SAVARIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010 AND 2009

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgements.

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

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

The consolidated financial statements as at December 31, 2010 and for the year ended on this date have been audited by the auditors appointed by the shareholders, KPMG LLP/s.e.n.c.r.l., Chartered Accountants.

Marcel Bourassa
Chairman of the Board and Chief Executive Officer

Jean-Marie Bourassa, CA
Chief Financial Officer

Laval (Québec) Canada
March 29, 2011

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
SALES	**$ 65,235,775**	$ 55,172,324
OPERATING EXPENSES		
Cost of goods sold	**46,652,869**	40,440,947
Selling and administrative expenses	**12,982,325**	11,142,685
Amortization of fixed assets	**478,007**	395,244
Amortization of intangible assets	**775,013**	438,885
	60,888,214	52,417,761
OPERATING EARNINGS	**4,347,561**	2,754,563
OTHER REVENUES AND EXPENSES (note 6)	**(898,158)**	147,090
EARNINGS BEFORE INCOME TAXES	**3,449,403**	2,901,653
INCOME TAXES (note 17B)	**975,023**	643,503
NET EARNINGS	**$ 2,474,380**	$ 2,258,150
Net earnings per common share		
Basic	**$ 0.11**	$ 0.09
Diluted	**$ 0.11**	$ 0.09
Average number of common shares outstanding (note 18B)		
Issued	**22,650,527**	25,398,499
Diluted	**22,868,567**	25,411,161

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
NET EARNINGS	**$ 2,474,380**	$ 2,258,150
OTHER COMPREHENSIVE INCOME		
Change in the fair value of foreign exchange contracts designated as cash flow hedges	**2,252,472**	6,773,642
Future income taxes	**(625,865)**	(1,982,987)
	1,626,607	4,790,655
(Gains) losses on foreign exchange contracts transferred to net income in the current period	**(2,176,317)**	1,862,161
Future income taxes	**633,676**	(572,175)
	(1,542,641)	1,289,986
Net change in fair value of derivatives designated as cash flow hedges	**83,966**	6,080,641
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	**(14,940)**	-
OTHER COMPREHENSIVE EARNINGS	**69,026**	6,080,641
COMPREHENSIVE EARNINGS	**$ 2,543,406**	$ 8,338,791

SAVARIA CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 6,040,620**	$ 4,823,164
Cash and cash equivalents reserved (note 16)	**400,000**	400,000
Accounts receivable (note 7)	**10,444,163**	7,455,189
Foreign exchange forward contracts (note 23A)	**105,395**	555,484
Research and development credits receivable	**824,508**	365,988
Current portion of long-term loans (note 10)	**89,516**	26,518
Inventories (note 8)	**14,536,280**	12,599,651
Prepaid expenses	**939,701**	813,613
Future income taxes (note 17A)	**522,225**	602,059
	33,902,408	27,641,666
CASH AND CASH EQUIVALENTS RESERVED (note 16)	**1,100,000**	1,500,000
RESEARCH AND DEVELOPMENT CREDITS RECEIVABLE	**524,247**	557,981
OTHER ASSETS	**-**	61,910
LONG-TERM INVESTMENTS (note 9)	**1,498,865**	5,757,785
LONG-TERM LOANS (note 10)	**323,809**	105,100
FIXED ASSETS (note 11)	**1,842,360**	1,565,784
INTANGIBLE ASSETS (note 12)	**3,025,925**	1,390,361
GOODWILL (note 4)	**4,974,271**	506,230
FUTURE INCOME TAXES (note 17A)	**767,928**	801,130
	$ 47,959,813	$ 39,887,947
LIABILITIES		
CURRENT LIABILITIES		
Bank loans (note 13)	**$ 1,990,000**	$ 1,080,000
Accounts payable (note 14)	**6,686,515**	6,248,985
Deferred revenues	**2,043,019**	415,025
Income taxes payable	**41,663**	-
Future income taxes (note 17A)	**43,632**	-
Warranty provision (note 15)	**356,212**	263,970
Current portion of long-term debt (note 16)	**3,328,330**	1,844,859
	14,489,371	9,852,839
WARRANTY PROVISION (note 15)	**426,014**	394,494
LONG-TERM DEBT (note 16)	**10,063,435**	8,852,060
FUTURE INCOME TAXES (note 17A)	**342,446**	-
	25,321,266	19,099,393
SHAREHOLDERS' EQUITY		
Capital stock	**12,626,730**	12,633,431
Capital stock to be issued (note 4)	**1,200,000**	-
Contributed surplus	**2,018,613**	1,856,091
Retained earnings	**4,712,644**	4,287,498
Accumulated other comprehensive income	**2,080,560**	2,011,534
	6,793,204	6,299,032
	22,638,547	20,788,554
	$ 47,959,813	$ 39,887,947

Commitments and contingencies (note 22)

ON BEHALF OF THE BOARD OF DIRECTORS

______________________, Director
Marcel Bourassa

______________________, Director
Jean-Marie Bourassa C.A.

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010						
	Capital stock		**Capital stock to be issued**	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive income**	**Total**
	Number	**Amount**					
BALANCE as at December 31, 2009, before the reversal of an exercise of stock options following the issuance of an employee loan	**22,358,219**	**$ 12,883,431**	**$ -**	**$ 1,856,091**	**$ 4,287,498**	**$ 2,011,534**	**$ 21,038,554**
Reversal of an exercise of stock options following the issuance of an employee loan (note 18)	**(200,000)**	**(250,000)**	**-**	**-**	**-**	**-**	**(250,000)**
BALANCE as at December 31, 2009	**22,158,219**	**12,633,431**	**-**	**1,856,091**	**4,287,498**	**2,011,534**	**20,788,554**
Cancelled shares following issuer bid	**(290,655)**	**(166,201)**	**-**	**-**	**(180,510)**	**-**	**(346,711)**
Shares to be issued related to a business acquisition (note 4)	**-**	**-**	**1,200,000**	**-**	**-**	**-**	**1,200,000**
Shares issued in relation to a business acquisition (note 4)	**100,000**	**117,000**	**-**	**-**	**-**	**-**	**117,000**
Exercise of stock options	**50,000**	**42,500**	**-**	**-**	**-**	**-**	**42,500**
Stock-based compensation expense	**-**	**-**	**-**	**162,522**	**-**	**-**	**162,522**
Net earnings	**-**	**-**	**-**	**-**	**2,474,380**	**-**	**2,474,380**
Dividends on common shares	**-**	**-**	**-**	**-**	**(1,868,724)**	**-**	**(1,868,724)**
Changes in gains on foreign exchange contracts designated as cash flow hedges, net of income taxes of $7,811	**-**	**-**	**-**	**-**	**-**	**83,966**	**83,966**
Change in foreign currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**(14,940)**	**(14,940)**
BALANCE as at December 31, 2010	**22,017,564**	**$ 12,626,730**	**$ 1,200,000**	**$ 2,018,613**	**$ 4,712,644**	**$ 2,080,560**	**$ 22,638,547**

	2009						
	Capital stock		Capital stock to be issued	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
	Number	Amount					
BALANCE as at December 31, 2008, before the reversal of an exercise of stock options following the issuance of an employee loan	27,490,514	$ 15,815,977	$ -	$ 1,745,891	$ 4,596,187	$ (4,069,107)	$ 18,088,948
Reversal of an exercise of stock options following the issuance of an employee loan (note 18)	(200,000)	(250,000)	-	-	-	-	(250,000)
BALANCE as at December 31, 2008	27,290,514	15,565,977	-	1,745,891	4,596,187	(4,069,107)	17,838,948
Cancelled shares following issuer bid	(5,132,295)	(2,932,546)	-	-	(1,742,784)	-	(4,675,330)
Stock-based compensation expense	-	-	-	110,200	-	-	110,200
Net earnings	-	-	-	-	2,258,150	-	2,258,150
Dividends on common shares	-	-	-	-	(824,055)	-	(824,055)
Changes in gains on foreign exchange contracts designated as cash flow hedges, net of income taxes of $2,555,162	-	-	-	-	-	6,080,641	6,080,641
BALANCE as at December 31, 2009	22,158,219	$ 12,633,431	$ -	$ 1,856,091	$ 4,287,498	$ 2,011,534	$ 20,788,554

