SAVARIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007 AND 2006

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AS AT DECEMBER 31, 2007 AND 2006

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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 company 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 company'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 company's shareholders. The auditors appointed by the shareholders have full access to the Audit Committee, with or without management being present.

These consolidated financial statements have been audited by the auditors appointed by the shareholders, PricewaterhouseCoopers LLP, Chartered Accountants.

Marcel Bourassa
Chairman of the Board and Chief Executive Officer

Jean-Marie Bourassa, CA
Chief Financial Officer

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Shareholders of
Savaria Corporation

We have audited the consolidated balance sheets of **Savaria Corporation** as at December 31, 2007 and 2006 and the consolidated statements of earnings and comprehensive income, retained earnings and cash flows for each of the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Montréal, Quebec
March 13, 2008

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

	2007	2006
SALES	**$ 57 519 690**	$ 60 298 325
OPERATING EXPENSES		
Cost of goods sold	**43 979 192**	44 266 913
Selling and administrative expenses	**10 417 605**	11 461 523
Amortization of fixed assets	**522 710**	601 301
Amortization of deferred development costs	**200 154**	176 220
Amortization of intangible assets	**241 037**	498 512
Write off of assets (note 6)	**110 004**	196 871
	55 470 702	57 201 340
OPERATING EARNINGS	**2 048 988**	3 096 985
OTHER REVENUES AND EXPENSES (note 7)	**(1 826 893)**	350 771
EARNINGS BEFORE INCOME TAXES	**222 095**	3 447 756
INCOME TAXES (note 20B)	**(546 022)**	(1 543 500)
NET EARNINGS (LOSS)	**$ (323 927)**	$ 1 904 256
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES		
Unrealized gains on foreign exchange contracts designated as cash flow hedges	**295 427**	-
Unrealized gains on foreign exchange contracts designated as cash flow hedges in prior periods transferred to net income in the current period	**(198 980)**	-
OTHER COMPREHENSIVE INCOME	**96 447**	-
COMPREHENSIVE INCOME	**$ (227 480)**	**$ 1 904 256**
Net earnings (loss) per common share		
Basic	**$ (0,011)**	$ 0,065
Diluted	**$ (0,011)**	$ 0,064
Average number of common shares outstanding (note 23B)		
Issued	**28 283 564**	29 454 272
Diluted	**28 370 876**	29 669 077

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31

	2007	2006
BALANCE - beginning of year	**$ 8 793 905**	$ 8 300 945
NET EARNINGS (LOSS)	**(323 927)**	1 904 256
	8 469 978	10 205 201
Excess over book value of repurchased shares	**(988 921)**	(759 365)
DIVIDENDS on common shares	**(2 357 404)**	(651 931)
BALANCE - end of year	**$ 5 123 653**	$ 8 793 905

SAVARIA CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 4 714 615**	$ 5 958 518
Temporary investments (note 15)	**-**	988 586
Accounts receivable (note 9)	**8 924 070**	10 181 470
Inventories (note 10)	**9 682 137**	9 674 333
Prepaid expenses	**685 919**	659 446
Foreign exchange forward contracts	**14 009**	-
Income taxes receivable	**376 368**	320 968
Current portion of long-term loans (note 16)	**102 927**	160 825
Future income taxes (note 20A)	**912 221**	1 642 953
	25 412 266	29 587 099
LAND AND BUILDING HELD FOR SALE (notes 11 and 32)	**2 846 518**	-
FIXED ASSETS (note 12)	**1 796 159**	5 061 349
DEFERRED DEVELOPMENT COSTS (note 13)	**683 491**	511 801
INTANGIBLE ASSETS (note 14)	**1 222 629**	1 358 123
GOODWILL	**506 230**	506 230
LONG-TERM INVESTMENTS (note 15)	**2 719 929**	-
LONG-TERM LOANS (note 16)	**204 799**	247 547
FUTURE INCOME TAXES (note 20A)	**3 312 659**	2 988 545
	$ 38 704 680	$ 40 260 694

LIABILITIES		
CURRENT LIABILITIES		
Bank loans (note 17)	**$ 940 000**	$ 650 000
Short-term debt (note 15)	**3 000 000**	-
Current liability related to assets held for sale (note 11)	**3 750 000**	-
Accounts payable (note 18)	**6 820 596**	7 189 372
Warranty provision (note 21)	**267 976**	280 607
Current portion of long-term debt (note 19)	**244 212**	770 382
	15 022 784	8 890 361
LONG-TERM DEBT (note 19)	**430 962**	4 495 170
WARRANTY PROVISION (note 21)	**516 605**	538 647
NET LIABILITY OF A VIE (note 22)	**111 241**	-
	16 081 592	13 924 178
SHAREHOLDERS' EQUITY		
Capital stock (note 23)	**15 949 915**	16 244 789
Contributed suplus (note 24)	**1 539 901**	1 297 822
Retained earnings	**5 123 653**	8 793 905
Accumulated other comprehensive income (note 25)	**9 619**	-
	22 623 088	26 336 516
	$ 38 704 680	$ 40 260 694

