SAVARIA CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31, 2011
(Unaudited)

SAVARIA CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

	Note	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash		**$ 4 944 484**	$ 6 040 620	$ 4 823 164
Restricted cash		**400 000**	400 000	400 000
Trade and other receivables		**10 006 305**	10 444 163	7 455 189
Foreign exchange forward contracts		**44 770**	105 395	555 484
Current portion of long-term loans		**87 266**	89 516	26 518
Research and development credits receivable		**857 326**	840 723	467 483
Inventories		**14 761 181**	14 536 280	12 599 651
Prepaid expenses		**1 006 552**	939 701	813 613
Total current assets		**32 107 884**	33 396 398	27 141 102
Non-current assets				
Restricted cash		**1 000 000**	1 100 000	1 500 000
Research and development credits receivable		**530 078**	524 247	557 981
Long-term loans		**304 823**	323 809	105 100
Fixed assets		**2 023 464**	1 929 945	1 565 784
Goodwill		**4 051 307**	4 051 307	506 230
Other intangible assets		**3 066 241**	3 194 209	1 390 361
Long-term investments	*5*	**1 443 211**	1 498 865	5 757 785
Other assets		**-**	-	45 395
Deferred tax assets		**1 336 008**	1 256 242	1 403 189
Total non-current assets		**13 755 132**	13 878 624	12 831 825
Total assets		**$ 45 863 016**	$ 47 275 022	$ 39 972 927
Liabilities				
Current liabilities				
Bank loans		**$ 2 160 000**	$ 1 990 000	$ 1 080 000
Trade and other payables		**6 494 841**	6 547 381	6 248 985
Dividends payable		**2 367 529**	-	-
Deferred revenues		**2 084 542**	2 043 019	415 025
Income taxes payable		**112 898**	57 878	101 495
Current portion of long-term debt		**4 368 413**	4 235 713	1 844 859
Warranty provision		**342 774**	356 212	263 970
Total current liabilities		**17 930 997**	15 230 203	9 954 334
Non-current liabilities				
Long-term debt		**7 958 638**	9 156 052	8 852 060
Warranty provision		**424 358**	426 014	394 494
Deferred tax liabilities		**255 233**	386 078	-
Total non-current liabilities		**8 638 229**	9 968 144	9 246 554
Total liabilities		**26 569 226**	25 198 347	19 200 888
Equity				
Share capital	*6*	**13 335 647**	12 629 730	12 633 431
Share capital to be issued		**-**	567 000	-
Contributed surplus		**2 031 702**	2 063 660	1 909 785
Accumulated other comprehensive income		**1 523 963**	2 080 560	2 011 534
Retained earnings		**2 402 478**	4 735 725	4 217 289
Total equity		**19 293 790**	22 076 675	20 772 039
Total liabilities and equity		**$ 45 863 016**	$ 47 275 022	$ 39 972 927
Subsequent events (note 9)				

See accompanying notes to the condensed consolidated interim financial statements

SAVARIA CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period of three months ended March 31
(Unaudited)

	2011	2010
Revenue	**$ 15 513 601**	$ 13 242 656
Cost of sales	**(11 003 408)**	(9 654 139)
Gross margin	**4 510 193**	3 588 517
Operating costs		
Administrative expenses	**(1 824 153)**	(1 594 593)
Selling expenses	**(1 340 102)**	(1 043 602)
Engineering and research and development expenses	**(610 876)**	(490 501)
	(3 775 131)	(3 128 696)
Other income	**-**	26 234
Operating income	**735 062**	486 055
Finance income	**17 955**	103 646
Finance costs	**(463 472)**	(413 024)
Net finance costs	**(445 517)**	(309 378)
Income before income tax	**289 545**	176 677
Income tax expense	**(112 366)**	(117 188)
Net income for the period	**177 179**	59 489
Other comprehensive income		
Change in the fair value of foreign exchange contracts designated as cash flow hedges	**25 389**	509 511
Deferred income tax	**(6 802)**	(148 421)
	18 587	361 090
Gains on foreign exchange contracts transferred to net income in the current period	**(759 572)**	(295 665)
Deferred income tax	**203 489**	86 127
	(556 083)	(209 538)
Net change in fair value of derivatives designated as cash flow hedges	**(537 496)**	151 552
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	**(19 101)**	(22 193)
Other comprehensive (loss) income for the period, net of income tax	**(556 597)**	129 359
Total comprehensive (loss) income for the period	**$ (379 418)**	$ 188 848
Earnings per share:		
Basic	**$ 0,008**	$ 0,003
Diluted	**$ 0,008**	$ 0,003

See accompanying notes to the condensed consolidated interim financial statements

SAVARIA CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of three months ended March 31, 2011 and 2010
(Unaudited)

	2010						
	Share capital		Share capital to be issued	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount					
Balance at January 1, 2010	22 158 219	$ 12 633 431	$ -	$ 1 909 785	$ 2 011 534	$ 4 217 289	**$ 20 772 039**
<u>Total comprehensive income for the period</u>							
Net Income for the period	-	-	-	-	-	59 489	**59 489**
Other comprehensive income :							
Change in the fair value of foreign exchange contracts designated as cash flow hedges, net of tax	-	-	-	-	361 090	-	**361 090**
Gains on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	(209 538)	-	**(209 538)**
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	-	-	-	-	(22 193)	-	**(22 193)**
Total other comprehensive income	-	-	-	-	129 359	-	**129 359**
Total comprehensive income for the period	-	$ -	$ -	$ -	$ 129 359	$ 59 489	**$ 188 848**
<u>Transactions with owners, recorded directly in equity</u>							
Contributions by and distributions to owners :							
Cancelled shares following issuer bid	(111 500)	(63 570)	-	-	-	(37 750)	**(101 320)**
Compensation expense on options granted	-	-	-	48 781	-	-	**48 781**
Dividends on common shares	-	-	-	-	-	(1 868 724)	**(1 868 724)**
Shares to be issued in relation to a business acquisition	-	-	567 000	-	-	-	**567 000**
Total contributions by and distributions to owners	(111 500)	(63 570)	567 000	48 781	-	(1 906 474)	**(1 354 263)**
Balance at March 31, 2010	**22 046 719**	**$ 12 569 861**	**$ 567 000**	**$ 1 958 566**	**$ 2 140 893**	**$ 2 370 304**	**$ 19 606 624**