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING ACTIVITIES		
Net earnings	**$ 2,474,380**	$ 2,258,150
Adjustments for :		
Amortization of fixed assets	**478,007**	395,244
Amortization of intangible assets	**775,013**	438,885
Put option (note 9)	**139,393**	(348,217)
Change in the fair value of restructured notes (note 9)	**(90,155)**	(565,163)
Future income taxes (note 17B)	**634,591**	516,999
Capitalized interest on long-term debt	**248,649**	133,741
Stock-based compensation expense	**162,522**	110,200
Change in the value of foreign exchange contracts cashed in advance	**526,244**	1,989,000
Loss on disposal of fixed assets	**(2,968)**	(7,660)
Unrealized gain on foreign exchange on long-term monetary items	**(122,351)**	(464,374)
	5,223,325	4,456,805
Net changes in non-cash working capital items (note 5B)	**(1,905,460)**	(535,264)
Cash flows from operating activities	**3,317,865**	3,921,541
INVESTING ACTIVITIES		
Business acquisitions (note 4)	**(4,144,488)**	(16,515)
Proceeds from long-term investments	**4,209,682**	1,035,721
Change in cash and cash equivalents reserved	**400,000**	(1,900,000)
Proceeds from disposal of fixed assets	**43,045**	11,108
Additions to fixed assets	**(392,256)**	(199,170)
Increase in amortizable intangible assets	**(604,678)**	(352,349)
Increase in long-term loans	**(278,978)**	-
Proceeds from long-term loans	**72,325**	92,957
Cash flows used in investing activities	**(695,348)**	(1,328,248)
FINANCING ACTIVITIES		
Changes in bank loans	**910,000**	370,000
Increase in long-term debt	**2,040,605**	7,700,095
Repayment of long-term debt	**(2,182,731)**	(5,543,619)
Dividends paid on common shares	**(1,868,724)**	(824,055)
Shares repurchased for cancellation	**(346,711)**	(4,675,330)
Issuance of shares	**42,500**	-
Cash flows used in financing activities	**(1,405,061)**	(2,972,909)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**1,217,456**	(379,616)
CASH AND CASH EQUIVALENTS at the beginning of the year	**4,823,164**	5,202,780
CASH AND CASH EQUIVALENTS at the end of the year	**$ 6,040,620**	$ 4,823,164

1 . NATURE OF ACTIVITIES

The activities of the Corporation consist of manufacturing, installing and distributing elevators, platforms lifts and stairlifts for people with mobility challenges as well as converting and adapting vehicles for persons with physical disabilities.

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

A) Principles of Consolidation

These consolidated financial statements comprise the accounts of the Corporation and its subsidiaries as listed below.

Subsidiaries	December 31, 2010 %	December 31, 2009 %
Savaria Concord Lifts Inc.	100	100
Van-Action (2005) Inc.	100	100
Savaria (Huizhou) Mechanical Equipment Manufacturing Co., Ltd.	100	100
Concord Elevator (London) Ltd.	100	-
Savaria Lifts Ltd.	100	-
Freedom Motors Inc.	100	-
The Liberty Motor Company Inc.	100	-

Intercompany balances and transactions have been eliminated.

B) Use of Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The main estimates include the measurement of the fair value of the financial instruments, including derivatives and investments in restructured notes, the stock-based compensation expense, the amortization of fixed assets and intangible assets, goodwill, future income tax balances, the allowance for doubtfull accounts, the inventory obsolescence provision, the warranty provision as well as the measurement of intangible assets recorded as part of the business acquisitions. Actual results may differ from those estimates.

C) Foreign Currencies

The Corporation's functional currency is the Canadian dollar.

The US subsidiaries are defined as integrated foreign operations. The Corporation follows the temporal method to translate its foreign currency balances and those of its US subsidiaries. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are measured at historical rates. Revenues and expenses are translated at the average exchange rate for the period. Exchange gains and losses are included in net earnings for the year.

Since January 1, 2010, the Chinese subsidiary is defined as self-sustaining and the current rate method is used for converting its accounts. Prior to this date, this subsidiary was considered an integrated foreign subsidiary with the Canadian dollar as its functional currency. The Corporation adopted the Chinese Renminbi as the functional currency of its Chinese subsidiary as a result of the continued decentralization of its management, of the development of a local market for its products and services and of its cash flows no longer being dependent upon its parent company's activities. Under the current rate method, all assets and liabilities are translated using the exchange rate in effect at the balance sheet date, while revenues and expenses are translated into Canadian dollars using the average exchange rate for the period. Translation gains or losses are included in Shareholders' equity as Accumulated other comprehensive income.

D) Revenue Recognition

The Corporation recognizes its sales when persuasive evidence of an agreement exists, products have been shipped, price is determined and ultimate collection is reasonably assured. A provision for product warranty is set up when sales are recognized. Given that most products are custom made, goods, generally, may not be returned.

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.

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D) Revenue Recognition (Cont'd)

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.

E) Impairment of Long-Lived Assets

The Corporation reviews, when circumstances indicate that the asset might be impaired, the carrying values of its long-lived amortizable assets by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use or eventual disposal. The impairment loss is measured as the amount by which the asset carrying amount exceeds its fair value, based on quoted market prices, when available, or on the estimated current value of future cash flows.

F) Income Taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, income taxes payable are accounted for as estimated income taxes to be paid for the current fiscal year, and future income taxes are accounted for based on the temporary differences between the tax and accounting values of the assets and liabilities. Future income tax assets and liabilities are measured using income tax rates and the enacted or substantively enacted laws which are expected to be in effect for taxable income for the years in which the assets and liabilities will be discharged or recovered. Future income tax assets which arise from deferred losses and temporary differences are accounted for when it is more likely than not that the asset will be realized. The effect of a change in income rates on future income tax assets and liabilities is charged to earnings in the year when the change is enacted or substantively enacted.

G) Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances and temporary investments with an initial maturity of three months or less and are presented at cost.

H) Trade Receivables

The Corporation establishes an allowance for doubtful accounts receivable based on the specific credit risk of its customers and historical trends.

I) Inventories

Raw materials and sub-assembly components are valued at the lower of cost and net realizable value, with cost being determined using the first in, first out method.

Work in process and finished goods are valued at the lower of cost and net realizable value, with cost being determined using the first in, first out method. Their cost includes raw materials as well as an allocation of direct labour and manufacturing overhead.

When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value, the amount of the write-down is reversed up to the amount of the original write-down.

J) Fixed Assets and Amortization

Fixed assets are accounted for at cost. Amortization is based on their estimated useful life using the following methods and periods:

	Method	Period
Machinery and equipment	Straight-line	5 to 15 years
Office furniture	Straight-line	5 to 10 years
Rolling stock	Straight-line	5 to 10 years
Computer hardware	Straight-line	3 to 5 years
Leasehold improvements	Straight-line	Terms of the leases

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J) Fixed Assets and Amortization (Cont'd)

During the year, the Corporation changed the method used for amortizing fixed assets from the declining balance method to the straight-line method. The Corporation came to the conclusion that this change in accounting estimates is necessary since it evaluates that the useful lives of, or expected pattern of consumption of the future economic benefits embodied in, depreciable assets is now better represented by the straight-line method. This change in accounting estimates has not had any significant impact on this year's earnings.

K) Intangible Assets

Intangible assets consist of trademarks, client lists, distribution licences, maintenance contracts, leases at favourable rate, customer orders, computer software and capitalized development costs. Trademarks are not amortized since they have an indefinite life span; instead, the Corporation assesses periodically whether a provision for impairment in the value of trademarks should be recorded against earnings. This is accomplished by determining whether projected discounted future cash flows exceed the net book value of the intangible asset. Trademarks are tested for impairment annually on December 31, and when an event or circumstance occurs that could potentially result in a decline in value.

Intangible assets are amortized based on their estimated useful life using the following methods and periods:

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

Development costs are accounted for at cost if the Corporation can demonstrate all of the following:

The technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset and use or sell it; its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Research and development tax credits are booked against deferred development costs when they are related to development costs. All other tax credits are booked against the expenses that they relate to.

L) Goodwill

Goodwill is not amortized; instead, the Corporation assesses periodically whether a provision for impairment in the value of goodwill should be recorded against earnings. This is accomplished by determining whether the implicit fair value of goodwill exceed net book value. Goodwill is tested for impairment annually on December 31, except for acquisitions completed during the year, and when an event or circumstance occurs that could potentially result in a decline in value.

The Corporation has performed impairment tests on the carrying amount of goodwill as at December 31, 2010 and has concluded that no impairment loss should be recognized.

M) 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 translated using the treasury stock method.

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N) Stock-Based Compensation

The Corporation records stock-based compensation to its employees, consultants and directors at fair value. According to the fair value method, an employee compensation expense is charged to selling and administrative expenses based on the fair value of the stock options issued over their vesting period. Upon the exercise of stock options, capital stock is credited in the amount paid plus the corresponding employee compensation expense previously recorded.

