the Corporation estimated the fair value of this option to be nil. The estimated fair value is based on the balance of the portion of the loan related to the option minus the fair value of the applicable restructured notes.

## 12 . Bank loans

The Corporation has a line of credit in the amount of \$2,000,000 for its subsidiary Savaria Concord, bearing interest at prime rate plus 0.5%. A \$25,000,000 first ranking movable hypothec on all the subsidiary's present and future inventories and receivables, and a guarantee on inventories pursuant to Section 427 of the *Bank Act* as well as a \$2,000,000 first ranking guarantee on the US dollar bank account have been pledged as securities. Surety bonds in the amount of \$2,000,000 by both of the subsidiaries Freedom and Liberty have also been pledged as securities. The balance of the line of credit amounted to \$75,000 as at December 31, 2011 (2010-\$1,650,000).

On May 13, 2011, the Corporation entered into an agreement with its financial institution for a line of credit in the amount of \$500,000 for its subsidiary Van-Action. The amount drawn on the line of credit may not exceed 90% of Canadian trade receivables that benefit from a grant, 80% of all other trade receivables and 50% of raw material and finished goods inventory. A movable hypothec from Van-Action in the amount of \$2,000,000 on its overall assets and a guarantee pursuant to Section 427 of the *Bank Act* on inventories have been pledged as securities. The line of credit bears interest at prime plus 0.5%. The line of credit in the amount of \$1,500,000 that Van-Action previously had has been cancelled. The line of credit was unused as at December 31, 2011 (2010-\$340,000).

### 13 . Trade and other payables

	December 31, 2011	December 31, 2010	January 1, 2010
Trade and accrued liabilities	\$ 5 169	\$ 5 538	\$ 5 575
Salaries and withholding taxes	530	559	294
Vacations payable	402	418	380
Sales tax payable	22	32	-
	<b>\$ 6 123</b>	<b>\$ 6 547</b>	<b>\$ 6 249</b>

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

### 14 . Long-term debt

This note provides information about the contractual terms of the Corporation's interest-bearing long-term debt, which is measured at amortized cost. For more information about the Corporation's exposure to interest rate, foreign currency and liquidity risk, see note 23.

	December 31, 2011	December 31, 2010	January 1, 2010
<b>Current liabilities</b>			
Current portion of long-term debt	\$ 4 848	\$ 4 210	\$ 1 827
Current portion of obligation under capital leases	29	26	18
	<b>\$ 4 877</b>	<b>\$ 4 236</b>	<b>\$ 1 845</b>
<b>Non-current liabilities</b>			
Long-term debt	\$ 7 915	\$ 9 058	\$ 8 756
Obligations under capital leases	69	98	96
	<b>\$ 7 984</b>	<b>\$ 9 156</b>	<b>\$ 8 852</b>

#### A) Summary of borrowing arrangements

	Carrying amount		
	December 31, 2011	December 31, 2010	January 1, 2010
Loan with an original face value of \$6,000,000 and a fair value of \$5,604,000 bearing interest at prime rate minus 1% with an effective interest rate of prime plus 1.5%. A mortgage on the Corporation's overall assets and those of its subsidiaries Savaria Concord and Van-Action in the amount of \$6,600,000 are pledged as securities. Repayable in monthly instalments of \$91,000 plus interest, maturing in May 2014.	\$ 2 559	\$ 3 571	\$ 4 556
Loan in the original amount of \$4,000,000 bearing interest at prime rate plus 1%. A mortgage on the Corporation's overall assets and those of its subsidiary Savaria Concord in the amount of \$4,000,000 is pledged as security. Repayable in monthly instalments of \$67,000 plus interest, maturing in September 2014. In accordance with the terms of this loan, a minimum of 50% of the balance of the loan must be maintained in the bank at all times, free of any liens. The amount of the reserve, which had a balance of \$1,100,000 as at December 31, 2011, is distributed between current and non-current assets according to the same distribution as the said loan, which is \$400,000 current and \$700,000 non-current.	2 200	3 000	3 800
Loan in the original amount of \$2,000,000 bearing interest at prime rate plus 1%. A mortgage on the Corporation's overall assets in the amount of \$10,500,000 as well as a surety bond in the amount of \$2,000,000 by each of the subsidiaries Savaria Concord, Freedom and Liberty are pledged as security. Repayable in monthly instalments of \$33,000 plus interest, maturing in September 2015.	1 500	1 900	-



#### 14 . Long-term debt (continued)

##### A) Summary of borrowing arrangements (continued)

	Carrying amount		
	December 31, 2011	December 31, 2010	January 1, 2010
Loan in the original amount of US\$1,472,000 with a balance of US\$971,000 as at December 31, 2011, bearing interest at US prime rate less 1%. Only interest is payable on a monthly basis and a portion of the restructured notes having a carrying value of \$753,000 is pledged as security. Any proceeds from the partial or complete disposal of the restructured notes will be used to reduce the amount of the loan. The loan matures in March 2013 and is renewable for a one-year period, subject to the financial institution's approval, up to a maximum of four renewal periods. The Corporation holds an option to assign to the bank the ownership of its ineligible asset-tracking notes as well as any proceeds therefrom as payment of 75% of the principal of this loan (note 11).	\$ 987	\$ 1 061	\$ 1 226
Loan in the original amount of US\$1,514,000 with a balance of US\$912,000 as at December 31, 2011, bearing interest at US prime rate less 1%. Only interest is payable on a monthly basis and a portion of the restructured notes having a carrying value of \$529,000 is pledged as security. Any proceeds from the partial or complete disposal of the restructured notes will be used to reduce the amount of the loan. The loan matures in March 2012 and is renewable for a one-year period, subject to the financial institution's approval, up to a maximum of five renewal periods. The Corporation holds an option to assign to the bank the ownership of its MAV 2 notes as well as any proceeds therefrom as payment of 45% of the principal of this loan (note 11).	928	907	959
Loan in the original amount of \$500,000. This loan is divided into two portions of \$250,000 both bearing interest at prime rate plus 2.25%. It is repayable in monthly instalments of \$10,000 plus interest, maturing in April 2010. A movable hypothec from Van-Action in the amount of \$3,000,000 on certain assets of the subsidiary, a guarantee pursuant to Section 427 of the <i>Bank Act</i> on inventories as well as a surety bond from the parent company in the amount of \$250,000 have been pledged as security.	-	-	42
Loan in the original amount of \$2,500,000 bearing interest at prime rate plus 1%. A surety bond in the amount of \$2,500,000 by each of the subsidiaries Savaria Concord, Van-Action and Freedom are pledged as security. Repayable in monthly instalments of \$42,000 plus interest for the first 24 months and \$125,000 plus interest for the last 12 months, maturing in May 2014.	2 208	-	-
Loans in the total original amount of \$223,000, at interest rates between 0% and 8.6%. Repayable in equal monthly instalments of \$5,000 until July 2012, of \$4,000 for the months of August and September 2012, of \$3,000 between the months of October 2012 and April 2015 and of \$2,000 for the months between May 2015 and February 2016, including principal and interest, maturing between July 2012 and February 2016.	150	60	-
Note payable related to a business acquisition with an original face value of \$2,378,000 and a fair value of \$2,035,000, bearing no interest with an effective interest rate of 6.5%. Repayable by way of a first instalment of \$578,000 in February 2011 followed by 3 annual instalments of \$600,000, maturing in February 2014.	1 690	2 162	-
Note payable related to a business acquisition with an original face value of \$421,000 and a fair value of \$395,000, bearing no interest with an effective interest rate of 6.5%. Repayable by way of a single instalment in August 2011 (note 28).	421	406	-
Note payable related to a business acquisition with an original face value of \$206,000 and a fair value of \$187,000, bearing no interest with an effective interest rate of 6.5%. Repayable by way of a first instalment of \$82,000 in August 2011 followed by a second instalment of \$124,000 in August 2012.	120	192	-

