SAVARIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS **PAGE**

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, 2016 and 2015 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 6, 2017

KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Canada

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, 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 6, 2017

Montréal, Canada

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

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2016 and 2015
(in thousands of dollars)

	Note	2016	2015
Assets			
Current assets			
Cash	5	**$ 51,230**	$ 29,707
Trade and other receivables	6	**13,160**	12,878
Current portion of long-term loans		**-**	14
Tax credits receivable		**-**	130
Inventories	7	**24,792**	18,111
Prepaid expenses		**1,057**	717
Total current assets		**90,239**	61,557
Non-current assets			
Derivative financial instruments	23	**171**	-
Long-term loans		**33**	37
Fixed assets	8	**19,530**	18,389
Intangible assets	9	**2,893**	2,689
Goodwill	10	**9,156**	7,485
Deposits on purchases of fixed assets	24	**262**	106
Deferred tax assets	19	**3,848**	5,422
Total non-current assets		**35,893**	34,128
Total assets		**$ 126,132**	$ 95,685
Liabilities			
Current liabilities			
Bank loans			
Trade and other payables	12	**$ 14,340**	$ 11,140
Income taxes payable		**1,349**	1,440
Deferred revenues		**2,671**	2,680
Derivative financial instruments	23	**4,298**	5,812
Current portion of long-term debt	13	**3,436**	2,980
Warranty provisions	14	**510**	477
Total current liabilities		**26,604**	24,529
Non-current liabilities			
Long-term debt	13	**13,855**	14,272
Warranty provisions	14	**757**	720
Other long-term liabilities		**49**	-
Derivative financial instruments	23	**1,699**	6,723
Deferred tax liabilities	19	**183**	228
Total non-current liabilities		**16,543**	21,943
Total liabilities		**43,147**	46,472
Equity			
Share capital and warrants	15	**72,791**	47,878
Contributed surplus		**2,587**	2,265
Accumulated other comprehensive loss		**(4,050)**	(8,548)
Retained earnings		**11,657**	7,618
Total equity		**82,985**	49,213
Total liabilities and equity		**$ 126,132**	$ 95,685

The notes on pages 11 to 46 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF NET INCOME
For the years ended December 31, 2016 and 2015
(in thousands of dollars, except per share amounts)

	Note	**2016**	2015
Revenue	*16*	**$ 119,728**	$ 95,263
Cost of sales		**(79,159)**	(65,686)
Gross margin		**40,569**	29,577
Operating expenses			
Administrative		**(9,550)**	(8,118)
Selling		**(9,478)**	(7,420)
Engineering		**(2,516)**	(2,129)
Research and development		**(935)**	(531)
		(22,479)	(18,198)
Other income (expenses)		**(641)**	26
Operating income		**17,449**	11,405
Finance income	*18*	**630**	1,576
Finance costs	*18*	**(825)**	(749)
Net finance income (costs)		**(195)**	827
Income before income tax		**17,254**	12,232
Income tax expense	*19*	**(4,953)**	(3,288)
Net income		**$ 12,301**	$ 8,944
Earnings per share:	*20*		
Basic		**$ 0.36**	$ 0.28
Diluted		**$ 0.34**	$ 0.28

The notes on pages 11 to 46 are an integral part of these audited consolidated financial statements.

(in thousands of dollars)

	2016	2015
Net income	**$ 12,301**	$ 8,944
Other comprehensive income (loss)		
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	**2,075**	(11,457)
Deferred income tax	**(536)**	2,943
	1,539	(8,514)
Losses on foreign exchange contracts transferred to net income in the current period	**4,634**	4,177
Deferred income tax	**(1,191)**	(1,075)
	3,443	3,102
Net change in fair value of derivative financial instruments designated as cash flow hedges	**4,982**	(5,412)
Unrealized net gains (losses) on translation of financial statements of foreign operations	**(484)**	428
Other comprehensive income (loss), net of income tax	**4,498**	(4,984)
Total comprehensive income	**$ 16,799**	$ 3,960

The notes on pages 11 to 46 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2015
(in thousands of dollars)

	2015						
	Share capital and warrants						
	Number						
	Share capital	Warrants	Amount	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance at January 1, 2015	**29,554,614**	**2,875,000**	**$ 33,268**	**$ 2,042**	**$ (3,564)**	**$ 4,710**	**$ 36,456**
Total comprehensive income (loss)							
Net income	-	-	-	-	-	8,944	**8,944**
Other comprehensive income (loss):							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	(8,514)	-	**(8,514)**
Losses on foreign exchange contracts transferred to net income in the current year, net of tax	-	-	-	-	3,102	-	**3,102**
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	-	428	-	**428**
Other comprehensive income (loss)	-	-	-	-	(4,984)	-	**(4,984)**
Total comprehensive income (loss)	-	-	$ -	$ -	$ (4,984)	$ 8,944	**$ 3,960**
Transactions with owners, recorded directly in equity (notes 15 (A) and 22)							
Shares issued in a private placement	2,875,000	-	14,375	-	-	-	**14,375**
Share issue costs, net of tax	-	-	-	-	-	(620)	**(620)**
Compensation expense on options granted	-	-	-	257	-	-	**257**
Share options exercised	150,000	-	235	(34)	-	-	**201**
Dividends on common shares	-	-	-	-	-	(5,416)	**(5,416)**
Total transactions with owners	3,025,000	-	14,610	223	-	(6,036)	**8,797**
Balance at December 31, 2015	**32,579,614**	**2,875,000**	**$ 47,878**	**$ 2,265**	**$ (8,548)**	**$ 7,618**	**$ 49,213**

The notes on pages 11 to 46 are an integral part of these audited consolidated financial statements.