O) Financial Instruments

The Corporation records all financial assets and derivitave financial instruments at their fair value or amortized cost. Financial liabilities are measured at their fair value when they are classified as held-for-trading; otherwise, they are measured at amortized cost.

The Corporation must carry out a classification of its assets and liabilities by category. It made the following classifications:

Cash and cash equivalents and cash and cash equivalents reserved, long-term investments in restructured notes and the put option are classified as assets held-for-trading. These items are evaluated at fair value and gains or losses resulting from their reevaluation at the end of each period are recorded as part of the consolidated earnings.

Long-term investments other than restructured notes are classified as held-to-maturity. They are initially evaluated at fair value and, afterwards, are recorded at their amortized cost.

Accounts receivable and long-term loans are classified as loans and receivables. They are initially evaluated at their fair value and are subsequently recorded at their amortized cost.

Bank loans, accounts payable and accrued liabilities as well as long-term debt are classified as other financial liabilities. They are initially measured at their fair value and, afterwards, are recorded at their amortized cost.

Transaction costs related to financial assets and liabilities held-for-trading are expensed as incurred. Transaction costs related to financial assets held-to-maturity, loans and receivables and other liabilities are included in the carrying value of the asset or liability and are then amortized over the expected life of the instrument using the effective interest rate method.

Gains and losses on financial instruments designated as cash flow hedges are recognized in the Corporation's results in the same period as the underlying transactions. Variances in the fair value of non-designated financial instruments are recognized immediately.

Foreign exchange forward contracts are classified as assets held-for-trading. The contracts are remeasured at their fair value at the end of each period.

3 . NEW ACCOUNTING POLICIES

A) 2010

Multiple Deliverable Revenue Arrangements:

On December 24, 2009, the Canadian Institute of Chartered Accountants' ("CICA") Emerging Issues Committee issued Abstract No. 175 ("EIC-175"). EIC-175, *Multiple Deliverable Revenue Arrangements*, amends the guidance contained in EIC-142, *Revenue Arrangements with Multiple Deliverables*, and establishes additional requirements regarding revenue recognition related to multiple deliverables as well as supplementary disclosures. EIC-175 is applicable prospectively, with retrospective adoption permitted, to revenue arrangements with multiple deliverables entered into or materially modified in the first annual period beginning on or after January 1, 2011; however early adoption is permitted.

This new Abstract was early adopted by the Corporation at the time of acquisition of one of its subsidiaries in 2010 which enters into arrangements with multiple deliverables.

B) Future Accounting Changes

Section 1582: Business Combinations, Section 1601: Consolidated Financial Statements, and *Section 1602: Non-Controlling Interests*

In 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. These new standards will apply to the Corporation's financial statements for the fiscal year beginning on January 1, 2011. The Corporation does not expect that these three new standards will have any material impact on its consolidated financial statements.

3 . NEW ACCOUNTING POLICIES (Cont'd)

Section 1582 replaces Section 1581, and establishes standards for the recognition of a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, *Business Combinations* . The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 replace Section 1600, *Consolidated Financial Statements* . Section 1601 establishes standards for the preparation of consolidated financial statements. It applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for the recognition of a non-controlling interest in a subsidiary. It is equivalent to the corresponding provisions of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements,* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards ("IFRS")

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by public corporations, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011. The Corporation will be required to report under IFRS for its interim and annual financial statements for the fiscal year ending December 31, 2011.

4 . BUSINESS ACQUISITIONS

On February 1, 2010, the Corporation acquired 100% of the outstanding common shares of Concord Elevator (London) Ltd. ("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 certain conditions are met. In the second quarter, given the certainty that the said conditions will be met, the shares to be issued have been recorded in the amount of $1,200,000 under the heading of capital stock to be issued and will be issued in February 2011.

On July 19, 2010, the subsidiary Savaria Lifts Ltd. ("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%.

On August 2, 2010, the Corporation acquired 100% of the outstanding common shares of Freedom Motors Inc. ("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%.

On August 2, 2010, the Corporation acquired 100% of the outstanding common shares of The Liberty Motor Company Inc. ("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%.

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 Concord London's and Savaria Lifts' purchase price presented below are final while those of Freedom and Liberty are preliminary and are based on the Corporation's estimates since certain information is not yet available.

4 . BUSINESS ACQUISITIONS (Cont'd)

	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	2,156,327	**5,757,670**
Fixed assets	221,377	9,500	113,359	32,045	**376,281**
Amortizable intangible assets	913,000	170,000	668,639	58,175	**1,809,814**
Future income tax assets	-	-	-	369,892	**369,892**
Goodwill	3,407,750	290,546	769,745	-	**4,468,041**
	6,766,822	557,841	3,567,813	2,616,439	**13,508,915**
Liability assumed					
Bank indebtedness	-	-	22,038	15,953	**37,991**
Current liability items	1,619,636	205,142	358,105	1,969,971	**4,152,854**
Future income taxes	240,325	-	106,556	-	**346,881**
Warranty provisions	-	-	54,000	40,000	**94,000**
Long-term debt	35,855	4,192	-	-	**40,047**
Note payable	-	-	-	110,207	**110,207**
	$ 1,895,816	$ 209,334	$ 540,699	$ 2,136,131	**$ 4,781,980**
Fair value of net assets acquired	$ 4,871,006	$ 348,507	$ 3,027,114	$ 480,308	**$ 8,726,935**
Less: Transaction costs paid in 2009	16,515	-	-	-	**16,515**
Cash (bank indebtedness) in acquired operations	727,217	-	(22,038)	(15,953)	**689,226**
Expenses to be paid	-	-	-	30,000	**30,000**
Capital stock to be issued	1,200,000	-	-	-	**1,200,000**
Capital stock issued	-	-	-	117,000	**117,000**
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	$ 892,701	$ 248,507	$ 2,654,019	$ 349,261	**$ 4,144,488**

Of the $1,809,814 of acquired intangible assets, $690,418 was assigned to customer lists, $870,000 to maintenance contracts, $231,757 to customer orders and $17,639 to a lease at favourable rate.

The $4,468,041 of goodwill was assigned to the Accessibility and the Adapted vehicles segments in the amounts of $3,698,296 and $769,745, 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 $4,468,041 for a total amount of goodwill of $4,974,271 as at December 31, 2010.

5 . CASH FLOWS

A) Interest Expenses and Income Taxes

Cash flows related to interest expenses and income taxes are as follows:

	2010	2009
Interest paid	**$ 621,760**	$ 439,364
Income taxes paid	**$ 147,229**	$ 59,740

B) Net Changes in Non-cash Working Capital Items

	2010	2009
Accounts receivable	**$ (699,482)**	$ 2,121,091
Inventories	**667,308**	(2,290,729)
Prepaid expenses	**53,631**	(204,479)
Research and development credits receivable	**(101,502)**	(107,322)
Accounts payable	**(2,359,300)**	223,245
Deferred revenues	**559,895**	(95,336)
Income taxes payable	**41,663**	-
Warranty provision	**(67,673)**	(181,734)
	$ (1,905,460)	$ (535,264)

5 . CASH FLOWS (Cont'd)

C) Non-cash Transactions

In 2009 and 2010, there were non-cash transactions related to capital leases recorded as fixed assets and their corresponding long-term debt in the amount of $28,191 (2009 - $119,538). Furthermore, in 2010, there were non-cash transactions related to the conversion of accounts receivable to long-term loans in the amount of $78,075.

6 . OTHER REVENUES AND EXPENSES

	2010	2009
Interest and dividend income	$ 52,077	$ 54,406
Loss on foreign currency exchange	(256,252)	(393,402)
Interest on long-term debt	(531,673)	(319,655)
Interest expense and bank charges	(149,296)	(119,709)
Change in the fair value of restructured notes (note 9)	90,155	565,163
Put option (note 9)	(139,393)	348,217
Gain on disposal of fixed assets	4,201	7,660
Other revenues	32,023	4,410
	$ (898,158)	$ 147,090

7 . ACCOUNTS RECEIVABLE

	2010	2009
Trade	$ 10,273,976	$ 8,397,563
Allowance for doubtful accounts	(652,803)	(1,480,553)
	9,621,173	6,917,010
Sales taxes recoverable	658,229	512,937
Other	164,761	25,242
	$ 10,444,163	$ 7,455,189

8 . INVENTORIES

	2010	2009
Raw materials and sub-assembly components	$ 11,771,315	$ 10,392,372
Work in process	413,104	658,190
Finished goods	2,351,861	1,549,089
	$ 14,536,280	$ 12,599,651

The following table shows how the obsolescence provision changed during the year:

	2010	2009
Obsolescence provision at the beginning of the year	$ (1,794,673)	$ (1,955,419)
Increase in the provision	(36,641)	(49,998)
Discarded inventory	1,785,776	210,744
Obsolescence provision at the end of the year	$ (45,538)	$ (1,794,673)

The amount of inventories recognized as cost of sales totalled $43,700,349 for fiscal 2010 (2009 - $39,696,408).