See accompanying notes to the condensed consolidated interim financial statements

SAVARIA CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of three months ended March 31, 2011 and 2010
(Unaudited)

	2011						
	Share capital		Share capital to be issued	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount					
Balance at January 1, 2011	22 017 564	$ 12 629 730	$ 567 000	$ 2 063 660	$ 2 080 560	$ 4 735 725	**$ 22 076 675**
Total comprehensive income for the period							
Net income for the period	-	-	-	-	-	177 179	**177 179**
Other comprehensive income :							
Change in the fair value of foreign exchange contracts designated as cash flow hedges, net of tax	-	-	-	-	18 587	-	**18 587**
Gains on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	(556 083)	-	**(556 083)**
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	-	-	-	-	(19 101)	-	**(19 101)**
Total other comprehensive income	-	-	-	-	(556 597)	-	**(556 597)**
Total comprehensive income for the period	-	$ -	$ -	$ -	$ (556 597)	$ 177 179	**$ (379 418)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners :							
Cancelled shares following issuer bid	(138 100)	(79 193)	-	-	-	(142 897)	**(222 090)**
Compensation expense on options granted	-	-	-	21 152	-	-	**21 152**
Share options exercised	132 500	218 110	-	(53 110)	-	-	**165 000**
Dividends on common shares	-	-	-	-	-	(2 367 529)	**(2 367 529)**
Shares issued in relation to a business acquisition	1 000 000	567 000	(567 000)	-	-	-	**-**
Total contributions by and distributions to owners	994 400	705 917	(567 000)	(31 958)	-	(2 510 426)	**(2 403 467)**
Balance at March 31, 2011	**23 011 964**	**$ 13 335 647**	**$ -**	**$ 2 031 702**	**$ 1 523 963**	**$ 2 402 478**	**$ 19 293 790**

See accompanying notes to the condensed consolidated interim financial statements

SAVARIA CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Period of three months ended March 31
(Unaudited)

	Note	2011	2010
Cash flow from operating activities			
Net income for the period		**$ 177 179**	$ 59 489
Adjustments for :			
Amortization of fixed assets		**169 859**	110 771
Amortization of intangible assets		**182 221**	132 969
Change in the fair value of restructured notes and put option		**28 820**	22 317
Income tax expense		**112 366**	117 188
Capitalized interest on long-term debt		**60 488**	28 968
Compensation expense on share options granted		**21 152**	48 781
Foreign exchange contracts cashed in advance		**-**	709 000
Gains on foreign exchange contracts cashed in advance transferred to net income		**(673 558)**	(170 475)
Loss on the sale of fixed assets		**-**	500
Unrealized foreign exchange gain on long-term monetary items		**(56 089)**	(84 476)
Income tax paid		**(71 269)**	(15 557)
Interest expense		**124 749**	101 524
		75 918	1 060 999
Net changes in non-cash operating items	*7*	**177 461**	(571 944)
Net cash from operating activities		**253 379**	489 055
Cash flows from investing activities			
Business acquisition, net of cash acquired	*4*	**-**	(772 783)
Change in long-term investments		**26 834**	1 540 738
Change in restricted cash		**100 000**	100 000
Proceeds from sales of fixed assets		**-**	3 000
Additions to fixed assets		**(266 128)**	(66 419)
Increase in amortizable intangible assets		**(54 411)**	(90 026)
Proceeds from long-term loans		**12 190**	5 594
Net cash (used in) from investing activities		**(181 515)**	720 104
Cash flows from financing activities			
Changes in bank loans		**170 000**	(120 000)
Increase in long-term debt		**110 500**	-
Repayment of borrowings		**(1 186 661)**	(552 422)
Interest paid		**(124 749)**	(101 524)
Repurchase of own shares		**(222 090)**	(101 320)
Proceeds from exercise of share options		**85 000**	-
Net cash used in financing activities		**(1 168 000)**	(875 266)
Net change in cash		**(1 096 136)**	333 893
Cash at January 1		**6 040 620**	4 823 164
Cash at March 31		**$ 4 944 484**	$ 5 157 057

See accompanying notes to the condensed consolidated interim financial statements

1 . Reporting entity

Savaria Corporation (the "Company") is a company domiciled in Canada. The address of the Company's registered office is 2724 Etienne-Lenoir, Laval, Quebec. The condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2011 comprise the Company and its subsidiaries (together referred to as the "Corporation") . The activities of the Corporation consist of manufacturing, installing and distributing elevators, platforms and stairlifts for people with mobility challenges as well as converting and adapting vehicles for persons with physical disabilities.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2010 which were prepared under Canadian generally accepted accounting principles ("GAAP") are available upon request from the Company's registered office at 2724 Etienne-Lenoir, Laval, Quebec or at www.savaria.com.

2 . Basis of presentation

A) Statement of compliance

The consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* . These are the Corporation’s first IFRS condensed consolidated interim financial statements for part of the first IFRS annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position and financial performance of the Corporation is provided in note 10. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods and at the date of transition under IFRSs.

Certain information and footnote disclosures which are considered material to the understanding of the Corporation's condensed consolidated interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are presented in note 10 along with reconciliations and description of the effect of the transition from Canadian GAAP to IFRS. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements under IFRS and should be read in connection with the annual financial statements of the Corporation and the notes thereto. These condensed consolidated interim financial statements have not been reviewed by the Corporation's auditors but were approved by the Board of Directors on June 13, 2011.