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 owners, recorded directly in equity (notes 15 (A) and 22)							
Shares issued in relation to a private placement	2,600,000	-	20,280	-	-	-	**20,280**
Share issue costs, net of tax	-	-	-	-	-	(867)	**(867)**
Compensation expense on options granted	-	-	-	357	-	-	**357**
Share options exercised	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 owners	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 46 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(in thousands of dollars)

	Note	2016	2015
Cash flows from operating activities			
Net income		**$ 12,301**	$ 8,944
Adjustments for:			
Depreciation of fixed assets	*8*	**1,309**	1,062
Amortization of intangible assets	*9*	**691**	747
Income tax expense	*19*	**4,953**	3,288
Compensation expense on share options granted	*22*	**357**	257
Gains on foreign exchange contracts cashed in advance and transferred to net income		**-**	(31)
Unrealized foreign exchange losses (gains)		**14**	(658)
Finance costs	*18*	**825**	749
Others		**58**	(25)
		20,508	14,333
Net changes in non-cash operating items	*21 (A)*	**2,154**	547
Proceeds from long-term loans		**18**	123
Income tax paid		**(4,595)**	(2,874)
Net cash from operating activities		**18,085**	12,129
Cash flows used in investing activities			
Business acquisition	*4*	**(8,675)**	(477)
Proceeds from sale of fixed assets		**16**	45
Deposits on purchases of fixed assets		**(262)**	(106)
Additions to fixed assets	*8*	**(2,360)**	(7,228)
Increase in intangible assets	*9*	**(648)**	(860)
Net cash used in investing activities		**(11,929)**	(8,626)
Cash flows from financing activities			
Increase in long-term debt	*13*	**2,649**	4,200
Repayment of borrowings		**(2,696)**	(2,450)
Interest paid		**(738)**	(630)
Proceeds from the issuance of common shares in relation to a private placement, net of transaction fees	*15 (A)*	**19,094**	13,527
Proceeds from exercise of share options	*15 (A)*	**312**	201
Proceeds from exercise of warrants	*15 (A)*	**4,286**	-
Dividends paid on common shares	*15 (C)*	**(7,395)**	(5,416)
Net cash from financing activities		**15,512**	9,432
Net change in cash		**21,668**	12,935
Cash at January 1st		**29,707**	16,280
Unrealized foreign exchange gain (loss) on cash held in foreign currencies		**(145)**	492
Cash at December 31st		**$ 51,230**	$ 29,707

The notes on pages 11 to 46 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, 2016 and 2015 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 mobility and independence. The activities of the Corporation are divided into two operating segments: the *Accessibility* segment and the *Adapted Vehicles* segment as described in note 27 "Operating segments". The Corporation realizes approximately 60% 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 6, 2017.

(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 goodwill (note 10), the measurement of the identifiable assets acquired during business acquisitions (note 4), the measurement of the fair value of the derivative financial instruments (note 23), the warranty provisions (note 14) and the provision for inventory obsolescence (note 7).

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") (note 10), the identification of operating segments (note 27) 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 (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")
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.

(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.

(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.

3 . Significant Accounting Policies (continued)

(C) Financial instruments (continued)

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.

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.

(E) Fixed assets (continued)

The estimated useful lives are as follows:

· Building	35 to 40 years
· Major components related to the building	4 to 30 years
· Machinery and equipment	5 to 15 years
· Office furniture	5 to 10 years
· Rolling stock	4 to 10 years
· Computer hardware	3 to 5 years
· Leasehold improvements	Terms of the leases

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

(F) Goodwill and intangible assets

Intangible assets consist of trademarks, client lists, distribution licences, maintenance contracts, technology, recovered rights, software and deferred development costs.

(i) Goodwill

Initial measurement

Goodwill that arises upon a business acquisition 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) Amortization

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)

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 10 years
· Distribution licences	5 years
· Maintenance contracts	10 years
· Technology	5 to 7.5 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 is 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)

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 less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the 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 most products are custom-made, goods, generally, may not be returned.

(ii) Installation and maintenance contracts

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

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

(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.

3 . Significant Accounting Policies (continued)

(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 and intangible assets.

(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, 2016. The adoption of these new standards has not had a material impact on the consolidated financial statements.

Annual Improvements to IFRS: (2012-2014) cycle

In September 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements.

Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* ;
- "Continuing involvement" for servicing contracts and offsetting disclosures in consolidated financial statements under IFRS 7 *Financial Instruments: Disclosures* ;
- Discount rate in a regional market sharing the same currency under IAS 19 *Employee Benefits* ;
- Disclosure of information "elsewhere in the interim financial report" under IAS 34 *Interim Financial Reporting.*

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

In May 2014, the IASB issued amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* . The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are "highly correlated" or when the intangible asset is expressed as a measure of revenue.

Disclosure initiative: amendments to IAS 1

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the “Disclosure Initiative”).

(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, 2016 and 2015, 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.

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

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 extent of the impact of adoption of the standard has not yet been determined.

Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016 the IASB issued *Disclosure Initiative (Amendments to IAS 7)* . The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. 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.

The Corporation intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on January 1, 2017. 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. The restatement of prior years is not required and is only permitted if information is available without the use of hindsight.

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.

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 apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. 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.

The Corporation intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on January 1, 2017. The Corporation does not expect the standard to have a material impact on its consolidated financial statements.

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

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

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 intends to adopt IFRS 15 in its consolidated financial statements for the year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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.

4 . **Business Acquisitions**

(i) 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 expected to be tax deductible.

4 . Business Acquisitions (continued)

Since the acquisition on May 31, 2016, sales amounted to $8,014,000 while net losses amounted to $385,000. If the acquisition of SHHC Automotive had taken place on January 1, 2016, management estimates that revenues of this business for fiscal 2016 would have stood at $14,800,000 and net income would have been negligeable. These estimates were prepared using historical information obtained from the acquiree and do not reflect the benefits of integration activities, synergies or changes to historical transactions that may have resulted had the acquisition actually occured on January 1, 2016. Estimated amounts are not necessarily indicative of the results of operations of the business that would have resulted had the acquisition actually occurred on January 1, 2016, or the results that may be obtained in the future.

(ii) Silver Cross franchisees

In September 2015, the Corporation acquired the assets of three franchises operating under the Silver Cross banner. They are stores selling new and recycled home accessibility equipment. Savaria is pursuing its strategy of owning stores in all key Canadian markets to meet the mobility needs of the aging population.