#### 14 . Long-term debt (continued)

##### A) Summary of borrowing arrangements (continued)

	Carrying amount		
	December 31, 2011	December 31, 2010	January 1, 2010
Note payable related to a business acquisition in the amount of \$9,000, bearing no interest. Repayable by way of a single instalment in July 2011.	\$ -	\$ 9	\$ -
Finance lease liabilities with original amounts totalling \$120,000, at an interest rate of 12.8%. Repayable in quarterly instalments of \$7,000 until March 2015, followed by an instalment of \$10,000 in June 2015 and \$5,000 in September 2015, including principal and interest, maturing in June and September 2015. At the end of the lease period, the Corporation has the option of purchasing the equipment at fair market value.	79	96	114
Finance lease liability with an original amount of \$29,000, without interest. Repayable in monthly instalments of \$1,000 until December 2013. Terms of the lease include a bargain purchase price of one dollar at the end of the lease.	19	28	-
	<b>\$ 12 861</b>	<b>\$ 13 392</b>	<b>\$ 10 697</b>

##### Finance lease liabilities are payable as follows:

	December 31, 2011			December 31, 2010		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 38	\$ 9	\$ 29	\$ 38	\$ 12	\$ 26
Between one and five years	80	11	69	118	20	98
	<b>\$ 118</b>	<b>\$ 20</b>	<b>\$ 98</b>	<b>\$ 156</b>	<b>\$ 32</b>	<b>\$ 124</b>

	January 1, 2010		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 32	\$ 14	\$ 18
Between one and five years	113	31	82
More than five years	15	1	14
	<b>\$ 160</b>	<b>\$ 46</b>	<b>\$ 114</b>

#### 15 . Warranty provisions

	Note	Warranties
Balance at January 1, 2010		\$ 658
Increase in provisions through business combinations	4	191
Provisions made during the year		405
Provisions used during the year		(473)
Balance at December 31, 2010		\$ 781
Balance at January 1, 2011		\$ 781
Provisions made during the year		504
Provisions used during the year		(530)
Balance at December 31, 2011		<b>\$ 755</b>

## 15 . Warranty provisions (continued)

	December 31, 2011	December 31, 2010	January 1, 2010
Non-current	\$ 417	\$ 425	\$ 394
Current	338	356	264
	\$ 755	\$ 781	\$ 658

During the normal course of its business, the Corporation assumes the cost of certain components in replacement of defective components under warranties offered on its products. The warranties cover a period of three (3), twelve (12) or thirty-six (36) months depending on the product. The provision is based on estimates made from historical warranty data associated with similar products and services. Nevertheless, conditions may change and a significant amount may need to be recorded.

## 16 . Capital and other components of equity

### A) Share capital

	Note	Common shares	
		2011	2010
Issued at January 1		22 017 564	22 158 219
Cancelled shares following issuer bid		(269 200)	(290 655)
Shares issued in relation to a business combination	4	1 000 000	100 000
Exercise of share purchase options		132 500	50 000
Issued at December 31		22 880 864	22 017 564

### Shares authorized

Unlimited number of common shares with voting rights, participating and without par value

Unlimited number of first preferred shares without par value and issuable in series

Unlimited number of second preferred shares without par value and issuable in series

In February 2011, in accordance with the purchase agreement for Concord London, the Corporation issued 1 million common shares at a cost of \$0.567 per share (note 4).

During 2011, the Corporation repurchased 269,200 common shares (2010-290,655 shares) at an average price of \$1.55 (2010-\$1.17) per share by way of a normal course issuer bid. The excess of the price paid over the book value of the repurchased shares has been recorded against retained earnings.

### B) Accumulated Other Comprehensive Income (AOCI)

AOCI is comprised of the following separate components of equity:

#### Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### Unrealized gains/losses on cash flow hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

### C) Dividends

The following dividends were declared and paid by the Corporation:

#### For the year ended December 31

	2011	2010
10.2 cents per qualifying common share (2010-8.4 cents)	\$ 2 368	\$ 1 869

## 17 . Personnel expenses

	2011	2010
Wages and salaries	\$ 18 506	\$ 17 720
Employment benefits	2 535	2 158
Contributions to defined contribution plans	91	97
Compensation expense on share options granted	104	154
	\$ 21 236	\$ 20 129

## 18 . Finance income and finance costs

	Note	2011	2010
Interest income		\$ 32	\$ 52
Net gain on foreign currency exchange		137	-
Change in the fair value of restructured notes and put option	11	64	-
<b>Finance income</b>		\$ 233	\$ 52
Interest on long-term debt		\$ 569	\$ 532
Interest expense and bank charges		181	149
Net loss on foreign currency exchange		-	256
Change in the fair value of restructured notes and put option	11	-	49
<b>Finance costs</b>		\$ 750	\$ 986

## 19 . Tax

	2011	2010
<b>Current tax expense</b>		
Current year	\$ 666	\$ 340
	\$ 666	\$ 340
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	\$ 206	\$ 552
Reduction in tax rate	5	-
	\$ 211	\$ 552
<b>Total tax expense</b>	\$ 877	\$ 892

### Tax recognized in other comprehensive income

	2011			2010		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Change in the fair value of foreign exchange contracts designated as cash flow hedges	\$ 182	\$ (47)	\$ 135	\$ 2 253	\$ (626)	\$ 1 627
Gains on foreign exchange contracts transferred to net income in the year	(2 237)	599	(1 638)	(2 176)	633	(1 543)
Unrealized net gains on translation of financial statements of self-sustaining foreign operations	87	-	87	(15)	-	(15)
	\$ (1 968)	\$ 552	\$ (1 416)	\$ 62	\$ 7	\$ 69

## 19 . Tax (continued)

### Reconciliation of effective tax rate

	2011		2010	
		\$		\$
Net income		2 001		2 568
Total tax expense		877		892
Income before tax expense		2 878		3 460
Tax using the Corporation's domestic tax rate	26,8%	771	29,1%	1 007
Change in accounting estimates	3,5%	101	-	-
Reversal of unrecognized tax benefit related to capital losses on investment devaluation	(0,4)%	(13)	(1,6)%	(55)
Effect of differences in tax rates in other jurisdictions	(1,0)%	(28)	(2,7)%	(95)
Non-deductible compensation expense on share options granted	1,0%	28	1,4%	47
Other non deductible expenses	1,0%	29	1,2%	42
Effect of changes in tax rate	0,2%	5	-	-
Effect of non-taxable bargain purchase gain and non deductible transaction costs related to business combinations	-	-	(1,1)%	(38)
Other	(0,6)%	(16)	(0,5)%	(16)
	30,5%	877	25,8%	892

### Reconciliation of change in applicable tax rate

	2011	2010
Applicable tax rate for the previous year	29.1%	31,0%
Change in the applicable federal tax rate	(1.5)%	(1.0)%
Change in the applicable Ontario tax rate	(0.8)%	(0.9)%
Applicable tax rate for the current year	26.8%	29.1%

### Unrecognized deferred tax assets

A deferred tax asset has not been recognized in respect of the following item:

	2011	2010
Operating losses carried forward	\$ 977	\$ 947

The tax losses expire at various dates between 2014 and 2031.

A deferred tax asset has not been recognized in respect of this item because it is not probable that future taxable profit will be available against which the Corporation can utilise the benefits therefrom.

## 19 . Tax (continued)

### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Losses carried forward	\$ 1 056	\$ 1 069	\$ -	\$ -	\$ 1 056	\$ 1 069
Deferred development costs	247	268	(54)	(138)	193	130
Non-deductible provisions (including warranty and inventory)	437	395	-	(31)	437	364
Fixed assets	77	62	(14)	(32)	63	30
Investment tax credits	-	-	(241)	(227)	(241)	(227)
Intangible assets	94	100	(421)	(564)	(327)	(464)
Others	188	194	(158)	(226)	30	(32)
Tax assets (liabilities)	\$ 2 099	\$ 2 088	\$ (888)	\$ (1 218)	\$ 1 211	\$ 870
Set off of tax	(746)	(832)	746	832	-	-
Net tax assets (liabilities)	\$ 1 353	\$ 1 256	\$ (142)	\$ (386)	\$ 1 211	\$ 870

The Corporation and certain of its subsidiaries that have recognized net deferred tax assets in the amount of \$1,005,000 have incurred losses in the current year. The Corporation expects to be able to recover the deferred tax assets in question.

