SAVARIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2017 AND 2016

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MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of **SAVARIA CORPORATION (the "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 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 consolidated 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 consolidated 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, 2017 and 2016 and for the years then ended have been audited by the auditors appointed by the shareholders, KPMG LLP.

Marcel Bourassa
Chairman of the Board and Chief Executive Officer

Jean-Marie Bourassa, CPA, CA
Chief Financial Officer

Laval (Québec) Canada
March 8, 2018

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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, 2017 and December 31, 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP*

March 8, 2018

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A109612

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2017 and 2016
(in thousands of dollars)

	Note	**2017**	2016
Assets			
Current assets			
Cash		**$ 7,719**	$ 51,230
Trade and other receivables	*5*	**24,483**	13,160
Income taxes receivable		**86**	-
Derivative financial instruments	*22*	**466**	-
Inventories	*6*	**39,541**	24,792
Prepaid expenses		**2,441**	1,057
Deposit		**627**	-
Total current assets		**75,363**	90,239
Non-current assets			
Derivative financial instruments	*22*	**1,921**	171
Long-term loans		**21**	33
Fixed assets	*7*	**35,407**	19,530
Intangible assets and goodwill	*8*	**100,490**	12,049
Deposit on a business acquisition	*9*	**4,426**	-
Deposits on purchases of fixed assets		**205**	262
Other long-term assets		**196**	-
Deferred tax assets	*18*	**1,767**	3,848
Total non-current assets		**144,433**	35,893
Total assets		**$ 219,796**	$ 126,132
Liabilities			
Current liabilities			
Trade and other payables	*10*	**$ 21,651**	$ 14,340
Dividend payable		**1,238**	-
Income taxes payable	*18*	**465**	1,349
Deferred revenues		**5,107**	2,671
Derivative financial instruments	*22*	**279**	4,298
Current portion of long-term debt	*11*	**1,470**	3,436
Warranty provisions	*12*	**954**	510
Total current liabilities		**31,164**	26,604
Non-current liabilities			
Long-term debt	*11*	**38,428**	13,855
Warranty provisions	*12*	**740**	757
Other long-term liabilities		**267**	49
Income taxes payable	*18*	**682**	-
Derivative financial instruments	*22*	**-**	1,699
Deferred tax liabilities	*18*	**9,732**	183
Total non-current liabilities		**49,849**	16,543
Total liabilities		**81,013**	43,147
Equity			
Share capital and warrants	*13*	**120,394**	72,791
Contributed surplus		**3,298**	2,587
Accumulated other comprehensive loss		**(1,691)**	(4,050)
Retained earnings		**16,782**	11,657
Total equity		**138,783**	82,985
Total liabilities and equity		**$ 219,796**	$ 126,132

The notes on pages 11 to 50 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF NET INCOME
For the years ended December 31, 2017 and 2016
(in thousands of dollars, except per share amounts)

	Note	**2017**	2016
Revenue	*14*	**$ 180,518**	$ 119,728
Cost of sales		**116,593**	79,159
Gross margin		**63,925**	40,569
Operating expenses			
Administrative		**15,029**	9,550
Selling		**20,162**	9,478
Engineering		**3,239**	2,516
Research and development		**1,242**	935
		39,672	22,479
Other expenses	*16*	**1,617**	641
Operating income		**22,636**	17,449
Finance income	*17*	**(282)**	(630)
Finance costs	*17*	**1,913**	825
Net finance costs		**1,631**	195
Income before income tax		**21,005**	17,254
Income tax expense	*18*	**1,757**	4,953
Net income		**$ 19,248**	$ 12,301
Earnings per share:	*19*		
Basic		**$ 0.48**	$ 0.36
Diluted		**$ 0.47**	$ 0.34

The notes on pages 11 to 50 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2017 and 2016
(in thousands of dollars)

	2017	2016
Net income	**$ 19,248**	$ 12,301
Other comprehensive income		
Items that are or may be reclassified subsequently to income or loss:		
Change in the fair value of derivative financial instruments designated as cash flow hedges	**4,383**	2,075
Deferred income tax	**(1,129)**	(536)
	3,254	1,539
Losses on foreign exchange contracts transferred to net income in the current year	**3,551**	4,634
Deferred income tax	**(913)**	(1,191)
	2,638	3,443
Net change in fair value of derivative financial instruments designated as cash flow hedges	**5,892**	4,982
Unrealized net losses on translation of financial statements of foreign operations	**(4,157)**	(484)
Net investment hedge, net of tax	**624**	-
Other comprehensive income, net of income tax	**2,359**	4,498
Total comprehensive income	**$ 21,607**	$ 16,799

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SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016
(in thousands of dollars)

	2016						
	Share capital and warrants						
	Number						
	Share capital	Warrants	Amount	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance at January 1, 2016	**32,579,614**	**2,875,000**	**$ 47,878**	**$ 2,265**	**$ (8,548)**	**$ 7,618**	**$ 49,213**
Total comprehensive income							
Net income	-	-	-	-	-	12,301	**12,301**
Other comprehensive income:							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	1,539	-	**1,539**
Losses on foreign exchange contracts transferred to net income in the current year, net of tax	-	-	-	-	3,443	-	**3,443**
Unrealized net losses on translation of financial statements of foreign operations	-	-	-	-	(484)	-	**(484)**
Other comprehensive income	-	-	-	-	4,498	-	**4,498**
Total comprehensive income	-	-	$ -	$ -	$ 4,498	$ 12,301	**$ 16,799**
Transactions with shareholders, recorded directly in equity (notes 13 (A) and 21)							
Shares issued in relation to a private placement	2,600,000	-	20,280	-	-	-	**20,280**
Share issue costs, net of tax	-	-	-	-	-	(867)	**(867)**
Stock-based compensation	-	-	-	357	-	-	**357**
Exercise of stock options	165,833	-	347	(35)	-	-	**312**
Exercise of warrants	1,008,500	(1,008,500)	4,286	-	-	-	**4,286**
Dividends on common shares	-	-	-	-	-	(7,395)	**(7,395)**
Total transactions with shareholders	3,774,333	(1,008,500)	24,913	322	-	(8,262)	**16,973**
Balance at December 31, 2016	**36,353,947**	**1,866,500**	**$ 72,791**	**$ 2,587**	**$ (4,050)**	**$ 11,657**	**$ 82,985**

The notes on pages 11 to 50 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2017
(in thousands of dollars)

	2017						
	Share capital and warrants						
	Number						
	Share capital	Warrants	Amount	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance at January 1, 2017	**36,353,947**	**1,866,500**	**$ 72,791**	**$ 2,587**	**$ (4,050)**	**$ 11,657**	**$ 82,985**
Total comprehensive income							
Net income	-	-	-	-	-	19,248	**19,248**
Other comprehensive income:							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	3,254	-	**3,254**
Losses on foreign exchange contracts transferred to net income in the current year, net of tax	-	-	-	-	2,638	-	**2,638**
Unrealized net losses on translation of financial statements of foreign operations	-	-	-	-	(4,157)	-	**(4,157)**
Change in net investment hedge, net of tax	-	-	-	-	624	-	**624**
Other comprehensive income	-	-	-	-	2,359	-	**2,359**
Total comprehensive income	-	-	$ -	$ -	$ 2,359	$ 19,248	**$ 21,607**
Transactions with shareholders, recorded directly in equity (notes 13 (A) and 21)							
Shares issued in relation to a private placement	2,760,000	-	38,364	-	-	-	**38,364**
Share issue costs, net of tax	-	-	-	-	-	(1,463)	**(1,463)**
Stock-based compensation	-	-	-	890	-	-	**890**
Exercise of stock options	270,001	-	1,306	(179)	-	-	**1,127**
Exercise of warrants	1,866,500	(1,866,500)	7,933	-	-	-	**7,933**
Dividends on common shares	-	-	-	-	-	(12,660)	**(12,660)**
Total transactions with shareholders	4,896,501	(1,866,500)	47,603	711	-	(14,123)	**34,191**
Balance at December 31, 2017	**41,250,448**	**-**	**$ 120,394**	**$ 3,298**	**$ (1,691)**	**$ 16,782**	**$ 138,783**

The notes on pages 11 to 50 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
(in thousands of dollars)

	Note	2017	2016
Cash flows related to operating activities			
Net income		**$ 19,248**	$ 12,301
Adjustments for:			
Depreciation of fixed assets	*7*	**2,199**	1,309
Amortization of intangible assets	*8*	**3,971**	691
Income tax expense	*18*	**1,757**	4,953
Stock-based compensation	*21*	**890**	357
Unrealized foreign exchange losses		**590**	14
Finance costs	*17*	**1,236**	825
Others		**(66)**	58
		29,825	20,508
Net changes in non-cash operating items	*20 (A)*	**(5,375)**	2,154
Proceeds from long-term loans		**12**	18
Income tax paid		**(5,220)**	(4,595)
Net cash related to operating activities		**19,242**	18,085
Cash flows related to investing activities			
Business acquisitions	*4*	**(105,253)**	(8,675)
Deposit on a business acquisition	*9*	**(4,426)**	-
Deposits on purchases of fixed assets		**(205)**	(262)
Additions to fixed assets	*7*	**(5,597)**	(2,344)
Increase in intangible assets	*8*	**(1,832)**	(648)
Net cash related to investing activities		**(117,313)**	(11,929)
Cash flows related to financing activities			
Increase in long-term debt	*11*	**39,495**	2,649
Repayment of long-term debt		**(16,356)**	(2,696)
Interest paid		**(1,021)**	(738)
Transaction costs related to a long-term debt		**(1,015)**	-
Proceeds from the issuance of common shares in relation to a private placement, net of transaction fees	*13 (A)*	**36,374**	19,094
Proceeds from exercise of stock options	*13 (A)*	**1,127**	312
Proceeds from exercise of warrants	*13 (A)*	**7,933**	4,286
Dividends paid on common shares	*13 (C)*	**(11,422)**	(7,395)
Net cash related to financing activities		**55,115**	15,512
Net change in cash		**(42,956)**	21,668
Cash at January 1st		**51,230**	29,707
Unrealized foreign exchange loss on cash held in foreign currencies		**(555)**	(145)
Cash at December 31st		**$ 7,719**	$ 51,230

The notes on pages 11 to 50 are an integral part of these audited consolidated financial statements.