The fair value of the total consideration transferred amounted to $482,000. It included initial payments on the acquisition date of $477,000 and a note of $5,000 payable in one single payment on the anniversary date of the acquisition of one of the franchises. The note payable bears no interest and has been recognized at its fair value.

Acquisition related costs, amounting to $40,000, have been included in Administrative expenses in 2015. The amounts were paid from the Corporation's available cash on hand.

The purchased assets are mainly recovered rights, inventory and fixed assets.

The acquisitions have been accounted for using the acquisition method, in conformity with IFRS 3, *Business Combinations*. Operating results have been included in the consolidated financial statements from the dates of acquisition. The breakdown of the purchase prices presented below is final.

	2016	2015
Assets acquired		
Current assets	**$ 6,795**	$ 97
Fixed assets	**23**	53
Intangible assets		
Trademarks	**352**	-
Recovered rights	**-**	132
Goodwill	**1,671**	232
	$ 8,841	$ 514
Liabilities assumed		
Current liabilities	**143**	23
Deferred tax liability	**23**	9
	$ 166	$ 32
Fair value of net assets acquired	**$ 8,675**	$ 482
Less:		
Current note payable	**-**	5
Cash flows used for the acquisitions	**$ 8,675**	**$ 477**

5 . Cash

	2016	2015
Bank balance	**$ 51,230**	$ 30,832
Bank loans used in cash management (note 11)	**-**	(1,125)
Cash	**$ 51,230**	**$ 29,707**

Following the implementation of a process under which Canadian dollar bank accounts of the parent company and its subsidiaries are consolidated, debit and credit balances are presented in Cash on a net basis.

As at December 31, 2016, no amount (December 31, 2015-$5,120,000) is reserved as surety to cover unrealized losses on foreign exchange forward contracts (note 23 (D)).

6. Trade and Other Receivables

	2016	2015
Trade receivables	**$ 12,809**	$ 12,253
Less: Allowance for doubtful accounts	**(506)**	(649)
	$ 12,303	$ 11,604
Sales taxes recoverable	**810**	1,152
Other receivables	**47**	122
	$ 13,160	**$ 12,878**

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

7. Inventories

	2016	2015
Raw materials and subassembly components	**$ 15,393**	$ 15,367
Work in progress	**545**	330
Finished goods	**8,854**	2,414
	$ 24,792	**$ 18,111**

In 2016, raw materials, subassembly components and changes in work in progress and finished goods recognized as cost of sales amounted to $72,027,000 (2015-$60,223,000). The write-down and reversal are included in cost of sales.

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

	2016	2015
Balance at January 1	**$ 1,105**	$ 784
Write-down to net realizable value	**1,129**	759
Reversal of write-downs	**(139)**	(284)
Provisions used	**(106)**	(154)
Balance at December 31	**$ 1,989**	**$ 1,105**

As at December 31, 2016 and 2015, all of the above inventory was pledged as security for liabilities.

8. Fixed Assets

	Cost					
	Balance at January 1	Additions [1]	Additions through business acquisitions (note 4)	Disposals	Effect of movements in exchange rates	Balance at December 31
2015						
Land	$ 4,134	$ 1,500	$ -	$ -	$ -	$ 5,634
Building	6,309	4,947	-	-	-	11,256
Machinery and equipment	4,723	295	-	(54)	43	5,007
Office furniture	444	63	18	(63)	5	467
Rolling stock	1,079	415	31	(176)	14	1,363
Computer hardware	542	46	-	(6)	9	591
Leasehold improvements	395	17	4	-	36	452
	$ 17,626	**$ 7,283**	**$ 53**	**$ (299)**	**$ 107**	**$ 24,770**

[1] See note 21 (B) regarding non-cash transactions

8 . Fixed Assets (continued)

	Cost					
	Balance at January 1	Additions [1]	Additions through business acquisitions (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

	Depreciation				
	Balance at January 1	Depreciation expense	Disposals	Effect of movements in exchange rates	Balance at December 31
2015					
Building	$ 722	$ 330	$ -	$ -	$ 1,052
Machinery and equipment	3,470	297	(7)	22	3,782
Office furniture	260	69	(52)	4	281
Rolling stock	485	225	(172)	8	546
Computer hardware	388	67	(6)	7	456
Leasehold improvements	179	74	-	11	264
	$ 5,504	$ 1,062	$ (237)	$ 52	$ 6,381
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

	Carrying amount at December 31	
	2016	2015
Land	$ 5,679	$ 5,634
Building	10,105	10,204
Machinery and equipment	2,075	1,225
Office furniture	193	186
Rolling stock	939	817
Computer hardware	125	135
Leasehold improvements	414	188
	$ 19,530	$ 18,389

[1] See note 21 (B) regarding non-cash transactions

Depreciation

Depreciation is recognized as follows:

	2016	2015
Cost of sales	$ 881	$ 700
Administrative expenses	249	245
Selling expenses	179	117
	$ 1,309	$ 1,062

9 . Intangible Assets

	Cost					
	Balance at January 1	Additions [1]	Additions internally developed [1]	Additions through business acquisitions (note 4)	Write-offs	Balance at December 31
2015						
Trademarks	$ 453	$ -	$ -	$ -	$ -	$ 453
Client lists	2,811	-	-	-	-	2,811
Distribution licenses	322	-	-	-	-	322
Maintenance contracts	870	-	-	-	-	870
Technology	236	-	-	-	-	236
Recovered rights	-	-	-	132	-	132
Software	777	27	-	-	-	804
Deferred development costs	1,451	-	616	-	(62)	2,005
	$ 6,920	**$ 27**	**$ 616**	**$ 132**	**$ (62)**	**$ 7,633**
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	**$ 32**	**$ 511**	**$ 352**	**$ (300)**	**$ 8,228**