9 . LONG-TERM INVESTMENTS

	2010	2009
Restructured notes (face value of $1,917,356, $2,185,039 in 2009)	$ 1,290,041	$ 1,309,568
Put option	208,824	348,217
	1,498,865	1,657,785
Guaranteed investment certificate (fair value of $4,100,000 in 2009)	-	4,100,000
	$ 1,498,865	$ 5,757,785

9 . LONG-TERM INVESTMENTS (Cont'd)

The Corporation holds investments with a face value of $1,917,356 (US$1,927,766) that are invested in restructured notes following the replacement of Asset-Backed Commercial Paper ("ABCP"). These investments were valued at their fair value at year end.

The restructured notes are classified as held-for-trading financial instruments.

Valuation

The fair value estimate of the restructured notes has been calculated based on information provided by the Pan-Canadian Investor Committee, Ernst & Young Inc., the Monitor of the restructuring, and BlackRock Canada Ltd., the asset administrator.

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.

During the year, the fair value of the restructured notes was positively and negatively affected by a number of factors, including a general improvement in the credit markets, an increase in interest rates, an improvement in the net asset value underlying the asset-tracking notes, the decrease in value of the US dollar in relation to the Canadian dollar and the simple passage of time.

The net impact of these positive and negative factors was an increase in the fair value of the restructured notes during the year. As a result of this analysis, the Corporation estimated the fair value of these notes to be $1,290,041 (US$1,297,045) as at December 31, 2010. Accordingly, the Corporation recorded a $90,155 gain during the year, as partial reversal of losses recorded in prior years. Following this gain in value, there remains a balance of the reserve for impairment of $627,315 (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 quarters. 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 fiscal 2010, the Corporation received a total of $109,682 (US$104,196) in repayment of certain restructured notes. The amounts received were used as a partial reimbursement on loans secured by the restructured notes. As at December 31, 2010, the face value of the remaining restructured notes amounted to $1.9 million (US$1.9 million) broken down as follows:

	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	934,937	521,580	December 25, 2036
Total investments	$ 1,927,766	$ 1,297,045	

* the range of fair values estimated by the Corporation varied between US$1.32 million and US$1.27 million

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.

The Corporation holds an option to assign to the bank the ownership of its ineligible asset-tracking notes as well as any proceeds therefrom as payment of 75% of the principal on the related debt. As at December 31, 2010, the Corporation estimated the fair value of this option at $208,824 (US$209,958).

The Corporation also holds an option to assign to the bank the ownership of its MAV 2 notes as well as any proceeds therefrom as payment of 45% of the principal on the related debt. As at December 31, 2010, the Corporation estimated the fair value of this option to be nil.

10 . LONG-TERM LOANS

	2010	2009
The long-term loan is part of an exclusive distribution agreement for the Corporation's products with a US company. The original amount of the loan is $198,920 (US$200,000). The balance of the loan as at December 31, 2010 is $99,460 (US$100,000). The loan is without interest and is payable in ten annual instalments beginning in June 2006.	**$ 99,460**	$ 126,120
The long-term loan is part of a distribution agreement for the Corporation's products with a US company. The original amount of the loan is $298,380 (US$300,000) of which $74,595 (US$75,000) is the result of a transfer from accounts receivable. The balance of the loan as at December 31, 2010 is $268,542 (US$270,000). The loan is without interest, if sales volume objectives are met, and is payable in twelve equal monthly instalments of $4,972 (US$5,000) followed by 36 equal monthly instalments of $6,631 (US$6,667) beginning in July 2010.	**268,542**	-
Others	**45,323**	5,498
	413,325	131,618
Less: Current portion	**89,516**	26,518
	$ 323,809	$ 105,100

11 . FIXED ASSETS

	2010		
	Cost	**Accumulated amortization**	**Net book value**
Machinery and equipment	**$ 3,452,959**	**$ 2,600,780**	**$ 852,179**
Office furniture	**459,125**	**263,392**	**195,733**
Rolling stock	**780,852**	**372,271**	**408,581**
Computer hardware	**439,533**	**317,052**	**122,481**
Leasehold improvements	**1,565,428**	**1,302,042**	**263,386**
	$ 6,697,897	**$ 4,855,537**	**$ 1,842,360**

As at December 31, 2010, office furniture and computer hardware included assets under capital leases with a cost of $119,538 and $28,991, respectively, and accumulated amortization of $16,939 and $302, respectively.

	2009		
	Cost	Accumulated amortization	Net book value
Machinery and equipment	$ 6,822,706	$ 6,070,712	$ 751,994
Office furniture	869,342	681,930	187,412
Rolling stock	370,937	176,994	193,943
Computer hardware	937,393	807,559	129,834
Leasehold improvements	1,466,751	1,164,150	302,601
	$ 10,467,129	$ 8,901,345	$ 1,565,784

As at December 31, 2009, office furniture included assets under capital leases with a cost of $119,538 and accumulated amortization of $1,997.

12 . INTANGIBLE ASSETS

	2010			
	Cost	**Accumulated amortization**	**Net book value**	**Additions in the year**
Trademarks	**$ 299,932**	**$ -**	**$ 299,932**	**$ -**
Client lists	**1,636,986**	**554,484**	**1,082,502**	**690,418**
Distribution licences	**322,150**	**37,584**	**284,566**	**322,150**
Maintenance contracts	**870,000**	**71,250**	**798,750**	**870,000**
Leases at favourable rate	**17,000**	**5,194**	**11,806**	**17,000**
Customer orders	**231,757**	**231,757**	**-**	**231,757**
Software	**556,326**	**445,004**	**111,322**	**52,043**
Deferred development costs (note 24)	**1,034,804**	**597,757**	**437,047**	**234,490**
Amortizable intangible assets	**4,669,023**	**1,943,030**	**2,725,993**	**2,417,858**
	$ 4,968,955	**$ 1,943,030**	**$ 3,025,925**	**$ 2,417,858**

	2009			
	Cost	Accumulated amortization	Net book value	Additions in the year
Trademarks	$ 299,932	$ -	$ 299,932	$ -
Client lists	946,568	402,292	544,276	-
Software	778,442	679,781	98,661	-
Deferred development costs (note 24)	1,001,843	554,351	447,492	352,349
Amortizable intangible assets	2,726,853	1,636,424	1,090,429	352,349
	$ 3,026,785	$ 1,636,424	$ 1,390,361	$ 352,349

13 . BANK LOANS

The Corporation has a line of credit in the amount of $1,500,000 for its subsidiary Van-Action (2005) Inc., bearing interest at prime rate plus 1.25%. A movable hypothec from Van-Action in the amount of $3,000,000 on certain assets of the subsidiary, a guarantee pursuant to Section 427 of the *Bank Act* on inventories, as well as a surety bond from the parent company in the amount of $250,000 have been pledged as securities. The balance of the line of credit amounted to $340,000 as at December 31, 2010 (2009 - $1,080,000).

The Corporation also has a line of credit in the amount of $2,000,000 for its subsidiary Savaria Concord Lifts Inc., bearing interest at prime rate plus 0.5%. A $25,000,000 first ranking movable hypothec on all the subsidiary's present and future inventories and receivables, and a guarantee on inventories pursuant to Section 427 of the *Bank Act* as well as a $2,000,000 first ranking guarantee on the US dollar bank account have been pledged as securities. A surety bond in the amount of $2,000,000 by both of the subsidiaries Freedom and Liberty have also been pledged as securities. The balance of the line of credit amounted to $1,650,000 as at December 31, 2010 (2009 - nil).

14 . ACCOUNTS PAYABLE

	2010	2009
Trade and accrued liabilities	**$ 5,677,162**	$ 5,574,500
Salaries and withholding taxes	**559,108**	294,320
Vacations payable	**417,776**	380,165
Sales taxes payable	**32,469**	-
	$ 6,686,515	$ 6,248,985

15 . WARRANTY PROVISION

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. During fiscal 2010, apart from the increase related to the acquisitions in the amount of $191,435, the Corporation decreased its provision by $67,673 (2009 - $181,734). This expense is based on past experience and is recorded as current and long-term liabilities under the heading Warranty provision. Nevertheless, conditions may change and a significant amount may need to be recorded.