B) Basis of measurement

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

- derivative financial instruments are measured at fair value
- financial instruments at fair value through net income are measured at fair value

C) Functional and presentation currency

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

2 . Basis of presentation (continued)

D) Use of estimates and judgements

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

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

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

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

3 . Significant accounting policies

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

A) Basis of consolidation

(i) Business combinations

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

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

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

(ii) Subsidiaries

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

3 . Significant accounting policies (continued)

(ii) Subsidiaries (continued)

<u>Subsidiaries</u>
Savaria Concord Lifts Inc. ("Savaria Concord")
Weber Accessibility Systems, Inc. - inactive
Van-Action (2005) Inc. ("Van-Action")
Concord Elevator Holdings Inc. - inactive
Savaria (Huizhou) Mechanical Equipment Manufacturing Co., LTD ("Savaria Huizhou")
Concord Elevator (London) Ltd. ("Concord London")
Freedom Motors Inc. ("Freedom")
Liberty Mortor Co Inc. ("Liberty")
Savaria Lifts Ltd. ("Savaria Lifts")

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

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

(ii) Foreign operations

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

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

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

3 . Significant accounting policies (continued)

C) Financial instruments

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.

(i) Non-derivative financial assets and liabilities

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

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

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

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

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

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

3 . Significant accounting policies (continued)

Cash and restricted cash

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

(ii) Other financial liabilities

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

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

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

(iii) Derivative financial instruments, including hedge accounting

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

The Corporation holds derivative financial instruments to hedge its foreign currency risk exposures. Foreign exchange forward contracts are designated as derivative financial instruments.

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

Cash flow hedges

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

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

3 . Significant accounting policies (continued)

Separable embedded derivatives

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

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

Other non-trading derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in net income.

D) Share capital

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

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

E) Fixed assets

(i) Recognition and measurement

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

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

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of fixed assets, and are recognized net within other income 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 lives of each part of an item of fixed assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

3 . Significant accounting policies (continued)

(iii) Depreciation (continued)

The estimated useful lives are as follows:

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

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

F) Goodwill and other intangible assets

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

(i) Goodwill

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

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

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

(ii) Research and development

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

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

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

(iii) Trademarks

Trademarks are amortized on a straight-line basis over the estimated useful lives of the intangible assets.

3 . Significant accounting policies (continued)

(iv) Other intangible assets

Other intangible assets that are acquired by the Corporation and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(v) Amortization

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

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

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

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

G) Inventories

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

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

H) Impairment

(i) Non-derivitave financial assets

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

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

3 . Significant accounting policies (continued)

(i) Non-derivitave financial assets (continued)

Loans and receivables and held-to-maturity financial assets

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

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

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

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit (the "cash-generating unit, 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 purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

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

3 . Significant accounting policies (continued)

(ii) Non-financial assets (continued)

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

J) Provisions

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

(i) Warranties

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

K) Revenues

(i) Goods sold

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

3 . Significant accounting policies (continued)

K) Revenues (continued)

(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 avancement of the contract period. Unrecognized revenues are recorded as deferred revenues.

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

L) Lease payments

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

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

M) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, fair value gain on financial assets at fair value through net income, and gains on hedging instruments that are recognized in net income. Interest income is recognized as it accrues in net income, using the effective interest method. Dividend income is recognized in net income on the date that the Corporation's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

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

N) Income tax

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

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

3 . Significant accounting policies (continued)

N) Income tax (continued)

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

P) Statement of Cash Flows

Consistent with the Corporation's accounting policy choice under IAS 7, *Statement of Cash Flows* , interest paid and income tax paid have been moved into the body of the *Statement of Cash Flows* , whereas they were previously disclosed as supplementary information under Canadian GAAP. Interest paid has been presented with cash from financing activities.

Q) Segment reporting

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

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

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

3 . Significant accounting policies (continued)

R) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Corporation, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Corporation's 2013 consolidated financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

IFRS 9 - *Financial Instruments*

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

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

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

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

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

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

IFRS 9 (2010) also requires derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument to be measured at fair value, whereas such derivative liabilities are measured at cost under IAS 39.

IFRS 9 (2010) also added the requirements of IAS 39 for the derecognition of financial assets and liabilities to IFRS 9 without change.

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

3 . Significant accounting policies (continued)

R) New standards and interpretations not yet adopted (comntinued)

IFRS 10 - *Consolidated Financial Statements*

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

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

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

IFRS 13 - *Fair Value Measurement*

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

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

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

4 . Business acquisition

(i) Concord London

On February 1, 2010, the Corporation acquired 100% of the outstanding common shares of Concord London, a retailer specialized in the installation and maintenance of elevators and platform lifts in the province of Ontario. The agreement provides for an initial payment of $1,500,000 on the date of acquisition and four annual payments of $600,000 on the anniversary date of the acquisition. This note payable bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. The transaction includes a potential 1 million common shares to be issued one year after the signing of the agreement if the condition of a potential union bargaining right being nullified is met. The Corporation estimated at 80% the probability that this condition will be met. The shares to be issued have been recorded in the amount of $567,000 under the heading of share capital to be issued and were issued in February 2011.
Acquisition related costs that include legal fees and due diligence costs amounting to $119,918 have been included in Administrative expenses for the first quarter of 2010.

4 . Business acquisition (continued)

(i) Concord London (continued)

Goodwill in the amount of $2,638,317 has been recognized following this acquisition. Goodwill is mainly attributable to the addition of distribution, installation and maintenance services on products that are manufactured by the Corporation; the assurance of maintaining access to the market served by the entity; gaining a market for other product lines that are not currently serviced by the entity in its territory and synergies expected to be achieved from integrating the activities of the acquired entity to those of the Corporation.

Trade and other receivables are comprised of trade receivables with gross contractual amounts of $984,020 and allowance for bad debt of $24,147 for a net amount of $959,873. The full net amount is expected to be collectable.