	Amortization				Carrying amount at December 31
	Balance at January 1	Amortization expense	Write-offs	Balance at December 31	
2015					
Trademarks	$ 243	$ 70	$ -	$ 313	$ 140
Client lists	1,685	305	-	1,990	821
Distribution licenses	295	27	-	322	-
Maintenance contracts	419	87	-	506	364
Technology	13	43	-	56	180
Recovered rights	-	11	-	11	121
Software	635	44	-	679	125
Deferred development costs	969	160	(62)	1,067	938
	$ 4,259	**$ 747**	**$ (62)**	**$ 4,944**	**$ 2,689**
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**

[1] See note 21 (B) regarding non-cash transactions

9 . Intangible Assets (continued)

Amortization

Amortization is recognized as follows:

	2016	2015
Administrative expenses	**$ 43**	$ 62
Selling expenses	**320**	498
Research and development expenses	**328**	187
	$ 691	**$ 747**

10 . Goodwill

	Note	2016	2015
Balance at January 1		**$ 7,485**	$ 7,253
Business acquisitions	*4*	**1,671**	232
Balance at December 31		**$ 9,156**	**$ 7,485**

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

	2016	2015
Accessibility	**$ 6,869**	$ 6,869
Adapted vehicles	**2,287**	616
	$ 9,156	**$ 7,485**

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

Values in use are determined by discounting the future cash flows generated from the CGUs. Values in use in 2016 have been determined similarly as in 2015. The calculation of the values in use are based on the following key assumptions:

· Cash flows are projected over a period of five years based on past experience and actual operating results using a constant growth rate of 10% (2015-2%) for the CGUs grouped in Accessibility and 5% for the CGUs grouped in Adapted Vehicles (2015-nil);

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

· A high and low pre-tax discount rate of 14.9% and 13.2% (2015-same) is applied in determining the recoverable amount of the unit. The discount rate used is based on past experience and industry average weighted average cost of capital, which is based on a possible range of debt leveraging of 19% at a high and low market interest rate of 3.2% and 2.7%;

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

11 . Bank Loans

The Corporation has a line of credit in the amount of $10,000,000. It bears interest at prime rate. The maximum amount drawn on the line of credit may not exceed 90% of certain trade receivables that benefit from a grant, 80% of all other Canadian trade receivables, 75% of US trade receivables and 50% of raw material and finished goods inventory, after deduction of supplier trade payables of less than 30 days, up to an amount of $10,000,000. A description of sureties given on the various banking agreements provided by the financial institution is available in note 23 (E). As at December 31, 2016, the line of credit was unused (December 31, 2015-amounted to $1,125,000).

12 . Trade and Other Payables

	2016	2015
Trade and accrued liabilities	**$ 11,929**	$ 9,410
Salaries and withholding taxes	**1,649**	1,127
Vacations payable	**668**	534
Sales tax payable	**94**	69
	$ 14,340	**$ 11,140**

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

13 . 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.

	2016	2015
Current liabilities		
Current portion of long-term debt	**$ 3,388**	$ 2,918
Current portion of obligations under capital leases	**48**	62
	$ 3,436	**$ 2,980**
Non-current liabilities		
Long-term debt	**$ 13,806**	$ 14,175
Obligations under capital leases	**49**	97
	$ 13,855	**$ 14,272**

The details are as follows:

	Effective interest rate as at December 31, 2016	Monthly capital instalments (except where noted)	Maturity	2016	2015
Loan with an original face value of $9,600,000 bearing interest at the bankers' acceptance rate, adjusted to a fixed rate for five years of 2.08% according to an interest rate swap agreement. A stamping fee of 1.5 % is added to this rate [(1)]	3.58%	$53	April 2027	**$ 6,615**	$ 7,252
Loan with an original face value of $7,000,000 bearing interest at the bankers' acceptance rate, adjusted to a fixed rate for five years of 1.98% according to an interest rate swap agreement. A stamping fee of 1.5 % is added to this rate [(1)]	3.48%	$83	April 2019	**2,324**	3,321
Loan with an original face value of $6,200,000, of which $2,000,000 was disbursed in the year (2015- $4,200,000). The loan bears interest at the bankers' acceptance rate, adjusted to a fixed rate for five years of 1.18% according to an interest rate swap agreement. A stamping fee of 1.5 % is added to this rate. Repayable in monthly installments in capital of $43,000 for the first 60 months and $30,000 for the next 120 months [(1)].	2.68%	$43	June 2031	**5,915**	4,184
Loan with an original face value of $564,000 bearing interest at a fixed rate for 36 months [(1)]	4.11%	$9	July 2018	**167**	278
Loan with an original face value of $649,000 ($512,000 US)	4.60%	$11	July 2021	**$ 630**	$ -

[(1)] A description of sureties given on the various banking agreements provided by the Corporation's financial institution is available in note 23 (E).

13 . Long-term Debt (continued)

	Effective interest rate as at December 31, 2016	Instalments	Maturity	2016	2015
Note payable related to a business acquisition with an original face value of $2,200,000 and a fair value of $1,914,000, bearing no interest. Repayable by way of semi-annual instalments starting in March 2015	6.50%	$275	September 2018	**$ 1,040**	$ 1,513
Note payable related to a business acquisition with an original face value of $421,000 and a fair value of $395,000, bearing no interest (see note 28)	6.50%	$421	August 2011	**421**	421
Note payable related to a business acquisition with an original face value and a fair value of $5,000, bearing no interest. Repayable by way of one instalment due in September 2016	-	$5	September 2016	**-**	5
Loans in the total original face value of $171,000. Repayable by monthly instalments, including interest	0% to 4.49%	$1 to $3	December 2017 to May 2019	**82**	119
Finance lease liabilities with original amounts totalling $247,000. At the end of the lease period, the Corporation has the option of purchasing the equipment at fair market value. Repayable by monthly or quarterly instalments	3.87% to 11.28%	$2 to $13	March 2017 to March 2020	**97**	159
				$ 17,291	**$ 17,252**

Finance lease liabilities are payable as follows:

	December 31, 2016			December 31, 2015		
	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	**$ 53**	**$ 5**	**$ 48**	$ 72	$ 9	$ 63
Between one and five years	**52**	**3**	**49**	104	8	96
	$ 105	**$ 8**	**$ 97**	**$ 176**	**$ 17**	**$ 159**

14 . Warranty Provisions

	2016	2015
Balance at January 1	**$ 1,197**	$ 1,135
Provisions made	**867**	723
Provisions used	**(797)**	(661)
Balance at December 31	**$ 1,267**	**$ 1,197**
Current	**$ 510**	$ 477
Non-current	**757**	720
	$ 1,267	**$ 1,197**

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

15 . **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 May 13, 2015, the Corporation completed a "bought deal" private placement of 2,875,000 common shares at a price of $5.00 per share, for gross proceeds to Savaria of $14,375,000 and proceeds, net of finance costs, of $13,527,000.