1 . Reporting Entity

Savaria Corporation is a company domiciled in Canada. The address of its registered office is 4350 Chomedey Highway, Laval, Québec. The consolidated financial statements of the Corporation as at and for the years ended December 31, 2017 and 2016 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation" or as "Savaria"). Savaria is one of North America's leaders in the accessibility industry. It provides accessibility solutions for the elderly and physically challenged to increase their comfort, their mobility and their independence. The activities of the Corporation are divided into three operating segments: the Accessibility segment, the Adapted Vehicles segment and the Span segment as described in note 26 "Operating segments". Taking into account its most recent acquisitions, the Corporation will realize approximately 66% of its revenue outside of Canada, mainly in the United States.

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.

These consolidated financial statements have been audited by the Corporation's auditors and were approved by the Board of Directors on March 8, 2018.

(B) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments that are measured at fair value in the consolidated statements of financial position.

(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 estimate uncertainties that have a significant risk of resulting in a material adjustment are the measurement of the identifiable assets acquired during business combinations and the provision for inventory obsolescence.

Important judgements made by management when applying accounting policies that have the most significant impact on amounts recognized in the consolidated financial statements are the determination of cash-generating units ("CGU"), the identification of operating segments and the determination of foreign operations' functional currencies.

3 . Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(A) Basis of consolidation

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

Subsidiaries

Savaria Concord Lifts Inc. ("Savaria Concord")
Freedom Motors Inc. ("Freedom")
Savaria (Australia) Pty Ltd ("Savaria Australia")
Savaria (Huizhou) Mechanical Equipment Manufacturing Co., LTD ("Savaria Huizhou")
Savaria Lifts Ltd. ("Savaria Lifts")
Savaria Sales, Installation and Service Inc. ("Savaria SIS")
Savaria USA Inc. ("Savaria USA")
Silver Cross Automotive Inc. ("SC Automotive")
Silver Cross Franchising Inc. and its subsidiaries ("Silver Cross")
Span-America Medical Systems, Inc. and its subsidiary ("Span")
Van-Action (2005) Inc. ("Van-Action")

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 reconverted 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.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising from those translations are recognized in net income. Non-monetary items that are measured in terms of historical costs 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 account of foreign currency translation differences.

3 . Significant Accounting Policies (continued)

(C) Financial instruments

The Corporation initially recognizes financial assets on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently recognized at fair value through net income, transaction costs directly attributable to the acquisition or creation of the asset will be included in the initial measurement. Transaction costs directly attributable to other financial assets will be recognized in net income. Upon initial recognition, the Corporation classifies its financial assets as measured at amortized cost or at fair value, depending on its business model for managing the financial assets and the characteristics of their contractual cash flows.

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

(i) Financial assets

Financial assets are classified into the following categories, depending on the purpose for which the financial assets were acquired.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Corporation currently classifies its cash, trade and other receivables as well as its long-term loans as financial assets measured at amortized cost. Trade receivables and long-term loans are presented on the consolidated statements of 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 arise from various indicators, including a deterioration in the creditworthiness 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. Impairment is charged to an allowance account for as long as management considers that there is a possibility of collecting the amount owed. Once all collection procedures are exhausted, the loss is charged directly against the carrying amount of trade receivables. 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. These loans are recognized at fair value at the time of the transfer from trade receivables to long-term loans.

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

Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in net income. However, for investments in equity instruments that are not held for trading, the Corporation may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to net income, and no impairment is recognized in net income. Dividends earned from such investments are recognized in net income, unless the dividend clearly represents a repayment of part of the cost of the investment. The Corporation currently has no financial assets measured at fair value.

3 . Significant Accounting Policies (continued)

(C) Financial instruments (continued)

(ii) Financial liabilities

Financial liabilities are classified into the following categories.

Financial liabilities measured at amortized cost

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Corporation currently classifies its trade and accrued liabilities, its long-term debt as well as its other long-term liabilities as financial liabilities measured at amortized cost.

Financial liabilities measured at fair value

Financial liabilities at fair value are initially recognized at fair value and are remeasured at each reporting date with any changes therein recognized in net income. The Corporation currently has no financial liabilities measured at fair value.

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

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when and only when the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedging relationships

The Corporation holds derivative financial instruments to hedge its foreign currency and interest rate 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. 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.

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.

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 anticipated 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 accumulated other comprehensive income (loss) in equity. The amount recognized in other comprehensive income is transferred to net income in the same period as the hedged cash flows under the same line item in the consolidated statements 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.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in accumulated other comprehensive income (loss) in equity remains there until the anticipated transaction affects net income. If it is probable that the transaction will not occur, then the balance in other comprehensive income is recognized immediately in net income.

(C) Financial instruments (continued)

Net investment hedge

The Corporation designates its US dollar denominated debt as a hedging item in a net investment hedge in its American subsidiary Span. The Corporation applies hedge accounting to differences arising between the functional currency of the foreign operation and the Corporation's functional currency, regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the transition of a financial liability designated as a hedge of a net investment in foreign operations are recognized, net of tax, in other comprehensive income to the extent that the hedge is effective, and are presented in the currency translation differences account within equity. To the extent that the hedge is ineffective, such differences are recognized in net income or loss. When the hedged investment is disposed of, the relevant amount in the translation reserve is transferred to net income or loss as part of the gain or loss on disposal.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if (i) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract; (ii) a separate instrument with the same terms as the embedded derivative meets the definition of a derivative; and (iii) 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.

(iv) 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 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.

(E) Fixed assets (continued)

(iii) Depreciation (continued)

Depreciation is recognized in net income on a straight-line basis over the estimated useful life 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 life 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:

· Building	20 to 40 years
· Major components related to the building	2 to 30 years
· Machinery and equipment	3 to 20 years
· Office furniture	5 to 10 years
· Rolling stock	3 to 10 years
· Computer hardware	2 to 10 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

(i) Goodwill

Initial measurement

Goodwill that arises from a business combination is measured at initial recognition 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.

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 indicate that it has declined 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 and 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) Other intangible assets

Intangible assets consist of the items listed below.

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

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

(F) Goodwill and intangible assets (continued)

(iii) Other intangible assets (continued)

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:

· Trademarks	5 to 15 years
· Client lists	5 to 15 years
· Distribution licences	5 years
· Order backlog	Terms of delivery
· Maintenance contracts	10 years
· Technology	5 to 7.5 years
· Patents	6 to 10 years
· Recovered rights	3 years
· Software	5 years
· Deferred 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) Financial assets

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as charges in arrears or economic conditions that correlate with defaults.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive 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 or its CGUs recoverable amount is estimated. 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. Non-financial assets that have an indefinite useful life such as goodwill and certain intangible assets, are not subject to amortization and are therefore tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired.

(H) Impairment (continued)

(ii) Non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value minus selling costs. 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 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. Each CGU or group of CGUs to which goodwill is allocated must represent the lowest level at which the goodwill is monitored for internal management purposes and must not be, before allocating the goodwill, larger than an operating segment.

The Corporation's corporate assets do not generate separate cash inflows and are utilized 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.

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 or group of CGUs on a *pro rata* basis of the carrying amount of each asset of the CGU that is subject to the impairment test.

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.

(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 costs.

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.

3 . Significant Accounting Policies (continued)

(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 many 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.

(iii) Revenue realized from franchises

Revenue realized from franchises includes initial franchise fees, royalties and renewal fees. Upfront entry fees are recognized as revenue once almost all initial services, as described in the franchise agreement, have been rendered, which generally corresponds with the franchise's start of activities. Royalties from franchises are recognized periodically based on the sales declared by franchisees. Renewal fees are recognized in the year when they are earned, which corresponds with the date when the renewal is completed.

(iv) Revenue realized from the identification of leads

Revenue from the sale of leads' related information is recognized periodically as this information is distributed.

(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 year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(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 bank loans and long-term debt, 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) Income tax

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in net income except to the extent that they relate 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 year. 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 and warrants outstanding were exercised using the treasury stock method.

(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.

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

3 . **Significant Accounting Policies (continued)**

(Q) New accounting standards and interpretations

The following new standards, and amendments to standards and interpretations have been applied in preparing the consolidated financial statements as at December 31, 2017. The adoption of these new standards has not had a material impact on the consolidated financial statements.

Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016, the IASB issued *Disclosure Initiative (Amendments to IAS 7)* . The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

On January 19, 2016, the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)* . The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

(R) New accounting standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the years ended December 31, 2017 and 2016, and have not been applied in preparing these consolidated financial statements.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to IFRS 2, Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Corporation intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The Corporation does not expect the standard to have a material impact on its consolidated financial statements.

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for years beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. Prior-period restatement is not required and is permitted only if the information is available without the use of hindsight.

