SAVARIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012 AND 2011

SAVARIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012 AND 2011

TABLE OF CONTENTS **PAGE**

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 International Financial Reporting Standards and necessarily include some amounts that are based on management's best estimates and judgements.

To discharge its responsibilities, the Corporation has developed and maintains systems of internal 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, 2012 and 2011 and for the years then ended have been audited by the auditors appointed by the shareholders, KPMG LLP.

Marcel Bourassa
Chairman of the Board and Chief Executive Officer

Jean-Marie Bourassa, CPA, CA
Chief Financial Officer

Laval (Québec) Canada
March 28, 2013

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

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Savaria Corporation Inc.;

We have audited the accompanying consolidated financial statements of Savaria Corporation Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Savaria Corporation Inc. as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP*

March 28, 2013

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A115894

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31,
(in thousands of dollars)

	Note	2012	2011
Assets			
Current assets			
Cash	4	**$ 1,993**	$ 3,931
Restricted cash	14	**-**	400
Trade and other receivables	5	**11,592**	9,120
Derivative financial instruments	25D	**-**	83
Current portion of long-term loans	7	**410**	328
Tax credits receivable		**487**	526
Inventories	6	**12,800**	14,371
Prepaid expenses		**538**	633
Current portion of long-term investments	11	**636**	710
Total current assets		**28,456**	30,102
Non-current assets			
Restricted cash	14	**-**	700
Derivative financial instruments	25D	**-**	44
Tax credits receivable		**378**	509
Long-term loans	7	**125**	347
Fixed assets	8	**11,792**	1,741
Goodwill	9	**4,051**	4,051
Intangible assets	10	**2,138**	2,797
Long-term investments	11	**829**	753
Deposit on purchase of fixed assets		**125**	16
Deferred tax assets	21	**1,486**	1,353
Total non-current assets		**20,924**	12,311
Total assets		**$ 49,380**	$ 42,413
Liabilities			
Current liabilities			
Bank loans	12	**$ -**	$ 75
Trade and other payables	13	**7,518**	6,123
Income taxes payable		**234**	382
Deferred revenues		**2,062**	1,930
Derivative financial instruments	25D	**117**	-
Current portion of long-term debt	14	**3,619**	4,877
Warranty provisions	15	**356**	338
Total current liabilities		**13,906**	13,725
Non-current liabilities			
Long-term debt	14	**15,464**	7,984
Warranty provisions	15	**463**	417
Derivative financial instruments	25D	**174**	-
Deferred tax liabilities	21	**149**	142
Total non-current liabilities		**16,250**	8,543
Total liabilities		**30,156**	22,268
Equity			
Share capital	16	**13,313**	13,260
Contributed surplus		**2,141**	2,114
Accumulated other comprehensive income		**306**	665
Retained earnings		**3,464**	4,106
Total equity		**19,224**	20,145
Total liabilities and equity		**$ 49,380**	$ 42,413

The notes on pages 10 to 48 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31,
(in thousands of dollars, except per share amounts)

	Note	2012	2011
Revenue	17	**$ 66,734**	$ 65,274
Cost of sales		**(48,679)**	(47,041)
Gross margin		**18,055**	18,233
Operating costs			
Administrative expenses		**(6,613)**	(7,035)
Selling expenses		**(5,331)**	(5,476)
Engineering expenses		**(1,455)**	(1,458)
Research and development expenses		**(736)**	(869)
		(14,135)	(14,838)
Other costs	19	**(990)**	-
Operating income		**2,930**	3,395
Finance income	20	**116**	233
Finance costs	20	**(897)**	(750)
Net finance costs		**(781)**	(517)
Income before income tax		**2,149**	2,878
Income tax expense	21	**(571)**	(877)
Net income		**1,578**	2,001
Other comprehensive income			
Change in the fair value of derivative financial instruments designated as cash flow hedges		**575**	182
Deferred income tax		**(141)**	(47)
		434	135
Gains on foreign exchange contracts transferred to net income in the current year		**(1,041)**	(2,237)
Deferred income tax		**263**	599
		(778)	(1,638)
Net change in fair value of derivative financial instruments designated as cash flow hedges		**(344)**	(1,503)
Unrealized net gains (losses) on translation of financial statements of self-sustaining foreign operations		**(15)**	87
Other comprehensive loss, net of income tax		**(359)**	(1,416)
Total comprehensive income		**$ 1,219**	$ 585
Earnings per share:	22		
Basic		**$ 0.07**	$ 0.09
Diluted		**$ 0.07**	$ 0.09

The notes on pages 10 to 48 are an integral part of these audited consolidated financial statements.