On June 16, 2016, the Corporation completed a "bought deal" private placement of 2,600,000 common shares at a price of $7.80 per share, for gross proceeds to Savaria of $20,280,000 and proceeds, net of finance costs, of $19,094,000.

During 2016, the Corporation issued 165,833 common shares (2015-150,000) at an average price of $1.88 per share (2015-$1.35) following the exercise of stock options. The weighted-average share price at the dates of exercise for these share options was $7.74 (2015-$4.12). These exercises resulted in an increase in share capital of $347,000 (2015-$235,000) and a decrease in contributed surplus of $35,000 (2015-$34,000). During the same period, 1,008,500 warrants were exercised and exchanged for the same number of common shares (2015-nil) at a price of $4.25 per share. These exercises resulted in an increase in share capital of $4,286,000 (2015-nil).

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

AOCI is comprised of the following separate components of equity:

Cumulative translation account

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

Unrealized gains/losses on cash flow hedges

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

(C) Dividends

The following dividends were declared and paid by the Corporation:

For the years ended December 31,

	2016	2015
21.5 cents per qualifying common share (2015-17 cents)	**$ 7,395**	**$ 5,416**

16 . **Revenue**

	2016	2015
Sale of goods	**$ 112,079**	$ 88,334
Rendering of services	**6,813**	6,084
Royalties	**836**	845
	$ 119,728	**$ 95,263**

17 . **Personnel Expenses**

	2016	2015
Wages and salaries	**$ 27,140**	$ 22,062
Employment benefits	**3,488**	2,945
Contributions to defined contribution plans	**79**	76
Compensation expense on share options granted	**357**	257
	$ 31,064	**$ 25,340**

18 . Finance Income and Finance Costs

	2016	2015
Interest income	$ 365	$ 231
Net gain on foreign currency exchange	265	1,345
Finance income	$ 630	$ 1,576
Interest on long-term debt	613	563
Interest and bank charges	212	186
Finance costs	$ 825	$ 749

19 . Income Tax

	2016	2015
Current tax expense		
Current year	$ 4,855	$ 3,504
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	98	(216)
Total income tax expense	$ 4,953	$ 3,288

Tax recognized in other comprehensive income

	2016			2015		
	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	$ 2,075	$ (536)	$ 1,539	$ (11,457)	$ 2,943	$ (8,514)
Losses on foreign exchange contracts recognized in net income during the year	4,634	(1,191)	3,443	4,177	(1,075)	3,102
Unrealized net gains (losses) on translation of financial statements of foreign operations	(484)	-	(484)	428	-	428
	$ 6,225	$ (1,727)	$ 4,498	$ (6,852)	$ 1,868	$ (4,984)

Reconciliation of effective tax rate

	2016		2015	
Net income		$ 12,301		$ 8,944
Total tax expense		4,953		3,288
Income before tax expense		$ 17,254		$ 12,232
Tax using the Corporation's domestic tax rate	26.0%	$ 4,486	25.8%	$ 3,152
Income tax withheld on the repatriation of funds from a foreign subsidiary	1.1%	181	0.5%	61
Non-deductible compensation expense on share options granted	0.5%	93	0.5%	66
Others	1.1%	193	0.1%	9
	28.7%	$ 4,953	26.9%	$ 3,288

Unrecognized deferred tax assets

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

	2016	2015
Non-capital losses carried forward	$ 1,399	$ 1,388
Capital losses carried forward	$ 342	$ 351

19 . Income Tax (continued)

Unrecognized deferred tax assets

Non-capital tax losses in the amount to $1,399,000 at the US federal level and $664,000 at the US state level expire between 2017 and 2033. Capital tax losses in the amount of $342,000 at the Canadian federal and Québec level do not expire.

A deferred tax asset has not been recognized in respect of these items because it is not probable that the Corporation can utilize the benefits from these losses.

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are recorded as follows:

	Assets		Liabilities		Net	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Losses carried forward	**$ 1,143**	$ 1,219	**$ -**	$ -	**$ 1,143**	$ 1,219
Deferred development costs	**35**	104	**(297)**	(301)	**(262)**	(197)
Non-deductible provisions (including warranty and inventory)	**715**	530	**-**	-	**715**	530
Fixed assets	**17**	19	**(263)**	(166)	**(246)**	(147)
Investment tax credits	**30**	36	**(70)**	(80)	**(40)**	(44)
Intangible assets	**103**	72	**(117)**	(147)	**(14)**	(75)
Foreign exchange contracts and interest rate swaps	**1,496**	3,223	**-**	-	**1,496**	3,223
Financing expenses	**573**	378	**(17)**	(13)	**556**	365
Others	**388**	399	**(71)**	(79)	**317**	320
Tax assets (liabilities)	**$ 4,500**	$ 5,980	**$ (835)**	$ (786)	**$ 3,665**	$ 5,194
Tax offset	**(652)**	(558)	**652**	558	**-**	-
Net tax assets (liabilities)	**$ 3,848**	**$ 5,422**	**$ (183)**	**$ (228)**	**$ 3,665**	**$ 5,194**