### Movement in temporary differences during the year

	Balance January 1, 2010	Recognized in net income	Recognized in other comprehensive income	Acquired in business combinations (note 4)	Balance December 31, 2010
Losses carried forward	\$ 879	\$ (292)	\$ -	\$ 482	\$ 1 069
Deferred development costs	375	(245)	-	-	130
Non-deductible provisions (including warranty and inventory)	687	(389)	-	66	364
Fixed assets	100	(76)	-	6	30
Investment tax credits	(219)	(8)	-	-	(227)
Intangible assets	(45)	62	-	(481)	(464)
Others	(374)	396	7	(61)	(32)
	\$ 1 403	\$ (552)	\$ 7	\$ 12	\$ 870

	Balance December 31, 2010	Recognized in net income	Recognized in other comprehensive income	Acquired in business combinations	Balance December 31, 2011
Losses carried forward	\$ 1 069	\$ (13)	\$ -	\$ -	\$ 1 056
Deferred development costs	130	63	-	-	193
Non-deductible provisions (including warranty and inventory)	364	73	-	-	437
Fixed assets	30	33	-	-	63
Investment tax credits	(227)	(14)	-	-	(241)
Intangible assets	(464)	137	-	-	(327)
Others	(32)	(490)	552	-	30
	\$ 870	\$ (211)	\$ 552	\$ -	\$ 1 211

## 20 . Earnings per share

### A) Basic earnings per share

The calculation of basic earnings per share at December 31, 2011 was based on net income of \$2,001,000 (2010-\$2,568,000), and a weighted average number of common shares outstanding of 22,875,048 (2010-22,096,582), calculated as follow:

#### Weighted average number of common shares

	2011	2010
Issued common shares at January 1	22 017 564	22 158 219
Cancelled shares following issuer bid	(158 558)	(108 471)
Effect of share purchase options exercised	99 375	4 167
Effect of shares issued related to a business combination	916 667	41 667
Weighted average number of common shares at December 31	22 875 048	22 095 582

### B) Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2011 was based on net income of \$2,001,000 (2010-\$2,568,000), and a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 23,245,505 (2010-22,313,622), calculated as follows:

#### Weighted average number of common shares (diluted)

	2011	2010
Weighted average number of common shares (basic)	22 875 048	22 095 582
Effect on potential dilutive securities stock options	370 457	218 040
Weighted average number of common shares (diluted) at December 31	23 245 505	22 313 622

At December 31, 2011, 225,000 options (2010-538,000) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

The average market value of the Corporation's shares for purpose of calculating the dilutive effect of share purchase options was based on quoted market prices for the period during which the options were outstanding.

## 21 . Cash flows

### A) Net changes in non-cash operating items

	2011	2010
Trade and other receivables	\$ 995	\$ (700)
Tax credits receivable	128	(253)
Inventories	165	667
Prepaid expenses	307	54
Trade and other payables	(424)	(2 311)
Deferred revenues	(113)	560
Warranty provision	(26)	(68)
	\$ 1 032	\$ (2 051)

### B) Non-cash transactions

In 2011, there was a non-cash transaction related to the conversion of an account receivable to a long-term loan in the amount of \$329,000 as well as an amount of tax credits receivable that was applied against income taxes payable in the amount of \$277,000 (2010-\$215,000). Furthermore, in 2010, there was a non-cash transaction related to a capital lease recorded as fixed assets and its corresponding long-term debt in the amount of \$29,000.

## 22 . Share-based payments

According to a stock option agreement for certain employees and directors of the Corporation, the Board of Directors may, at its discretion but without exceeding 1,793,000 shares, grant options to purchase common shares of the Corporation at an exercise price established by the Board. The exercise price is the closing price of the day preceding the option grant date. Options generally vest between one and five years from the date of grant and must be exercised within a maximum of six years, except in the event of retirement, termination of employment or death. Exercised options are settled in shares. The value of each option is estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

2011				
Number of options granted	Risk-free interest rate	Dividend yield	Expected volatility	Expected term
50,000	2.38%	10%	55%	5 years
81,250	2.44%	10%	66%	3 years
<b>Total 131,250</b>	<b>2.42%<sup>(1)</sup></b>	<b>10%<sup>(1)</sup></b>	<b>62%<sup>(1)</sup></b>	<b>3 to 5 years</b>

2010				
Number of options granted	Risk-free interest rate	Dividend yield	Expected volatility	Expected term
75,000	2.60%	9.93%	63%	3 years
50,000	2.60%	9.93%	53%	6 years
60,000	2.23%	9.93%	53%	3 years
200,000	2.11%	9.93%	53%	5 years
12,500	1.94%	9.93%	65%	3 years
<b>Total 397,500</b>	<b>2.28%<sup>(1)</sup></b>	<b>9.93%<sup>(1)</sup></b>	<b>55%<sup>(1)</sup></b>	<b>3 to 6 years</b>

(1) Weighted average

The estimated fair value of the options granted in 2011 is \$49,000 (2010-\$104,000). This amount is amortized and charged to earnings as the rights to exercise are vested.

The compensation expense in the amount of \$104,000 (2010-\$154,000) on options granted to employees and directors has been recognized in administrative expenses and credited to contributed surplus.

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	1 701 250	\$ 1,15	1 519 750	\$ 1,19
Granted	131 250	1,62	397 500	1,17
Exercised	(132 500)	1,24	(50 000)	0,85
Expired	(75 000)	1,70	(146 000)	1,98
Forfeited	(200 000)	0,95	(20 000)	2,00
Outstanding at the end of the year	1 425 000	\$ 1,14	1 701 250	\$ 1,15
Exercisable at the end of the year	868 957	\$ 1,20	711 250	\$ 1,28



## 22 . Share-based payments (continued)

The following table summarizes certain information on outstanding stock options as at December 31:

2011				2010			
Exercise price	Options outstanding		Options exercisable	Exercise price	Options outstanding		Options exercisable
	Number	Weighted average years to maturity			Number	Weighted average years to maturity	
\$0.64	50 000	0,2	50 000	\$0.64	50 000	1,2	50 000
0.81	18 750	0,2	18 750	0.81	18 750	1,2	18 750
0.90	50 000	3,4	-	0.90	50 000	4,4	-
0.95	525 000	2,5	179 166	0.95	550 000	3,5	25 000
1.07	60 000	2,5	20 000	1.06	50 000	0,2	50 000
1.10	52 500	1,1	37 500	1.07	60 000	3,5	-
1.17	125 000	1,6	91 666	1.10	60 000	2,1	30 000
1.25	200 000	0,1	200 000	1.17	125 000	2,6	56 250
1.30	12 500	1,2	12 500	1.19	200 000	4,6	-
1.35	100 000	0,9	100 000	1.25	200 000	1,1	200 000
1.41	6 250	2,2	3 125	1.30	12 500	2,2	6 250
1.59	150 000	1,8	100 000	1.35	100 000	1,9	75 000
1.65	75 000	2,2	56 250	1.59	100 000	1,6	75 000
-	-	-	-	1.60	50 000	0,2	50 000
-	-	-	-	1.65	50 000	0,7	50 000
-	-	-	-	1.80	25 000	0,5	25 000
<b>\$0.64 to \$1.65</b>	<b>1 425 000</b>	<b>1,7</b>	<b>868 957</b>	<b>\$0.64 to \$1.80</b>	<b>1 701 250</b>	<b>2,5</b>	<b>711 250</b>

## 23 . Financial instruments

### A) Financial risk management

#### Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Corporation's exposure to each of the above risks, and the Corporation's management of capital.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework.

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

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

### B) Credit risk

Cash, restricted cash, forward exchange contracts, guaranteed investment certificate and put option are held or issued by financial institutions with a superior-quality credit rating. Hence, the Corporation considers that the risk of non-performance of such instruments is negligible. Investments in restructured notes are subject to uncertainty as to their eventual cash value (note 11).

## 23 . Financial instruments (continued)

The Corporation provides credit to its clients in the normal course of business. It carries out credit checks on its clients on a continual basis and minimizes its credit risks by conducting its operations with a wide variety of clients in several industries.

Trade receivables and long-term loans are presented on the financial position net of an allowance for impairment loss. The allowance is based on the Corporation's best estimate as to the probability of collecting uncertain accounts. Uncertainty regarding the collection of accounts may derive from various indicators, including a deterioration in the credit-worthiness of a client or an abnormal delay in payment of past-due invoices. Management regularly reviews client accounts, ensures that past-due accounts are followed up and evaluates the relevance of its allowance for doubtful accounts.