ON BEHALF OF THE BOARD OF DIRECTORS

_________________________, Director
Marcel Bourassa

_________________________, Director
Jean-Marie Bourassa C.A.

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2007	2006
OPERATING ACTIVITIES		
Net earnings (loss)	**$ (323 927)**	$ 1 904 256
Adjustments for :		
Amortization of fixed assets	**522 710**	601 301
Amortization of deferred development costs	**200 154**	176 220
Amortization of intangible assets	**241 037**	498 512
Write off of assets (note 6)	**110 004**	196 871
Write down of investments in ABCP (note 15)	**253 971**	-
Future income taxes	**402 228**	1 217 811
Remuneration expense on options granted	**242 079**	209 548
Change in warranty provision	**(34 673)**	192 289
Loss on disposal of fixed assets	**9 322**	83 654
Others	**405**	(3 011)
	1 623 310	5 077 451
Net changes in non-cash working capital items (note 5B)	**643 818**	(3 419 297)
Cash flows from operating activities	**2 267 128**	1 658 154
INVESTING ACTIVITIES		
Changes in temporary investments	**988 586**	2 951 774
Changes in long-term investments	**(2 984 400)**	-
Proceeds from disposal of fixed assets	**2 750**	32 762
Additions to fixed assets	**(216 110)**	(239 602)
Deferred development costs	**(371 844)**	(296 239)
Deffered start-up costs	**-**	(39 450)
Additions to other assets	**(115 547)**	-
Increase in long-term loans	**-**	(113 900)
Proceeds from long-term loans	**200 235**	131 252
Cash flows from (used in) investing activities	**(2 496 330)**	2 426 597
FINANCING ACTIVITIES		
Increase in bank loans	**290 000**	650 000
Increase in short-term debt	**3 000 000**	-
Increase in long-term debt	**-**	500 000
Repayment of long-term debt	**(774 743)**	(2 052 193)
Contribution from a VIE	**111 241**	-
Dividends paid on common shares	**(2 357 404)**	(651 931)
Shares repurchased for cancellation	**(1 508 795)**	(1 115 308)
Issuance of shares	**225 000**	-
Cash flows used in financing activities	**(1 014 701)**	(2 669 432)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(1 243 903)**	1 415 319
CASH AND CASH EQUIVALENTS - beginning of year	**5 958 518**	4 543 199
CASH AND CASH EQUIVALENTS - end of year	**$ 4 714 615**	$ 5 958 518

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

1 . NATURE OF ACTIVITIES

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 the physically handicapped.

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 and variable interest entities ("VIE"), namely :

Subsidiaries	December 31, 2007 %	December 31, 2006 %
Savaria Concord Lifts Inc.	100	100
Weber Accessibility Systems, Inc.	100	100
Richardson Elevators (1191852 Ontario Limited, formerly Robertson)	100	100
Van-Action (2005) Inc.	100	100
Concord Elevator Holdings Inc.	100	100
Savaria (Huizhou) Mechanical Equipment Manufacturing Co., LTD	VIE	n/a

Intercompany accounts 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. Actual results could differ from those estimates (see note 15).

C) Foreign Currencies

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

D) Revenue Recognition

The Corporation recognizes the sale of its products as they are delivered and the risks and rewards of ownership are transferred to customers.

E) Impairment of Long-Lived Assets

The Corporation reviews, when circumstances indicate it to be necessary, the carrying values of its long-lived 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 and eventual disposition. 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.

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

F) Income Taxes

The Corporation follows the liability method of accounting for income taxes, as recommended by the Canadian Institute of Chartered Accountants ("CICA"). 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 year in which the assets and liabilities will be discharged or recovered. Future income tax assets which arise from tax losses and temporary differences are accounted for when it is more likely than not that the asset will be realized.

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, which is considered to approximate fair market value.

H) Temporary Investments

Temporary investments are accounted for at the lower of cost and market value.

I) Trade Receivable

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

J) Inventories

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

Work in process and finished goods inventories are valued at the lower of cost and net realizable value. Work in process includes raw materials, direct labour and factory overhead. The cost of finished goods is determined using the specific cost method.

K) Fixed Assets and Amortization

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

	Method	Rate or period
Building	Declining balance	4%
Machinery and equipment	Declining balance	20%
Office furniture	Declining balance	20%
Rolling stock	Declining balance	30%
Computer hardware	Declining balance	30%
Leasehold improvements	Straight-line	Terms of the leases

L) Deferred Development Costs

Development costs are accounted for at cost and are deferred to future periods if all of the following criteria are satisfied: the product is clearly defined, the technical feasibility of the product has been established, management has indicated its intention to manufacture the product, the future market for the product is clearly defined, and the Corporation has adequate resources to complete the project. Development costs are amortized using the straight-line method over a period of three years.

M) Intangible Assets

Intangible assets consist of trademarks, client lists and computer software. Trademarks are not amortized since they have an indefinite life span. Client lists are amortized by using the straight-line method over their useful lives of two to ten years. Computer software is amortized by using the declining balance method with a rate of 30%.

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

N) 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 projected discounted future cash flows exceed the net book value of the business unit. Goodwill 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.

The Corporation has performed impairment tests on the carrying amount of goodwill as at December 31, 2007 and has concluded that no impairment loss should be recognized.

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 number of shares that would be issued assuming that all potentially dilutive stock options granted under the Corporation’s share option plan were issued using the treasury stock method.

P) Stock-Based Compensation

The Corporation records stock-based compensation to its employees and directors at fair value. According to the fair value method, an employee compensation expense is charged to operating 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.

Q) Derivative Instruments

Derivative instruments are contracts that require or provide an option to exchange cash flows or payments determined by applying certain rates, indices or changes therein to notional contract amounts. Derivative instruments are used by the Corporation in the management of its foreign currency and not for speculative purposes.

In order for a derivative to qualify for hedge accounting, the hedge relationship must be designated and formally documented at its inception, outlining the particular risk management objective and strategy, the specific asset, liability or cash flow being hedged, as well as how effectiveness is assessed. The derivative must be effective in accomplishing the objective of offsetting either changes in the fair value or cash flow attributable to the risk being hedged both at inception and over the term of the hedging relationship.

The Corporation hedges its foreign exchange exposure on anticipated sales denominated in U.S. dollars through the use of forward contracts. Resulting gains and losses are recognized when the designated sale is recognized and are included in “Sales.”

3 . CHANGES IN ACCOUNTING POLICIES

A) 2007

On January 1, 2007, the Corporation adopted the following recommendations of the "CICA" Handbook :

Section 3855 : Financial Instruments – Recognition and Measurement

This Section describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

This Section requires that :

i) all financial assets be measured at fair value, with some exceptions such as loans and investments that are classified as held to maturity;

ii) all financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value;
iii) all derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

3 . CHANGES IN ACCOUNTING POLICIES (Cont'd)

The adoption of this Section resulted in the following classifications :
- Cash and cash equivalents are classified as assets held for trading and are measured at fair value. Gains and losses resulting from periodic revaluations are recorded in earnings.
- Accounts receivable, long-term investments, bank loans, short-term debt, accounts payable and long-term debt are classified as loans and receivables and are initially measured at fair value. Subsequent valuations are measured at amortized cost using the effective interest method.