Certain subsidiaries incurred losses in the current year and are in a net deferred tax asset position in the amount of $420,000 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, 2015	Recognized in net income	Increase related to a business acquisition (note 4)	Increase related to issuance costs related to a private placement	Recognized in other comprehensive income	Balance December 31, 2015
Losses carried forward	$ 990	$ 229	$ -	$ -	$ -	$ 1,219
Deferred development costs	(142)	(55)	-	-	-	(197)
Non-deductible provisions (including warranty and inventory)	518	12	-	-	-	530
Fixed assets	(28)	(119)	-	-	-	(147)
Investment tax credits	(111)	67	-	-	-	(44)
Intangible assets	(115)	49	(9)	-	-	(75)
Foreign exchange contracts and interest rate swaps	1,363	(8)	-	-	1,868	3,223
Financing expenses	239	(105)	-	231	-	365
Others	174	146	-	-	-	320
	$ 2,888	**$ 216**	**$ (9)**	**$ 231**	**$ 1,868**	**$ 5,194**

19 . Income Tax (continued)

Movement in recognized deferred tax assets and liabilities during the year (continued)

	Balance January 1, 2016	Recognized in net income	Increase related to business acquisitions (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 assets	(147)	(99)	-	-	-	(246)
Investment tax credits	(44)	4	-	-	-	(40)
Intangible assets	(75)	84	(23)	-	-	(14)
Foreign exchange contracts and interest rate swaps	3,223	-	-	-	(1,727)	1,496
Financing expenses	365	(128)	-	319	-	556
Others	320	(3)	-	-	-	317
	$ 5,194	$ (98)	$ (23)	$ 319	$ (1,727)	$ 3,665

20 . Earnings per Share

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

	2016	2015
Net income	$ 12,301	$ 8,944
Basic earnings per share:		
Basic weighted average number of common shares outstanding	34,270,454	31,447,322
Basic earnings per share	$ 0.36	$ 0.28
Diluted earnings per share:		
Basic weighted average number of common shares outstanding	34,270,454	31,447,322
Effect of potentially dilutive common shares	1,645,060	998,652
Diluted weighted average number of common shares outstanding	35,915,514	32,445,974
Diluted earnings per share	$ 0.34	$ 0.28

At December 31, 2016, 75,000 options (2015-245,000) 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 share purchase options is based on quoted market prices for the period during which the options were outstanding.

21 . Cash Flows

(A) Net changes in non-cash operating items

	2016	2015
Trade and other receivables	$ 349	$ 168
Tax credits receivable	(108)	(24)
Inventories	(1,442)	(708)
Prepaid expenses	(314)	(56)
Trade and other payables	3,751	494
Deferred revenues	(152)	611
Warranty provision	70	62
	$ 2,154	$ 547

21 . Cash Flows (continued)

(B) Non-cash transactions

In 2016, the following non-cash transactions took place: tax credits receivable applied against income tax payable in the amount of $416,000 (2015-$386,000) and $97,000 (2015-$228,000) against deferred development costs, transfer to fixed assets of a deposit in the amount of $106,000 (2015-$23,000) and transfer of inventory to fixed assets in the amount of $21,000. Furthermore, the following non-cash transactions add themselves to those listed above for 2015: transfer of fixed assets to inventory in the amount of $34,000, additions to fixed assets by way of capital leases in the amount of $31,000 and reversal of a balance owed on a long-term debt against fixed assets at the end of the term of a capital lease in the amount of $8,000.

22 . 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, 2016, 1,508,000 options could still be granted by the Corporation (December 31, 2015-1,763,000).

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
2016	**290,000**	**0.78%**	**3.27%**	**29%**	**3 and 6 years**
2015	595,000	0.96%	2.95%	31%	3 and 6 years

[1] Weighted average

The estimated fair value of the options granted in 2016 is $350,000 (2015-$584,000). This amount is amortized and charged to earnings as the rights to exercise are vested.

In 2016, compensation expense in the amount of $357,000 (2015-$257,000) on options granted to employees and directors has been recognized in administrative expenses and credited to contributed surplus.

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	**1,467,500**	**$ 3.83**	1,022,500	$ 2.64
Granted	**290,000**	**6.35**	595,000	5.25
Exercised	**(165,833)**	**1.88**	(150,000)	1.35
Expired	**(25,000)**	**1.55**	-	-
Forfeited	**(10,000)**	**5.17**	-	-
Outstanding at December 31	**1,556,667**	**$ 4.73**	**1,467,500**	**$ 3.83**
Exercisable at December 31	**307,083**	**$ 5.00**	**306,250**	**$ 3.37**

22 . Share-based Payments (continued)

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

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**

2015					
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	312,500	3.3 years	$ 1.64	112,500	$ 1.52
$3.45 to $3.65	560,000	4.9 years	3.55	100,000	3.45
$4.70 to $5.91	595,000	5.6 years	5.25	93,750	5.50
$1.50 to $5.91	**1,467,500**	**4.8 years**	**$ 3.83**	**306,250**	**$ 3.37**

23 . Financial Instruments

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

	2016	2015
Non-current assets		
Derivative foreign exchange instruments	**$ 129**	$ -
Derivative interest rate instruments	**42**	-
	$ 171	**$ -**
Current liabilities		
Derivative foreign exchange instruments	**$ 4,252**	$ 5,686
Derivative interest rate instruments	**46**	126
	$ 4,298	**$ 5,812**
Non-current liabilities		
Derivative foreign exchange instruments	**$ 1,699**	$ 6,686
Derivative interest rate instruments	**-**	37
	$ 1,699	**$ 6,723**

(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.

23 . Financial Instruments (continued)

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.

Exposure to credit risk

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

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

	2016	2015
Canada	$ 5,409	$ 4,638
United States	6,725	7,055
Other regions	675	560
	$ 12,809	$ 12,253

Impairment loss

The aging of trade receivables at the reporting date is:

	2016		2015	
	Gross	Allowance	Gross	Allowance
Current, 0-60 days	$ 10,364	$ -	$ 10,061	$ -
Past due, 61-90 days	789	21	858	30
Past due, over 90 days	1,656	485	1,334	619
	$ 12,809	$ 506	$ 12,253	$ 649

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

	2016	2015
Balance at January 1	$ 649	$ 557
Increase in the allowance for doubtful accounts	118	206
Write-off of receivables:		
Accessibility segment	(255)	(105)
Adapted vehicles segment	(6)	(9)
Balance at December 31	$ 506	$ 649

23 . Financial Instruments (continued)

(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, 2016, the Corporation had, at its disposal, working capital of $63,635,000 (December 31, 2015-$37,028,000) and unused credit facilities of $10,000,000 (December 31, 2015-$6,375,000).