The Corporation holds personal assets as security on long-term loans that it has with dealers.

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount		
	December 31, 2011	December 31, 2010	January 1, 2010
Cash	\$ 3 931	\$ 6 041	\$ 4 823
Restricted cash	1 100	1 500	1 900
Trade and other receivables	8 515	9 786	6 942
Foreign exchange forward contracts	127	105	555
Long-term loans	675	414	132
Long-term investments in restructured notes	1 282	1 290	1 310
Put option	181	209	348
Guaranteed investment certificate	-	-	4 100
	<b>\$ 15 811</b>	<b>\$ 19 345</b>	<b>\$ 20 110</b>

The maximum exposure to credit risk for loans and trade receivables before allowance for doubtful accounts at the reporting date by geographic region was:

	Carrying amount		
	December 31, 2011	December 31, 2010	January 1, 2010
Domestic	\$ 4 616	\$ 5 505	\$ 3 452
United States	3 825	4 228	4 618
Other regions	585	542	328
	<b>\$ 9 026</b>	<b>\$ 10 275</b>	<b>\$ 8 398</b>

### Impairment loss

The aging of trade receivables at the reporting date was:

	December 31,		December 31,		January 1,	
	2011	2011	2010	2010	2010	2010
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Current, 0-60 days	\$ 6 087	\$ -	\$ 6 596	\$ -	\$ 5 014	\$ 39
Past due, 61-90 days	1 211	50	1 592	75	988	73
Past due, over 90 days	1 728	578	2 087	578	2 396	1 369
	<b>\$ 9 026</b>	<b>\$ 628</b>	<b>\$ 10 275</b>	<b>\$ 653</b>	<b>\$ 8 398</b>	<b>\$ 1 481</b>

## 23 . Financial instruments (continued)

The movement in the allowance for doubtful accounts during the year was as follows:

	2011	2010
Balance at January 1	\$ 653	\$ 1 481
Increase in the allowance for doubtful accounts through business combinations	-	39
Increase in the allowance for doubtful accounts	141	28
Write-off of receivables:		
Accessibility segment	(163)	(869)
Adapted vehicles segment	(3)	(26)
Balance at December 31	\$ 628	\$ 653

The allowance account in respect of trade receivables is used to record impairment losses unless the Corporation is satisfied that no recovery of the amount owing is possible; at which point the amounts are considered irrecoverable and are written off against the financial asset directly.

### C) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. Management assesses its liquidity risk on a continual basis to ensure that it has sufficient liquidity to meet its obligations. In order to insure that sufficient liquidity is available to meet current obligations, the Corporation maintains similar payment terms with its customers as it has with its suppliers.

As at December 31, 2011, the Corporation had at its disposal working capital of \$16,377,000 (December 31, 2010-\$18,962,000; January 1, 2010-\$17,187,000) and unused credit facilities of \$2,425,000 (December 31, 2010-\$1,510,000; January 1, 2010-\$2,420,000).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

#### December 31, 2011

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	More than 24 months
<b>Non-derivative financial liabilities</b>						
Bank loans	\$ 75	\$ 75	\$ 75	\$ -	\$ -	\$ -
Trade and other payables	6 123	6 123	5 821	302	-	-
Long-term debt, including current portion	12 861	13 420	2 601	2 518	5 143	3 158
	\$ 19 059	\$ 19 618	\$ 8 497	\$ 2 820	\$ 5 143	\$ 3 158

#### December 31, 2010

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	More than 24 months
<b>Non-derivative financial liabilities</b>						
Bank loans	\$ 1 990	\$ 1 990	\$ 325	\$ 425	\$ 650	\$ 590
Trade and other payables	6 547	6 547	6 234	313	-	-
Long-term debt, including current portion	13 392	14 432	1 869	1 793	4 177	6 593
	\$ 21 929	\$ 22 969	\$ 8 428	\$ 2 531	\$ 4 827	\$ 7 183

## 23 . Financial instruments (continued)

January 1, 2010

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	More than 24 months
<b>Non-derivative financial liabilities</b>						
Bank loans	\$ 1 080	\$ 1 128	\$ 509	\$ 59	\$ 116	\$ 444
Trade and other payables	6 249	6 249	5 964	285	-	-
Long-term debt, including current portion	10 697	11 171	1 032	1 018	3 207	5 914
	<b>\$ 18 026</b>	<b>\$ 18 548</b>	<b>\$ 7 505</b>	<b>\$ 1 362</b>	<b>\$ 3 323</b>	<b>\$ 6 358</b>

### D) Market risk

#### i) Currency risk

The Corporation realizes approximately 50% (2010-52%) of its sales in foreign currencies and, accordingly, is exposed to market risks related to foreign exchange fluctuations. The Corporation partially compensates for these risks by purchasing materials in US dollars and by using forward foreign exchange contracts. Those contracts are contracts under which the Corporation is obliged to sell US dollars at a fixed rate.

Management has implemented a policy to manage foreign exchange risk against the Corporation's functional currency. The objective of the policy is to minimize the risks related to foreign currency transactions, more specifically in US dollars, in order to protect the gross margin from significant foreign currency fluctuations and to avoid management speculation on currency values. The Corporation manages this risk exposure by entering into various foreign exchange forward contracts. Pursuant to the policy, a maximum of 75% of anticipated net inflows in US dollars can be hedged.

The Corporation has at its disposal a line of treasury in the amount of \$2,300,000 in order to cover foreign exchange risks associated with its forward foreign exchange contracts.

The following tables summarize the Corporation's commitments to sell foreign currencies:

As at December 31, 2011

Maturity	Type	Average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.0294	\$9 600
12 to 24 months	Sale	1.0295	\$8 700
24 to 36 months	Sale	1.0302	\$4 500
		1.0296	\$22,800

As at December 31, 2010

Maturity	Type	Average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 5 months	Sale	1.0432	\$2 250

As at January 1, 2010

Maturity	Type	Average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 9 months	Sale	1.0821	\$18 000

The fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would pay or receive upon settlement of the contracts at year-end.

The fair value of the financial instruments which are presented as "Accumulated other comprehensive income (loss)", before income taxes of \$201,000 (December 31, 2010-\$753,000), is as follows as at December 31:

## 23 . Financial instruments (continued)

	2011	2010
Unrealized gains on forward exchange contracts maturing in the next twelve months	\$ 83	\$ 105
Gains on forward exchange contracts cashed in advance that will be recognized in the next twelve months	667	2 095
	750	2 200
Unrealized gains on forward exchange contracts maturing after the next twelve months	44	-
Gains on forward exchange contracts cashed in advance that will be recognized after the next twelve months	-	667
	44	667
	\$ 794	\$ 2 867

As at December 31, 2011 and 2010, with other variables unchanged, an upward or downward change of \$0.01 in the value of the Canadian dollar against the US dollar would have a negligible impact on comprehensive income's "Net change in fair value of derivatives designated as cash flow hedges".

The Corporation does not hold or issue any derivative financial instruments for speculative or trading purposes. Derivative financial instruments are subject to standard credit conditions, financial controls, risk management as well as monitoring procedures.

Impact of US dollar foreign exchange risk on monetary items denominated in US dollars:

(in thousands of US dollars)

	2011	2010
Cash	\$ 2 130	\$ 6 508
Trade and other receivables	3 991	4 537
Long-term loans, including current portion	605	370
Trade and other payables	(602)	(374)
Long-term debt, including current portion	(1 883)	(1 979)
Total monetary items denominated in US dollars	\$ 4 241	\$ 9 062

As at December 31, 2011, with other variables unchanged, an upward or downward change of \$0.01 in the value of the Canadian dollar against the US dollar would have the effect of decreasing or increasing "Finance income (costs)" in the amount of \$42,000 (December 31, 2010-\$91,000), \$31,000 (December 31, 2010-\$65,000) net of income taxes.

### ii) Interest rate risk

The Corporation's interest rate risk arises from long-term loans, long-term investments, bank loans and long-term debt. Investments and borrowings issued at variable rates expose the Corporation to the risk of variance in cash flows due to changes in interest rates, whereas investments and borrowings issued at fixed rates expose the Corporation to the risk of variance in fair value due to changes in interest rates.