Section 1530 : Comprehensive Income

This Section describes how to report and disclose comprehensive income and its components. Comprehensive income is the change in a Corporation's net assets that results from transactions, events or circumstances from sources other than the Corporation's shareholders. It includes items that would not normally be included in net earnings, such as :
- changes in the currency translation adjustment relating to self-sustaining foreign operations;
- unrealized gains or losses on available-for-sale investments.

The CICA also made changes to Handbook Section 3250, *Surplus* , and reissued it as Section 3251, *Equity* . The changes in how to report and disclose equity and changes in equity are consistent with the new requirements of Section 1530, *Comprehensive Income* .

Adopting these Sections has required the Corporation to start reporting the following items in the consolidated financial statements :
- comprehensive income and its components;
- accumulated other comprehensive income and its components.

Section 3865 : Hedges

This Section requires that :

In a fair value hedge, hedging derivatives must be carried at fair value, with changes in fair value recognized in the consolidated statement of earnings. The changes in the fair value of the hedged items attributable to the hedged risk must also be recorded in consolidated earnings by way of a corresponding adjustment of the carrying amount of the hedged items recognized in the consolidated balance sheet. In a cash flow hedge, the changes in fair value of derivative financial instruments must be recorded in other comprehensive income. These amounts are reclassified in the consolidated statement of earnings in the periods in which results are affected by the cash flows of the hedged item. Similarly, any hedge ineffectiveness must be recorded in the consolidated statement of earnings in cash and cash equivalents and income from financial market operations.

As a result of the application of these new standards, an unrealized loss on foreign exchange contracts was created at the date of the adoption of this Section (see note 25).

Section 1506 : Accounting Changes

This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors.

B) Future Accounting Changes

In December 2006 and January and June 2007, the CICA issued the following five accounting standards: Section 1400, *General Standards on Financial Statement Presentation* , Section 1535, *Capital Disclosures* , Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation* , Section 3031, *Inventories* . These new standards will be effective for the Corporation on January 1, 2008.

Section 1400 : General standards on Financial Statement Presentation

This section has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

3 . CHANGES IN ACCOUNTING POLICIES (Cont'd)

Section 1535 : Capital Disclosures

This new standard establishes disclosure requirements concerning capital such as : qualitative information about its objectives, policies and processes for managing capital; quantitative data about what an entity regards as capital; whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

Section 3862 : Financial Instruments - Disclosures and *Section 3863 : Financial Instruments - Presentation*

These new standards replace Section 3861, *Financial Instruments - Disclosure and Presentation* , revising and enhancing its disclosure requirements. This new standard has not changed the presentation requirements.

Section 3031 : Inventories

This Section prescribes the accounting treatment for inventories by providing guidance on the determination of costs and its subsequent recognition as an expense.

While the Corporation is currently assessing the impact of these new recommandations on its financial statements, it does not expect the recommandations to have a significant impact on its financial position, earnings or cash flows.

Section 3064 : Goodwill and Intangible Assets

In January 2008, the CICA issued the following accounting standard: Section 3064, *Goodwill and Intangible Assets* . This new standard reinforces the approach under which assets are recorded only if they meet the definition of an asset and the recognition criteria for an asset. It also clarifies the application of the concept of matching costs with revenues, so as to eliminate the current practice of recognizing as assets items that do not meet the definition of an asset and the recognition criteria for an asset. On January 1, 2009, the Corporation will apply this standard retrospectively with restatement of prior periods. The Corporation is currently assessing the impact of the initial application of this standard on its consolidated financial statements.

4 . BUSINESS COMBINATIONS

2006

On September 14, 2005, the Corporation acquired 100% of the outstanding capital stock of Concord Elevator Holdings inc. (Concord), a U.S. company that owns all the shares of Concord Elevator Inc., a Canadian company operating in the same business sector as Savaria Concord Lifts Inc. This transaction was paid for by the issuance of 4,249,984 shares, of which 750,000 shares at $1.40 per share were under escrow in order to protect the Corporation against any potential lawsuits or payables arising from events prior to the date of acquisition.

This acquisition was accounted for using the purchase method, and the operating results have been included in the consolidated financial statements from the dates of acquisition.

In 2006, the Corporation received a notice of assessment in connection with Concord Elevator Inc.'s corporate income taxes. This notice, which relates to periods prior to the date on which the subsidiary was acquired, resulted in a reduction in the loss carry-forwards recognized for the valuation of future income taxes. In consideration thereof, 483,532 shares under escrow were revoked. The net result was a $480,733 reduction in future income taxes and a $119,187 net reduction in intangible assets, for a total reduction of $599,920 in the acquisition cost, representing the $676,945 value of the revoked shares net of revocation fees of $77,025.

The Corporation recorded a tax credit receivable of $155,000 related to years prior to Concord's acquisition. In consideration thereof, intangible assets were reduced by the same amount.

The Corporation also reversed a $440,327 provision for deductions at source on payments made to a non-resident affiliated company that will not be paid subsequent to negotiations with tax authorities, as well as a $65,250 provision for severance pay. Intangible assets were reduced by $505,577 in consideration thereof.

The reduction in the value of the intangible assets described above raised future income taxes by $213,537, and eventually reduced intangible assets by a commensurate amount. These items are of a non-cash nature and had no impact on cash flows; only the purchase price allocation was affected.

4 . BUSINESS COMBINATIONS (Cont'd)

The final purchase price allocation is detailed as follows :

Assets acquired	
Current assets	$ 8 425 162
Fixed assets	1 909 330
Long-term assets	36 479
Client lists	946 567
Business licence	299 932
Future income tax assets	5 433 804
Liabilities assumed	
Bank indebtedness	(583 032)
Current liabilities	(5 747 411)
Note payable to Savaria Corporation	(1 009 609)
Long-term debt	(3 359 090)
Warranty provision	(399 037)
Net identifiable assets acquired	5 953 095
Plus : Bank indebtedness	583 032
Less : Fair value of capital stock issued (note 23A)	(5 273 033)
Less : Other adjustments	(11 774)
Total net cash used for these acquisitions	$ 1 251 320

5 . CASH FLOWS

A. Interest and Income Taxes

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

	2007	2006
Interest paid	**$ 449 245**	$ 512 484
Income taxes paid	**$ 31 825**	$ 272 049

B. Net Changes in Non-cash Working Capital Items

	2007	2006
Accounts receivable	**$ 1 102 271**	$ (640 830)
Inventories	**(7 804)**	(896 679)
Prepaid expenses	**(26 473)**	297 030
Income taxes receivable	**(55 400)**	(226 164)
Accounts payable	**(368 776)**	(1 952 654)
	$ 643 818	$ (3 419 297)

C. Non-cash Transactions

In 2007, there were several non-cash transactions related to the share cancellations (note 23A), the conversion of balances receivable into long-term loans (note 16) and the issuance of a loan to an employee (note 23A).