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

	2011						
	Share capital		Share capital to be issued	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount					
Balance at January 1, 2011	**22,017,564**	**$ 12,630**	**$ 567**	**$ 2,064**	**$ 2,081**	**$ 4,736**	**$ 22,078**
Total comprehensive income							
Net Income	-	-	-	-	-	2,001	**2,001**
Other comprehensive income :							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	135	-	**135**
Gains on foreign exchange contracts transferred to net income in the current year, net of tax	-	-	-	-	(1,638)	-	**(1,638)**
Unrealized net gains on translation of financial statements of self-sustaining foreign operations	-	-	-	-	87	-	**87**
Other comprehensive loss	-	-	-	-	(1,416)	-	**(1,416)**
Total comprehensive income	-	$ -	$ -	$ -	$ (1,416)	$ 2,001	**$ 585**
Transactions with owners, recorded directly in equity							
Cancelled shares following issuer bid	(269,200)	(155)	-	-	-	(263)	**(418)**
Compensation expense on options granted	-	-	-	104	-	-	**104**
Share options exercised	132,500	218	-	(54)	-	-	**164**
Dividend on common shares	-	-	-	-	-	(2,368)	**(2,368)**
Shares issued in relation to a business acquisition	1,000,000	567	(567)	-	-	-	**-**
Total transactions with owners	863,300	630	(567)	50	-	(2,631)	**(2,518)**
Balance at December 31, 2011	**22,880,864**	**$ 13,260**	**$ -**	**$ 2,114**	**$ 665**	**$ 4,106**	**$ 20,145**

The notes on pages 10 to 48 are an integral part of these audited consolidated financial statements.

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

	2012					
	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount				
Balance at January 1, 2012	**22,880,864**	**$ 13,260**	**$ 2,114**	**$ 665**	**$ 4,106**	**$ 20,145**
Total comprehensive income						
Net income	-	-	-	-	1,578	**1,578**
Other comprehensive income :						
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	434	-	**434**
Gains on foreign exchange contracts transferred to net income in the current year, net of tax	-	-	-	(778)	-	**(778)**
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	-	-	-	(15)	-	**(15)**
Other comprehensive loss	-	-	-	(359)	-	**(359)**
Total comprehensive income	-	$ -	$ -	$ (359)	$ 1,578	**$ 1,219**
Transactions with owners, recorded directly in equity						
Cancelled shares following issuer bid	(53,800)	(31)	-	-	(45)	**(76)**
Compensation expense on options granted	-	-	45	-	-	**45**
Share options exercised	82,500	84	(18)	-	-	**66**
Dividend on common shares	-	-	-	-	(2,175)	**(2,175)**
Total transactions with owners	28,700	53	27	-	(2,220)	**(2,140)**
Balance at December 31, 2012	**22,909,564**	**$ 13,313**	**$ 2,141**	**$ 306**	**$ 3,464**	**$ 19,224**

The notes on pages 10 to 48 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended December 31,
(in thousands of dollars)

	Note	2012	2011
Cash flows from operating activities			
Net income		**$ 1,578**	$ 2,001
Adjustments for:			
Depreciation of fixed assets	*8*	**789**	688
Amortization of intangible assets	*10*	**752**	792
Change in the fair value of restructured notes and put option		**(86)**	(64)
Income tax expense	*21*	**571**	877
Capitalized finance costs on long-term debt		**174**	210
Compensation expense on share options granted	*24*	**45**	104
Foreign exchange contracts cashed in advance		**786**	-
Gains on foreign exchange contracts cashed in advance and transferred to net income		**(834)**	(2,076)
Loss on the sale of fixed assets		**20**	-
Unrealized foreign exchange loss (gain) on non-current monetary items		**(46)**	107
Interest cost		**654**	540
		4,403	3,179
Net changes in non-cash operating items	*23*	**418**	1,258
Increase in long-term loans		**-**	(21)
Proceeds from long-term loans		**322**	97
Income tax paid		**(289)**	(142)
Net cash from operating activities		**4,854**	4,371
Cash flows used in investing activities			
Receipts of long-term investments		**84**	100
Change in restricted cash		**1,100**	400
Proceeds from sales of fixed assets		**32**	29
Deposit on purchase of fixed assets		**(125)**	-
Additions to fixed assets	*8*	**(10,894)**	(515)
Increase in intangible assets	*10*	**(178)**	(621)
Net cash used in investing activities		**(9,981)**	(607)
Cash flows from (used in) financing activities			
Change in bank loans		**(75)**	(1,915)
Increase in long-term debt		**16,664**	2,628
Repayment of borrowings		**(10,484)**	(3,410)
Interest paid		**(657)**	(539)
Transaction costs related to a long-term debt		**(74)**	(16)
Repurchase of common shares		**(76)**	(418)
Proceeds from exercise of share options		**66**	164
Dividend paid on common shares	*16C*	**(2,175)**	(2,368)
Net cash from (used in) financing activities		**3,189**	(5,874)
Net change in cash		**(1,938)**	(2,110)
Cash at January 1		**3,931**	6,041
Cash at December 31		**$ 1,993**	$ 3,931