(R) New accounting standards and interpretations not yet adopted (continued)

IFRS 9 - Financial Instruments (continued)

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured at amortized cost based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness. However it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

IFRS 9 (2014) presents a few differences with IFRS 9 (2013), early adopted by the Corporation on April 1, 2014. The Corporation intends to adopt IFRS 9 (2014) in its consolidated financial statements for the year beginning on January 1, 2018. The Corporation does not expect the standard to have a material impact on its consolidated financial statements.

IFRS 15 - *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective to years beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS.

The Corporation will adopt IFRS 15 in its consolidated financial statements for the year beginning on January 1, 2018.

Adoption of this standard will have the following impact:

- Freight revenue and expense: the Corporation books the net of freight revenue and expense in its cost of sales since it generally invoices customers the same amount as it is charged by freight companies. According to IFRS 15, amounts charged to customers must be presented among revenue while the amounts charged by freight companies must be booked in cost of sales. This change will have no impact on the Corporation's net income.
- Vehicle conversion and adaptation revenue: the Corporation books vehicle conversion and adaptation revenue on customer-owned vehicles at the time of delivery of the product. According to IFRS 15, these revenues must be recognized at every period-end according to the advancement of work. The Corporation estimates that this change will have no significant impact on its net income.
- Maintenance revenue: the Corporation books revenue related to maintenance contracts on a straight-line basis over the contract period. According to IFRS 15, these revenues must be booked based on when each maintenance service is provided. The Corporation estimates that this change will have no significant impact on its net income.
- Initial franchise fees and renewal fees: the Corporation books revenue from initial franchise fees at the start of the franchise's activities or at the renewal date, whichever applies. According to IFRS 15, these revenues must be spread over the period covered by the agreement. The Corporation estimates that this change will have no significant impact on its net income.

(R) New accounting standards and interpretations not yet adopted (continued)

IFRS 16 - *Leases*

On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for years beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have also been provided.

The Corporation intends to adopt IFRS 16 in its consolidated financial statements for the year beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

IFRIC 22 - *Foreign Currency Transactions and Advance Consideration*

On December 8, 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018.

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Interpretation may be applied either:

- retrospectively; or
- prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after:
  - the beginning of the reporting period in which the entity first applies the Interpretation; or
  - the beginning of a prior reporting period presented as comparative information in the financial statements.

The Corporation will adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The Corporation does not expect the Interpretation to have a material impact on the financial statements.

IFRIC 23 - *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The Interpretation requires:

- an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

(R) New accounting standards and interpretations not yet adopted (continued)

IFRIC 23 - *Uncertainty over Income Tax Treatments (continued)*

The Corporation intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

Annual Improvements to IFRS Standards (2015-2017) Cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 *Income Taxes* – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 *Borrowing Costs* – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

4 . Business Acquisitions

(i) Premier Lifts

On February 10, 2017, the Corporation acquired the assets of Premier Lifts, Inc. ("Premier Lifts") by way of its subsidiary Savaria USA Inc. Premier Lifts is a leading elevator dealer in the Baltimore – Washington area that has been installing Savaria products for the last 15 years. This acquisition offers an opportunity to continue our strong sales and service presence in this marketplace. The total consideration amounts to $3,927,000 ($3,001,000 US) of which $3,664,000 ($2,800,000 US) has been paid on the date of acquisition and $393,000 ($300,000 US) has been deposited into escrow of which $130,000 ($99,000 US) will be recovered by the Corporation following a purchase price adjustment. The balance will be released, under certain conditions, 12 and 18 months after the date of acquisition. Acquisition related costs amounting to $64,000, of which $25,000 have been recorded in 2016 and $39,000 in 2017, have been included in other expenses. The amounts paid came from the Corporation's available cash on hand.

The purchased assets are mainly accounts receivable, inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and Premier Lifts and the additional sales of accessibility products that will result from them. The goodwill has been allocated to the *Accessibility* operating segment and will be non-deductible for tax purposes.

(ii) Span

On June 16, 2017, the Corporation acquired the shares of Span. Span manufactures and markets a comprehensive line of therapeutic support surfaces and other pressure management products for the medical market, medical beds for the long-term care market as well as foam mattress overlays and pillows for the consumer market and certain products for the industrial market, mainly foam products. This acquisition delivers three key benefits that will help Savaria achieve its long-term strategic growth objectives. Firstly, it adds a complementary product line to its accessibility portfolio. Secondly, it provides it with a new distribution channel into the institutional and government markets, which will complement its existing dealer network and Silver Cross retail outlets. Finally, it increases its US presence, allowing it to be closer to its customer base.

The total consideration amounts to $107,204,000 ($81,019,000 US) paid on the date of acquisition. Acquisition related costs amounting to $1,273,000, have been included in other expenses in 2017. In addition to its cash on hand, the Corporation drew from a new revolving credit facility (note 11) and a private placement (note 13) to finance the purchase price payable under this transaction.

(ii) Span (continued)

The purchased assets are mainly cash, accounts receivable, inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and Span and the additional sales of accessibility products that will result from them. The goodwill has been allocated to the *Span* operating segment and will be non-deductible for tax purposes.

(iii) Master Lifts

On December 14, 2017, the Corporation acquired the assets of Master Lifts Pty Ltd ("Master Lifts") by way of its newly created subsidiary Savaria (Australia) Pty Ltd. Master Lifts is a leading elevator dealer based in Brisbane, Australia. The acquisition of Master Lifts provides Savaria with a national sales platform to gain access to the Australian market. The total consideration amounts to $3,839,000 ($3,910,000 AU), having a fair value of $3,648,000 ($3,715,000 AU), of which $2,857,000 ($2,910,000 AU) has been paid on the date of acquisition and $982,000 ($1,000,000 AU), having a fair value of $791,000 ($805,000 AU), will be payable over a two-year period upon the achievement of certain annual performance metrics. The fair value of the contingent consideration has been established according to the income approach, which is based on an estimate of the amounts and timing of projected cash-flows. Acquisition related costs amounting to $167,000 have been included in other expenses in 2017. The amount paid came from the Corporation's revolving credit facility (note 11).

The purchased assets are mainly inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and Master Lifts and the additional sales of accessibility products that will result from them. The goodwill will be allocated to the *Accessibility* operating segment.

(iv) Silver Cross Automotive

On May 31, 2016, the Corporation acquired the assets of the automotive division of Shoppers Home Health Care (a division of Shoppers Drug Mart) ("SHHC Automotive") by way of its newly created subsidiary, Silver Cross Automotive Inc. ("SC Automotive"). SHHC Automotive has long held a Canadian leadership position as a retailer of wheelchair van conversions and mobility adaptation for vehicles, with a 16-year history in the business. As Canada's largest manufacturer of wheelchair accessible minivans, Savaria believes that this strategic acquisition will offer new retail distribution opportunities from coast to coast given SHHC Automotive's established presence in key markets of Canada.

The total consideration amounts to $8,675,000 paid in one payment on the date of acquisition. Acquisition related costs, amounting to $726,000 have been included in other expenses in 2016. The amounts were paid from the Corporation's available cash on hand.

The purchased assets are mainly inventories, intangible assets and goodwill; the latter arising from the synergies between Savaria and SC Automotive and the additional sales of vehicle conversions that will result from them. A total amount of $1,236,000 in goodwill is tax deductible.

Purchase price allocation

As at December 31, 2017, the Corporation hadn't finalized the allocation of the consideration paid between the identifiable net assets and the goodwill of the Span and Master Lifts acquisitions. The information required to confirm the fair value of certain assets and liabilities has not been obtained yet. The Corporation will finalize the allocation of the consideration paid as it obtains further information. The following table presents the preliminary allocation of the consideration paid for Span and Master Lifts according to the information gathered to date as well as the final allocation for the other acquisitions. In conformity with IFRS 3, *Business Combinations*, the acquisitions have been accounted for using the acquisition method.

4 . Business Acquisitions (continued)

Purchase price allocation (continued)

	2017				2016
	Premier Lifts	Span	Master Lifts	Total	SHHC
Assets acquired					
Current assets	$ 471	$ 31,722	$ 1,510	$ 33,703	$ 6,795
Fixed assets	210	12,406	157	12,773	23
Intangible assets and goodwill	-	-	3,028	3,028	-
Intangible assets:					
Trademarks	258	9,195	-	9,453	352
Client lists	609	28,350	-	28,959	-
Backlog of orders	554	925	-	1,479	-
Patents	-	986	-	986	-
Goodwill	2,850	47,734	-	50,584	1,671
Other non-current assets	-	198	-	198	-
	$ 4,952	$ 131,516	$ 4,695	$ 141,163	$ 8,841
Liability assumed					
Current liabilities	1,025	9,020	1,005	11,050	143
Other non-current liabilities	-	301	42	343	-
Deferred tax liabilities	-	14,991	-	14,991	23
	$ 1,025	$ 24,312	$ 1,047	$ 26,384	$ 166
Fair value of net assets acquired and cash flows related to the acquisitions	$ 3,927	$ 107,204	$ 3,648	$ 114,779	$ 8,675
Less: cash in acquired businesses	-	8,865	-	8,865	-
contingent consideration payable	-	-	791	791	-
Plus: account receivable	130	-	-	130	-
Cash flows related to the acquisitions	$ 4,057	$ 98,339	$ 2,857	$ 105,253	$ 8,675

The following table provides the revenue and net income contributions of the business acquisitions that have taken place in 2017, from their respective dates of acquisition and those estimated as if these acquisitions had occurred on January 1, 2017. These estimates were prepared using historical information obtained from the acquiree and do not reflect the acquisition costs nor the benefits of integration activities, synergies and changes to historical transactions that may have resulted had the acquisition actually occurred on January 1, 2017. Estimated amounts are not necessarily indicative of the results of operations of the acquired businesses that would have resulted had the acquisitions actually occurred on January 1, 2017, nor the results that may be obtained in the future.