6 . WRITE OFF OF ASSETS

A) Intangible assets

In 2007, a business licence amounting to $10,004 was written off. In June 2006, deferred start-up costs amounting to $146,871 were written off because management discontinued its direct sales activities in Florida. Furthermore, a deposit of $50,000 given for the purchase of land was also written off in 2006. Those elements were non-monetary items and had no impact on the consolidated cash flow.

B) Fixed assets

In 2007, following the closure of its plant in Laval, the Corporation booked an impairment charge for fixed assets that were no longer used in its operations in an amount of $100,000.

7 . OTHER REVENUES AND EXPENSES

	2007	2006
Interest and dividend income	**$ 284 169**	$ 378 907
Gain (loss) on foreign currency exchange	**(926 841)**	350 844
Interest on long-term debt	**(287 793)**	(393 720)
Interest expense and bank charges	**(161 452)**	(118 764)
Restructuring expense (note 8)	**(223 871)**	-
Write down of investments in ABCP (note 15)	**(253 971)**	-
Loss of a VIE (note 22)	**(164 141)**	-
Remuneration expense relating to an employee loan for stock purchases (note 23)	**(107 821)**	-
Loss on disposal of fixed assets	**(9 322)**	(83 654)
Other revenues	**24 150**	217 158
	$ (1 826 893)	$ 350 771

8 . RESTRUCTURING EXPENSES

The following table summarizes the components of restructuring charges :

	2007
Severance	**$ 171 403**
Others	**52 468**
	$ 223 871

On December 21, 2007, the Corporation proceeded with the closure of its manufacturing facility located in Laval, Quebec. During the year ended December 31, 2007, the Corporation recorded charges relating to this restructuring in the amount of $223,871, including severance charges of $171,403. The land and building located at this facility as well as the loan related to these assets were reclassified as assets and liability held for sale (see note 11).

9 . ACCOUNTS RECEIVABLE

	2007	2006
Trade in Canadian dollars	**$ 3 812 643**	$ 4 774 612
Trade in U.S. dollars	**5 548 051**	5 493 662
	9 360 694	10 268 274
Allowance for doubtful accounts	**(782 549)**	(679 723)
	8 578 145	9 588 551
Sales taxes recoverable	**302 792**	545 898
Others	**43 133**	47 021
	$ 8 924 070	$ 10 181 470

10 . INVENTORIES

	2007	2006
Raw materials and sub-assembly components	**$ 8 651 892**	$ 7 935 854
Work in process	**335 451**	503 363
Finished goods	**694 794**	1 235 116
	$ 9 682 137	$ 9 674 333

11 . ASSETS HELD FOR SALE AND CURRENT LIABILITY RELATED TO ASSETS HELD FOR SALE

Assets held for sale and a current liability related to those assets presented in the balance sheet are represented by :

	2007
Asset	
Land and building	**$ 2 846 518**
Liability	
Debt maturing in May 2008 (note 19)	**$ 3 750 000**

On October 11, 2007, the Corporation announced the transfer of its production to its facilities in Brampton, Ontario and Huizhou, China resulting in the closure of its Laval plant effective December 21, 2007. This closure will result in the sale of the building in Laval as well as the repayment of the debt associated with the building.

12 . FIXED ASSETS

	2007		
	Cost	Accumulated amortization	Net
Machinery and equipment	**$ 7 212 728**	**$ 6 204 019**	**$ 1 008 709**
Office furniture	**768 941**	**679 852**	**89 089**
Rolling stock	**273 705**	**111 672**	**162 033**
Computer hardware	**876 029**	**690 435**	**185 594**
Leasehold improvements	**1 308 825**	**958 091**	**350 734**
	$ 10 440 228	**$ 8 644 069**	**$ 1 796 159**

As at December 31, 2007, computer hardware included assets under capital leases with a cost of $63,070 and accumulated amortization of $35,204.

	2006		
	Cost	Accumulated amortization	Net
Land	$ 540 000	$ -	$ 540 000
Building	2 769 148	376 331	2 392 817
Machinery and equipment	7 144 029	5 920 805	1 223 224
Office furniture	762 936	658 028	104 908
Rolling stock	285 862	73 661	212 201
Computer hardware	826 504	621 906	204 598
Leasehold improvements	1 273 450	889 849	383 601
	$ 13 601 929	$ 8 540 580	$ 5 061 349

As at December 31, 2006, rolling stock and computer hardware include assets under capital leases with a cost of $97,301 and accumulated amortization of $54,863.

13 . DEFERRED DEVELOPMENT COSTS

	2007		
	Cost	**Accumulated amortization**	**Net**
Deferred development costs (note 30)	**$ 1 055 483**	**$ 371 992**	**$ 683 491**

	2006		
	Cost	Accumulated amortization	Net
Deferred development costs (note 30)	$ 794 309	$ 282 508	$ 511 801

14 . INTANGIBLE ASSETS

	2007			2006
	Cost	**Accumulated amortization**	**Net**	Net
Trademarks	**$ 299 932**	**$ -**	**$ 299 932**	$ 309 936
Client lists	**983 047**	**249 457**	**733 590**	918 800
Software	**765 973**	**576 866**	**189 107**	129 387
	$ 2 048 952	**$ 826 323**	**$ 1 222 629**	$ 1 358 123

15 . INVESTMENTS

	2007	2006
Temporary investments		
Commercial paper (fair market value in 2006 of $988,586)	**$ -**	$ 988 586
Long-term investments		
Asset-backed commercial paper (fair market value, see below)	**2 719 929**	-
	$ 2 719 929	$ 988 586

The Corporation holds investments in the amount of $2,973,900 (US $3,000,000) that were invested in asset-backed commercial paper ("ABCP") issued by SLATE Trust and ROCKET Trust. This ABCP had a "R1-(high)" rating according to Dominion Bond Rating Service ("DBRS") and met the Corporation's investment criteria at its acquisition date. The ABCP held by the Corporation matured on various dates between August 30 and September 5, 2007. The scheduled payments have not been made and there is currently no active market for this ABCP.