16 . LONG-TERM DEBT

	2010	2009
Loan with an original face value of $6,000,000 and a fair value of $5,604,365 bearing interest at prime rate minus 1% with an effective interest rate of prime plus 1.5%. A mortgage on the Corporation's overall assets and those of its subsidiairies Savaria Concord Lifts Inc. and Van-Action (2005) Inc. in the amount of $6,600,000 are pledged as securities. Repayable in monthly instalments of $90,909 plus interest, maturing in May 2014.	**$ 3,571,117**	$ 4,556,288
Loan in original amount of $4,000,000 bearing interest at prime rate plus 1%. A mortgage on the Corporation's overall assets and those of its subsidiairy Savaria Concord Lifts Inc. in the amount of $4,000,000 is pledged as security. Repayable in monthly instalments of $66,667 plus interest, maturing in September 2014. In accordance with the terms of this loan, a minimum of 50% of the balance of the loan must be maintained in the bank at all times, free of any liens. The amount of the reserve, which had a balance of $1,500,000 as at December 31, 2010, is distributed between current and long-term assets according to the same distribution as the said loan, which is $400,000 current and $1,100,000 long-term.	**3,000,000**	3,800,000
Loan in original amount of $2,000,000 bearing interest at prime rate plus 1%. A mortgage on the Corporation's overall assets in the amount of $10,500,000 as well as a surety bond in the amount of $2,000,000 by each of the subsidiaries Savaria Concord Lifts Inc, Freedom and Liberty are pledged as security. Repayable in monthly instalments of $33,333 plus interest, maturing in September 2015.	**1,900,000**	-
Loan in original amount of US$1,514,083 with a balance of US$1,066,461 as at December 31, 2010, bearing interest at US prime rate less 1%. Only interest is payable on a monthly basis and a portion of the restructured notes is pledged as security. Any proceeds from the partial or complete disposal of the restructured notes will be used to reduce the amount of the loan. The loan matures in March 2012 and is renewable for one-year periods, subject to the financial institution's approval, up to a maximum of four renewal periods. The Corporation holds an option to assign to the bank the ownership of its ineligible asset-tracking notes as well as any proceeds therefrom as payment of 75% of the principal of this loan (note 9). This loan was renewed for a one-year period in February 2011.	**1,060,702**	1,225,552
Loan in original amount of US$1,471,791 with a balance of US$912,309 as at December 31, 2010, bearing interest at US prime rate less 1%. Only interest is payable on a monthly basis and a portion of the restructured notes is pledged as security. Any proceeds from the partial or complete disposal of the restructured notes will be used to reduce the amount of the loan. The loan matures in March 2011 and is renewable for one-year periods, subject to the financial institution's approval, up to a maximum of five renewal periods. The Corporation holds an option to assign to the bank the ownership of its MAV 2 notes as well as any proceeds therefrom as payment of 45% of the principal of this loan (note 9). This loan was renewed for a one-year period in February 2011.	**907,383**	959,487
Loan in the original amount of $500,000. This loan is divided into two portions of $250,000 both bearing interest at prime rate plus 2.25%. It is repayable in monthly instalments of $10,417 plus interest, maturing in April 2010. A movable hypothec from Van-Action in the amount of $3,000,000 on certain assets of the subsidiary, a guarantee pursuant to Section 427 of the *Bank Act* on inventories as well as a surety bond from the parent company in the amount of $250,000 have been pledged as security.	**-**	41,667
Note payable related to a business acquisition with an original face value of $2,377,735 and a fair value of $2,034,573, bearing no interest with an effective interest rate of 6.5%. Repayable by way of a first instalment of $577,735 in February 2011 followed by 3 annual instalments of $600,000, maturing in February 2014.	**2,161,618**	-
Note payable related to a business acquisition with an original face value of $420,817 and a fair value of $395,133, bearing no interest with an effective interest rate of 6.5%. Repayable by way of a single instalment in August 2011.	**405,835**	-
Note payable related to a business acquisition with an original face value of $206,895 and a fair value of $187,104, bearing no interest with an effective interest rate of 6.5%. Repayable by way of a first instalment of $81,895 in August 2011 followed by a second instalment of $125,000 in August 2012.	**192,268**	-

16 . LONG-TERM DEBT (Cont'd)

	2010	2009
Note payable related to a business acquisition in the amount of $8,647, bearing no interest. Repayable by way of a single instalment in July 2011.	**$ 8,647**	$ -
Loans in the total original amount of $97,657, at interest rates between 0% and 8.6%. Repayable in equal monthly instalments of $1,992 until July 2012, of $1,596 for the months of August and September 2012 and of $402 for the months between October 2012 and May 2015, including principal and interest, maturing between July 2012 and May 2015.	**60,105**	-
Obligations under capital leases with original amounts totalling $148,529, at an average interest rate of 9.9%. Repayable in equal monthly instalments of $805 until December 2013 and equal quarterly instalments of $7,062 until March 2015, followed by one instalment of $9,606 in June 2015 and of $5,279 in September 2015, including principal and interest, maturing between December 2013 and September 2015.	**124,090**	113,925
	13,391,765	10,696,919
Less: Current portion	**3,328,330**	1,844,859
	$ 10,063,435	$ 8,852,060

Principal repayments on long-term debt, except on obligations under capital leases, during the next five years are as follows:

2011	2012	2013	2014	2015
$ 3,301,949	$ 3,839,905	$ 3,863,902	$ 1,957,974	$ 303,945

Principal repayments on obligations under capital leases are as follows:

Years ending December 31 :	2011	$ 37,909
	2012	37,909
	2013	37,105
	2014	28,246
	2015	14,885
		156,054
Less: Interest at a weighted average rate of 9.9%		31,964
		124,090
Less: Current portion		26,381
		$ 97,709

17 . INCOME TAXES AND FUTURE INCOME TAXES

A) Future Income Taxes

The tax effects of temporary differences that give rise to a significant portion of the future income tax assets and liabilities are as follows:

	2010	2009
CURRENT FUTURE INCOME TAX ASSETS		
Foreign exchange forward contracts	**$ (28,525)**	$ (161,813)
Losses carried forward	**298,942**	666,626
Warranty provision	**100,971**	77,752
Non-deductible provisions	**62,666**	66,827
Difference between the fair value and the face value of long-term debt	**-**	(32,673)
Investment tax credits	**-**	(2,611)
Other current liabilities	**36,870**	-
Elimination of inter-company profits	**43,877**	-
Inventory reserves	**49,016**	-
Intangible assets	**(36,592)**	-
Others	**(5,000)**	(12,049)
	$ 522,225	$ 602,059

17 . INCOME TAXES AND FUTURE INCOME TAXES (Cont'd)

	2010	2009
LONG-TERM FUTURE INCOME TAX ASSETS		
Losses carried forward	**$ 1,196,862**	$ 767,151
Deferred development costs	**(30,074)**	-
Inventory reserves	**-**	441,054
Warranty provision	**8,641**	101,435
Fixed assets	**20,024**	99,125
Investment tax credits	**(1,861)**	(216,720)
Put option	**(56,174)**	(98,894)
Intangible assets	**31,737**	330,154
Difference between the fair value and the face value of long-term debt	**(20,942)**	(42,006)
Ontario transitional taxes	**64,180**	-
Others	**15,765**	(25,273)
Valuation allowance on losses carried forward	**(460,230)**	(554,896)
	$ 767,928	$ 801,130
CURRENT FUTURE INCOME TAX LIABILITIES		
Intangible assets	**$ (21,679)**	$ -
Difference between the fair value and the face value of long-term debt	**(22,239)**	-
Others	**286**	-
	$ (43,632)	$ -
LONG-TERM FUTURE INCOME TAX LIABILITIES		
Warranty provision	**$ 100,035**	$ -
Losses carried forward	**27,509**	-
Deferred development costs	**160,034**	-
Intangible assets	**(349,048)**	-
Note payable	**(53,295)**	-
Investment tax credits	**(220,916)**	-
Others	**(6,765)**	-
	$ (342,446)	$ -

B) Income Taxes

	2010	2009
Earnings before income taxes	**$ 3,449,403**	$ 2,901,653
Provision for income taxes computed using statutory federal-provincial tax rate of 29% (2009 - 31%)	**$ 1,005,156**	$ 898,932
Reversal of advantage of unrecognized capital losses on investment devaluation	**(54,570)**	(242,012)
Income tax rate variances of foreign subsidiaries	**(94,915)**	-
Permanent differences	**41,832**	(26,856)
Non-deductible stock-based compensation expense	**47,359**	34,140
Difference in income tax rate on tax reserves and effect of changes in tax rates	**-**	42,484
Income tax on unrecognized net operating losses (earnings) of subsidiaries	**2,303**	(71,015)
Others	**27,858**	7,830
	$ 975,023	$ 643,503
CURRENT AND FUTURE INCOME TAXES		
Income taxes are detailed as follows:		
Current	**$ 340,432**	$ 126,504
Future	**634,591**	516,999
	$ 975,023	$ 643,503

17 . INCOME TAXES AND FUTURE INCOME TAXES (Cont'd)

C) Losses Carried Forward

As at December 31, 2010, the Corporation had federal, Quebec, Ontario and Alberta net operating losses carried forward of $4,034,000 (2009 - $3,086,000), $1,805,000 (2009 - $3,004,000), $2,665,000 (2009 - $2,297,000) and $139,000 (2009 - nil), respectively. These losses carried forward expire at various dates between 2014 and 2030.