The Corporation has at its disposal a line of treasury up to a maximum amount of \$600,000 to cover any potential loss in case it chooses to convert its variable interest rate on long-term debt in the amount of \$6,000,000 to a fixed rate debt.

The Corporation analyzes its interest risk exposure on a continual basis and examines its renewal and refinancing options in order to minimize risks.

Impact on the profit or loss of interest rate risks on monetary items with a variable interest rate:

## 23 . Financial instruments (continued)

	2011	2010
Bank loans	\$ 75	\$ 1 990
Long-term debt, including current portion	10 382	10 439
Total monetary items with a variable interest rate	\$ 10 457	\$ 12 429

As at December 31, 2011 and 2010, with other variables unchanged, an upward or downward change of 100 basis points in the prime rate would only have a negligible impact on net income.

### iii) Price risk

The Corporation's products include hundreds of components manufactured by some 100 suppliers around the world. The price of such components can vary and affect the Corporation's profit margins. However, the Corporation's flexible business model enables it to change supplier if required in order to minimize this risk.

The Corporation does not use derivative products on the price of materials.

### Fair values

#### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets carried at fair value</b>						
Foreign exchange forward contracts	\$ 127	\$ 127	\$ 105	\$ 105	\$ 555	\$ 555
Long-term investments in restructured notes	1 282	1 282	1 290	1 290	1 310	1 310
Put option	181	181	209	209	348	348
	\$ 1 590	\$ 1 590	\$ 1 604	\$ 1 604	\$ 2 213	\$ 2 213
<b>Assets carried at amortized costs</b>						
Cash	\$ 3 931	\$ 3 931	\$ 6 041	\$ 6 041	\$ 4 823	\$ 4 823
Restricted cash	1 100	1 100	1 500	1 500	1 900	1 900
Trade and other receivables	8 515	8 515	9 786	9 786	6 942	6 942
Long-term loans	675	627	414	366	132	103
Long-term investments in guaranteed investment certificates	-	-	-	-	4 100	4 100
	\$ 14 221	\$ 14 173	\$ 17 741	\$ 17 693	\$ 17 897	\$ 17 868
<b>Liabilities carried at amortized costs</b>						
Bank loans	\$ 75	\$ 75	\$ 1 990	\$ 1 990	\$ 1 080	\$ 1 080
Trade and other payables	6 123	6 123	6 547	6 547	6 249	6 249
Long-term debt	12 861	12 843	13 392	13 369	10 697	10 669
	\$ 19 059	\$ 19 041	\$ 21 929	\$ 21 906	\$ 18 026	\$ 17 998

The basis for determining fair values is disclosed in note 25.

### Fair values hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

## 23 . Financial instruments (continued)

	Level 1	Level 2	Level 3	Total
<b>December 31, 2011</b>				
Foreign exchange forward contracts	\$ -	\$ 127	\$ -	\$ 127
Long-term investments in restructured notes	-	-	1 282	1 282
Put option	-	-	181	181
	\$ -	\$ 127	\$ 1 463	\$ 1 590
<b>December 31, 2010</b>				
Foreign exchange forward contracts	\$ -	\$ 105	\$ -	\$ 105
Long-term investments in restructured notes	-	-	1 290	1 290
Put option	-	-	209	209
	\$ -	\$ 105	\$ 1 499	\$ 1 604
<b>January 1, 2010</b>				
Foreign exchange forward contracts	\$ -	\$ 555	\$ -	\$ 555
Long-term investments in restructured notes	-	-	1 310	1 310
Put option	-	-	348	348
	\$ -	\$ 555	\$ 1 658	\$ 2 213

During the years ended on December 31, 2011 and 2010, the reconciliation of items evaluated using unobservable inputs (Level 3) is as follows :

	Long-term investments in restructured notes	Put option
Balance as at January 1, 2010	\$ 1 310	\$ 348
Change in the fair value of restructured notes	155	(152)
Change in foreign currency exchange rates	(71)	(13)
Impact on the value of the put option related to the disposal of restructured notes	-	26
Capitalized interest on long-term debt	6	-
Total gains (losses) recognized as "Finance income (costs)"	90	(139)
Repayment of capital following the disposal of restructured notes	(110)	-
Balance as at December 31, 2010	\$ 1 290	\$ 209
Change in the fair value of restructured notes	\$ 55	\$ (28)
Change in foreign currency exchange rates	31	3
Impact on the value of the put option related to the disposal of restructured notes	-	(3)
Capitalized interest on long-term debt	6	-
Total gains (losses) recognized as "Finance income (costs)"	92	(28)
Repayment of capital following the disposal of restructured notes	(100)	-
Balance as at December 31, 2011	\$ 1 282	\$ 181

### E) Capital management

The Corporation defines the components of its capital structure as being long-term debt and bank debt, net of cash and restricted cash, long-term investments, plus equity.

## 23 . Financial instruments (continued)

	December 31, 2011	December 31, 2010	January 1, 2010
Cash	\$ (3 931)	\$ (6 041)	\$ (4 823)
Restricted cash	(1 100)	(1 500)	(1 900)
Long-term investments, including current portion	(1 463)	(1 499)	(5 758)
Bank loans	75	1 990	1 080
Long-term debt, including current portion	12 861	13 392	10 697
	6 442	6 342	(704)
Equity	20 145	22 078	20 772
Total capital structure	\$ 26 587	\$ 28 420	\$ 20 068

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Corporation defines as result from operating activities divided by total shareholders' equity. Management also monitors the level of dividends to common shareholders.

The Corporation monitors capital based on different financial ratios and non-financial performance indicators.

Furthermore, the Corporation must comply with certain conditions under its various banking arrangements.

These requirements include, on a consolidated basis, maintaining on a quarterly basis a minimum working capital of 1.50:1 and maximum debt ratio of 3.25:1 and, on an annual basis, a ratio of interest bearing debt net of cash over earnings before interest, taxes, depreciation and amortization ("EBITDA") maximum of 3.00:1 and a minimum ratio of fixed-charge coverage of 1.10:1. The fixed-charge coverage ratio is defined as being EBITDA plus cash at the beginning of the year net of non-financed fixed asset additions and share repurchases for cancellation over the total of capital payments due and/or payable on long-term debt plus interest and dividends. The total amount drawn on the line of credit cannot exceed the total value of 80% of Canadian trade receivables, 65% of US trade receivables and 50% of raw materials and finished goods net of trade liabilities under 30 days, up to a maximum amount of \$6,000,000.

For its Savaria Concord subsidiary, requirements include maintaining on a quarterly basis a minimum working capital ratio of 1.10:1, a maximum debt-to-equity ratio of 2.50:1 and, a maximum shareholders' equity of at least \$10,000,000. Shareholders' equity is equal to equity plus deferred taxes minus intangible assets and goodwill. The total amount drawn on the line of credit cannot exceed the total value of 80% of Canadian trade receivables, 65% of US trade receivables and, 50% of raw materials and finished goods inventory net of trade liabilities under 30 days, up to a maximum amount of \$6,000,000. The above amounts include trade receivables and inventory of the subsidiary Savaria Concord as well as those of the subsidiaries Freedom, Liberty and Van-Action. For Van-Action, only the amount over and above the amount drawn on its line of credit is considered.

As for its Van-Action subsidiary, it must maintain on a quarterly basis a minimum working capital ratio of 1.25:1 and a maximum debt-to-equity ratio of 2.5:1. The total amount drawn on the line of credit cannot exceed the total value of 90% of its Canadian trade receivables that benefit from government grants, 80% of all other trade receivables and 50% of raw materials and finished goods, net of trade liabilities under 30 days.

The Corporation was in compliance with all of the ratio requirements of its lenders throughout the year.

The Corporation's debt to adjusted capital ratio at the end of the reporting period was as follows:



## 23 . Financial instruments (continued)

	December 31, 2011	December 31, 2010	January 1, 2010
Total liabilities	\$ 22 268	\$ 25 272	\$ 19 200
Less: cash	5 031	7 541	6 723
Net debt	\$ 17 237	\$ 17 731	\$ 12 477
Total equity	20 145	\$ 22 078	20 772
Less: amounts accumulated in equity relating to cash flow hedges	593	2 095	2 012
Adjusted capital	\$ 19 552	\$ 19 983	\$ 18 760
Debt to adjusted capital ratio at December 31	88,2%	88,7%	66,5%

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

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

Neither the Corporation, nor any of its subsidiaries, are subject to externally imposed capital requirements.