The Canadian market for third-party ABCP suffered a liquidity disruption in mid-August 2007 following which a group of financial institutions and other parties agreed, pursuant to the Montreal Proposal, ("the Proposal"), to a standstill period in respect of ABCP sold by twenty-three conduit issuers. Participants to the Proposal also agreed in principle to the conversion of the ABCP investments into longer-term financial instruments with maturities corresponding to the underlying assets. A Pan-Canadian Investors Committee ("the Committee") was subsequently established to oversee the orderly restructuring of these instruments during this standstill period. A restructuring plan was announced on December 23, 2007 which is anticipated to be completed by March, 2008. The Corporation is not a signatory to the Proposal. The Corporation is assessing its alternatives and recourses to recover the full value of these third-party ABCP.

There is currently uncertainty of the outcome of the restructuring plan being considered for these securities and in estimating the amount and timing of cash flows in any restructuring. As a result, the Corporation used its best judgement to assess the market conditions at December 31, 2007 and following a probability weighted approach has estimated the fair value of these securities and classified these third-party ABCP as long-term investments. The valuation of each conduit has been limited by a lack of information about the underlying assets of each of the conduits as the information has not been made available by the conduits.

15 . INVESTMENTS (Con't)

As a result of the valuation, the Corporation has recognized a $253,971 ($219,812 after-tax) provision for losses in respect of third-party ABCP holdings reflecting the Corporation's estimated reduction in the fair value of these investments as at December 31, 2007, including a provision for its estimated share of restructuring costs associated with the Proposal. This estimate of the fair market value of the third-party ABCP investments as at December 31, 2007 is subject to uncertainty. While management believes that its valuation technique is appropriate in the circumstances, changes in assumptions could affect the value of third-party ABCP securities in the next fiscal quarters. The resolution of these uncertainties could be such that the ultimate fair market value of these investments may vary from management's current best estimate and any such difference could affect the financial results of the Corporation.

On October 15, 2007, the Corporation entered into a temporary financing agreement with its bank in order to ensure the sufficient availability of liquidity to meet its financial obligations while awaiting the settlement of the ABCP investments. The ABCP was secured for this credit facility in the amount of $3,000,000 that was drawn in total as at December 31, 2007. The credit facility bears interest at prime rate minus 1,5% and must be repaid in full once the ABCP can be sold.

16 . LONG-TERM LOANS

	2007	2006
The participating long-term loan is part of an exclusive distribution agreement for the Corporation's products with a company in the United Arab Emirates. The loan amount of $99,130 (US $100,000), was disbursed in 2004. The balance of the loan as at December 31, 2007 is $24,783 (US $25,000). The loan is payable in four annual instalments, plus annual royalties if the Corporation respects certains terms and conditions, ending in December 2008.	**$ 24 783**	$ 58 270
The long-term loan is part of an exclusive distribution agreement for the Corporation's products with a U.S. company. The original amount of the loan is $198,260 (US $200,000) of which $99,130 (US $100,000) was disbursed in 2005 and $99,130 (US $100,000) in January 2006. The balance of the loan as at December 31, 2007 is $158,608 (US $160,000). The loan is payable in ten annual instalments beginning in June 2006.	**158 608**	209 772
Amount receivable on conversion of accounts receivable from a U.S. company. The original amount of the loan resulting from the conversion in March 2006 is $188,757 (US $190,414). The balance of the loan was repaid in 2007.	**-**	140 330
Amount receivable with interest at a rate of 4.23% on conversion of accounts receivable from a U.S. company. The original amount of the loan resulting from the conversion in September 2007 is $143,739 (US $145,000). The balance of the loan as at December 31, 2007 is $124,335 (US $125,426). Repayable in 29 equal monthly instalments of US $5,250, capital and interest, starting in September 2007.	**124 335**	-
	307 726	408 372
Less: Current portion	**102 927**	160 825
	$ 204 799	$ 247 547

Principal repayments on long-term loans during the next years are as follows :

2008	2009	2010	2011	2012	2013 and thereafter
$ 102 927	$ 80 657	$ 25 012	$ 19 826	$ 19 826	$ 59 478

17 . BANK LOANS

The Corporation signed an agreement with a financial institution for a $1,500,000 line of credit for its subsidiary Van-Action (2005) Inc., bearing interest at prime rate plus 0.5%. 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 $250,000 as at December 31, 2007 (2006-$650,000).

The Corporation also signed an agreement with a financial institution for a $7,000,000 credit facility, bearing interest at prime rate, for its subsidiary Savaria Concord Lifts Inc. A $9,075,000 first ranking movable hypothec and a general guarantee agreement registered in the province of Ontario on all the subsidiary's present and future inventories and receivables, and a guarantee on inventories pursuant to Section 427 of the Bank Act have been pledged as securities. The balance of the line of credit amounted to $690,000 as at December 31, 2007 (2006-unused).