Revenues and net income in the amount of $1,318,395 ($704,292 in 2010) and $137,661 ($44,842 in 2010), respectively, are included in the condensed consolidated statement of comprehensive income for the three-month periods.

(ii) Concord Elevator (Alberta) Ltd.

On July 19, 2010, the subsidiary Savaria Lifts acquired certain assets and liabilities of Concord Elevator (Alberta) Ltd., a retailer specialized in the installation and maintenance of elevators and platform lifts in the province of Alberta. The agreement provides for an initial payment of $240,000 on the date of acquisition as well as a payment of $100,000 on the first anniversary date of the acquisition. The note payable bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. Acquisition related costs that include legal fees and due diligence costs were not significative.

Goodwill in the amount of $290,546 has been recognized following this acquisition. Goodwill is mainly attributable to the addition of distribution, installation and maintenance services on products that are manufactured by the Corporation; the assurance of maintaining access to the market served by the entity; gaining a market for other product lines that are not currently serviced by the entity in its territory and synergies expected to be achieved from integrating the activities of the acquired entity to those of the Corporation.

Revenues and net income in the amount of $247,343 (nil in 2010) and $1,434 (nil in 2010), respectively, are included in the condensed consolidated statement of comprehensive income for the three-month periods.

(iii) Freedom

On August 2, 2010, the Corporation acquired 100% of the outstanding common shares of Freedom, a corporation specialized in the conversion of mini-vans for people with disabilities. The agreement provides for an initial payment of $2,560,000 on the date of acquisition as well as a payment of $500,000 on the first anniversary date of the acquisition. The note payable related to this acquisition bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. Acquisition related costs that include legal fees and due diligence costs amounting to $71,981 have been included in Administrative expenses for the third quarter of 2010.

Goodwill in the amount of $616,214 has been recognized following this acquisition. Goodwill is attributable mainly to technical knowhow and to conversion models that the Corporation will be able to offer without incurring the expense of their development. In addition, the Corporation expects to benefit from synergies to be achieved from integrating the activities of the acquired entity to those of the Corporation.

4 . Business acquisition (continued)

(iii) Freedom (continued)

Trade and other receivables are comprised of trade receivables with gross contractual amounts of $748,856 and allowance for bad debt of $19,412 for a net amount of $729,444. The full net amount is expected to be collectable.

(iv) Liberty

On August 2, 2010, the Corporation acquired 100% of the outstanding common shares of Liberty, a corporation specialized in the conversion of mini-vans for people with disabilities. The agreement provides for the issuance of 100,000 common shares and an initial payment of $250,000 on the date of acquisition as well as two annual payments of $125,000 on the anniversary date of the acquisition. The note payable related to this acquisition bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. Acquisition related costs that include legal fees and due diligence costs amounting to $83,308 have been included in Administrative expenses for the third quarter of 2010. Since the net value of the identifiable assets acquired and liabilities assumed exceeds the consideration paid, a gain in the amount of $398,083 has been included in the Other revenues in the third Quarter of 2010. This transaction resulted in a gain because of the recognition of deferred tax assets related to accumulated losses for years prior to the acquisition.

Trade and other receivables are comprised of trade receivables with gross contractual amounts of $580,219 and recoverable sales tax of $112,521. The full amount is expected to be collectable.

The operations of Freedom and Liberty have been integrated into one entity as of January 1, 2011. Revenues and net losses for this combined entity in the amount of $1,232,532 (nil in 2010) and $120,704 (nil in 2010), respectively, are included in the condensed consolidated statement of comprehensive income for the three-month periods.

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

	Concord Elevator (London) Ltd.	Concord Elevator (Alberta) Ltd.	Freedom Motors Inc.	The Liberty Motor Co. Inc.	Total
Assets acquired					
Cash	$ 727 217	$ -	$ -	$ -	**$ 727 217**
Current asset items	1 497 478	87 795	2 016 070	2 021 988	**5 623 331**
Fixed assets	221 377	9 500	113 998	148 725	**493 600**
Amortizable intangible assets	913 000	170 000	668 000	270 000	**2 021 000**
Deferred tax assets	-	-	-	420 673	**420 673**
Goodwill	2 638 317	290 546	616 214	-	**3 545 077**
	5 997 389	557 841	3 414 282	2 861 386	**12 830 898**
Liability assumed					
Bank indebtedness	-	-	22 038	15 953	**37 991**
Current liability items	1 532 482	205 142	243 247	1 897 143	**3 878 014**
Deferred tax liability	327 479	-	139 864	-	**467 343**
Warranty provision	-	-	54 000	40 000	**94 000**
Note payable	-	-	-	110 207	**110 207**
Long-term debt	35 855	4 192	-	-	**40 047**
	$ 1 895 816	$ 209 334	$ 459 149	$ 2 063 303	**$ 4 627 602**

4 . Business acquisition (continued)

	Concord Elevator (London) Ltd.	Concord Elevator (Alberta) Ltd.	Freedom Motors Inc.	The Liberty Motor Co. Inc.	Total
Fair value of net assets acquired	$ 4 101 573	$ 348 507	$ 2 955 133	$ 798 083	**$ 8 203 296**
Cash (bank indebtedness) in acquired operations	727 217	-	(22 038)	(15 953)	**689 226**
Expenses to be paid	-	-	-	30 000	**30 000**
Other income (bargain purchase gain)	-	-	-	398 083	**398 083**
Share capital to be issued	567 000	-	-	-	**567 000**
Share capital issued	-	-	-	120 000	**120 000**
Notes payable, current portion	542 474	100 000	395 133	-	**1 037 607**
Note payable, long-term portion	1 492 099	-	-	-	**1 492 099**
Cash flows related to the acquisitions	$ 772 783	$ 248 507	$ 2 582 038	$ 265 953	**$ 3 869 281**

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

The $3,545,077 of goodwill was assigned to the Accessibility and the Adapted vehicles segments in the amounts of $2,928,863 and $616,214, respectively. Of that total amount, $149,840 is expected to be deductible for tax purposes. The beginning balance of $506,230, associated with the Accessibility segment, is added to this amount of $3,545,077 for a total amount of goodwill of $4,051,307 as at March 31, 2011.