## 24 . Commitments

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Less than 1 year	\$ 1 508	\$ 1 923	\$ 1 824
Between 1 and 5 years	319	1 584	2 444
	\$ 1 827	\$ 3 507	\$ 4 268

The Corporation concluded lease agreements for the rental of its premises and entered into operating leases for rolling stock and equipment. The building leases run for remaining periods between 8 and 50 months, with most leases having an option to renew after that date.

During the year ended December 31, 2011 an amount of \$1,272,000 was recognized in cost of sales and an amount of \$499,000 was recognized in operating costs in respect of operating leases (2010-\$1,473,000 and \$571,000).

## 25 . Determination of fair values

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### A) Fixed assets

The fair value of fixed assets recognized as a result of a business combination is based on market values. The fair value of items of equipment, furniture, rolling stock, computer and leasehold improvements is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

## 25 . Determination of fair values (continued)

### B) Intangible assets

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

### C) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the common course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

### D) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

### E) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Corporation entity and counterparty when appropriate.

### F) Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### G) Share-based payment transactions

The fair value of the share purchase options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

## 26 . Government assistance

During 2011, the Corporation recorded scientific research and experimental development tax credits of \$272,000 (2010-\$620,000). An overall amount of \$290,000 has not yet been assessed by the tax authorities.

The Corporation also recorded \$86,000 (2010-\$95,000) in apprenticeship tax credits which have not yet been assessed by the tax authorities.

These credits were accounted for as follows:

	2011	2010
Decrease in deferred development costs	\$ 226	\$ 108
Decrease in cost of sales	87	95
Decrease in engineering and research and development expenses	45	512
	\$ 358	\$ 715

## 27 . Operating segments

### Information about the operating segments

The Corporation's business structure is divided into two segments based on differences in the products offered: the first consists of manufacturing and distributing residential and commercial accessibility equipment for people with mobility challenges (Accessibility), and the second consists of converting and adapting vehicles for persons with mobility challenges (Adapted Vehicles).

Interest on long-term debt is allocated to the segments according to the original use of the amount borrowed. Interest on long-term debt that was not used for either segments remains unallocated.

	2011			2010		
	Accessibility	Adapted Vehicles	Total	Accessibility	Adapted Vehicles	Total
External revenues	\$ 50 319	\$ 14 955	\$ 65 274	\$ 50 923	\$ 14 313	\$ 65 236
Income before income tax and unallocated amounts	\$ 3 892	\$ 144	\$ 4 036	\$ 4 409	\$ 95	\$ 4 504

	December 31, 2011			December 31, 2010		
	Accessibility	Adapted Vehicles	Total	Accessibility	Adapted Vehicles	Total
Segment's assets	\$ 32 153	\$ 8 222	\$ 40 375	\$ 35 561	\$ 9 002	\$ 44 563
Segment's liabilities	\$ 10 035	\$ 5 970	\$ 16 005	\$ 13 410	\$ 7 143	\$ 20 553
Capital expenditures	\$ 581	\$ 329	\$ 910	\$ 714	\$ 283	\$ 997

	January 1, 2010		
	Accessibility	Adapted Vehicles	Total
Segment's assets	\$ 28 619	\$ 5 119	\$ 33 738
Segment's liabilities	\$ 6 848	\$ 3 469	\$ 10 317

### Reconciliations of operating segments and the consolidated balances

	2011	2010	
<b>Income before income tax</b>			
Total income of segments, before income tax and unallocated amounts	\$ 4 036	\$ 4 504	
Unallocated amounts:			
Finance costs	(608)	(488)	
Other corporate expenses <sup>(1)</sup>	(550)	(556)	
Income before income tax	\$ 2 878	\$ 3 460	
	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
<b>Assets</b>			
Total assets of segments	\$ 40 375	\$ 44 563	\$ 33 738
Unallocated amounts <sup>(2)</sup>	2 038	2 787	6 234
Total consolidated assets	\$ 42 413	\$ 47 350	\$ 39 972
<b>Liabilities</b>			
Total liabilities of segments	\$ 16 005	\$ 20 553	\$ 10 317
Unallocated amounts <sup>(2)</sup>	6 263	4 719	8 883
Total consolidated liabilities	\$ 22 268	\$ 25 272	\$ 19 200

(1) Salaries, professional fees and other corporate expenses not included in the reportable segments' income

(2) Assets and liabilities not included in the assets and liabilities of the segments

## 27 . Operating segments (continued)

### Geographical information

	Sales		Non-current assets		
	2011	2010	December 31, 2011	December 31, 2010	January 1, 2010
Domestic	\$ 31 296	\$ 31 174	\$ 12 091	\$ 12 898	\$ 12 671
United States	26 956	27 582	-	-	-
Other regions	7 022	6 480	220	185	160
	\$ 65 274	\$ 65 236	\$ 12 311	\$ 13 083	\$ 12 831

Sales are attributed to a geographical region according to the destination of product shipments.

## 28 . Contingencies

Various claims and legal proceedings have been initiated against the Corporation in the normal course of its operating activities. Although the outcome of these proceedings cannot be determined with certainty, management estimates that any payments resulting from their outcome are not likely to have a substantial negative impact on the Corporation's consolidated financial statements.

The Corporation has received a claim with respect to the non-payment of the note payable related to the acquisition of Freedom. The Corporation has instituted a counter-claim with respect to this same transaction. The outcome of these claims cannot be determined at this time.

## 29 . Related parties

### Transactions with key management personnel

#### A) Loan to a director

In 2007, the Corporation issued 475,000 common shares following the exercise of stock options at \$1 per share; in consideration, a long-term loan in the amount of \$250,000 was issued to a director who is also an employee, generating a net cash flow of \$225,000. The long-term loan is classified as a reduction of share capital and the number of issued stock options was increased by 200,000 options. Contingent loan repayments will result in a corresponding increase in share capital and, consequently, the number of options outstanding will be reduced. The loan bears interest at prime rate less 1% and is secured by 200,000 common shares of the Corporation having a market value of \$316,000 as at December 31, 2011. Interest is compounded and payable on an annual basis while the principal was payable at maturity, on February 23, 2012.

#### B) Key management personnel compensation

	2011	2010
Short-term employee benefits	\$ 416	\$ 396
Share-based payments	34	27
	\$ 450	\$ 423

#### C) Key management personnel and director transactions

Directors of the Corporation control 68% percent of the voting shares of the Company.

The Corporation recorded an amount of \$84,000 (2010-\$58,000) for accounting and tax services rendered by an entity whose officer is a director and chief financial officer of the Corporation. As at December 31, 2011 and 2010, no amount was recorded as Trade and other payables in the statement of financial position.

### 30 . Subsequent events

The Corporation has made an offer that was accepted by the sellers to purchase a building in Brampton, Ontario for a price of \$8,700,000. The Corporation entered into an agreement with its financial institution for a long-term debt in the amount of \$9,600,000 to finance the purchase. The terms of the agreement include an amortization period of 180 months with a monthly payment in capital of \$54,000 plus interest at a fixed rate for five years of 3.5%.

The Corporation also entered into the following agreements with its financial institution:

- refinancing of its long-term debt into one single loan in the amount of \$7,000,000. The loan replaces four existing loans having a total balance of \$8,467,000 as at December 31, 2011. The terms of the agreement include an amortization period of 84 months with a monthly payment in capital of \$83,000 plus interest at a fixed rate for five years of 3.5%;
- replacement of its line of credit agreements that are currently held by Savaria Concord for \$2,000,000 and Van-Action for \$500,000 into a single line of credit in the amount of \$5,000,000. The amount drawn on the line of credit may not exceed 90% of Canadian trade receivables that benefit from a grant, 80% of all other Canadian trade receivables and 65% of US trade receivables, and 50% of raw material and finished goods inventory. The line of credit bears interest at prime plus 0.5%;
- renewal for an additional year of two long-term debts that are renewable on a yearly basis. The first loan having a balance of \$987,000 as at December 31, 2011 has been extended until March 2014 whereas the second loan having a balance of \$928,000 has been extended until March 2013. Both loans have been renewed under the same terms.