18 . ACCOUNTS PAYABLE

	2007	2006
Trade and accrued liabilities in Canadian dollars	**$ 5 004 242**	$ 5 259 901
Trade and accrued liabilities in U.S. dollars and other currencies	**680 547**	1 026 309
Salaries and withholding taxes	**572 343**	191 258
Vacations payable	**304 800**	330 186
Client deposits	**258 664**	381 718
	$ 6 820 596	$ 7 189 372

19 . LONG-TERM DEBT

	2007	2006
Loan in the original amount of $5,000,000 at an interest rate of 5.3%; a mortgage on a Corporation building with a net book value of $2,846,518 and a first ranking hypothec on the machinery and equipment and office furniture of Savaria Concord Lifts Inc. with a net book value of $265,811 pledged as security; repayable in semi-annual instalments of $250,000 plus interest, renewable in May 2008. The loan is classified as a current liability related to assets held for sale as at December 31, 2007 (see note 11).	**$ -**	$ 4 250 000
Loan in the original amount of $569,998 (US $575,000) at an interest rate of 9.5%; machinery with a net book value of $513,954 pledged as security; repayable in monthly instalments of $11,971 (US $12,076), principal and interest, maturing in December 2010. The debt was repaid early in January 2008.	**373 709**	560 178
Loan in the original amount of $500,000. This loan is divided into two portions: an initial $250,000 portion bearing interest at prime rate plus 1.0%, and a second $250,000 portion bearing interest at prime rate plus 1.0%. 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.	**291 666**	416 667
Obligations under capital leases with original amounts totalling $63,070, at an interest rate of 10.8%; computer hardware with a net book value totalling $27,866 pledged as security; repayable in monthly instalments of $1,547 until January 2008 and $403 afterwards including principal and interest, maturing between January 2008 and December 2009.	**9 799**	38 707
	675 174	5 265 552
Less: Current portion	**244 212**	770 382
	$ 430 962	$ 4 495 170

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

2008	**2009**	**2010**
$ 238 977	$ 250 289	$ 176 109

Principal repayments on obligations under capital leases during the next years are as follows :

Years ended December 31 :		
	2008	$ 5 978
	2009	4 833
		10 811
Less: Interest at a weighted average rate of 10.80%		1 012
		9 799
Less: Current portion		5 235
		$ 4 564

20 . 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 :

	2007	2006
CURRENT FUTURE INCOME TAX ASSETS		
Losses carried foward	**$ 794 113**	$ 1 470 654
Warranty provisions	**83 813**	84 045
Stock exchange listing costs	**26 907**	56 936
Non-deductible provisions	**15 670**	49 755
Investment tax credits	**(6 407)**	(20 587)
Foreign exchange forward contracts	**(4 390)**	-
Others	**2 515**	2 150
	912 221	1 642 953
LONG-TERM FUTURE INCOME TAX ASSETS		
Losses carried foward	**$ 3 525 360**	$ 3 170 670
Inventory provision	**220 971**	263 418
Warranty provisions	**139 380**	155 825
Other short-term liability	**-**	105 672
Stock exchange listing costs	**26 907**	55 556
Unrealized gain on foreign exchange contracts	**(15 212)**	(6 100)
Fixed assets	**(54 480)**	(79 595)
Deferred development costs	**149 477**	(73 114)
Investment tax credits	**(121 081)**	-
Provision for devaluation of losses carried forward	**(425 851)**	(425 851)
Intangible assets	**(135 327)**	(198 492)
Others	**2 515**	20 556
	$ 3 312 659	$ 2 988 545

B) Income Taxes

The Corporation's provisions for income taxes consist of the following :

	2007	2006
Earnings before income taxes	**$ 222 095**	$ 3 447 756
Provision for income taxes computed using statutory federal-provincial tax rate of 33% (2006-33%)	**$ 73 291**	$ 1 137 759
Decrease in future income taxes resulting from reduction under the 2007 budget and economic statement (2006 federal budget)	**252 711**	193 888
Expenses that are only 50% deductible for tax purposes	**88 077**	-
Non-deductible remuneration expense on options granted	**80 297**	69 654
Advantage of unrecognized net operating losses of a VIE	**54 560**	-
Advantage of unrecognized net operating losses of a subsidiary and write down of recognized prior losses	**-**	174 165
Others	**(2 914)**	(31 966)
	$ 546 022	$ 1 543 500
CURRENT AND FUTURE INCOME TAXES		
Income taxes are detailed as follows :		
Current	**$ 143 794**	$ 325 689
Future	**402 228**	1 217 811
	$ 546 022	$ 1 543 500

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

C) Losses Carried Forward

As at December 31, 2007, the Corporation had Canadian, Quebec and Ontario net operating losses carried forward of $11,939,000 (2006-$13,192,000), $12,002,000 (2006-$13,309,000) and $10,739,000 (2006-$11,282,000) respectively. These losses carried forward expire at various dates between 2009 and 2027.

As at December 31, 2007, the Corporation had United States federal and state net operating losses carried forward of $843,000 (US $850,000) and $873,000 (US $881,000) respectively. As at December 31, 2006, these amounts were $851,000 (US $859,000) and $889,000 (US $897,000) respectively. Future income taxes have not been recorded on these losses. They expire at various dates between 2014 and 2027.

21 . WARRANTY PROVISIONS

During the normal course of its business, the Corporation assumes certain maintenance and repair costs under warranties offered on its products. The warranties cover a period of twenry-four (24) to thirty-six (36) months. During the fiscal year, the Corporation decreased the provision by $34,673 (2006-increase of $192,289). This expense is based on past experience and is recorded as current and long-term liabilities under the heading Warranty provisions. Nevertheless, conditions may change and a significant amount may need to be recorded.

22 . VARIABLE INTEREST ENTITY

The Corporation has included a VIE in the scope of its consolidation as at December 31, 2007. The entity in question is held by a related party but the Corporation plans to transfer the capital stock in the entity to its own name by the end of the first semester of 2008. The entity is located in China and assembles parts and finished goods for the benefit of the Coporation and its subsidiaries.

The effect on the balance sheet items is as follows as of December 31, 2007 :

	2007
Assets	
Cash and cash equivalents	**$ 10 236**
Inventories	**74 710**
Prepaid expenses	**111 440**
Fixed assets	**93 231**
Intangible assets	**2 146**
	$ 291 763
Liabilities	
Accounts payable	**$ 131 541**
Deferred income	**213 122**
	344 663
Shareholder's equity	
Contribution from a VIE	**111 241**
Deficit (note 7)	**(164 141)**
	(52 900)
	$ 291 763

The liabilities recognized as a result of consolidating this VIE do not represent additional claims on the Corporation's general assets; rather, they represent claims against the specific assets of the consolidated VIE. Conversely, assets recognized as a result of consolidating this VIE do not represent additional assets that could be used to satisfy claims against the Corporation's general assets. Additionally, the consolidation of this VIE did not result in any change in the underlying tax, legal or credit exposure of the Corporation.