5 . Long-term investments

	March 31, 2011	December 31, 2010	January 1, 2010
Restructured notes (face value of $1,845,017, $1,917,356 as of Dec. 31, 2010 and $2,185,039 as of January 1, 2010)	**$ 1 233 470**	$ 1 290 041	$ 1 309 568
Put option	**209 741**	208 824	348 217
	1 443 211	1 498 865	1 657 785
Restricted deposit (interest rate of 0.40%, maturing on January 13, 2010)	**-**	-	4 100 000
	$ 1 443 211	**$ 1 498 865**	**$ 5 757 785**

Restructured Notes

The Corporation holds investments with a face value of $1,845,017 (US$1,902,864) that are invested in restructured notes following the replacement of Asset-Backed Commercial Paper ("ABCP"). These investments were valued at their fair value at period end.

Valuation

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

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

5 . Long-term investments (continued)

During the three month period, the fair value of the restructured notes was negatively affected by a decrease in value of the US dollar in relation to the Canadian dollar. As a result of its analysis, the Corporation estimated the fair value of these notes to be $1,233,470 (US$1,272,143) as at March 31, 2011. Accordingly, the Corporation recorded a $29,737 loss during the period. Following this change in value, there remains a balance of the reserve for impairment of $611,547 (US$630,721). It is to be pointed out that these notes are subject to uncertainty as to their eventual cash value. Although management believes that its valuation technique is appropriate under the circumstances, changes in significant assumptions could materially affect the value of the restructured notes in upcoming periods. The resolution of these uncertainties could result in the ultimate value of these investments varying significantly from management's current best estimates. These investments are presented on a long-term basis.

During the three month period, the Corporation received a total of $26,834 (US$27,181) in repayment of certain restructured notes. The amounts received were used as a partial reimbursement on loans secured by the restructured notes. As at March 31, 2011, the face value and estimated fair value of the remaining restructured notes are broken down as follows:

Restructuring categories	US $		Expected maturity date
	Face value	Estimated fair value	
MAV 2 Notes			
A1 (rated A)	835 383	707 659	July 15, 2056
C	25 922	259	July 15, 2056
Ineligible asset tracking notes			
MAV 2 - Class 13	131 524	67 547	March 20, 2014
MAV 3 - Class 25	910 035	496 678	December 25, 2036
Total investments	**1 902 864**	**1 272 143**	

On March 16, 2009, the Corporation signed two long-term financing agreements with its financial institution to ensure the sufficient availability of liquidity to meet its financial obligations while awaiting the disposal of the restructured notes. These agreements were renewed for an additional year during the period and now mature in March 2012 and March 2013. The loans are renewable on a yearly basis up to a maximum of four years for the first agreement and three years for the second agreement.

The Corporation holds an option to assign to the bank the ownership of its ineligible asset-tracking notes as well as any proceeds therefrom as payment of 75% of the principal on the related debt. As at March 31, 2011, the Corporation estimated the fair value of this option at $209,741 (US$216,317). The estimated fair value is based on 75% of the loan balance minus the fair value of the applicable notes.

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

6 . Share capital

In February 2011, in accordance with the purchase agreement for Concord London (note 4), the Corporation issued 1 million common shares at a cost of $0,567 per share. The cost per share was based on the market price that applied on the date of the acquisition but which was discounted to reflect the one-year period before the share issuance and was adjusted to reflect the probability estimated by management that the condition, which had to occur for the issuance of the shares to take place, be met.

During the three months ended March 31, 2011, the Corporation repurchased 138,100 common shares at an average price of $1.59 per share by way of a normal course issuer bid. The excess of the price paid over the book value of the repurchased shares has been recorded against retained earnings.

Finally, 132,500 common shares were issued as a result of the exercise of vested options arising from the stock option plan (2010: nil).

On March 30, 2011, the Corporation declared a dividend of 10.2 cents per common share to be paid on April 26, 2011.

7 . Net changes in non-cash operating items

	Three months ended March 31	
	2011	2010
Trade and other receivables	**$ 517 758**	$ 542 367
Research and development credits receivable	**(22 434)**	138 757
Inventories	**(224 901)**	(452 261)
Prepaid expenses	**(66 851)**	(239 287)
Trade and other payables	**(52 540)**	(745 728)
Deferred revenues	**41 523**	203 854
Warranty provision	**(15 094)**	(19 646)
	$ 177 461	**$ (571 944)**

8 . Operating segments

Information about reportable segments

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

	Three months ended March 31					
	2011			**2010**		
	Accessibility	**Adapted Vehicles**	**Total**	**Accessibility**	**Adapted Vehicles**	**Total**
External revenues	**$ 11 609 969**	**$ 3 903 632**	**$ 15 513 601**	$ 10 926 305	$ 2 316 351	$ 13 242 656
Reportable segment income (loss) before income tax	**743 923**	**(168 487)**	**575 436**	518 691	(21 259)	497 432
Reportable segment assets	**36 501 824**	**9 361 192**	**45 863 016**	37 825 704	5 119 148	42 944 852

8 . Operating segments (continued)

Reconciliations of reportable segments and the consolidated balances

	Three months ended March 31	
	2011	**2010**
Total income of reportable segments, before income tax	**$ 575 436**	$ 497 432
Unallocated amounts:		
Other corporate expenses	**(285 891)**	(320 755)
Income before income tax	**$ 289 545**	**$ 176 677**

9 . Subsequent events

On May 13, 2011, the Corporation entered into an agreement with its financial institution for a long-term debt in the amount of $2,500,000. The terms of the agreement include an amortization period of 36 months with a monthly payment in capital of $41,667 plus interest for the first twelve months and an interest rate of prime plus 1%. The loan is secured by surety bonds in the amount of $2,500,000 each by the subsidiaries Savaria Concord, Van-Action and Freedom.