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

	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**	**$ -**	**$ -**

	2015					
	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	$ 11,071	$ 11,071	$ 11,071	$ -	$ -	$ -
Long-term debt, including current portion and interest	17,252	19,570	3,406	6,009	2,795	7,360
	$ 28,323	**$ 30,641**	**$ 14,477**	**$ 6,009**	**$ 2,795**	**$ 7,360**
Derivative financial liabilities						
Foreign exchange forward contracts						
Outflow	$ 12,372	$ 74,851	$ 24,187	$ 50,664	$ -	$ -
Inflow	-	(62,433)	(18,480)	(43,953)	-	-
Interest rate swap agreements	163	164	126	38	-	-
	$ 12,535	**$ 12,582**	**$ 5,833**	**$ 6,749**	**$ -**	**$ -**

23 . Financial Instruments (continued)

(D) Market risk

(i) Currency risk

The Corporation realizes approximately 58% (2015-63%) of its sales in foreign currencies and, accordingly, is exposed to market risks related to foreign exchange fluctuations. The Corporation partially compensates for these risks by purchasing materials in US dollars and by using 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.

Furthermore, the Corporation has a substitute line of credit in the amount of $11,100,000 enabling it to be exposed to a risk of potential losses on foreign exchange contracts over a hedging period of a maximum of 36 months. Those terms have been amended on January 25, 2017; see subsequent events (note 30).

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

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**

2015			
Maturity	**Type**	**Average exchange rate**	**Contractual amounts (in thousands of US dollars)**
0 to 12 months	Sale	1.0560	$17,500
12 to 24 months	Sale	1.1145	19,000
24 to 36 months	Sale	1.2654	18,000
		1.1456	**$54,500**

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 2016, the change in value of the hedging instruments in the amount of $1,916,000 (2015-negative change of $11,442,000), 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 loss", before income taxes of $1,496,000 (December 31, 2015-$3,179,000), is as follows as at December 31:

	2016	**2015**
Unrealized losses on forward exchange contracts maturing in the next twelve months	**$ (4,252)**	$ (5,686)
Unrealized gains on forward exchange contracts maturing after the next twelve months	**$ 129**	$ -
Unrealized losses on forward exchange contracts maturing after the next twelve months	**(1,699)**	(6,686)
	$ (1,570)	$ (6,686)
	$ (5,822)	$ (12,372)

23 . Financial Instruments (continued)

(i) Currency risk (continued)

As at December 31, 2016 and 2015, with other variables unchanged, an upward change of $0.01 in the value of the Canadian dollar against the US dollar would have the negative effect of increasing "Other comprehensive loss" by the amount of $361,000 net of income taxes (2015-$620,000). A downward change of $0.01 in the value of the Canadian dollar against the US dollar would have the positive effect of decreasing "Other comprehensive loss" by the amount of $419,000 net of income taxes (2015-$628,000).

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

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

(in thousands of US dollars)

	2016	2015
Cash	**$ 4,204**	$ 1,909
Trade and other receivables	**5,320**	5,436
Long-term loans, including current portion	**-**	10
Trade and other payables	**(1,242)**	(878)
Long-term debt	**(469)**	-
Total monetary items denominated in US dollars	**$ 7,813**	**$ 6,477**

As at December 31, 2016 and 2015, with other variables unchanged, an upward or downward change of $0.01 in the value of the Canadian dollar against the US dollar would have the effect of decreasing or increasing "Finance income (costs)" in the amount of $78,000 (2015-$65,000), or net of taxes, $57,000 (2015-$47,000).

(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 variance 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 variance 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	Original capital amount	Balance	
			2016	2015
April 2017	1.98%	$7,000	**$ 2,324**	$ 3,321
April 2017	2.08%	$9,600	**$ 6,615**	$ 7,252
July 2021	1.18%	$6,200	**$ 5,915**	$ -

A stamping fee of 1.5% is added to the interest rates stated above. The Corporation has at its disposal a line of credit up to a maximum amount of $800,000 to cover any potential loss in converting its variable interest rate to a fixed rate.

23 . Financial Instruments (continued)

(ii) Interest rate risk (continued)

These instruments were designated as hedging for accounting purposes. The fair value of the financial instruments which are presented as "Accumulated other comprehensive loss", before income taxes of $1,000 (December 31, 2015-$44,000), is as follows as at December 31:

	2016	2015
Unrealized gains on interest rate swap agreements applicable to the non-current portion of long-term debt	$ 42	$ -
Unrealized losses on interest rate swap agreements applicable to the current portion of long-term debt	(46)	(126)
Unrealized losses on interest rate swap agreements applicable to the non-current portion of long-term debt	-	(37)
	$ (4)	$ (163)

No ineffectiveness has been recorded in net income in relation to cash flow hedges since the sources of the ineffectiveness are non-significant. In 2016, the change in value of the hedging instruments in the amount of $159,000 (2015-$15,000), 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 bank loan which was unused as at December 31, 2016 (December 31, 2015-$1,125,000).

As at December 31, 2016, with other variables unchanged, an upward change of 100 basis points in the prime rate would only have a negligible impact on net income (2015-same) and on "Other comprehensive loss" (2015-negative impact of $33,000, net of income taxes). A downward change of 100 basis points in the prime rate would only have a negligible impact on net income (2015-same) and on "Other comprehensive loss" (2015-positive impact of $206,000, net of income taxes).

(iii) Price risk

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

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

Fair values versus carrying amounts

The following table shows 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.