The notes on pages 10 to 48 are an integral part of these audited consolidated financial statements.

1 . Reporting entity

Savaria Corporation is a company domiciled in Canada. The address of its registered office is 2724 Etienne-Lenoir, Laval, Quebec. The consolidated financial statements of the Corporation as at and for the years ended December 31, 2012 and 2011 comprise the accounts of Savaria Corporation and its wholly-owned subsidiaries (together referred to as the "Corporation"). The activities of the Corporation consist of manufacturing, installing and distributing elevators, platform lifts and stairlifts for people with mobility challenges as well as converting and adapting vehicles also for persons with mobility challenges.

2 . Basis of presentation

A) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of annual financial statements.

These consolidated financial statements have been audited by the Corporation's auditors and were approved by the Board of Directors on March 28, 2013.

B) Basis of measurement

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

- derivative financial instruments are measured at fair value;
- long-term investments in restructured notes and put option are measured at fair value.

C) Functional and presentation currency

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

D) Use of estimates and judgements

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

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

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

- goodwill;
- measurement of the fair value of the financial instruments, including derivatives, investments in restructured notes and put option.

3 . Significant accounting policies

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

A) Basis of consolidation

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

Subsidiaries

Savaria Concord Lifts Inc. ("Savaria Concord")

Savaria USA Inc. (formerly known as Weber Accessibility Systems, Inc.) ("Savaria USA")

Concord Elevator Holdings Inc. - inactive

Savaria (Huizhou) Mechanical Equipment Manufacturing Co., LTD ("Savaria Huizhou")

Concord Elevator (London) Ltd. ("Concord London")

Savaria Lifts Ltd. ("Savaria Lifts")

Van-Action (2005) Inc. ("Van-Action")

Freedom Motors Inc. ("Freedom")

Intercompany balances and transactions, and any unrealized revenue and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

B) Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

3 . Significant accounting policies (continued)

C) Financial instruments

(i) Non-derivative financial assets and liabilities

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

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

Financial assets at fair value through net income

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

Held-to-maturity financial assets

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

Loans and receivables

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

Cash and restricted cash consist of bank balances and temporary investments with an initial maturity of three months or less as well as bank loans used in cash management.

Trade receivables are occasionnally renegotiated as long-term loans. In these cases, the Corporation requires sufficient securities and personal guarantees to cover the amount of the loan.

(ii) Other financial liabilities

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

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

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

3 . Significant accounting policies (continued)

(iii) Derivative financial instruments, including hedge accounting

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

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

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

Cash flow hedges

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

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

Separable embedded derivatives

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

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

(iv) Fair value measurements

Fair value measurements are based on a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly including inputs and quoted prices in markets that are not considered to be active;
- Level 3 – Inputs that are not based on observable market data.

3 . Significant accounting policies (continued)

D) Share capital

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

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

E) Fixed assets

(i) Recognition and measurement

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

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

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of fixed assets, and are recognized within other income (costs) in net income.

(ii) Subsequent costs

The cost of replacing a part of an item of fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in net income as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net income on a straight-line basis over the estimated useful lives of each part of an item of fixed assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

· Building	35 years
· Major components related to the building	4 to 26 years
· Machinery and equipment	5 to 15 years
· Office furniture	5 to 10 years
· Rolling stock	5 to 10 years
· Computer hardware	3 to 5 years
· Leasehold improvements	Terms of the leases

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

3 . Significant accounting policies (continued)

F) Goodwill and intangible assets

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

(i) Goodwill

Initial measurement

Goodwill that arises upon a business acquisition is measured at initial recognition as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net income.