Also on May 13, 2011, the Corporation entered into an agreement with its financial institution to increase the amount of the line of credit for its subsidiary Savaria Concord from $2,000,000 to $5,000,000. Under the terms of the agreement, the amount drawn on the line of credit beyond the first $4,000,000 may not exceed the total of 80% of Canadian trade receivables, 65% of American trade receivables, 50% of raw material and finished goods inventory of the company and the subsidiary Freedom, and any unused surplus in the calculation of Van-Action's loan value. A movable hypothec from Savaria Concord in the amount of $25,000,000 on certain assets of the subsidiary, a guarantee pursuant to Section 427 of the *Bank Act* on inventories, funds, up to an amount of $4,400,000, deposited to the subsidiary's US dollar account and surety bonds in the amount of $2,000,000 each by Freedom, Liberty and Van-Action have been pledged as securities. The amount of the line of credit will be reduced to a minimum of $2,000,000 by any amount that the US dollar account falls below $4,400,000. The line of credit bears interest at prime plus 0.5%.

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

10 . Explanation of transition to IFRS

As stated in note 2(a), these are the Corporation’s first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the interim financial statements for the three months ended March 31, 2011, the comparative information presented in these interim financial statements for both the three months ended March 31, 2010 and year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Corporation’s date of transition).

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

10 . Explanation of transition to IFRSs (continued)
Reconciliation of equity

	Note	January 1, 2010			March 31, 2010			December 31, 2010		
		Previous Canadian GAAP	**IFRS adjustments**	**IFRSs**	**Previous Canadian GAAP**	**IFRS adjustments**	**IFRSs**	**Previous Canadian GAAP**	**IFRS adjustments**	**IFRSs**
Assets										
Current assets										
Cash		$ 4 823 164	$ -	$ 4 823 164	$ 5 157 057	$ -	$ 5 157 057	$ 6 040 620	$ -	$ 6 040 620
Restricted cash		400 000	-	400 000	400 000	-	400 000	400 000	-	400 000
Trade and other receivables		7 455 189	-	7 455 189	7 872 695	-	7 872 695	10 444 163	-	10 444 163
Foreign exchange forward contracts		555 484	-	555 484	230 805	-	230 805	105 395	-	105 395
Current portion of long-term loans		26 518	-	26 518	20 316	-	20 316	89 516	-	89 516
Research and development credits receivable		467 483	-	467 483	282 034	-	282 034	840 723	-	840 723
Inventories		12 599 651	-	12 599 651	13 497 668	-	13 497 668	14 536 280	-	14 536 280
Prepaid expenses		813 613	-	813 613	1 129 838	-	1 129 838	939 701	-	939 701
Deferred tax assets	*b*	602 059	(602 059)	-	283 187	(283 187)	-	522 225	(522 225)	-
Total current assets		27 743 161	(602 059)	27 141 102	28 873 600	(283 187)	28 590 413	33 918 623	(522 225)	33 396 398
Non-current assets										
Restricted cash		1 500 000	-	1 500 000	1 400 000	-	1 400 000	1 100 000	-	1 100 000
Research and development credits receivable		557 981	-	557 981	634 934	-	634 934	524 247	-	524 247
Long-term loans		105 100	-	105 100	101 580	-	101 580	323 809	-	323 809
Fixed assets	*a*	1 565 784	-	1 565 784	1 734 972	-	1 734 972	1 842 360	87 585	1 929 945
Goodwill	*a*	506 230	-	506 230	3 236 180	(91 633)	3 144 547	4 974 271	(922 964)	4 051 307
Other intangible assets	*a*	1 390 361	-	1 390 361	1 560 069	700 000	2 260 069	3 025 925	168 284	3 194 209
Long-term investments		5 757 785	-	5 757 785	4 194 730	-	4 194 730	1 498 865	-	1 498 865
Other assets	*a*	61 910	(16 515)	45 395	-	-	-	-	-	-
Deferred tax assets	*a, b*	801 130	602 059	1 403 189	778 220	105 387	883 607	767 928	488 314	1 256 242
Total non-current assets		12 246 281	585 544	12 831 825	13 640 685	713 754	14 354 439	14 057 405	(178 781)	13 878 624
Total assets		**$ 39 989 442**	**$ (16 515)**	**$ 39 972 927**	**$ 42 514 285**	**$ 430 567**	**$ 42 944 852**	**$ 47 976 028**	**$ (701 006)**	**$ 47 275 022**

10 . Explanation of transition to IFRSs (continued)
Reconciliation of equity (continued)