	Since the date of acquisition		Since January 1st	
	Revenue	Net income	Revenue	Net income
Premier Lifts (1)	$ 7,055	$ 447	$ 7,500	$ 505
Span (2)	$ 45,712	$ 745	$ 83,622	$ 1,749
Master Lifts	$ 30	$ (26)	$ 7,200	$ 500

(1) Net income since the date of acquisition includes an amortization charge on intangible assets of $555,000.

(2) Net income since the date of acquisition includes an interest charge on an inter-company debt of $1,894,000 and an amortization charge on intangible assets of $2,562,000.

5 . Trade and Other Receivables

	2017	2016
Trade receivables	$ 23,837	$ 12,809
Less: Allowance for doubtful accounts	(716)	(506)
	$ 23,121	$ 12,303
Sales taxes recoverable	1,047	810
Other receivables	315	47
	$ 24,483	$ 13,160

The Corporation's exposure to credit risks, currency risks and impairment losses related to trade and other receivables is disclosed in note 22.

6 . Inventories

	2017	2016
Raw materials and subassembly components	**$ 25,669**	$ 14,943
Work in progress	**2,257**	545
Finished goods	**11,615**	9,304
	$ 39,541	**$ 24,792**

In 2017, raw materials, subassembly components and changes in work in progress and finished goods recognized as cost of sales amounted to $106,589,000 (2016-$72,027,000). Write-downs and reversals are included in cost of sales.

The movement in the provisions for inventories during the year was as follows:

	2017	2016
Balance at January 1	**$ 3,087**	$ 1,555
Provisions acquired through business combinations	**787**	1,277
Write-down to net realizable value	**115**	1,129
Reversal of write-downs	**(90)**	(295)
Provisions used	**(842)**	(579)
Effect of movements in exchange rates	**(24)**	-
Balance at December 31	**$ 3,033**	**$ 3,087**

As at December 31, 2017 and 2016, all of the above inventory was pledged as security for liabilities.

7 . Fixed Assets

	Cost					
	Balance at January 1	Additions [1]	Additions through business combinations (note 4)	Disposals	Effect of movements in exchange rates	Balance at December 31
2016						
Land	$ 5,634	$ 45	$ -	$ -	$ -	$ 5,679
Building	11,256	355	-	-	-	11,611
Machinery and equipment	5,007	1,206	-	(145)	(41)	6,027
Office furniture	467	78	-	(101)	(4)	440
Rolling stock	1,363	404	23	(95)	(13)	1,682
Computer hardware	591	55	-	(41)	(7)	598
Leasehold improvements	452	344	-	(138)	(28)	630
	$ 24,770	**$ 2,487**	**$ 23**	**$ (520)**	**$ (93)**	**$ 26,667**
2017						
Land	**$ 5,679**	**$ 1,027**	**$ 622**	**$ -**	**$ (31)**	**$ 7,297**
Building	**11,611**	**3,501**	**9,983**	**-**	**(499)**	**24,596**
Machinery and equipment	**6,027**	**519**	**1,416**	**(13)**	**(43)**	**7,906**
Office furniture	**440**	**55**	**134**	**(1)**	**(5)**	**623**
Rolling stock	**1,682**	**633**	**324**	**(339)**	**(15)**	**2,285**
Computer hardware	**598**	**100**	**277**	**(5)**	**(14)**	**956**
Leasehold improvements	**630**	**86**	**17**	**(57)**	**(1)**	**675**
	$ 26,667	**$ 5,921**	**$ 12,773**	**$ (415)**	**$ (608)**	**$ 44,338**

7 . Fixed Assets (continued)

	Depreciation				
	Balance at January 1	Depreciation expense	Disposals	Effect of movements in exchange rates	Balance at December 31
2016					
Building	$ 1,052	$ 454	$ -	$ -	$ 1,506
Machinery and equipment	3,782	335	(142)	(23)	3,952
Office furniture	281	63	(93)	(4)	247
Rolling stock	546	294	(89)	(8)	743
Computer hardware	456	61	(41)	(3)	473
Leasehold improvements	264	102	(138)	(12)	216
	$ 6,381	**$ 1,309**	**$ (503)**	**$ (50)**	**$ 7,137**
2017					
Building	**$ 1,506**	**$ 908**	**$ -**	**$ (1)**	**$ 2,413**
Machinery and equipment	**3,952**	**616**	**(12)**	**(1)**	**4,555**
Office furniture	**247**	**81**	**(1)**	**-**	**327**
Rolling stock	**743**	**448**	**(325)**	**(2)**	**864**
Computer hardware	**473**	**127**	**(5)**	**(1)**	**594**
Leasehold improvements	**216**	**19**	**(57)**	**-**	**178**
	$ 7,137	**$ 2,199**	**$ (400)**	**$ (5)**	**$ 8,931**

	Carrying amount at December 31	
	2017	2016
Land	**$ 7,297**	$ 5,679
Building	**22,183**	10,105
Machinery and equipment	**3,351**	2,075
Office furniture	**296**	193
Rolling stock	**1,421**	939
Computer hardware	**362**	125
Leasehold improvements	**497**	414
	$ 35,407	**$ 19,530**

(1) See note 20 (B) regarding non-cash transactions

Depreciation

Depreciation is recognized as follows:

	2017	2016
Cost of sales	**$ 1,568**	$ 881
Administrative expenses	**372**	249
Selling expenses	**259**	179
	$ 2,199	**$ 1,309**

8 . Intangible Assets and Goodwill

	2017	2016
Intangible assets	**$ 39,714**	$ 2,893
Goodwill	**57,748**	9,156
Intangible assets and goodwill from acquisitions not yet allocated (note 4)	**3,028**	-
	$ 100,490	**$ 12,049**

8 . Intangible Assets and Goodwill (continued)

(A) Intangible Assets

	Cost					
	Balance at January 1	Additions [1][2]	Additions through business combinations (note 4)	Write-offs	Effect of movements in exchange rates	Balance at December 31
2016						
Trademarks	$ 453	$ -	$ 352	$ (300)	$ -	$ 505
Client lists	2,811	-	-	-	-	2,811
Distribution licenses	322	-	-	-	-	322
Maintenance contracts	870	-	-	-	-	870
Technology	236	-	-	-	-	236
Recovered rights	132	-	-	-	-	132
Software	804	32	-	-	-	836
Deferred development costs	2,005	511	-	-	-	2,516
	$ 7,633	**$ 543**	**$ 352**	**$ (300)**	**$ -**	**$ 8,228**
2017						
Trademarks	**$ 505**	**$ -**	**$ 9,453**	**$ -**	**$ (387)**	**$ 9,571**
Client lists	**2,811**	**-**	**28,959**	**-**	**(1,055)**	**30,715**
Distribution licenses	**322**	**-**	**-**	**-**	**-**	**322**
Backlog of orders	**-**	**-**	**1,479**	**-**	**(68)**	**1,411**
Maintenance contracts	**870**	**-**	**-**	**-**	**-**	**870**
Technology	**236**	**-**	**-**	**-**	**-**	**236**
Patents	**-**	**30**	**986**	**-**	**(48)**	**968**
Recovered rights	**132**	**-**	**-**	**-**	**-**	**132**
Software	**836**	**161**	**-**	**-**	**1**	**998**
Deferred development costs	**2,516**	**1,248**	**-**	**-**	**-**	**3,764**
	$ 8,228	**$ 1,439**	**$ 40,877**	**$ -**	**$ (1,557)**	**$ 48,987**

	Amortization					Carrying amount at December 31
	Balance at January 1	Amortization expense	Write-offs	Effect of movements in exchange rates	Balance at December 31	
2016						
Trademarks	$ 313	$ 24	$ (300)	$ -	$ 37	$ 468
Client lists	1,990	132	-	-	2,122	689
Distribution licenses	322	-	-	-	322	-
Maintenance contracts	506	87	-	-	593	277
Technology	56	43	-	-	99	137
Recovered rights	11	44	-	-	55	77
Software	679	41	-	-	720	116
Deferred development costs	1,067	320	-	-	1,387	1,129
	$ 4,944	**$ 691**	**$ (300)**	**$ -**	**$ 5,335**	**$ 2,893**
2017						
Trademarks	**$ 37**	**$ 468**	**$ -**	**$ (3)**	**$ 502**	**$ 9,069**
Client lists	**2,122**	**1,414**	**-**	**(8)**	**3,528**	**27,187**
Distribution licenses	**322**	**-**	**-**	**-**	**322**	**-**
Backlog of orders	**-**	**1,357**	**-**	**(21)**	**1,336**	**75**
Maintenance contracts	**593**	**87**	**-**	**-**	**680**	**190**
Technology	**99**	**43**	**-**	**-**	**142**	**94**
Patents	**-**	**76**	**-**	**(1)**	**75**	**893**
Recovered rights	**55**	**44**	**-**	**-**	**99**	**33**
Software	**720**	**123**	**-**	**-**	**843**	**155**
Deferred development costs	**1,387**	**359**	**-**	**-**	**1,746**	**2,018**
	$ 5,335	**$ 3,971**	**$ -**	**$ (33)**	**$ 9,273**	**$ 39,714**

[1] See note 20 (B) regarding non-cash transactions

[2] Deferred development was internally developed

8 . Intangible Assets and Goodwill (continued)

Amortization

Amortization is recognized as follows:

	2017	2016
Administrative expenses	**$ 278**	$ 43
Selling expenses	**3,281**	320
Research and development expenses	**412**	328
	$ 3,971	**$ 691**

(B) Goodwill

	Note	2017	2016
Balance at January 1		**$ 9,156**	$ 7,485
Business acquisitions	*4*	**50,584**	1,671
Effect of movements in exchange rates		**(1,992)**	-
Balance at December 31		**$ 57,748**	**$ 9,156**

Impairment testing for CGUs containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Corporation's CGUs or groups of CGUs that benefit from the synergies of the business combination.