As at December 31, 2010, the Corporation had deductible research and development expenses at the federal and Ontario level in the amount of $944,473 (2009 - $1,924,000) and at the Quebec level of $ 1,276,087 (2009 - $1,924,000) that can be deferred indefinitely.

The Corporation also had federal tax credits in the amount of $830,000 (2009 - $770,000) as well as Ontario tax credits of $51,065 (2009 - nil). These tax credits expire at various dates between 2014 and 2030.

As at December 31, 2010, the Corporation had United States federal and state net operating losses carried forward of $926,000 (US$931,000) and $533,000 (US$536,000), respectively. As at December 31, 2009, these amounts were $953,000 (US$907,000) and $538,000 (US$512,000), respectively. Future income taxes have not been recorded on these losses. They expire at various dates between 2014 and 2030.

18 . CAPITAL STOCK

A) Authorized :

Unlimited number of common shares with voting rights, participating and without par value
Unlimited number of first preferred shares without par value and issuable in series
Unlimited number of second preferred shares without par value and issuable in series

In 2007, the Corporation issued 475,000 common shares following the exercise of stock options at $1 per share; in consideration, a long-term loan in the amount of $250,000 was issued to a director who is also an employee, generating a net cash flow of $225,000. The long-term loan is classified as a reduction of capital stock and the number of issued stock options was increased by 200,000 options. Contingent loan repayments will result in a corresponding increase in capital stock and, consequently, the number of options outstanding will be reduced. This loan was renewed in 2010 and a stock-based compensation expense in the amount of $42,560 was charged to earnings during the year. The loan bears interest at prime rate less 1% and is secured by 200,000 common shares of the Corporation having a market value of $316,000 as at December 31, 2010. Interest is compounded and payable on an annual basis while the principal is payable at maturity, on February 23, 2013.

During 2009, the Corporation repurchased 4,695,795 common shares at a price of $0.929 per share by way of a substantial issuer bid. The excess of the price paid over the book value of the repurchased shares has been recorded against retained earnings.

B) The following table reconciles the average number of common shares outstanding with the calculation of the basic and diluted net earnings per share:

	2010	2009
Weighted average number of shares outstanding (including the effect of the number of shares to be issued)	**22,650,527**	25,398,499
Effect of potential dilutive securities		
Stock options	**218,040**	12,662
Weighted average number of common shares outstanding for use in determining diluted earnings per share	**22,868,567**	25,411,161

In calculating net diluted earnings per share for 2010 and 2009, 537,500 and 1,444,750 stock options were excluded due to their antidilutive effect.

19 . STOCK-BASED COMPENSATION PLAN

According to a stock option agreement for employees, consultants and directors of the Corporation, the Board of Directors may, at its discretion but without exceeding 1,742,659 shares, grant them 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. The value of each option is estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

19 . STOCK-BASED COMPENSATION PLAN (Cont'd)

2010					
Number of options granted		Risk-free interest rate	Dividend yield	Expected volatility	Expected term
	75,000	**2.60%**	**9.93%**	**65%**	**3 years**
	50,000	**2.60%**	**9.93%**	**53%**	**4 years**
	60,000	**2.23%**	**9.93%**	**53%**	**4 years**
	200,000	**2.11%**	**9.93%**	**53%**	**5 years**
	12,500	**1.94%**	**9.93%**	**65%**	**3 years**
Total	**397,500**	**2.28%**	**9.93%**	**53 to 65%**	**3 to 5 years**

2009					
Number of options granted		Risk-free interest rate	Dividend yield	Expected volatility	Expected term
	75,000	1.72%	7.53%	49%	3 years
	50,000	3.20%	7.53%	49%	6 years
	18,750	1.72%	7.53%	49%	3 years
Total	143,750	2.24%	7.53%	49%	3 to 6 years

The estimated fair value of the options granted in 2010 is $103,556 (2009 - $24,775). This amount is amortized and charged to earnings as the rights to exercise are vested.

The compensation expense of $162,522 (2009 - $110,200) on options granted to employees, consultants and directors has been credited to contributed surplus.

	2010			2009		
	Number of options	**Weighted average exercise price**		Number of options	Weighted average exercise price	
Outstanding at the beginning of the year	**1,519,750**	**$**	**1.19**	1,998,000	$	1.33
Granted	**397,500**	**$**	**1.17**	143,750	$	0.75
Exercised	**(50,000)**	**$**	**0.85**	-		n/a
Expired	**(166,000)**	**$**	**1.99**	(622,000)	$	1.53
Outstanding at the end of the year	**1,701,250**	**$**	**1.15**	1,519,750	$	1.19
Exercisable at the end of the year	**711,250**	**$**	**1.28**	774,750	$	1.35

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

2010				2009			
	Options outstanding				Options outstanding		
Exercice price	**Number**	**Weighted average years to maturity**	**Exercisable options**	Exercice price	Number	Weighted average years to maturity	Exercisable options
0.64	**50,000**	**1.2 year**	**50,000**	0.64	75,000	2.2 years	56,250
0.81	**18,750**	**1.2 year**	**18,750**	0.81	18,750	2.2 years	12,500
0.90	**50,000**	**4.4 years**	**-**	0.90	50,000	5.4 years	-
0.95	**550,000**	**3.5 years**	**25,000**	0.95	550,000	4.5 years	12,500
1.06	**50,000**	**0.2 year**	**50,000**	1.00	200,000	0.1 year	200,000
1.07	**60,000**	**3.5 years**	**-**	1.06	75,000	1.2 year	75,000
1.10	**60,000**	**2.1 years**	**30,000**	1.10	60,000	3.1 years	15,000
1.17	**125,000**	**2.6 years**	**56,250**	1.35	100,000	2.9 years	50,000
1.19	**200,000**	**4.6 years**	**-**	1.59	100,000	2.6 years	50,000
1.25	**200,000**	**1.1 year**	**200,000**	1.60	60,000	1.1 year	43,333
1.30	**12,500**	**2.2 years**	**6,250**	1.65	50,000	1.7 year	37,500
1.35	**100,000**	**1.9 year**	**75,000**	1.80	25,000	1.5 year	16,667
1.59	**100,000**	**1.6 year**	**75,000**	1.96	75,000	0.2 year	75,000
1.60	**50,000**	**0.2 year**	**50,000**	2.00	50,000	0.9 year	50,000

19 . STOCK-BASED COMPENSATION PLAN (Cont'd)

2010				2009			
	Options outstanding				Options outstanding		
Exercice price	Number	Weighted average years to maturity	Options exercisable	Exercice price	Number	Weighted average years to maturity	Options exercisable
1.65	50,000	0.7 year	50,000	2.15	31,000	0.04 year	31,000
1.80	25,000	0.5 year	25,000	-	-	-	-
$0.64 to $1.80	1,701,250	2.5 years	711,250	$0.64 to $2.15	1,519,750	2.7 years	724,750

20 . CAPITAL RISK MANAGEMENT

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

	2010	2009
Cash and cash equivalents	$ (6,040,620)	$ (4,823,164)
Cash and cash equivalents reserved, including current portion	(1,500,000)	(1,900,000)
Bank loans	1,990,000	1,080,000
Long-term debt, including current portion	13,391,765	10,696,919
Long-term investments	(1,498,865)	(5,757,785)
	6,342,280	(704,030)
Shareholders' equity	22,638,547	20,788,554
Total capital structure	$ 28,980,827	$ 20,084,524

The Corporation's objectives when managing capital are:
- to safeguard the Corporation's ability to continue as a going concern in order to provide returns to its shareholders;
- to maintain the Corporation's ability to finance significant projects and strategic acquisitions;
- to redeem shares based on the Corporation's share repurchase and cancellation program.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders, issue new shares, sell assets to improve its financial performance and flexibility or change its share repurchase and cancellation program. The Corporation has not changed the way it manages its capital since last year.