	2016				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets carried at amortized cost					
Long-term loans	$ 33	$ -	$ -	$ 33	$ 33
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)

23 . Financial Instruments (continued)

Fair values versus carrying amounts (continued)

	2015									
	Carrying amount		Fair value							
			Level 1		Level 2		Level 3		Total	
Assets carried at amortized cost										
Long-term loans	**$**	**51**	$	-	$	-	$	51	$	51
Liabilities carried at fair value										
Foreign exchange forward contracts	$	(12,372)		-		(12,372)		-		(12,372)
Interest rate swap agreements		(163)		-		(163)		-		(163)
	$	**(12,535)**								
Liabilities carried at amortized cost										
Long-term debt	**$**	**(17,252)**		-		-		(17,243)		(17,243)

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

(E) Capital management

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

	2016		2015	
Cash	**$**	**(51,230)**	$	(29,707)
Long-term debt, including current portion		**17,291**		17,252
	$	**(33,939)**	$	(12,455)
Equity		**82,985**		49,213
Total capital structure	**$**	**49,046**	**$**	**36,758**

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 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 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 the following assets as surety on its various banking arrangements: a first ranking movable hypothec in the amount of $50,000,000 on the Corporation and its subsidiaries' overall assets, a guarantee pursuant to section 427 of the *Bank Act* on inventories, first ranking movable hypothecs in the amounts of $9,700,000 and of $6,200,000 on the Corporation's buildings as well as a surety bond in the amount of $50,000,000 covering all of the Corporation's subsidiaries.

From time to time, the Corporation purchases its own shares on the market; the timing of these purchases depends on market prices. There were no changes in the Corporation's approach to capital management during the year. Neither the Corporation, nor any of its subsidiaries, are subject to externally imposed capital requirements.

24 . Commitments

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
Less than 1 year	**$ 1,320**	$ 664
Between 1 and 5 years	**3,144**	850
More than 5 years	**1,106**	-
	$ 5,570	**$ 1,514**

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 4 and 118 months, with most leases having an option to renew after that date.

During the year ended December 31, 2016, an amount of $550,000 (2015-$406,000) was recognized in cost of sales and an amount of $421,000 (2015-$482,000) was recognized in operating costs in respect of operating leases.

On August 22, 2016, the Corporation signed an agreement for the purchase of a building in Toronto, Ontario, for an amount of $3,900,000. Deposits in a total amount of $262,000 have been paid as at December 31, 2016. The transaction is expected to close on May 31, 2017.

25 . Determination of Fair Values

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

(A) Fixed assets

The fair value of fixed assets recognized as a result of a business combination is based on market values. The fair value of items of equipment, 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 trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

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

(C) Inventories

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

(D) 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.

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

26 . Government Assistance

During 2016, the Corporation recorded scientific research and experimental development tax credits of $139,000 (2015-$251,000). An amount of $172,000 has not yet been assessed by the tax authorities.

The Corporation also recorded $61,000 (2015-$91,000) in apprenticeship tax credits which have not yet been assessed by the tax authorities.

These credits were accounted for as follows:

	2016	2015
Decrease in deferred development costs	$ 98	$ 237
Decrease in cost of sales	61	91
Decrease in research and development expenses	41	14
	$ 200	$ 342

27 . Operating Segments

Information about the operating segments

The Corporation's business structure is divided into two segments that are presented distinctly for financial reporting purposes. Segments are basically structured according to the main market segments that 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 name of potential customers to over 100 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.

	2016			
	Accessibility	Adapted vehicles	Head office	Total
External revenues	$ 96,248	$ 23,480	$ -	$ 119,728
Income (loss) before income tax	$ 18,698	$ 1,156	$ (2,600)	$ 17,254
Segment assets	$ 63,203	$ 18,021	$ 44,908	$ 126,132
Segment liabilities	$ 23,364	$ 4,022	$ 15,761	$ 43,147
Capital expenditures	$ 1,429	$ 2,845	$ 1,063	$ 5,337

27 . Operating Segments (continued)

	2015							
	Accessibility		Adapted vehicles		Head office		Total	
External revenues	$	82,620	$	12,643	$	-	$	95,263
Income (loss) before income tax	$	12,523	$	1,230	$	(1,521)	$	12,232
Segment assets	$	48,452	$	6,460	$	40,773	$	95,685
Segment liabilities	$	27,382	$	1,256	$	17,834	$	46,472
Capital expenditures	$	1,714	$	429	$	6,362	$	8,505

Geographical information

	Revenue				Non-current assets			
	2016		2015		2016		2015	
Canada	$	49,804	$	34,539	$	35,441	$	33,545
United States		61,594		52,530		17		16
Other regions		8,330		8,194		435		567
	$	119,728	$	95,263	$	35,893	$	34,128

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

28 . Contingencies

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

The Corporation has received a claim with respect to the non-payment of the note payable already accounted for in the amount of $421,000 related to the acquisition of Freedom in 2010 as well as an amount of $762,000 related to the employment contract with the former owner of this company. The Corporation has instituted a counter claim 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.

29 . Related Parties

(A) Key management personnel and director compensation

	2016		2015	
Short-term employee benefits	$	916	$	806
Share-based payments		539		375
	$	1,455	$	1,181

(B) Key management personnel and director transactions

Directors of the Corporation control 39.6% (2015-47.8%) of the voting shares of the Corporation.

The Corporation recorded an amount of $43,000 (2015-$71,000) for accounting and tax services rendered by an entity whose officer is a director and chief financial officer of the Corporation. Of this amount, no amount is recorded as Trade and other payables on the consolidated statement of financial position as at December 31, 2016 and 2015.

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

30 . Subsequent Events

On January 25, 2017, the Corporation signed an agreement with its financial institution that increased the substitute line that enables it to be exposed to a risk of potential losses on foreign exchange contracts from $11,100,000 to $17,810,000 as well as increased the maximum hedging period from 36 to 48 months (see note 23).

On February 2, 2017, the Board of Directors of the Corporation declared a dividend of 6.5 cents ($0.065) per common share payable on February 27, 2017 to shareholders of record of the Corporation at the close of business on February 13, 2017.

On February 10, 2017, the Corporation completed the acquisition of all the assets of Premier Lifts, Inc., a leading elevator dealer in the Baltimore - Washington area, for a purchase price of approximately US $3,100,000 (CDN $4,162,000), subject to certain adjustments, paid on the closing date from the Corporation's cash.