The carrying amount of goodwill allocated to each unit is as follows:

	2017	2016
Accessibility	**$ 9,608**	$ 6,869
Adapted vehicles	**2,287**	2,287
Span	**45,853**	-
	$ 57,748	**$ 9,156**

The recoverable amounts 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 CGUs. Values in use in 2017 have been determined similarly as in 2016. The calculations of the values in use are based on the following key assumptions:

· Cash flows are projected over a period of five years with a terminal value based on past experience and actual operating results using a constant growth rate of 10% (2016-10%) for the CGUs grouped in Accessibility and 2% for the CGUs grouped in Adapted Vehicles (2016-5%);

· The anticipated annual revenue growth included in the cash flow projections are based on the business plan;

· A discount rate of 10.33% (2016-14.02%) is applied in determining the recoverable amount of the unit. The discount rate used is based on an industry weighted average cost of capital, which is based on a possible range of debt leveraging of 15% (2016-19%) at a market interest rate of 3.18% (2016-3%);

· The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

9 . Deposit on a Business Acquisition

On August 24, 2017, the Corporation agreed to acquire the assets of Visilift, LLC ("Visilift"). The company manufactures and markets round and octagonal panoramic glass or acrylic elevators for the residential market. The total consideration amounts to $6,312,000 ($5,000,000 US) of which $4,426,000 ($3,500,000 US) has been paid on the date of the agreement and $1,886,000 ($1,500,000 US) will be paid upon the completion of certain closing conditions, including the transfer of production activities to Savaria's manufacturing facilities in Brampton, Ontario. In addition to the Purchase Price, Visilift will have the opportunity to earn an additional payment of $3,771,000 ($3,000,000 US) upon achieving certain performance metrics over a three-year period. Costs related to this acquisition agreement amounting to $118,000 have been included in Other expenses in 2017. The amounts paid came from the Corporation's new revolving credit facility (note 11). This acquisition will be accounted for in accordance with IFRS 3, *Business combinations.*

10 . Trade and Other Payables

	2017	2016
Trade and accrued liabilities	**$ 16,225**	$ 11,929
Salaries and withholding taxes	**4,318**	1,649
Vacations payable	**1,015**	668
Sales tax payable	**93**	94
	$ 21,651	**$ 14,340**

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

11 . 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.

	2017	2016
Current liabilities		
Current portion of long-term debt	**$ 1,443**	$ 3,388
Current portion of obligations under capital leases	**27**	48
	$ 1,470	**$ 3,436**
Non-current liabilities		
Long-term debt	**$ 38,406**	$ 13,806
Obligations under capital leases	**22**	49
	$ 38,428	**$ 13,855**

11 . Long-term Debt (continued)

The details are as follows:

	Effective interest rate as at December 31, 2017	Monthly capital instalments (except where noted)	Maturity	2017	2016
Revolving credit facility having a balance of $21,890,000 for the portion in Candian dollars and $16,971,000 ($13,500,000 US) for the portion in US dollars. Only interest is payable on a monthly basis, at a rate that varies according to certain of the Corporation's ratios. The rate is currently prime rate for funds borrowed in Canadian dollars and base rate for funds borrowed in US dollars. Refer to note 22 (D)(ii) for information on interest rate swaps affecting this loan. (1) (2)	3.20% $CA 5.00% $US	-	June 2022	**$ 37,947**	$ -
Loans in the total original face value of $23,364,000 for the loans denominated in Canadian dollars and $644,000 for the loan denominated in US dollars ($512,000 US). (2)	2.68% to 4.60%	$199	-	**-**	15,651
Contingent consideration related to a business acquisition with an original face value of $982,000 ($1,000,000 AU) and an initial fair value of $791,000 ($805,000 AU), bearing no interest, payable over a two-year period upon the achievement of certain annual performance metrics starting in December 2018.	4.95%	$491	December 2020	**791**	-
Note payable related to a business acquisition with an original face value of $2,200,000 and an initial fair value of $1,914,000, bearing no interest. Repayable by way of semi-annual instalments starting in March 2015.	6.50%	$275	September 2018	**536**	1,040
Note payable related to a business acquisition with a face value of $421,000 and an initial fair value of $395,000, bearing no interest (see note 27).	6.50%	$421	August 2011	**421**	421
Loans in the total original face value of $352,000. Repayable by monthly instalments, including interest.	0% to 18.23%	$1 to $7	September 2018 to April 2023	**154**	82
Finance lease liabilities with original amounts totalling $190,000. At the end of the lease period, the Corporation has the option of purchasing the equipment at fair market value. Repayable by quarterly instalments.	3.87% to 9.5%	$2 to $12	January 2018 to April 2020	**49**	97
				$ 39,898	**$ 17,291**

(1) A description of sureties given on the various banking agreements provided by the Corporation's financial institution is available in note 22 (E).

(2) New agreement signed in June 2017 giving access to a total amount of credit of $110,000,000 that can be drawn in Canadian or in US dollars and which allowed for the repayment of five existing loans, before maturity, for which the balance was $14,135,000 on Canadian dollar loans and $565,000 on a US dollar loan. An additional credit of $50,000,000 is available under certain conditions.

11 . Long-term Debt (continued)

Finance lease liabilities are payable as follows:

	December 31, 2017			December 31, 2016		
	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	**$ 30**	**$ 2**	**$ 28**	$ 53	$ 5	$ 48
Between one and five years	**22**	**1**	**21**	52	3	49
	$ 52	**$ 3**	**$ 49**	**$ 105**	**$ 8**	**$ 97**

Reconciliation of movements of long-term debt to cash flows arising from financing activities:

	2017
Balance on January 1	**$ 17,291**
Net increase in the revolving credit facility	**39,424**
Increase in other long-term debts	**71**
Contingent consideration payable related to an acquisition during the year	**791**
Increase through business combinations	**42**
Repayment of other long-term debts	**(16,356)**
Capitalized finance costs on long-term debt	**131**
Transaction costs related to loans	**(1,015)**
Reversal of transactions costs related to loans repaid during the year	**84**
Impact of the change in foreign exchange rates on the US dollar debt	**(565)**
Balance on December 31	**$ 39,898**

12 . Warranty Provisions

	2017	2016
Balance at January 1	**$ 1,267**	$ 1,197
Increase through business combinations	**503**	-
Provisions made	**814**	867
Provisions used	**(877)**	(797)
Effect of movements in exchange rates	**(13)**	-
Balance at December 31	**$ 1,694**	**$ 1,267**
Current	**$ 954**	$ 510
Non-current	**740**	757
	$ 1,694	**$ 1,267**

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 on accessibility and adapted transport products while they cover a period of eighteen (18) months to fifteen (15) years on Span products. 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.

13 . Capital and Other Components of Equity

(A) Share capital and warrants

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

On June 16, 2017, the Corporation completed a "bought deal" private placement of 2,760,000 common shares (2016-2,600,000) at a price of $13.90 per share (2016-$7.80) for gross proceeds to Savaria of $38,364,000 (2016-$20,280,000) and proceeds net of transaction fees, before tax, of $36,374,000 (2016-$19,094,000).

During 2017, the Corporation issued 270,001 common shares (2016-165,833) at an average price of $4.17 per share (2016-$1.88) following the exercise of stock options. The weighted-average share price at the dates of exercise for these share options was $14.18 (2016-$7.74). These exercises resulted in an increase in share capital of $1,306,000 (2016-$347,000) and a decrease in contributed surplus of $179,000 (2016-$35,000). During the same period, 1,866,500 warrants were exercised and exchanged for the same number of common shares (2016-1,008,500) at a price of $4.25 per share (2016-same) resulting in an increase in share capital of $7,933,000 (2016-$4,286,000).

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

At December 31, 2017 and 2016, AOCI is comprised of accumulated foreign currency translation differences arising from the translation of the financial statements of foreign operations, financial assets measured at fair value through OCI, gain or loss on net investment hedge and cash flow hedges.

(C) Dividends

The following dividends were declared and paid by the Corporation:

For the years ended December 31,

	Declared		Paid	
	2017	**2016**	**2017**	**2016**
Amount per share in cents	**31.5**	21.5	**28.5**	21.5
Total amount	**$ 12,660**	$ 7,395	**$ 11,422**	$ 7,395

14 . Revenue

	2017	**2016**
Sale of goods	**$ 170,323**	$ 112,079
Rendering of services	**9,485**	6,813
Royalties	**710**	836
	$ 180,518	**$ 119,728**

15 . Personnel Expenses

	2017	**2016**
Wages and salaries	**$ 32,329**	$ 27,140
Employment benefits	**3,853**	3,488
Contributions to defined contribution plans	**106**	79
Compensation expense on share options granted	**890**	357
	$ 37,178	**$ 31,064**

16 . Other Expenses

	2017	2016
Business acquisition costs, realized and unrealized, related to administrative expenses (notes 4 and 9)	**$ 1,650**	$ 754
Grant received [(1)]	**-**	(98)
Other	**(33)**	(15)
	$ 1,617	**$ 641**

[(1)] Grant received by the Savaria Huizhou subsidiary related to a request to be classified as a high-tech company.