Subsequent measurement

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

(ii) Research and development

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

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

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

(iii) Amortization

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

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

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

· Trademarks	5 years
· Client lists	5 to 10 years
· Distribution licences	5 years
· Maintenance contracts	5 to 10 years
· Leases at favourable rate	Terms of the leases
· Software	5 years
· Deferred development costs	3 years

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

3 . Significant accounting policies (continued)

G) Inventories

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

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

H) Impairment

(i) Non-derivative financial assets

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

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

Loans and receivables and held-to-maturity financial assets

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

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

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

(ii) Non-financial assets

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

3 . **Significant accounting policies (continued)**

(ii) Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

I) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the periods during which services are rendered by employees.

(ii) Share-based payment transactions

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

J) Provisions

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

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

3 . Significant accounting policies (continued)

K) Revenues

(i) Goods sold

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

(ii) Installation and maintenance contracts

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

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

L) Lease payments

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

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

M) Finance income and finance costs

Finance income comprises interest income on funds invested, fair value gain on financial assets at fair value through net income, and gains on ineffective portion of hedging instruments that are recognized in net income. Interest income is recognized as it accrues in net income, using the effective interest method.

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

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

N) Tax

Tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in net income except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

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

3 . Significant accounting policies (continued)

N) Tax (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable net income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but it is our intent to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

O) Earnings per share

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

P) Segment reporting

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated amounts comprise mainly assets, liabilities and head office expenses, such as depreciation, finance costs, income tax and other corporate expenses.

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

Q) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements.

IFRS 9 - *Financial Instruments*

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

3 . Significant accounting policies (continued)

IFRS 9 - *Financial Instruments* (continued)

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

- financial assets measured at amortized cost;

  or
- financial assets measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in net income except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 (2010) provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to net income at a later date.

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

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

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

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Corporation intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

IFRS 10 - *Consolidated Financial Statements*

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

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

The Corporation intends to adopt IFRS 10, including the amendments issued in June 2012, in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 10 has not yet been determined.

IFRS 13 - *Fair Value Measurement*

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

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

3 . Significant accounting policies (continued)

IFRS 13 - *Fair Value Measurement* (continued)

The Corporation intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Corporation does not expect IFRS 13 to have a material impact on the financial statements.

Amendments to IAS 1 - *Presentation of Financial Statements*

The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories.

The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.

The Corporation intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Corporation does not expect the amendments to IAS 1 to have a material impact on the financial statements.

Amendments to IAS 19 - *Employee Benefits*

The amendments have an impact on termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and when the entity can no longer withdraw the offer of the termination benefits.

The Corporation intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Corporation does not expect the amendments to IAS 19 to have a material impact on the financial statements.

Annual Improvements to IFRSs 2009-2011 Cycle – Various standards

The new cycle of improvements contains amendments to standard IAS 34 *Interim Financial Reporting,* Segment assets and liabilities, with consequential amendments to other standards and interpretations.

The Corporation intends to adopt the amendments to the standards in its financial statements for the annual period beginning on January 1, 2013. The Corporation does not expect the amendments to the standards to have a material impact on the financial statements.

4 . Cash

	2012	2011
Bank balances	**$ 5,218**	$ 3,931
Bank loans used in cash management (note 12)	**(3,225)**	-
Cash	**$ 1,993**	**$ 3,931**

Following the implementation, during 2012, of a process under which Canadian dollar bank accounts of the parent company and its subsidiairies are consolidated, debit and credit balances are presented in Cash on a net basis.

5 . Trade and other receivables

		2012		2011
Trade receivables	**$**	**11,430**	$	9,026
Less: Allowance for doubtful accounts		**(700)**		(628)
	$	**10,730**	$	8,398
Sales taxes recoverable		**593**		605
Other receivables		**269**		117
	$	**11,592**	**$**	**9,120**

The Corporation's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 25.

6 . Inventories

		2012		2011
Raw materials and sub-assembly components	**$**	**10,707**	$	11,745
Work in process		**392**		427
Finished goods		**1,701**		2,199
	$	**12,800**	**$**	**14,371**

In 2012, raw materials, sub-assembly components and changes in work in process and finished goods recognized as cost of sales amounted to $44,815,000 (2011-$42,381,000). In 2012, the write-down of inventories to net realizable value amounted to $80,000 (2011-$513,000) and the reversal of write-downs amounted to $29,000 (2011-none). The write-down and reversal are included in cost of sales.

As of December 31, 2012 and 2011, all of the above inventory was pledged as security for liabilities.