The Corporation must comply with certain conditions under its various banking arrangements.

These requirements include, on a consolidated basis, maintaining on a quarterly basis a minimum working capital of 1.50:1 and maximum debt ratio of 3.25:1 and, on an annual basis, a ratio of interest bearing debt net of cash over earnings before interest, taxes and amortization ("EBITDA") maximum of 3.00:1 and a minimum ratio of fixed-charge coverage of 1.10:1. The fixed-charge coverage ratio is defined as being EBITDA plus cash at the beginning of the year net of non-financed fixed asset additions and share repurchases for cancelation over the total of capital payments due and/or payable on long-term debt plus interest and dividends. The Corporation must also maintain at all times a loan value that is higher than the total balance of its current and long-term loans, excluding the long-term loans with original amounts of $4,000,000, US$1,514,083 and US$1,471,791. The loan value is defined as being the total value of 75% of Canadian trade receivables, 65% of US trade receivables and 50% of inventory net of trade liabilities under 30 days, up to a maximum amount of $3,500,000, and the cash balance of the US dollar account to a maximum of $2,000,000, of the subsidiaries Savaria Concord Lifts Inc., Freedom and Liberty.

For its Savaria Concord Lifts Inc. subsidiary, requirements include maintaining on a quarterly basis a minimum working capital ratio of 1.10:1 and a maximum debt-to-equity ratio of 2.50:1. The total amount drawn on the line of credit cannot exceed the total value of 75% of Canadian trade receivables, 65% of US trade receivables, 50% of raw materials and 35% of finished goods.

20 . CAPITAL RISK MANAGEMENT (Cont'd)

As for its Van-Action (2005) Inc. subsidiary, it must maintain on a quarterly basis a minimum working capital of $1,200,000 and a maximum debt-to-equity ratio of 2.10:1. The maximum amount that the subsidiary may draw from its line of credit is the lower of $1,500,000 and the total value of 90% of its Canadian trade receivables that benefit from government grants, 80% of all other Canadian trade receivables, 80% of Swedish trade receivables, 40% of raw materials net of trade liabilities under 30 days and 50% of vehicles with a maximum value of $350,000.

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

21 . RELATED PARTY TRANSACTIONS

The Corporation recorded an amount of $58,151 (2009 - $49,842) for services rendered by an entity whose officer is a director and chief financial officer of the Corporation. The transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

22 . COMMITMENTS AND CONTINGENCIES

A) Commitments

The Corporation concluded lease agreements for the rental of its premises and entered into operating leases for rolling stock and equipment for a total of $3,507,079 (2009 - $4,267,538). Future minimum lease payments under these operating leases, as at December 31, 2010, are as follows:

2011	2012	2013	2014
$ 1,923,426	$ 1,462,456	$ 106,309	$ 14,888

B) 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.

23 . FINANCIAL INSTRUMENTS

Fair value

2010	**Carrying amount**				
	Held-for-trading	**Held-to-maturity**	**Loans and receivables and Other liabilities**	**Total**	**Fair value**
Financial assets					
Cash and cash equivalents	$ 6,040,620	$ -	$ -	$ 6,040,620	$ 6,040,620
Cash and cash equivalents reserved	1,500,000	-	-	1,500,000	1,500,000
Trade and other receivables	-	-	9,785,934	9,785,934	9,785,934
Foreign exchange forward contracts	105,395	-	-	105,395	105,395
Long-term loans	-	-	413,325	413,325	366,079
Long-term investments in restructured notes	1,290,041	-	-	1,290,041	1,290,041
Put option	208,824	-	-	208,824	208,824
	$ 9,144,880	$ -	$ 10,199,259	$ 19,344,139	$ 19,296,893
Financial liabilities					
Bank loans	$ -	$ -	$ 1,990,000	$ 1,990,000	$ 1,990,000
Accounts payable and accrued liabilities	-	-	6,654,046	6,654,046	6,654,046
Long-term debt	-	-	13,391,765	13,391,765	13,368,718
	$ -	$ -	$ 22,035,811	$ 22,035,811	$ 22,012,764

23 . FINANCIAL INSTRUMENTS (Cont'd)

2009	Carrying amount				
	Held-for-trading	Held-to-maturity	Loans and receivables and Other liabilities	Total	Fair value
Financial assets					
Cash and cash equivalents	$ 4,823,164	$ -	$ -	$ 4,823,164	$ 4,823,164
Cash and cash equivalents reserved	1,900,000	-	-	1,900,000	1,900,000
Trade and other receivables	-	-	6,942,252	6,942,252	6,942,252
Foreign exchange forward contracts	555,484	-	-	555,484	555,484
Long-term loans	-	-	131,618	131,618	103,413
Long-term investments in restructured notes	1,309,568	-	-	1,309,568	1,309,568
Put option	348,217	-	-	348,217	348,217
Long-term investments other than in restructured notes	-	4,100,000	-	4,100,000	4,100,000
	$ 8,936,433	$ 4,100,000	$ 7,073,870	$ 20,110,303	$ 20,082,098
Financial liabilities					
Bank loans	$ -	$ -	$ 1,080,000	$ 1,080,000	$ 1,080,000
Accounts payable and accrued liabilities	-	-	6,248,985	6,248,985	6,248,985
Long-term debt	-	-	10,696,919	10,696,919	10,668,735
	$ -	$ -	$ 18,025,904	$ 18,025,904	$ 17,997,720

Following is a classification of fair value measurements recognized in the balance sheet using a hierarchy that reflects the significance of the inputs used in making the measurements.

2010	**Fair value measurement at reporting date using:**			
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets				
Held-for-trading securities				
Cash and cash equivalents	**$ 6,040,620**	**$ -**	**$ -**	**$ 6,040,620**
Cash and cash equivalents reserved	**1,500,000**	**-**	**-**	**1,500,000**
Foreign exchange forward contracts	**-**	**105,395**	**-**	**105,395**
Restructured notes	**-**	**-**	**1,290,041**	**1,290,041**
Put option	**-**	**-**	**208,824**	**208,824**
	$ 7,540,620	**$ 105,395**	**$ 1,498,865**	**$ 9,144,880**

2009	Fair value measurement at reporting date using:			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets				
Held-for-trading securities				
Cash and cash equivalents	$ 4,823,164	$ -	$ -	$ 4,823,164
Cash and cash equivalents reserved	1,900,000	-	-	1,900,000
Foreign exchange forward contracts	-	555,484	-	555,484
Restructured notes	-	-	1,309,568	1,309,568
Put option	-	-	348,217	348,217
	$ 6,723,164	$ 555,484	$ 1,657,785	$ 8,936,433

23 . FINANCIAL INSTRUMENTS (Cont'd)

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

	2010		2009	
	Restructured notes	**Put option**	Restructured notes	Put option
Balance at the beginning of the year	**$ 1,309,568**	**$ 348,217**	$ -	$ -
Replacement of investments in ABCP following the restructuring	**-**	**-**	1,780,126	-
Recognition of a put option following a financing agreement	**-**	**-**	-	901,776
Change in the fair value of restructured notes	**154,674**	**(152,295)**	742,529	(516,742)
Change in foreign currency exchange rates	**(70,446)**	**(12,890)**	(186,462)	(122,702)
Capitalized interest on long-term debt	**5,927**	**-**	9,097	-
Repayment of capital following the disposal of restructured notes	**(109,682)**	**-**	(1,035,722)	-
Impact on the value of the put option related to the disposal of restructured notes	**-**	**25,792**	-	85,885
Balance at the end of the year	**$ 1,290,041**	**$ 208,824**	$ 1,309,568	$ 348,217

Financial risk factors

The Corporation's activities expose it to a variety of financial risks: market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. In order to minimize the potential adverse effects on the Corporation's financial performance, the Corporation uses derivative financial instruments to hedge certain risk exposures. Treasury is managed centrally to allow for identification, evaluation and hedging of financial risks.

A) Market risks

Currency risk

The Corporation realizes approximately 52% (2009 - 57%) 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 derivative financial instruments such as forward foreign exchange contracts. These contracts oblige the Corporation to sell US dollars at a predetermined rate.