23 . 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

On September 14, 2005, the Corporation issued 4,249,984 common shares at $1.40 per share in order to acquire Concord. The cost per share was based on the market price that applied on the date of the acquisition but which was discounted to reflect a two-year sales restriction, one third of which was freed up in September 2007 and the other two thirds will be freed up in September 2008 and 2009. Of the total shares issued, 500,000 shares at $1.50 per share are still under escrow to protect the Corporation against potential lawsuits or payments arising from events prior to the date of acquisition.

In the first quarter, 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 has been 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 250,000 options (note 26). A remuneration expense of $107,821 was calculated for these options, considered as issued, and accounted for in Other Revenues and Expenses. Eventual loan repayments will result in a corresponding increase in capital stock. The loan bears interest at an annual rate of 5% and is secured by 200,000 common shares of the Corporation.

Issued :

2007	**Common shares**	
	Number	**Amount**
Balance as at December 31, 2006	**28 598 414**	**$ 16 244 789**
Exercise of stock options	**475 000**	**475 000**
Cancelled following issuer bid	**(911 000)**	**(519 874)**
	28 162 414	**$ 16 199 915**
Reversal of an exercice of stock options following the issuance of an employee loan	**(250 000)**	**$ (250 000)**
Balance as at December 31, 2007	**27 912 414**	**$ 15 949 915**

On September 29, 2006, the Corporation signed an amendment to an agreement to purchase a client list for the Toronto area. The purchase price, which had already been paid, was revised to $125,000. Therefore, the 70,755 shares that were to be issued at $1.40 per share were reversed, causing a decrease in intangible assets of $74,057 and a decrease in accounts receivable of $25,000.

On October 4, 2006, 483,532 shares under escrow at $1.40 per share were revoked subsequent to a price adjustment for the purchase of Concord. In 2005, 4,249,984 shares were issued. Therefore, a total of 3,766,452 shares were issued for that acquisition.

2006	Common shares	
	Number	Amount
Balance as at December 31, 2005	29 774 001	$ 17 376 734
Business combination purchase price adjustment (note 4)	(483 532)	(676 945)
Purchase price adjustment for a client list	(70 755)	(99 057)
Cancelled following issuer bid	(621 300)	(355 943)
Balance as at December 31, 2006	28 598 414	$ 16 244 789

23 . CAPITAL STOCK (Cont'd)

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

	2007	2006
Weighted average number of shares outstanding	**28 283 564**	29 454 272
Effect of potential dilutive securities		
Stock options	**87 312**	214 805
Weighted average number of shares outstanding for use in determining diluted earnings per share	**28 370 876**	29 669 077

24 . CONTRIBUTED SURPLUS

	2007	2006
Balance - beginning of year	**$ 1 297 822**	$ 1 088 274
Remuneration expense on options granted	**242 079**	209 548
Balance - end of year	**$ 1 539 901**	$ 1 297 822

25 . ACCUMULATED OTHER COMPREHENSIVE INCOME

	2007
Unrealized losses on foreign exchange contracts at the date of adoption of Section 3865, *Hedges* , net of income taxes in the amount of $43,095	**$ (86 828)**
Changes in other comprehensive income in the current period	**96 447**
Unrealized gains on foreign exchange contracts designated as cash flow hedges, net of income taxes of $4,390	**$ 9 619**

26 . STOCK-BASED COMPENSATION PLAN

According to a stock option agreement for certain employees and directors of the Corporation, the Board of Directors may, at its discretion, grant them options to purchase common shares of the Corporation at an exercise price established by the Board. Options generally vest between one and four 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 :

	2007						
	Number of options						Total
	79 000	50 000	100 000	100 000	100 000	250 000	
Risk-free interest rate	**4.22%**	**4.22%**	**4.5%**	**4.62%**	**3.87%**	**4.23%**	**4.27%**
Dividend yield	**3.99%**	**3.99%**	**3.99%**	**3.99%**	**3.99%**	**3.99%**	**3.99%**
Expected volatility	**35%**	**35%**	**35%**	**35%**	**35%**	**35%**	**35%**
Expected term	**3 years**	**5 years**	**3 years**	**5 years**	**5 years**	**3 years**	**3 to 5 years**

	2006		
	Number of options		Total
	100 000	50 000	
Risk-free interest rate	3.88%	4.18%	4%
Dividend yield	1.53%	1.12%	1.39%
Expected volatility	40%	40%	40%
Expected term	1 year	4 years	1 to 4 years

The estimated fair value of the options granted in 2007 is $442,226 (2006-$55,969). This amount is amortized and charged to earnings as the rights to exercice are vested.

26 . STOCK-BASED COMPENSATION PLANS (Con't)

The remuneration expense in the amount of $242,078 (2006-$209,548) on options granted to employees and directors has been credited to contributed surplus.

	2007		2006	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance-beginning of year	**1 491 500**	**$ 1,60**	1 448 000	$ 1,61
Granted	**429 000**	**1,79**	150 000	1,68
Exercised	**(225 000)**	**1,00**	-	n/a
Expired	**(178 000)**	**2,00**	(106 500)	1,90
Balance-end of year	**1 517 500**	**$ 1,70**	1 491 500	$ 1,60
Exercisable at the end of the year	**1 004 667**	**$ 1,65**	1 065 917	$ 1,47

The following table summarizes certain information on stock options exercisable after January 1, 2008 :

2007			2006		
Exercice price	**Number**	**Weighted average years to maturity**	Exercice price	Number	Weighted average years to maturity
$ 1.35	**100 000**	**4.9 years**	$ 1.60	57,500	4.0 years
1.59	**100 000**	**4.6 years**	1.65	50,000	4.7 years
1.60	**38 333**	**3.0 years**	1.75	3,333	2.4 years
1.65	**37 500**	**3.7 years**	1.80	25,000	4.5 years
1.80	**25 000**	**3.5 years**	2.00	265,250	2.9 years
1.96	**25 000**	**2.2 years**	2.07	22,000	1.7 years
2.00	**70 000**	**2.9 years**	2.50	2,500	1.6 years
2.15	**117 000**	**2.9 years**	n/a	n/a	n/a
$1.35 to $2.15	**512 833**	**3.7 years**	$1.60 to $2.50	425,583	3.3 years

27 . RELATED PARTY TRANSACTIONS

The Corporation recorded an amount of $59,600 (2006-$48,856) for services rendered by an entity whose officer is a director 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.