7 . Long-term loans

		2012		2011
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 $199,000 (US$200,000). The balance of the loan as at December 31, 2012 is $60,000 (US$60,000, 2011-US$80,000). The loan is without interest and is payable in ten annual instalments beginning in June 2006.	**$**	**60**	$	81
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 $298,000 (US$300,000) of which $75,000 (US$75,000) is the result of a transfer from accounts receivable. The balance of the loan as at December 31, 2012 is $119,000 (US$120,000, 2011-US$200,000). The loan is without interest, if sales volume objectives are met, and is payable in twelve monthly instalments of $5,000 (US$5,000) followed by 36 monthly instalments of $7,000 (US$7,000) beginning in July 2010.		**119**		203
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 $323,000 (US$325,000) which is the result of a transfer from accounts receivable. The balance of the loan as at December 31, 2012 is $110,000 (US$111,000, 2011-US$325,000). The loan bears interest at a rate of 5% and is payable in eighteen monthly instalments of $19,000 (US$19,000) beginning in January 2012.		**110**		331
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 which equals the balance as at December 31, 2012 is $195,000 (US$196,000) which is the result of a transfer from accounts receivable. The loan is without interest and is payable in six monthly instalments of $12,000 (US$12,000) followed by four monthly instalments of $31,000 (US$31,000) beginning in January 2013.		**195**		-

7 . Long-term loans (continued)

	2012	2011
The long-term loan is part of an exclusive distribution agreement for the Corporation's products with a Chinese company. The original amount of the loan is $22,000 (RMB140,000). The balance of the loan as at December 31, 2012 is $11,000 (RMB70,000, 2011-RMB140,000). The loan is without interest and is payable in four annual instalments beginning in December 2011.	**$ 11**	$ 23
Others	**40**	37
	$ 535	$ 675
Current	**$ 410**	$ 328
Non-current	**125**	347
	$ 535	**$ 675**

8 . Fixed assets

	Cost					
	Balance at January 1	Additions	Disposals	Write-offs	Effect of movements in exchange rates	Balance at December 31
2011						
Machinery and equipment	$ 3,505	$ 190	$ (43)	$ -	$ 10	$ 3,662
Office furniture	437	3	-	-	1	441
Rolling stock	567	195	(107)	-	3	658
Computer hardware	459	18	-	-	2	479
Leasehold improvements	1,568	109	-	-	5	1,682
	$ 6,536	**$ 515**	**$ (150)**	**$ -**	**$ 21**	**$ 6,922**
2012						
Land	**$ -**	**$ 4,134**	**$ -**	**$ -**	**$ -**	**$ 4,134**
Building	**-**	**6,165**	**-**	**-**	**-**	**6,165**
Machinery and equipment	**3,662**	**396**	**(115)**	**-**	**(1)**	**3,942**
Office furniture	**441**	**46**	**(74)**	**-**	**-**	**413**
Rolling stock	**658**	**123**	**(87)**	**-**	**-**	**694**
Computer hardware	**479**	**11**	**-**	**-**	**-**	**490**
Leasehold improvements	**1,682**	**19**	**-**	**(1,488)**	**(1)**	**212**
	$ 6,922	**$ 10,894**	**$ (276)**	**$ (1,488)**	**$ (2)**	**$ 16,050**

	Depreciation					
	Balance at January 1	Depreciation expense	Disposals	Write-offs	Effect of movements in exchange rates	Balance at December 31
2011						
Machinery and equipment	$ 2,604	$ 257	$ (38)	$ -	$ 2	$ 2,825
Office furniture	237	34	-	-	1	272
Rolling stock	154	132	(83)	-	1	204
Computer hardware	306	60	-	-	1	367
Leasehold improvements	1,305	205	-	-	3	1,513
	$ 4,606	**$ 688**	**$ (121)**	**$ -**	**$ 8**	**$ 5,181**
2012						
Building	**$ -**	**$ 134**	**$ -**	**$ -**	**$ -**	**$ 134**
Machinery and equipment	**2,825**	**279**	**(102)**	**-**	**-**	**3,002**
Office furniture	**272**	**49**	**(68)**	**-**	**-**	**253**
Rolling stock	**204**	**138**	**(54)**	**-**	**-**	**288**
Computer hardware	**367**	**49**	**-**	**-**	**-**	**416**
Leasehold improvements	**1,513**	**140**	**-**	**(1,488)**	**-**	**165**
	$ 5,181	**$ 789**	**$ (224)**	**$ (1,488)**	**$ -**	**$ 4,258**

8 . Fixed assets (continued)

	Carrying amount at December 31	
	2012	**2011**
Land	**$ 4,134**	$ -
Building	**6,031**	-
Machinery and equipment	**940**	837
Office furniture	**160**	169
Rolling stock	**406**	454
Computer hardware	**74**	112
Leasehold improvements	**47**	169
	$ 11,792	**$ 1,741**

As at December 31, 2012, office furniture and computer hardware included assets under finance leases with a net value of $67,000 (2011-$88,000) and $21,000 (2011-$25,000) respectively.