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

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

The following tables summarize the Corporation's commitments to sell foreign currencies as at December 31:

2010

Maturity	**Type**	**Average exchange rate**	**Contractual amounts (in US dollars)**
0 to 5 months	**Sale**	**1.0432**	**$2,250,000**

2009

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

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

23 . FINANCIAL INSTRUMENTS (Cont'd)

The fair value of the financial instruments which are presented as Accumulated other comprehensive income, before income taxes of $753,139 (December 31, 2009 - $760,950), is as follows as at December 31:

	2010	2009
Unrealized gains on forward exchange contracts maturing in the next twelve months	**$ 105,395**	$ 555,484
Gains on forward exchange contracts cashed in advance that will be recognized in the next twelve months	**2,093,952**	501,244
	2,199,347	1,056,728
Gains on forward exchange contracts cashed in advance that will be recognized after the next twelve months	**667,346**	1,715,756
	$ 2,866,693	$ 2,772,484

As at December 31, 2010 and 2009, with other variables unchanged, an upward or downward change of $0.01 in the value of the Canadian dollar against the US dollar would have a negligeable impact on comprehensive income's Change in the fair value of foreign exchange contracts designated as cash flow hedges.

Gains and losses on financial instruments are recognized as follows in the financial statements:

	2010	2009
Gains (losses) on foreign exchange from foreign exchange forward contracts	**$ 1,851**	$ (39,294)
Losses on foreign currency exchange on US dollar monetary balances	**(258,103)**	(354,108)
Total losses on foreign currency exchange recognized as Other revenues and expenses	**(256,252)**	(393,402)
Gains (losses) on foreign currency exchange from hedging relationships recognized as Sales	**2,174,466**	(1,822,867)
	$ 1,918,214	$ (2,216,269)

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 US dollars)

	2010	2009
Cash and cash equivalents	**$ 6,508,393**	$ 3,468,764
Accounts receivable	**4,536,937**	3,495,522
Long-term loans, including current portion	**370,000**	125,231
Accounts payable	**(373,816)**	(676,335)
Long-term debt, including current portion	**(1,978,769)**	(2,079,010)
Total monetary items denominated in US dollars	**$ 9,062,745**	$ 4,334,172

As at December 31, 2010, with other variables unchanged, an upward or downward change of $0.01 in the value of the Canadian dollar against the US dollar would have the effect of decreasing or increasing Other revenues and expenses in the amount of $91,000 (December 31, 2009 - $43,000), $65,000 (December 31, 2009 - $30,000) net of income taxes.

Interest rate risk

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

23 . FINANCIAL INSTRUMENTS (Cont'd)

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

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

Impact of interest rate risks on monetary items with a variable interest rate:

	2010	2009
Cash and cash equivalents	**$ (6,040,620)**	$ (4,823,164)
Long-term investments (guaranteed investment certificate)	**-**	(4,100,000)
Bank loans	**1,990,000**	1,080,000
Long-term debt, including current portion	**10,439,202**	10,582,994
Total monetary items with a variable interest rate	**$ 6,388,582**	$ 2,739,830

As at December 31, 2010 and 2009, with other variables unchanged, an upward or downward change of 100 basis points in the prime rate would only have a negligeable impact on net earnings.

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 make use of derivative products on the price of materials.

B) Credit risk

Cash and cash equivalents are held or issued by financial institutions with a superior-quality credit rating. Hence, the Corporation considers that the risk of non-performance of such considerations is negligible. Investments in retructured notes are subject to uncertainty as to their eventual cash value (note 9).

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

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

As at December 31, trade receivables were classified in the following chronological order:

2010	**Current 0-60 days**	**60-90 days**	**Over 90 days**	**Total**
Trade	**$ 6,595,500**	**$ 1,591,377**	**$ 2,087,099**	**$ 10,273,976**
Allowance for doubtful accounts	**-**	**74,904**	**577,899**	**652,803**
Balance that is not allowed for	**$ 6,595,500**	**$ 1,516,473**	**$ 1,509,200**	**$ 9,621,173**

2009	Current 0-60 days	60-90 days	Over 90 days	Total
Trade	$ 5,014,080	$ 988,124	$ 2,395,359	$ 8,397,563
Allowance for doubtful accounts	38,787	73,171	1,368,595	1,480,553
Balance that is not allowed for	$ 4,975,293	$ 914,953	$ 1,026,764	$ 6,917,010

23 . FINANCIAL INSTRUMENTS (Cont'd)

The following table shows how the allowance for doubtful accounts changed since December 31:

	2010	2009
Allowance for doubtful accounts at the beginning of the year	**$ 1,480,553**	$ 1,221,371
Increase in allowance	**67,533**	865,269
Write-off of accounts	**(895,283)**	(606,087)
Allowance for doubtful accounts at the end of the year	**$ 652,803**	$ 1,480,553

For other debts, the Corporation continually assesses probable losses and sets up a provision for losses based on their estimated realizable value.

C) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. Management assesses its liquidity risk on a continual basis to ensure that it has sufficient liquidity to meet its obligations. In order to 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. The Corporation has sufficient credit facilities available to make up for temporary lapses in synchronization of inflows and outflows of funds.

As at December 31, 2010, the Corporation had at its disposal working capital of $19,413,037 (December 31, 2009 - $17,788,827) and unused credit facilities of $1,510,000 (December 31, 2009 - $2,420,000).

The following are the contractual obligations of financial liabilities as at December 31:

2010	**Carrying amount**	**Contractual cash flows**	**0 to 6 months**	**6 to 12 months**	**12 to 24 months**	**More than 24 months**
Bank loans	**$ 1,990,000**	**$ 2,065,656**	**$ 330,813**	**$ 440,569**	**$ 678,138**	**$ 616,136**
Accounts payable	**6,686,515**	**6,686,515**	**6,686,515**	**-**	**-**	**-**
Long-term debt, including current portion	**13,391,765**	**14,431,869**	**1,868,619**	**1,793,001**	**4,177,564**	**6,592,685**
	$ 22,068,280	**$ 23,184,040**	**$ 8,885,947**	**$ 2,233,570**	**$ 4,855,702**	**$ 7,208,821**

2009	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	More than 24 months
Bank loans	$ 1,080,000	$ 1,128,019	$ 509,425	$ 59,019	$ 115,600	$ 443,975
Accounts payable	6,248,985	6,248,985	6,248,985	-	-	-
Long-term debt, including current portion	10,696,919	11,170,819	1,031,708	1,018,199	3,207,136	5,913,776
	$ 18,025,904	$ 18,547,823	$ 7,790,118	$ 1,077,218	$ 3,322,736	$ 6,357,751

24 . GOVERNMENT ASSISTANCE

During 2010, the Corporation recorded research and development tax credits of $620,339 (2009 - $484,912) as well as apprenticeship tax credits in the amount of $95,418 (2009 - nil). These credits, of which $655,221 (2009 - $177,322) has not yet been assessed by the tax authorities, were accounted for as follows:

	2010	2009
Decrease in deferred development costs	**$ 107,764**	$ 141,289
Decrease in cost of goods sold	**95,418**	19,279
Decrease in selling and administrative expenses	**512,575**	324,344
	$ 715,757	$ 484,912

25 . SEGMENTED INFORMATION

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).

The accounting policies used for these reportable segments are consistent with those described in the summary of significant accounting policies.

The business segments are detailed as follows:

	2010			2009		
	Accessibility	**Adapted Vehicles**	**Total**	Accessibility	Adapted Vehicles	Total
Sales	$ 50,773,587	$ 14,462,188	**$ 65,235,775**	$ 43,216,484	$ 11,955,840	$ 55,172,324
Operating earnings	4,325,341	22,220	**4,347,561**	2,198,283	556,280	2,754,563
Net earnings (loss)	2,534,181	(59,801)	**2,474,380**	1,730,115	528,035	2,258,150
Amortization	1,031,094	221,926	**1,253,020**	712,872	121,257	834,129
Additions to fixed assets	360,029	32,227	**392,256**	176,386	22,784	199,170
Assets	38,675,961	9,283,852	**47,959,813**	34,768,689	5,119,258	39,887,947
Goodwill	4,204,526	769,745	**4,974,271**	506,230	-	506,230

Information by geographic region is as follows:

	Sales		**Fixed assets and goodwill**	
	2010	2009	**2010**	2009
United States	**$ 27,581,659**	$ 25,331,120	**$ -**	$ -
Canada	**31,173,827**	24,007,809	**6,638,164**	1,923,777
Europe and elsewhere	**6,480,289**	5,833,395	**178,467**	148,237
	$ 65,235,775	$ 55,172,324	**$ 6,816,631**	$ 2,072,014

26 . COMPARATIVE FIGURES

Certain figures for the previous year have been reclassified to conform to the presentation adopted in 2010.