17 . Finance Income and Finance Costs

	2017	2016
Interest income	**$ 282**	$ 365
Net gain on foreign currency exchange	**-**	265
Finance income	**$ 282**	**$ 630**
Interest on long-term debt	**$ 1,079**	$ 613
Interest and bank charges	**157**	212
Financing charges	**166**	-
Net loss on foreign currency exchange	**511**	-
Finance costs	**$ 1,913**	**$ 825**

18 . Income Tax

	2017	2016
Current tax expense		
Current year	**$ 6,222**	$ 4,855
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	**(4,465)**	98
Total income tax expense	**$ 1,757**	**$ 4,953**

Tax recognized in other comprehensive income

	2017			2016		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Change in the fair value of derivative financial instruments designated as cash flow hedges	**$ 4,383**	**$ (1,129)**	**$ 3,254**	$ 2,075	$ (536)	$ 1,539
Losses on foreign exchange contracts recognized in net income during the year	**3,551**	**(913)**	**2,638**	4,634	(1,191)	3,443
Net investment hedge	**849**	**(225)**	**624**	-	-	-
Unrealized net losses on translation of financial statements of foreign operations	**(4,157)**	**-**	**(4,157)**	(484)	-	(484)
	$ 4,626	**$ (2,267)**	**$ 2,359**	**$ 6,225**	**$ (1,727)**	**$ 4,498**

18 . Income Tax (continued)

Reconciliation of effective tax rate

	2017		2016	
Net income		$ 19,248		$ 12,301
Total tax expense		1,757		4,953
Income before tax expense		$ 21,005		$ 17,254
Tax using the Corporation's domestic tax rate	26,8%	$ 5,629	26.9%	$ 4,641
Permanent differences	1.5%	316	-	-
Income tax withheld on the repatriation of funds from a foreign subsidiary	1.3%	281	1%	181
Impact of differences in tax rates of other jurisdictions	(4.8)%	(1,008)	(0.9)%	(155)
Non-deductible stock-based compensation	1.1%	240	0.5%	93
Foreign exchange losses deductible at 50%	1.3%	260	-	-
Use of unrecognised tax losses	(2.4)%	(508)	-	-
Impact of the US tax reform	(15.7)%	(3,300)	-	-
Other	(0.8)%	(153)	1.1%	193
	8.3%	$ 1,757	28.7%	$ 4,953

Unrecognized deferred tax assets

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

	2017	2016
Non-capital losses carried forward	$ -	$ 1,399
Capital losses carried forward	$ 1,343	$ 342

Non-capital tax losses totalled $1,399,000 at the US federal level and $639,000 at the US state level in 2016. These unrecognised losses were recognised in whole in 2017 of which $637,000 were used in order to reduce the Corporation's taxable income. A deferred tax asset was recognised in relation to these items in the amounts of $153,000 and $41,000 at the federal and state levels respectively. Capital losses totalling $1,343,000 in 2017 (2016- $342,000) at the Canadian federal and Quebec levels do not expire. A deferred tax asset has not been recognised in relation to these items as it isn't probable that the Corporation will be able to use these losses.

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are recorded as follows:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Losses carried forward	$ 1,539	$ 1,143	$ -	$ -	$ 1,539	$ 1,143
Deferred development costs	-	35	(520)	(297)	(520)	(262)
Non-deductible provisions (including warranty and inventory)	918	715	-	-	918	715
Fixed and intangible assets, and goodwill	1,550	120	(11,470)	(380)	(9,920)	(260)
Investment tax credits	42	30	(88)	(70)	(46)	(40)
Foreign exchange contracts and interest rate swaps	-	1,496	(543)	-	(543)	1,496
Gain on US dollar debt which hedged a net investment of a US subsidiary	-	-	(225)	-	(225)	-
Provision for withholding tax on future dividends of a subsidiary	-	-	(281)	-	(281)	-
Financing expenses	997	573	(242)	(17)	755	556
Other	427	388	(69)	(71)	358	317
Tax assets (liabilities)	$ 5,473	$ 4,500	$ (13,438)	$ (835)	$ (7,965)	$ 3,665
Tax offset	(3,706)	(652)	3,706	652	-	-
Net tax assets (liabilities)	$ 1,767	$ 3,848	$ (9,732)	$ (183)	$ (7,965)	$ 3,665

18 . Income Tax (continued)

Recognized deferred tax assets and liabilities (continued)

Certain subsidiaries incurred losses in the current year and are in a net deferred tax asset position in the amount of $631,000 at year-end. The Corporation considers that it will most likely realize these deferred tax assets.

Movement in recognized deferred tax assets and liabilities during the year

	Balance January 1, 2016	Recognized in net income	Increase related to a business combination (note 4)	Increase related to issuance costs related to a private placement	Recognized in other comprehensive income	Balance December 31, 2016
Losses carried forward	$ 1,219	$ (76)	$ -	$ -	$ -	$ 1,143
Deferred development costs	(197)	(65)	-	-	-	(262)
Non-deductible provisions (including warranty and inventory)	530	185	-	-	-	715
Fixed and intangible assets, and goodwill	(222)	(15)	(23)	-	-	(260)
Investment tax credits	(44)	4	-	-	-	(40)
Foreign exchange contracts and interest rate swaps	3,223	-	-	-	(1,727)	1,496
Financing expenses	365	(128)	-	319	-	556
Other	320	(3)	-	-	-	317
	$ 5,194	**$ (98)**	**$ (23)**	**$ 319**	**$ (1,727)**	**$ 3,665**

	Balance January 1, 2017	Recognized in net income	Increase related to business combinations (note 4)	Increase related to issuance costs related to a private placement	Recognized in other comprehensive income	Balance December 31, 2017
Losses carried forward	**$ 1,143**	**$ 396**	**$ -**	**$ -**	**$ -**	**$ 1,539**
Deferred development costs	**(262)**	**(258)**	**-**	**-**	**-**	**(520)**
Non-deductible provisions (including warranty and inventory)	**715**	**203**	**-**	**-**	**-**	**918**
Fixed and intangible assets, and goodwill	**(260)**	**4,697**	**(14,991)**	**-**	**634**	**(9,920)**
Investment tax credits	**(40)**	**(6)**	**-**	**-**	**-**	**(46)**
Foreign exchange contracts and interest rate swaps	**1,496**	**3**	**-**	**-**	**(2,042)**	**(543)**
Gain on US dollar debt which hedged a net investment of a US subsidiary	**-**	**-**	**-**	**-**	**(225)**	**(225)**
Provision for withholding tax on future dividends of a subsidiary	**-**	**(281)**	**-**	**-**	**-**	**(281)**
Financing expenses	**556**	**(330)**	**-**	**529**	**-**	**755**
Other	**317**	**41**	**-**	**-**	**-**	**358**
	$ 3,665	**$ 4,465**	**$ (14,991)**	**$ 529**	**$ (1,633)**	**$ (7,965)**

19 . Earnings per Share

The following table presents a reconciliation of basic and diluted earnings per share:

	2017	2016
Net income	**$ 19,248**	$ 12,301
Basic earnings per share:		
Basic weighted average number of common shares outstanding	**39,718,496**	34,270,454
Basic earnings per share	**$ 0.48**	**$ 0.36**
Diluted earnings per share:		
Basic weighted average number of common shares outstanding	**39,718,496**	34,270,454
Effect of potentially dilutive common shares	**880,331**	1,645,060
Diluted weighted average number of common shares outstanding	**40,598,827**	35,915,514
Diluted earnings per share	**$ 0.47**	**$ 0.34**

At December 31, 2017, 570,000 options (2016-75,000) have been 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 purposes of calculating the dilutive effect of stock options is based on quoted market prices for the period during which the options were outstanding.

20 . Cash Flows

(A) Net changes in non-cash operating items

	2017	2016
Trade and other receivables	**$ (2,122)**	$ 349
Tax credits receivable	**-**	(108)
Inventories	**(2,407)**	(1,442)
Prepaid expenses	**(567)**	(314)
Trade and other payables	**(898)**	3,751
Deferred revenues	**695**	(152)
Warranty provision	**(76)**	70
	$ (5,375)	**$ 2,154**

(B) Non-cash transactions

In 2017, the following non-cash transactions took place: tax credits receivable applied against income tax payable in the amount of $450,000 (2016-$416,000) and $393,000 (2016-$97,000) against deferred development costs, transfer to fixed assets of a deposit in the amount of $262,000 (2016-$106,000) and transfer of inventory to fixed assets in the amount of $29,000 (2016-$21,000).

21 . Share-based Payments

The Corporation has a stock option plan for its directors, members of management, employees and consultants, under which the Board of Directors may 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. At December 31, 2017, 957,000 options could still be granted by the Corporation (December 31, 2016-1,508,000).

21 . Share-based Payments (continued)

The value of each option is estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Year ended December 31	Number of options granted	Risk-free interest rate (1)	Expected dividend yield (1)	Expected volatility (1)	Expected term
2017	**726,666**	**1.29%**	**1.87%**	**30%**	**3 and 6 years**
2016	290,000	0.78%	3.27%	29%	3 and 6 years

(1) Weighted average

The estimated fair value of the options granted in 2017 is $2,320,000 (2016-$350,000). This amount is amortized and charged to earnings as the rights to exercise are vested.