### 31 . Explanation of transition to IFRS

As stated in note 2A), the Corporation's consolidated financial statements have been prepared in accordance with IFRS.

The accounting policies in accordance with IFRS have therefore been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Corporation's date of transition).

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Corporation's financial position and financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

31 . Explanation of transition to IFRS (continued)  
Reconciliation of equity

	Note	January 1, 2010				December 31, 2010			
		Canadian GAAP	Reclassifications	IFRS adjustments	IFRSs	Canadian GAAP	Reclassifications	IFRS adjustments	IFRSs
<b>Assets</b>									
<b>Current assets</b>									
Cash		\$ 4 823	\$ -	\$ -	\$ 4 823	\$ 6 041	\$ -	\$ -	\$ 6 041
Restricted cash		400	-	-	400	400	-	-	400
Trade and other receivables		7 455	-	-	7 455	10 444	-	-	10 444
Foreign exchange forward contracts		555	-	-	555	105	-	-	105
Current portion of long-term loans		27	-	-	27	90	-	-	90
Tax credits receivable		366	101	-	467	825	91	-	916
Inventories		12 600	-	-	12 600	14 536	-	-	14 536
Prepaid expenses		814	-	-	814	940	-	-	940
Deferred tax assets	c	602	-	(602)	-	522	-	(522)	-
Current portion of long-term investments	e	-	-	-	-	-	-	795	795
<b>Total current assets</b>		<b>27 642</b>	<b>101</b>	<b>(602)</b>	<b>27 141</b>	<b>33 903</b>	<b>91</b>	<b>273</b>	<b>34 267</b>
<b>Non-current assets</b>									
Restricted cash		1 500	-	-	1 500	1 100	-	-	1 100
Tax credits receivable		558	-	-	558	524	-	-	524
Long-term loans		105	-	-	105	324	-	-	324
Fixed assets	a	1 566	-	-	1 566	1 842	-	88	1 930
Goodwill	b	506	-	-	506	4 974	-	(923)	4 051
Intangible assets	a	1 390	-	-	1 390	3 026	-	168	3 194
Long-term investments	e	5 758	-	-	5 758	1 499	-	(795)	704
Other assets	a	62	-	(17)	45	-	-	-	-
Deferred tax assets	c	801	-	602	1 403	768	-	488	1 256
<b>Total non-current assets</b>		<b>12 246</b>	<b>-</b>	<b>585</b>	<b>12 831</b>	<b>14 057</b>	<b>-</b>	<b>(974)</b>	<b>13 083</b>
<b>Total assets</b>		<b>\$ 39 888</b>	<b>\$ 101</b>	<b>\$ (17)</b>	<b>\$ 39 972</b>	<b>\$ 47 960</b>	<b>\$ 91</b>	<b>\$ (701)</b>	<b>\$ 47 350</b>

31 . Explanation of transition to IFRS (continued)  
Reconciliation of equity (continued)

	Note	January 1, 2010				December 31, 2010			
		Canadian GAAP	Reclassifications	IFRS adjustments	IFRSs	Canadian GAAP	Reclassifications	IFRS adjustments	IFRSs
<b>Liabilities</b>									
<b>Current liabilities</b>									
Bank loans		\$ 1 080	\$ -	\$ -	\$ 1 080	\$ 1 990	\$ -	\$ -	\$ 1 990
Trade and other payables	a	6 249	-	-	6 249	6 686	-	(139)	6 547
Income taxes payable		-	101	-	101	42	91	-	133
Deferred revenues		415	-	-	415	2 043	-	-	2 043
Current portion of long-term debt	e	1 845	-	-	1 845	3 329	-	907	4 236
Warranty provision		264	-	-	264	356	-	-	356
Deferred tax liabilities	c	-	-	-	-	44	-	(44)	-
<b>Total current liabilities</b>		<b>9 853</b>	<b>101</b>	<b>-</b>	<b>9 954</b>	<b>14 490</b>	<b>91</b>	<b>724</b>	<b>15 305</b>
<b>Non-current liabilities</b>									
Long-term debt	e	8 852	-	-	8 852	10 063	-	(907)	9 156
Warranty provision		394	-	-	394	425	-	-	425
Deferred tax liabilities	c	-	-	-	-	342	-	44	386
<b>Total non-current liabilities</b>		<b>9 246</b>	<b>-</b>	<b>-</b>	<b>9 246</b>	<b>10 830</b>	<b>-</b>	<b>(863)</b>	<b>9 967</b>
<b>Total liabilities</b>		<b>19 099</b>	<b>101</b>	<b>-</b>	<b>19 200</b>	<b>25 320</b>	<b>91</b>	<b>(139)</b>	<b>25 272</b>
<b>Equity</b>									
Share capital	a	12 633	-	-	12 633	12 627	-	3	12 630
Share capital to be issued	a	-	-	-	-	1 200	-	(633)	567
Contributed surplus	d	1 856	-	54	1 910	2 019	-	45	2 064
Accumulated other comprehensive income		2 012	-	-	2 012	2 081	-	-	2 081
Retained earnings	f	4 288	-	(71)	4 217	4 713	-	23	4 736
<b>Total equity</b>		<b>20 789</b>	<b>-</b>	<b>(17)</b>	<b>20 772</b>	<b>22 640</b>	<b>-</b>	<b>(562)</b>	<b>22 078</b>
<b>Total liabilities and equity</b>		<b>\$ 39 888</b>	<b>\$ 101</b>	<b>\$ (17)</b>	<b>\$ 39 972</b>	<b>\$ 47 960</b>	<b>\$ 91</b>	<b>\$ (701)</b>	<b>\$ 47 350</b>

31 . Explanation of transition to IFRS (continued)  
Reconciliation of comprehensive income

	Note	Period of twelve months ended December 31, 2010			
		Canadian GAAP	Reclassifications	IFRS adjustments	IFRSs
<b>Revenue</b>		\$ 65 236	\$ -	\$ -	\$ 65 236
<b>Cost of sales</b>	a	(46 653)	(316)	(55)	(47 024)
<b>Gross margin</b>		18 583	(316)	(55)	18 212
<b>Operation costs</b>					
Administrative expenses	a, d	-	(6 573)	(333)	(6 906)
Selling expenses		-	(5 269)	-	(5 269)
Engineering and research and development expenses		-	(2 077)	-	(2 077)
Selling and administrative expenses		(12 982)	12 982	-	-
		(12 982)	(937)	(333)	(14 252)
Amortization		(1 253)	1 253	-	-
Other income	a	-	36	398	434
<b>Operating income</b>		4 348	36	10	4 394
Finance income		-	52	-	52
Finance costs		-	(986)	-	(986)
Other revenues and expenses		(898)	898	-	-
<b>Net finance costs</b>		(898)	(36)	-	(934)
<b>Income before income tax</b>		3 450	-	10	3 460
Income tax expense	c	(975)	-	83	(892)
<b>Net income</b>		<b>2 475</b>	<b>-</b>	<b>93</b>	<b>2 568</b>
<b>Other comprehensive income</b>					
Change in the fair value of foreign exchange contracts designated as cash flow hedges		2 253	-	-	2 253
Deferred income tax		(626)	-	-	(626)
		1 627	-	-	1 627
Gains on foreign exchange contracts transferred to net income in current year		(2 176)	-	-	(2 176)
Deferred income tax		633	-	-	633
		(1 543)	-	-	(1 543)
Net change in fair value of derivatives designated as cash flow hedges		84	-	-	84
Unrealized net (losses) gains on translation of financial statements of self-sustaining foreign operations		(15)	-	-	(15)
<b>Other comprehensive income, net of income tax</b>		69	-	-	69
<b>Total comprehensive income</b>		<b>\$ 2 544</b>	<b>\$ -</b>	<b>\$ 93</b>	<b>\$ 2 637</b>
<b>Earnings per share:</b>					
Basic		\$ 0,11	\$ -	\$ 0,01	\$ 0,12
Diluted		\$ 0,11	\$ -	\$ 0,01	\$ 0,12



### 31 . Explanation of transition to IFRS (continued)

#### Material adjustments to the statement of cash flows for 2010

Consistent with the Corporation's accounting policy choice under IAS 7, *Statement of Cash Flows*, interest paid and income taxes paid have moved into the body of the statement of cash flows, whereas they were previously disclosed as supplementary information. Acquisition costs of \$275,000 in 2010 are presented in the net income for the year, whereas, according to GAAP, they were included in the cost related to a business acquisition. Furthermore, the following non-cash items related to a business acquisition at a bargain price have been reclassified in 2010 in the body of the statement of cash flows:

<i>Period of twelve months ended on December 31, 2010:</i>	12 months
Depreciation of fixed assets	\$ 44
Amortization of intangible assets	29
Business acquisition at a bargain purchase price	(398)
<b>Net changes</b>	<b>\$ (325)</b>

There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

#### Notes to the reconciliations

##### (a) Business combination exemption

The Corporation elected to apply IFRS retrospectively to all business combinations that occurred on or after January 1, 2010. As a condition under IFRS 1 for applying this exemption, goodwill relating to business combinations that occurred prior to January 1, 2010 was tested for impairment even though no impairment indicators were identified. No impairment existed at the date of transition.