	Note	January 1, 2010			March 31, 2010			December 31, 2010		
		Previous Canadian GAAP	IFRS adjustments	IFRSs	Previous Canadian GAAP	IFRS adjustments	IFRSs	Previous Canadian GAAP	IFRS adjustments	IFRSs
Liabilities										
Current liabilities										
Bank loans		$ 1 080 000	$ -	$ 1 080 000	$ 960 000	$ -	$ 960 000	$ 1 990 000	$ -	$ 1 990 000
Trade and other payables	*a*	6 248 985	-	6 248 985	6 068 987	-	6 068 987	6 686 515	(139 134)	6 547 381
Dividend payable		-	-	-	1 868 724	-	1 868 724	-	-	-
Deferred revenues		415 025	-	415 025	1 540 236	-	1 540 236	2 043 019	-	2 043 019
Income taxes payable		101 495	-	101 495	88 667	-	88 667	57 878	-	57 878
Current portion of a note payable relating to										-
a business acquisition		-	-	-	542 474	-	542 474	-	-	-
Current portion of long-term debt	*d*	1 844 859	-	1 844 859	1 831 006	926 837	2 757 843	3 328 330	907 383	4 235 713
Warranty provision		263 970	-	263 970	247 605	-	247 605	356 212	-	356 212
Deferred tax liabilities	*b*	-	-	-	-	-	-	43 632	(43 632)	-
Total current liabilities		9 954 334	-	9 954 334	13 147 699	926 837	14 074 536	14 505 586	724 617	15 230 203
Non-current liabilities										
Long-term debt	*d*	8 852 060	-	8 852 060	8 307 217	(926 837)	7 380 380	10 063 435	(907 383)	9 156 052
Warranty provision		394 494	-	394 494	391 213	-	391 213	426 014	-	426 014
Note payable relating to a business acquisition		-	-	-	1 492 099	-	1 492 099	-		-
Deferred tax liabilities	*b*	-	-	-	-	-	-	342 446	43 632	386 078
Total non-current liabilities		9 246 554	-	9 246 554	10 190 529	(926 837)	9 263 692	10 831 895	(863 751)	9 968 144
Total liabilities		19 200 888	-	19 200 888	23 338 228	-	23 338 228	25 337 481	(139 134)	25 198 347
Equity										
Share capital	*a*	12 633 431	-	12 633 431	12 569 861	-	12 569 861	12 626 730	3 000	12 629 730
Share capital to be issued	*a*	-	-	-	-	567 000	567 000	1 200 000	(633 000)	567 000
Contributed surplus	*c*	1 856 091	53 694	1 909 785	1 904 872	53 694	1 958 566	2 018 613	45 047	2 063 660
Accumulated other comprehensive income		2 011 534	-	2 011 534	2 140 893	-	2 140 893	2 080 560	-	2 080 560
Retained earnings	*e*	4 287 498	(70 209)	4 217 289	2 560 431	(190 127)	2 370 304	4 712 644	23 081	4 735 725
Total equity		20 788 554	(16 515)	20 772 039	19 176 057	430 567	19 606 624	22 638 547	(561 872)	22 076 675
Total liabilities and equity		**$ 39 989 442**	**$ (16 515)**	**$ 39 972 927**	**$ 42 514 285**	**$ 430 567**	**$ 42 944 852**	**$ 47 976 028**	**$ (701 006)**	**$ 47 275 022**

10 . Explanation of transition to IFRSs (continued)
Reconciliation of comprehensive income

	Note	Period of three months ended March 31, 2010				Year ended December 31, 2010			
		Previous Canadian GAAP	IFRS reclassifications	IFRS adjustments	IFRSs	Previous Canadian GAAP	IFRS reclassifications	IFRS adjustments	IFRSs
Revenue	a	$ 13 242 656	$ -	$ -	$ 13 242 656	$ 65 235 775	$ -	$ -	$ 65 235 775
Cost of sales	a	(9 577 930)	(76 209)	-	(9 654 139)	(46 652 869)	(315 625)	(55 337)	(47 023 831)
Gross margin		3 664 726	(76 209)	-	3 588 517	18 582 906	(315 625)	(55 337)	18 211 944
Operation costs									
Administrative expenses	a, c	-	(1 474 675)	(119 918)	(1 594 593)	-	(6 573 025)	(332 411)	(6 905 436)
Selling expenses		-	(1 043 602)	-	(1 043 602)	-	(5 269 306)	-	(5 269 306)
Engineering and research and development expenses		-	(490 501)	-	(490 501)	-	(2 077 389)	-	(2 077 389)
Selling and administrative expenses		(2 841 247)	2 841 247	-	-	(12 982 325)	12 982 325		-
		(2 841 247)	(167 531)	(119 918)	(3 128 696)	(12 982 325)	(937 395)	(332 411)	(14 252 131)
Amortization		(243 740)	243 740	-	-	(1 253 020)	1 253 020		-
Other income		-	26 234	-	26 234	-	36 224	398 083	434 307
Operating income		579 739	26 234	(119 918)	486 055	4 347 561	36 224	10 335	4 394 120
Finance income		-	103 646	-	103 646	-	142 232	-	142 232
Finance costs		-	(413 024)	-	(413 024)	-	(1 076 614)	-	(1 076 614)
Other revenues and expenses		(283 144)	283 144	-	-	(898 158)	898 158		-
Net finance costs		(283 144)	(26 234)	-	(309 378)	(898 158)	(36 224)	-	(934 382)
Income before income tax		296 595	-	(119 918)	176 677	3 449 403	-	10 335	3 459 738
Income tax expense	b	(117 188)	-	-	(117 188)	(975 023)	-	82 955	(892 068)
Net income for the period		**179 407**	**-**	**(119 918)**	**59 489**	**2 474 380**	**-**	**93 290**	**2 567 670**
Other comprehensive income									
Change in the fair value of foreign exchange contracts designated as cash flow hedges		509 511	-	-	509 511	2 252 472	-	-	2 252 472
Deferred income tax		(148 421)	-	-	(148 421)	(625 865)	-	-	(625 865)
		361 090	-	-	361 090	1 626 607	-	-	1 626 607
Losses on foreign exchange contracts transferred to net income in the current period		(295 665)	-	-	(295 665)	(2 176 317)	-	-	(2 176 317)
Deferred income tax		86 127	-	-	86 127	633 676	-	-	633 676
		(209 538)	-	-	(209 538)	(1 542 641)	-	-	(1 542 641)
Net change in fair value of derivatives designated as cash flow hedges		151 552	-	-	151 552	83 966	-	-	83 966
Unrealized net losses on translation of financial statements of self-sustaining foreign operations		(22 193)	-	-	(22 193)	(14 940)	-	-	(14 940)
Other comprehensive income, net of income tax		129 359	-	-	129 359	69 026	-	-	69 026
Total comprehensive income		**$ 308 766**	**$ -**	**$ (119 918)**	**$ 188 848**	**$ 2 543 406**	**$ -**	**$ 93 290**	**$ 2 636 696**
Earnings per share:									
Basic		$ 0,008	$ -	$ (0,005)	$ 0,003	$ 0,11	$ -	$ 0,003	$ 0,11
Diluted		$ 0,008	$ -	$ (0,005)	$ 0,003	$ 0,11	$ -	$ 0,002	$ 0,11