In 2017, compensation expense in the amount of $890,000 (2016-$357,000) on options granted to employees and directors has been recognized in administrative expenses and credited to contributed surplus.

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	**1,556,667**	**$ 4.73**	1,467,500	$ 3.83
Granted	**726,666**	**14.93**	290,000	6.35
Exercised	**(270,001)**	**4.17**	(165,833)	1.88
Expired	**(10,000)**	**11.55**	(25,000)	1.55
Forfeited	**-**	**-**	(10,000)	5.17
Outstanding at December 31	**2,003,332**	**$ 8.47**	**1,556,667**	**$ 4.73**
Exercisable at December 31	**356,388**	**$ 6.41**	**307,083**	**$ 5.00**

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

2017					
Options outstanding				Options exercisable	
Exercise price range	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
$1.50 to $1.90	**131,667**	**1.4 years**	**$ 1.70**	**64,999**	**$ 1.71**
$3.45 to $3.65	**379,998**	**2.7 years**	**3.59**	**73,334**	**3.65**
$4.70 to $5.91	**560,000**	**3.3 years**	**5.21**	**50,000**	**5.50**
$6.08 to $11.55	**345,000**	**3.8 years**	**9.31**	**100,000**	**6.08**
$14.04 to $16.72	**586,667**	**4.7 years**	**15.76**	**68,055**	**15.01**
$1.50 to $16.72	**2,003,332**	**3.6 years**	**$ 8.47**	**356,388**	**$ 6.41**

2016					
Options outstanding				Options exercisable	
Exercise price range	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
$1.50 to $1.90	146,667	2.4 years	$ 1.68	13,333	$ 1.50
$3.45 to $3.65	535,000	3.1 years	3.56	75,000	3.45
$4.70 to $5.91	635,000	3.7 years	5.24	125,000	5.50
$6.08 to $11.33	240,000	3.6 years	7.83	93,750	6.08
$1.50 to $11.33	**1,556,667**	**3.4 years**	**$ 4.73**	**307,083**	**$ 5.00**

22 . Financial Instruments

The following table indicates the presentation of the derivative financial instruments on the consolidated statements of financial position.

	2017	2016
Current assets		
Derivative foreign exchange instruments	$ 466	$ -
Non-current assets		
Derivative foreign exchange instruments	$ 1,719	$ 129
Derivative interest rate instruments	202	42
	$ 1,921	$ 171
Current liabilities		
Derivative foreign exchange instruments	$ 279	$ 4,252
Derivative interest rate instruments	-	46
	$ 279	$ 4,298
Non-current liabilities		
Derivative foreign exchange instruments	$ -	$ 1,699

(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 and derivative financial instruments are held or issued by financial institutions with a superior-quality credit rating. Thus, the Corporation considers that the risk of non-performance of such financial institutions is negligible.

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.

The Corporation holds personal assets as security on long-term loans.

The Corporation's exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

22 . Financial Instruments (continued)

(B) Credit risk (continued)

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

	2017	2016
Canada	**$ 7,663**	$ 5,409
United States	**14,742**	6,725
Other regions	**1,432**	675
	$ 23,837	**$ 12,809**

Impairment loss

The aging of trade receivables at the reporting date is:

	2017		2016	
	Gross	Allowance	Gross	Allowance
Current, 0-60 days	**$ 19,653**	**$ -**	$ 10,364	$ -
Past due, 61-90 days	**1,961**	**76**	789	21
Past due, over 90 days	**2,223**	**640**	1,656	485
	$ 23,837	**$ 716**	**$ 12,809**	**$ 506**

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

	2017	2016
Balance at January 1	**$ 506**	$ 649
Increase through business combinations	**186**	-
Increase in the allowance for doubtful accounts	**184**	118
Write-off of receivables:		
Accessibility segment	**(66)**	(255)
Adapted vehicles segment	**(84)**	(6)
Span segment	**(1)**	-
Effect of movements in exchange rates	**(9)**	-
Balance at December 31	**$ 716**	**$ 506**

(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. To ensure 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, 2017, the Corporation had, at its disposal, working capital of $44,199,000 (December 31, 2016-$63,635,000) and unused credit facilities of $71,139,000 (December 31, 2016-$10,000,000).

22 . **Financial Instruments (continued)**

(C) Liquidity risk (continued)

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

	2017					
	Carrying amount	Contractual cash flows	1 year	2 to 3 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities						
Trade and other payables	$ 21,558	$ 21,558	$ 21,558	$ -	$ -	$ -
Dividend payable	1,238	1,238	1,238	-	-	-
Long-term debt, including current portion and interest	39,898	44,075	10,367	16,341	12,402	4,965
Other long-term liabilities	267	267	68	136	59	4
	$ 62,961	$ 67,138	$ 33,231	$ 16,477	$ 12,461	$ 4,969
Derivative financial liabilities						
Foreign exchange forward contracts						
Outflow	$ 279	$ 67,702	$ 22,592	$ 40,098	$ 5,012	$ -
Inflow	-	(69,606)	(22,778)	(41,600)	(5,228)	-
	$ 279	$ (1,904)	$ (186)	$ (1,502)	$ (216)	$ -

	2016					
	Carrying amount	Contractual cash flows	1 year	2 to 3 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities						
Trade and other payables	$ 14,246	$ 14,246	$ 14,246	$ -	$ -	$ -
Long-term debt, including current portion and interest	17,291	19,519	3,954	5,246	2,990	7,329
Other long-term liabilities	49	49	-	16	14	19
	$ 31,586	$ 33,814	$ 18,200	$ 5,262	$ 3,004	$ 7,348
Derivative financial liabilities						
Foreign exchange forward contracts						
Outflow	$ 5,951	$ 71,223	$ 25,444	$ 45,779	$ -	$ -
Inflow	-	(65,378)	(21,176)	(44,202)	-	-
Interest rate swap agreements	46	46	46	-	-	-
	$ 5,997	$ 5,891	$ 4,314	$ 1,577	$ -	$ -

(D) Market risk

(i) Currency risk

The Corporation is exposed to currency risk on financial assets and liabilities, revenues and purchases that are denominated in a currency other than the respective functional currencies of the group's entities. Canadian entities are exposed to US dollars, while entities having a functional currency other than the Canadian dollar (foreign operations) are not significantly exposed to currency risk. The Corporation partially compensates for these risks by purchasing materials in foreign currencies and by using foreign exchange forward contracts. Those contracts oblige the Corporation 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 in the value of the Canadian dollar 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.

22 . Financial Instruments (continued)

(i) Currency risk (continued)

The following tables summarize the characteristics of the foreign exchange contracts at December 31:

2017			
Maturity	**Type**	**Average exchange rate**	**Contractual amounts (in thousands of US dollars)**
0 to 12 months	Sale	1.2654	$18,000
12 to 24 months	Sale	1.2982	18,000
24 to 36 months	Sale	1.3024	14,000
37 to 40 months	Sale	1.3070	4,000
		1.2890	**$54,000**

2016			
Maturity	**Type**	**Average exchange rate**	**Contractual amounts (in thousands of US dollars)**
0 to 12 months	Sale	1.1145	$19,000
12 to 24 months	Sale	1.2654	18,000
24 to 35 months	Sale	1.2985	16,500
		1.2220	**$53,500**

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.

No ineffectiveness has been recorded in net income in relation to cash flow hedges since the sources of the ineffectiveness are non-significant. In 2017, the change in value of the hedging instruments in the amount of $4,177,000 (2016-$1,916,000), used for calculating the ineffective portion of the hedging relationship used to cover foreign exchange risks, were identical to the change in value of the covered items used.

The fair value of the derivative financial instruments which are presented as "Accumulated other comprehensive income (loss)", before income taxes of $490,000 (December 31, 2016-$1,496,000), is as follows as at December 31:

	2017	**2016**
Unrealized gains on forward exchange contracts maturing in the next twelve months	**$ 466**	$ -
Unrealized losses on forward exchange contracts maturing in the next twelve months	**(279)**	(4,252)
	$ 187	**$ (4,252)**
Unrealized gains on forward exchange contracts maturing after the next twelve months	**$ 1,719**	$ 129
Unrealized losses on forward exchange contracts maturing after the next twelve months	**-**	(1,699)
	$ 1,719	**$ (1,570)**
	$ 1,906	**$ (5,822)**

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.

22 . Financial Instruments (continued)

(i) Currency risk (continued)

Sensitivity analysis

Details of items denominated in US dollars of entities that have a functionnal currency other than the US dollar are as follows :

(in thousands of US dollars)

	2017	2016
Cash	**$ (2,451)**	$ 4,204
Trade and other receivables	**3,178**	5,320
Trade and other payables	**1,070**	(1,242)
Long-term debt	**-**	(469)
Total monetary items denominated in US dollars	**$ 1,797**	**$ 7,813**

A one cent increase or decrease in the US dollar at the reporting date, assuming all other variables, in particular interest rates, remain constant, would have increased (decreased) equity and total comprehensive income by the amounts shown below.