9 . Goodwill

Impairment testing for CGUs containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Corporation's operating divisions which represent the Corporation's operating segments.

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

	2012	**2011**
Accessibility	**$ 3,435**	$ 3,435
Adapted vehicles	**616**	616
	$ 4,051	**$ 4,051**

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

Values in use are determined by discounting the future cash flows generated from the continuing use of the units. Unless indicated otherwise, values in use in 2012 have been determined similarly as in 2011. The calculation of the values in use are based on the following key assumptions:

· Cash flows are projected over a period of five years based on past experience and actual operating results using a constant growth rate of 2% (2011-2%) for the Accessibility segment, and nil for the Adapted vehicles segment;

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

· A high and low pre-tax discount rate of 12.1% and 11% (2011-13.1% and 11.9%) is applied in determining the recoverable amount of the unit. The discount rate used is based on past experience and industry average weighted average cost of capital, which is based on a possible range of debt leveraging of 42% at a market interest rate of 3.5%;

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

10 . Intangible assets

	Cost									
	Balance at January 1		Additions		Additions internally developed [1]		Write-offs		Balance at December 31	
2011										
Trademarks	$	300	$	-	$	-	$	-	$	300
Client lists		1,821		-		-		-		1,821
Distribution licences		322		-		-		-		322
Maintenance contracts		870		-		-		-		870
Leases at favourable rate		17		-		-		-		17
Customer orders		260		-		-		(260)		-
Software		556		12		-		-		568
Deferred development costs		1,034		-		383		(389)		1,028
	$	**5,180**	**$**	**12**	**$**	**383**	**$**	**(649)**	**$**	**4,926**
2012										
Trademarks	**$**	**300**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**300**
Client lists		**1,821**		**-**		**-**		**-**		**1,821**
Distribution licences		**322**		**-**		**-**		**-**		**322**
Maintenance contracts		**870**		**-**		**-**		**-**		**870**
Leases at favourable rate		**17**		**-**		**-**		**-**		**17**
Software		**568**		**3**		**-**		**-**		**571**
Deferred development costs		**1,028**		**-**		**90**		**(150)**		**968**
	$	**4,926**	**$**	**3**	**$**	**90**	**$**	**(150)**	**$**	**4,869**

	Amortization								Carrying amount at December 31	
	Balance at January 1		Amortization expense		Write-offs		Balance at December 31			
2011										
Trademarks	$	-	$	60	$	-	$	60	$	240
Client lists		569		269		-		838		983
Distribution licences		38		64		-		102		220
Maintenance contracts		71		87		-		158		712
Leases at favourable rate		5		6		-		11		6
Customer orders		260		-		(260)		-		-
Software		445		41		-		486		82
Deferred development costs		598		265		(389)		474		554
	$	**1,986**	**$**	**792**	**$**	**(649)**	**$**	**2,129**	**$**	**2,797**
2012										
Trademarks	**$**	**60**	**$**	**60**	**$**	**-**	**$**	**120**	**$**	**180**
Client lists		**838**		**269**		**-**		**1,107**		**714**
Distribution licences		**102**		**64**		**-**		**166**		**156**
Maintenance contracts		**158**		**87**		**-**		**245**		**625**
Leases at favourable rate		**11**		**6**		**-**		**17**		**-**
Software		**486**		**42**		**-**		**528**		**43**
Deferred development costs		**474**		**224**		**(150)**		**548**		**420**
	$	**2,129**	**$**	**752**	**$**	**(150)**	**$**	**2,731**	**$**	**2,138**

[1] A tax credit of $85,000 (2011-$226,000) has been applied against the amount of additions to deferred development costs.

Amortization

Amortization is recognized in cost of sales, administrative expenses, selling expenses, engineering expenses and research and development expenses.

11 . Long-term investments

	2012	2011
Restructured notes (face value of $1,744,000, $1,863,000 at December 31, 2011)	**$ 1,401**	$ 1,282
Put option	**64**	181
	$ 1,465	$ 1,463
Current	**$ 636**	$ 710
Non-current	**829**	753
	$ 1,465	**$ 1,463**

Restructured notes

The Corporation holds investments with a face value of $1,744,000 (US$1,753,000) that are invested in restructured notes following the replacement of Asset-Backed Commercial Paper. These investments were valued at their fair value at year-end.