10 . Explanation of transition to IFRS (continued)

Notes to the reconciliations

(a) Business combination exemption

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

The impact arising from the change is summarized as follows:

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Consolidated statement of financial position				
Increase in fixed assets	**a.1**	$ -	$ -	$ 87 585
Decrease in goodwill	**a.12**		(91 633)	(922 964)
Increase in other intangible assets	**a.2**	-	700 000	168 284
Decrease in other assets	**a.3**	(16 515)	-	-
Decrease in deferred tax assets	**a.2 , a.4**	-	(177 800)	(81 411)
Decrease in trade and other payables	**a.5**	-	-	139 134
Increase in share capital	**a.6**	-	-	(3 000)
(Increase) decrease in share capital to be issued	**a.7**	-	(567 000)	633 000
(Decrease) increase in retained earnings		**$ (16 515)**	**$ (44 800)**	**$ 20 628**
Consolidated statement of comprehensive income				
Increase in other income	**a.8**		$ -	$ (398 083)
Increase in cost of sales	**a.9**		-	55 337
Increase in administrative expenses	**a.10**		119 918	332 411
Decrease in income tax expense	**a.11**		-	(82 955)
Decrease (increase) in total comprehensive income			**$ 119 918**	**$ (93 290)**

(a.1) Recognition of a bargain purchase gain instead of reduction of the long-term assets and related deferred tax assets.

(a.2) March 31, 2010: Recognition of intangible assets of $700,000 and related deferred tax liabilities of $177,800 as of the acquisition date while recognized in second quarter under Canadian GAAP.

December 31, 2010: Recognition of a bargain purchase gain instead of reduction of the long-term assets and related deferred tax assets.

(a.3) Prepaid acquisition costs reversed to the retained earnings as of January 1, 2010.

(a.4) December 31, 2010: Recognition of deferred tax liabilities of $48,103 on long-term assets and reversal of deferred tax assets related to the reversal of a provision of $139,134.

(a.5) Reversal of non admissible provisions of $187,686 less amortization already recognized under Canadian GAAP of $48,552, related to rent savings.

(a.6) Difference in the share value calculation related to the share payment.

(a.7) Contingent consideration recognized at the acquisition date while recorded in second quarter under Canadian GAAP; also, different factors are taken in account while determining the share value, such as the probability that the condition be met. The share value under IFRS amounted to $567,000 as opposed to $1,200,000 under Canadian GAAP for a difference of $633,000.

10 . Explanation of transition to IFRS (continued)

Notes to the reconciliations (continued)

(a.8) Recognition of a bargain purchase gain.

(a.9) Reversal of the amortization of $48,552 related to non admissible provisions and amortization of $6,785 related to recognized intangible assets

(a.10) March 31, 2010: Acquisition costs recorded in comprehensive income instead of being included in the cost of acquisition.

December 31, 2010: Acquisition costs of $275,207 recorded in comprehensive income instead of capitalized, amortization of $65,851 related to recognized intangible assets and difference of $8,647 related to compensation on share options granted.

(a.11) see note (b) below.

(a.12) Net result of the adjustments to the purchase price allocations.

(b) Income tax

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

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Deferred tax assets				
Business combination	*a*	$ -	$ (177 800)	$ (81 411)
Reclassification from current to non-current	*b.1*	602 059	283 187	522 225
Tax rate difference on intercompany profit elimination	*b.2*	-	-	47 500
Increase in deferred tax assets		**$ 602 059**	**$ 105 387**	**$ 488 314**
Deferred tax liabilities				
Reclassification from current to non-current	*b.1*	-	-	(43 632)
Increase in deferred tax liabilities		**$ -**	**$ -**	**$ (43 632)**
Income tax expense				
Business combination	*a*	$ -	$ -	$ (35 455)
Tax rate difference on intercompany profit elimination	*b.2*	-	-	(47 500)
Decrease in income tax expense		**$ -**	**$ -**	**$ (82 955)**

(b.1) Under IFRS, all deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. The effect is to reclass the amounts from current deferred tax assets and liabilities to non-current deferred tax assets and liabilities.

(b.2) Under IFRS, the purchasing subsidiary's tax rate must be applied to the amount of profit reversed on inventory held at the end of a period as opposed to the selling subsidiary's tax rate as required under Canadian GAAP.

10 . Explanation of transition to IFRS (continued)

(c) Share-based compensation

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

The impact arising from the change is sommarized as follows:

	January 1, 2010	March 31, 2010	December 31, 2010
Consolidated statement of financial position			
Increase in contributed surplus	$ (53 694)	$ (53 694)	$ (45 047)
Decrease in retained earnings	**$ (53 694)**	**$ (53 694)**	**$ (45 047)**
Consolidated statement of comprehensive income			
Decrease in administrative expenses	-	-	(8 647)
Increase in total comprehensive income	**$ -**	**$ -**	**$ (8 647)**

(d) Long term debt

Under IFRS, all debts that have matured and have not been renewed by the end of the period must be classified as a current liability as opposed to Canadian GAAP under which the debt must be renewed by the financial statements' date to be classified as a non-current liability. The effect of this difference is to reclassify $926,837 as at March 31, 2010 and $907,383 as at December 31, 2010 from long-term debt to current portion of long-term debt.

(e) Retained earnings

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

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Business combination	*a*	$ (16 515)	$ (44 800)	$ 20 628
Tax rate difference on intercompany profit elimination	*b.2*			47 500
Share-based compensation	*c*	(53 694)	(53 694)	(45 047)
(Decrease) increase in retained earnings		**$ (70 209)**	**$ (98 494)**	**$ 23 081**

10 . Explanation of transition to IFRS (continued)

(f) Other IFRS 1 exemption

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