The impact arising from the change is summarized as follows:

	<i>Note</i>	January 1, 2010	December 31, 2010
<u>Consolidated statement of financial position</u>			
Increase in fixed assets	a.1	\$ -	\$ 88
Decrease in goodwill	b	-	(923)
Increase in intangible assets	a.2	-	168
Decrease in other assets	a.3	(17)	-
Decrease in deferred tax assets	a.4	-	(82)
Decrease in trade and other payables	a.5	-	139
Increase in share capital	a.6	-	(3)
Decrease in share capital to be issued	a.7	-	633
<b>(Decrease) increase in retained earnings</b>		<b>\$ (17)</b>	<b>\$ 20</b>
<i>Period of twelve months ended on December 31, 2010:</i>			
<u>Consolidated statement of comprehensive income</u>			
Increase in other income	a.8		\$ (398)
Increase in cost of sales	a.9		55
Increase in administrative expenses	a.10		341
Decrease in income tax expense	c.2		(35)
<b>Increase in total comprehensive income</b>	a.11		<b>\$ (37)</b>

### 31 . Explanation of transition to IFRS (continued)

#### (a) Business combination exemption (continued)

- (a.1) Recognition of a bargain purchase gain instead of reduction of the long-term assets and related deferred tax assets.
- (a.2) Recognition of a bargain purchase gain instead of reduction of the long-term assets and related deferred tax assets.
- (a.3) Prepaid acquisition costs reversed to the retained earnings as of January 1, 2010.
- (a.4) Recognition of deferred tax liabilities of \$48,000 on long-term assets and reversal of deferred tax assets related to the reversal of a provision of \$139,000.
- (a.5) Reversal of non-deductible provisions of \$188,000 less amortization already recognized under Canadian GAAP of \$49,000, related to rent savings.
- (a.6) Difference in the share value calculation related to the share payment.
- (a.7) Different factors are taken in account while determining the share value, such as the probability that the condition be met. The share value under IFRS amounted to \$567,000 as opposed to \$1,200,000 under Canadian GAAP for a difference of \$633,000.
- (a.8) Recognition of a bargain purchase gain.
- (a.9) Reversal of the amortization of \$49,000 related to non-deductible provisions and amortization of \$6,000 related to recognized intangible assets.
- (a.10) Acquisition costs of \$275,000 recorded in comprehensive income instead of capitalized, amortization of \$66,000 related to recognized intangible assets.
- (a.11) Net result of the adjustments to the purchase price allocations.

#### (b) Goodwill

	Note	January 1, 2010	December 31, 2010
Share capital to be issued	a.7	\$ -	\$ 633
Acquisition costs	b.1	-	208
Trade and other payables	b.2	-	82
<b>Decrease of goodwill</b>		<b>\$ -</b>	<b>\$ 923</b>

- (b.1) Acquisition costs recorded in comprehensive income, including \$17,000 in 2009 and \$191,000 in 2010, instead of being capitalized in the cost of acquisition.
- (b.2) Reversal of non-deductible provisions related to savings in rental expenses of \$115,000 net of deferred taxes of \$33,000.

#### (c) Income tax

The above changes increased or decreased the deferred tax assets and liabilities as follows:

	Note	January 1, 2010	December 31, 2010
<u>Deferred tax assets</u>			
Business combination	a	\$ -	\$ (82)
Reclassification from current to non-current	c.1	602	522
Tax rate difference on intercompany profit elimination	c.3	-	48
<b>Increase in deferred tax assets</b>		<b>\$ 602</b>	<b>\$ 488</b>
<u>Deferred tax liabilities</u>			
Reclassification from current to non-current	c.1	\$ -	\$ (44)
<b>Increase in deferred tax liabilities</b>		<b>\$ -</b>	<b>\$ (44)</b>

### 31 . Explanation of transition to IFRS (continued)

#### (c) Income tax (continued)

<i>Period of twelve months ended on December 31, 2010:</i>		12 months
<u>Income tax expense</u>	<b>Note</b>	
Business combination	<b>c.2</b>	\$ (35)
Tax rate difference on intercompany profit elimination	<b>c.3</b>	(48)
<b>Decrease in income tax expense</b>		<b>\$ (83)</b>

- (c.1) Under IFRS, all deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary differences. The effect is to reclass the amounts from current deferred tax assets and liabilities to non-current deferred tax assets and liabilities.
- (c.2) Tax effect resulting from the recognition of fixed assets and intangible assets and of reversal of non-deductible provisions.
- (c.3) Under IFRS, the purchasing subsidiary's tax rate must be applied to the amount of profit reversed on inventory held at the end of a period as opposed to the selling subsidiary's tax rate as required under Canadian GAAP.

#### (d) Share-based compensation

Under IFRS, Savaria accrues the cost of employee share-based compensation over the vesting period using the graded method of amortization rather than the straight-line method, which was the Corporation's policy under Canadian GAAP. Furthermore, in accordance with IFRS, an estimate is required of the number of options expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate, whereas under Canadian GAAP forfeitures of options were recognized as they occurred. As a result, the Corporation adjusted its expense to reflect this difference.

The impact arising from the change is summarized as follows:

	<b>Note</b>	<b>January 1, 2010</b>	<b>December 31, 2010</b>
<u>Consolidated statement of financial position</u>			
Increase in contributed surplus		\$ (54)	\$ (45)
<b>Decrease in retained earnings</b>		<b>\$ (54)</b>	<b>\$ (45)</b>
<i>Period of twelve months ended on December 31, 2010:</i>		<b>12 months</b>	
<u>Consolidated statement of comprehensive income</u>			
Decrease in administrative expenses	<b>d.1</b>	\$ (9)	(9)
<b>Increase in total comprehensive income</b>		<b>\$ (9)</b>	<b>(9)</b>

- (d.1) Favorable difference of \$9,000 related to share-based compensation.

#### (e) Reclassification of the debt and some long-term investments

Under IFRS, all debts that mature in the next twelve months and that have not been renewed by the end of the period must be classified as a current liability as opposed to Canadian GAAP under which the debt could be classified as non-current if it was renewed by the date of the financial statements. Similarly, the investments that could be assigned to the bank as partial payment of the related debt that is classified as a current liability must also be classified as current. The effect of this difference is to reclassify \$907,000 from long-term debt to current portion of long-term debt and \$795,000 from the long-term investments to current portion of long-term investments.

### 31 . Explanation of transition to IFRS (continued)

#### (f) Retained earnings

The above changes decreased or increased retained earnings (each net of related tax) as follows:

	<i>Note</i>	January 1, 2010	December 31, 2010
Business combination	<b>a</b>	\$ (17)	\$ 20
Tax rate difference on intercompany profit elimination	<b>c.3</b>	-	48
Share-based compensation	<b>d</b>	(54)	(45)
<b>(Decrease) increase in retained earnings</b>		<b>\$ (71)</b>	<b>\$ 23</b>

#### (g) Other IFRS 1 exemption

The Corporation has applied the fair value measurement provisions of financial assets and financial liabilities at initial recognition in IAS 39 *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after the date of transition as permitted by an amendment to IFRS 1 issued in December 2010 and early-applied as of January 1, 2010.