28 . CONTINGENCIES AND COMMITMENTS

The Corporation concluded lease agreements for the rental of certain premises and entered into operating leases for rolling stock and equipment for a total of $6,928,616 (2006-$7,672,291). Future minimum lease payments under these operating leases, as at December 31, 2007, are as follows :

2008 - $1,611,908 2009 - $1,639,296 2010 - $1,660,341 2011 - $1,224,686 2012 - $789,727 2013 and thereafter - $2,658

29 . FINANCIAL INSTRUMENTS

Fair value of financial instruments

The carrying value of cash and cash equivalents, temporary investments, accounts receivable, long-term loans, accounts payable and long-term debt approximates their fair value due to their short term to maturity or associated rates that do not vary significantly from the market rates.

Credit risk

Cash and cash equivalents are held or issued by "high-credit quality" financial institutions. Therefore, the Corporation considers that the risk of non-performance of those instruments is negligeable.

29 . FINANCIAL INSTRUMENTS (Cont'd)

The Corporation provides credit to its customers in the normal course of business. It carries out credit checks on its customers on a continual basis and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The Corporation does not normally require a guarantee.

For other debts, the Corporation continually assesses probable losses and sets up a provision for losses based on their estimated realizable value (see note 15).

The Corporation minimizes its credit risks by conducting its operations with a wide variety of customers in several industries.

Currency risk

The Corporation realizes approximately 58% (2006-58%) of its sales in foreign currencies and accordingly is exposed to market risks related to foreign exchange fluctuations. The Corporation uses derivative financial instruments such as forward foreign exchange contracts to reduce its currency risk exposure. Forward foreign exchange contracts are contracts under which the Corporation is obligated to sell U.S. dollars at a fixed rate.

2007 Maturity	Type	Average exchange rate	Contractual amounts (in U.S. dollars)
0 to 12 months	**Sale**	**0.9935**	**$ 6 000 000**

2006 Maturity	Type	Average exchange rate	Contractual amounts (in U.S. dollars)
0 to 12 months	Sale	1.1454	$ 6 200 000

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

The fair value of the financial instruments is as follows :

	2007	2006
Unrealized gains (losses) on forward exchange contracts	**$ 14 009**	$ (129 923)

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 transaction. Variances in the fair value of non-designated financial instruments are recognized immediately.

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

	2007	2006
Gains on foreign exchange from financial instruments used in hedging	**$ 225 280**	$ 171 725
Gains (losses) on foreign currency exchange on U.S. dollar monetary accounts	**(1 152 121)**	179 119
Total gains (losses) on foreign currency exchange recognized as "Other Revenues and Expenses"	**(926 841)**	350 844
Gains (losses) on foreign currency exchange from derivitative financial instruments recognized as "Sales"	**410 964**	(28 900)
	$ (515 877)	$ 321 944

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

29 . FINANCIAL INSTRUMENTS (Cont'd)

Interest rate risk

The Corporation's exposure to interest rate risk is as follows :

Cash CA$	Prime rate less 2.25%
Cash US$	Prime rate less 4.50%
Accounts receivable	Non-interest bearing
Long-term loan to United Arabic Emirates	Non-interest bearing and participating
Long-term loans to United States	Between 0% and 4.23% and non-participating
Accounts payable	Non-interest bearing
Short-term debt	Prime rate less 1.50%
Current liability related to assets held for sale	5.30%
Long-term debt	Prime rate plus 1.00% and fixed rate between 9.50% and 10.80%

30 . GOVERNMENT ASSISTANCE

During the year, the Corporation recorded research and development tax credits of $603,821 (2006-$116,925). These credits, of which $166,182 has not yet been assessed by the tax authorities, were accounted for as follows :

	2007	2006
Decrease in deferred development costs	**$ 452 767**	$ 116 925
Decrease in selling and administrative expenses	**151 054**	-
	$ 603 821	$ 116 925

31 . SEGMENTED INFORMATION

The Corporation's business structure is divided into two sectors: 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 the physically handicapped (adapted transport).

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

The business sectors are detailed as follows :

	2007			2006		
	Accessibility	**Adapted Transport**	**Total**	Accessibility	Adapted Transport	Total
Sales	$ 48 907 992	$ 8 611 698	**$ 57 519 690**	$ 51 343 875	$ 8 954 450	$ 60 298 325
Operating earnings	1 871 450	177 538	**2 048 988**	2 787 134	309 851	3 096 985
Net earnings (losses)	(435 257)	111 330	**(323 927)**	1 650 203	254 053	1 904 256
Assets	35 865 568	2 839 112	**38 704 680**	36 865 201	3 395 493	40 260 694
Amortization	913 926	49 975	**963 901**	1 212 273	63 760	1 276 033
Additions to fixed assets	206 190	9 920	**216 110**	214 962	24 640	239 602

Information by geographic region is as follows :

	Sales		**Fixed assets, intangible assets and goodwill**	
	2007	2006	**2007**	2006
United States	**$ 30 912 313**	$ 31 559 398	**$ 448 627**	$ 458 630
Canada	**22 887 455**	24 406 793	**3 076 391**	6 457 246
Europe and others	**3 719 922**	4 332 134	**-**	-
	$ 57 519 690	$ 60 298 325	**$ 3 525 018**	$ 6 915 876

32 . SUBSEQUENT EVENT

On December 12, 2007, the Corporation accepted an offer for the purchase of the assets held for sale. Under the terms of the agreement, the Corporation would receive an amount of $4,900,000, net of commissions, generating a gain on disposal in the amount of $2,053,482 ($1,487,908 after-tax) that will be recognized when the sale is completed. This offer expires on April 4, 2008.

33 . COMPARATIVE FIGURES

Certain figures for the previous year have been reclassified to conform to the presentation adopted for the year ended December 31, 2007.