(in thousands of US dollars)

	2017		2016	
	1-cent increase	1-cent decrease	1-cent increase	1-cent decrease
Balance sheet exposure	**$ (3)**	**$ 3**	$ 57	$ (57)
Interest rate swap agreements and foreign exchange contracts	**358**	**(358)**	361	(419)
Long-term debt designated as investment hedge	**(2)**	**2**	-	-
Net balance sheet exposure	**$ 353**	**$ (353)**	**$ 418**	**$ (476)**

(ii) Interest rate risk

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

The Corporation reviews on a regular basis its exposure to interest rate risks and examines the renewal and refinancing options that are available to it in order to minimize this risk. It has entered into interest rate swap agreements in order to minimize its risk to a variation in interest rates on the following long-term borrowings:

Maturity	Fixed interest rate	Initial nominal value	Balance 2017	Balance 2016
April 2017	1.98%	$7,000	**$ -**	$ 2,324
April 2017	2.08%	$9,600	**$ -**	$ 6,615
July 2021	1.18%	$6,200 [1]	**$ 5,413**	$ 5,915
June 2022	2.018%	$13,500 US	**$ 16,971**	$ -

(1) This loan has been replaced by the revolving credit facility in June 2017. See note 11

A stamping fee of 1.5% is added to the interest rates stated above.

22 . Financial Instruments (continued)

(ii) Interest rate risk (continued)

These derivative instruments were designated as hedging for accounting purposes. The fair value of the financial instruments which is presented in "Accumulated other comprehensive income (loss)", before deferred income taxes of $54,000 (December 31, 2016-$1,000), is as follows as at December 31:

	2017	2016
Unrealized gains on interest rate swap agreements applicable to the non-current portion of long-term debt	$ 202	$ 42
Unrealized losses on interest rate swap agreements applicable to the current portion of long-term debt	-	(46)
	$ 202	$ (4)

No ineffectiveness has been recorded in net income in relation to cash flow hedges since the sources of the ineffectiveness are non-significant. In 2017, the change in value of the hedging instruments in the amount of $206,000 (2016-$159,000), used for calculating the ineffective portion of the hedging relationship used to cover interest rate risks, were identical to the change in value of the covered items used.

The only variable rate monetary item that could have an effect on net income following a variation in interest rates is the revolving line of credit which has a balance of $37,947,000 as at December 31, 2017 (December 31, 2016-nil).

Sensitivity analysis

A 100 basis points increase or decrease in the prime rate or the US base rate at the reporting date, assuming all other variables remain constant, would have increased (decreased) equity and total comprehensive income by the amounts shown below.

	2017		2016	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
Interest rate swap agreements	$ 660	$ (660)	$ 2	$ (2)

(iii) Price risk

The Corporation's products include hundreds of components manufactured by numerous 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 versus carrying amounts

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets carried at fair value					
Foreign exchange forward contracts	$ 2,185	$ -	$ 2,185	$ -	$ 2,185
Interest rate swap agreements	202	-	202	-	202
	$ 2,387				
Liabilities carried at fair value					
Foreign exchange forward contracts	$ (279)	-	(279)	-	(279)
Liabilities carried at amortized cost					
Long-term debt	$ (39,898)	-	-	(39,884)	(39,884)

22 . Financial Instruments (continued)

Fair values versus carrying amounts (continued)

	2016				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets carried at fair value					
Foreign exchange forward contracts	**$ 129**	$ -	$ 129	$ -	$ 129
Interest rate swap agreements	**42**	-	42	-	42
	$ 171				
Liabilities carried at fair value					
Foreign exchange forward contracts	**$ (5,951)**	-	(5,951)	-	(5,951)
Interest rate swap agreements	**(46)**	-	(46)	-	(46)
	$ (5,997)				
Liabilities carried at amortized cost					
Long-term debt	**$ (17,291)**	-	-	(17,287)	(17,287)

The basis for determining fair value is disclosed in note 24.

(E) Capital management

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

	2017	2016
Cash	**$ (7,719)**	$ (51,230)
Long-term debt, including current portion	**39,898**	17,291
	$ 32,179	$ (33,939)
Equity	**138,783**	82,985
Total capital structure	**$ 170,962**	**$ 49,046**

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 dividend to common shareholders.

The Corporation makes use of a process under which its Canadian dollar and US dollar bank accounts are consolidated in order to optimize the cash requirements and surpluses of the parent company and its subsidiaries. As long as the net balance of its accounts, by currency, is positive, no interest is payable. This process is administered by the Corporation's financial institution.

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

The Corporation must comply with certain conditions under its various banking arrangements and ensures that it is in compliance with those conditions when required. It was in compliance with all of the ratio requirements of its lenders throughout the year.

Furthermore, the Corporation has given all of its assets as surety on its revolving credit facility.

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.

23 . Commitments

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
Less than 1 year	**$ 1,699**	$ 1,320
Between 1 and 5 years	**3,409**	3,144
More than 5 years	**870**	1,106
	$ 5,978	**$ 5,570**

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 6 and 106 months, with most leases having an option to renew after that date.

During the year ended December 31, 2017, an amount of $347,000 (2016-$550,000) was recognized in cost of sales and an amount of $874,000 (2016-$421,000) was recognized in operating costs in respect of operating leases.

The Span subsidiary is committed to minimum purchases of $700,000 US of Selan® products per year for each calendar year through 2020 inclusively. This subsidiary has also committed to purchase production equipment totalling $356,000.

24 . 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, office furniture, rolling stock, computer hardware 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.

(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 trademarks being owned. The fair value of customer relationships and backlogs of orders 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) Assets at amortized cost

Assets at amortized cost are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

24 . Determination of Fair Values (continued)

(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). The fair value of interest rate swap arrangements is estimated by discounting the difference between the contractual interest rate and market rates over the value of the loans.

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) Financial liabilities at amortized cost

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 stock 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).

25 . Government Assistance

During 2017, the Corporation recorded scientific research and experimental development tax credits of $393,000 (2016-$139,000). An amount of $444,000 has not yet been assessed by the tax authorities.

The Corporation also recorded $25,000 (2016-$61,000) in apprenticeship tax credits which have not yet been assessed by the tax authorities.

These credits were accounted for as follows:

	2017	2016
Decrease in deferred development costs	$ 393	$ 98
Decrease in cost of sales	25	61
Decrease in research and development expenses	-	41
	$ 418	$ 200

26 . Operating Segments

Information about the operating segments

For the purpose of financial reporting, the business is structured into three reporting segments based on the markets they serve. The *Accessibility* segment includes manufacturing and distributing residential and commercial accessibility equipment for people with mobility challenges as well as the operation of a network of franchisees and corporate stores through which new and recycled accessibility equipment is sold, and a lead generation program to distribute the names of potential customers to its affiliates in North America. The *Adapted Vehicles* segment consists of converting, adapting and distributing vehicles for people with mobility challenges, for personal or commercial use. The *Span* segment includes the manufacturing and distribution of a comprehensive line of therapeutic support surfaces and other pressure management products for the medical market, medical beds for the long-term care market as well as foam mattress overlays and pillows for the consumer market and certain products for the industrial market, mainly foam products.

26 . Operating Segments (continued)

	2017					
	Accessibility	Adapted vehicles	Span	Head office	Inter-segment eliminations	Total
External revenues	$ 107,607	$ 27,447	$ 45,712	$ -	$ (248)	$ 180,518
Income (loss) before income tax, interest, depreciation and amortization	22,729	2,696	4,673	(1,969)	-	28,129
Depreciation and amortization expense	2,126	392	3,130	522	-	6,170
Interest expense	3,008	30	1,894	1,018	(4,714)	1,236
Interest income	22	2	1	4,971	(4,714)	282
Segment assets	$ 106,490	$ 20,890	$ 121,742	$ 151,900	$ (181,226)	$ 219,796
Segment liabilities	91,170	11,717	78,820	80,532	(181,226)	81,013
Capital expenditures [(1)]	1,815	1,076	222	4,249	-	7,362

	2016					
	Accessibility	Adapted vehicles	Span	Head office	Inter-segment eliminations	Total
External revenues	$ 96,416	$ 23,480	$ -	$ -	$ (168)	$ 119,728
Income (loss) before income tax, interest, depreciation and amortization	18,522	2,331	-	(1,139)	-	19,714
Depreciation and amortization expense	1,221	325	-	454	-	2,000
Interest expense	3,030	20	-	549	(2,774)	825
Interest income	18	7	-	3,114	(2,774)	365
Segment assets	$ 96,834	$ 13,869	$ -	$ 125,008	$ (109,579)	$ 126,132
Segment liabilities	72,912	13,239	-	66,575	(109,579)	43,147
Capital expenditures [(1)]	1,429	799	-	1,063	-	3,291

[(1)] Capital expenditures excluding amounts relating to business acquisitions

Geographical information

	Revenue		Non-current assets	
	2017	2016	2017	2016
Canada	$ 66,718	$ 49,804	$ 63,282	$ 35,441
United States	104,641	61,594	77,554	17
Other regions	9,159	8,330	3,597	435
	$ 180,518	$ 119,728	$ 144,433	$ 35,893

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

27 . 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 already accounted for in the amount of $421,000 related to the acquisition of Freedom in 2010. The former owner of this company is also asking for the right to exercise the 200,000 options that had been issued in relation to his employment agreement. The Corporation has instituted a counterclaim with respect to this same transaction as well as a motion to have the claim related to the employment contract dismissed. This motion was refused and the Corporation is appealing the decision. The outcome of these claims cannot be determined at this time.

28 . Related Parties

(A) Key management personnel and director compensation

	2017	2016
Short-term employee benefits	**$ 1,231**	$ 916
Share-based payments	**1,631**	539
	$ 2,862	**$ 1,455**

(B) Key management personnel and director transactions

Directors of the Corporation control 35.6% (2016-39.6%) of the voting shares of the Corporation.

The terms and conditions attached to these agreements reflect market conditions.