Valuation

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

Using this information, the Corporation was able to determine the key characteristics of each class of restructured notes received: face value, credit rating, interest rate, projected interest payments and maturity date. The Corporation then estimated the return that a prospective investor would require for each class of notes ("Required Yield") in order to calculate 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 affected by a number of factors including a lessening in the perceived risk of the MAV 2 Class A and C notes, improvements in the net asset value of certain tracking notes, volatility in the value of the US dollar in relation to the Canadian dollar and the simple passage of time. As a result of its analysis, the Corporation estimated the fair value of these notes to be $1,401,000 (US$1,408,000) as at December 31, 2012. The Corporation recorded a $203,000 (2011-$92,000) gain during the year. Following this change in value, there remains a balance of the reserve for impairment of $343,000 (2011-$581,000) (US$345,000, 2011-US$571,000).

It is to be pointed out that these notes are subject to uncertainty as to their eventual cash value. Although management believes that its valuation technique is appropriate under the circumstances, changes in significant assumptions could materially affect the value of the restructured notes in upcoming periods. The resolution of these uncertainties could result in the ultimate value of these investments varying significantly from management's current best estimates.

During the year, the Corporation received a total of $84,000 (2011-$100,000) (US$84,000, 2011-US$101,000) 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, 2012, the face value and estimated fair value of the remaining restructured notes are broken down as follows:

Restructuring notes	in thousands of US dollars		Expected maturity date
	Face value	Estimated fair value	
MAV 2 Notes			
A1 (rated A)	$ 835	$ 818	July 15, 2056
C	26	15	July 15, 2056
Ineligible asset-tracking notes			
MAV 2 - Class 13	132	86	March 20, 2014
MAV 3 - Class 25	760	489	December 25, 2036
Total investments	$ 1,753	$ 1,408	

11 . Long-term investments (continued)

In 2009, the Corporation signed two long-term financing agreements with its financial institution to ensure the sufficient availability of liquidity to meet its financial obligations while awaiting the disposal of the restructured notes. These agreements were renewed for an additional year during the second quarter of 2012 and now mature in March 2013 and March 2014. The loans are renewable on a yearly basis, following approval by the financial institution, up to a maximum of three years for the first agreement and two years for the second agreement.

The Corporation holds an option to assign to the bank the ownership of its ineligible asset-tracking notes as well as any proceeds therefrom as payment of 75% of the principal on the related debt. As at December 31, 2012, the Corporation estimated the fair value of this option at $64,000 (US$65,000) (December 31, 2011-$181,000; US$177,000). The estimated fair value is based on the balance of the portion of the loan related to this option, minus the fair value of the applicable restructured notes.

The Corporation also holds an option to assign to the bank the ownership of its MAV 2 notes as well as any proceeds therefrom as payment of 45% of the principal on the related debt. As at December 31, 2012, the Corporation estimated the fair value of this option to be nil. The estimated fair value is based on the balance of the portion of the loan related to the option, minus the fair value of the applicable restructured notes.

12 . Bank loans

On March 22, 2012, the Corporation entered into an agreement with its financial institution for the replacement of its lines of credit formerly held by Savaria Concord for $2,000,000 and Van-Action for $500,000, into a single line of credit in the amount of $5,000,000. It bears interest at prime plus 0.5%. The amount drawn on the line of credit may not exceed 90% of certain trade receivables that benefit from a grant, 80% of all other Canadian trade receivables, 65% of US trade receivables and 50% of raw material and finished goods inventory, after deduction of supplier trade receivables of less than 30 days, up to an amount of $5,000,000. A description of sureties given on the various banking agreements provided by the financial institution is available in note 25E. The balance of the line of credit amounted to $3,225,000 as at December 31, 2012 (December 31, 2011-$75,000).

13 . Trade and other payables

	2012	2011
Trade and accrued liabilities	**$ 6,604**	$ 5,169
Salaries and withholding taxes	**492**	530
Vacations payable	**409**	402
Sales tax payable	**13**	22
	$ 7,518	**$ 6,123**

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

14 . Long-term debt

This note provides information about the contractual terms of the Corporation's interest-bearing long-term debt, which is measured at amortized cost. For more information about the Corporation's exposure to interest rate, foreign currency and liquidity risk, see note 25.

14 . Long-term debt (continued)

	2012		2011	
Current liabilities				
Current portion of long-term debt	**$**	**3,589**	$	4,848
Current portion of obligation under capital leases		**30**		29
	$	**3,619**	**$**	**4,877**
Non-current liabilities				
Long-term debt	**$**	**15,425**	$	7,915
Obligations under capital leases		**39**		69
	$	**15,464**	**$**	**7,984**

Summary of borrowing arrangements

	2012		2011	
Loan with an original face value of $9,600,000 bearing interest at the bankers' acceptance rate, adjusted to a fixed rate for five years of 2.08% according to an interest rate swap agreement. To this rate is added a stamping fee of 1.5 %. A description of sureties given on the various banking agreements provided by the financial institution is available in note 25E. Repayable in monthly instalments of $53,000 plus interest, maturing in April 2027.	**$**	**9,162**	$	-
Loan with an original face value of $7,000,000 bearing interest at the bankers' acceptance rate, adjusted to a fixed rate for five years of 1.98% according to an interest rate swap agreement. To this rate is added a stamping fee of 1.5%. A description of sureties given on the various banking agreements provided by the financial institution is available in note 25E. Repayable in monthly instalments of $83,000 plus interest, maturing in April 2019. This loan replaces four other loans.		**6,309**		-
Loan with an original face value of $6,000,000 and a fair value of $5,604,000 bearing interest at prime rate minus 1% with an effective interest rate of prime plus 1.5%. Repayable in monthly instalments of $91,000 plus interest. This loan was replaced by a new loan in the amount of $7,000,000 on March 22, 2012.		**-**		2,559
Loan in the original amount of $4,000,000 bearing interest at prime rate plus 1%. Repayable in monthly instalments of $67,000 plus interest. 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. This loan was replaced by a new loan in the amount of $7,000,000 on March 22, 2012.		**-**		2,200
Loan in the original amount of $2,000,000 bearing interest at prime rate plus 1%. Repayable in monthly instalments of $33,000 plus interest. This loan was replaced by a new loan in the amount of $7,000,000 on March 22, 2012.		**-**		1,500
Loan in the original amount of $2,500,000 bearing interest at prime rate plus 1%. Repayable in monthly instalments of $42,000 plus interest for the first 24 months and $125,000 plus interest for the last 12 months. This loan was replaced by a new loan in the amount of $7,000,000 on March 22, 2012.		**-**		2,208
Loan in the original amount of US$1,472,000 with a balance of US$891,000 as at December 31, 2012, bearing interest at US prime rate less 1%. Only interest is payable on a monthly basis and a portion of the restructured notes having a carrying value of $572,000 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 2013 and is renewable for a one-year period, subject to the financial institution's approval, up to a maximum of three other 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 11).		**887**		987
Loan in the original amount of US$1,514,000 with a balance of US$912,000 as at December 31, 2012, bearing interest at US prime rate less 1%. Only interest is payable on a monthly basis and a portion of the restructured notes having a carrying value of $829,000 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 2014 and is renewable for a one-year period, subject to the financial institution's approval, up to a maximum of two other 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 11).		**908**		928

14 . Long-term debt (continued)

Summary of borrowing arrangements (continued)

	2012	2011
Loans in the total original amount of $233,000, at interest rates between 0% and 7.5%. Repayable in equal monthly instalments of $5,000 until April 2015, of $4,000 for the months of May and June 2015, of $3,000 between the months of July 2015 and February 2016 and of $1,000 for the months between March 2016 and December 2017, including principal and interest, maturing between April 2015 and December 2017.	**$ 166**	$ 150
Note payable related to a business acquisition with an original face value of $2,378,000 and a fair value of $2,035,000, bearing no interest with an effective interest rate of 6.5%. Repayable by way of a first instalment of $578,000 in February 2011, followed by 3 annual instalments of $600,000, maturing in February 2014.	**1,161**	1,690
Note payable related to a business acquisition with an original face value of $421,000 and a fair value of $395,000, bearing no interest with an effective interest rate of 6.5%. Repayable by way of a single instalment in August 2011 (note 30).	**421**	421
Note payable related to a business acquisition with an original face value of $206,000 and a fair value of $187,000, bearing no interest with an effective interest rate of 6.5%. Repayable by way of a first instalment of $82,000 in August 2011 followed by a second instalment of $124,000 in August 2012.	**-**	120
Finance lease liabilities with original amounts totalling $120,000, at an interest rate of 12.8%. Repayable in quarterly instalments of $7,000 until March 2015, followed by an instalment of $10,000 in June 2015 and $5,000 in September 2015, including principal and interest, maturing in June and September 2015. At the end of the lease period, the Corporation has the option of purchasing the equipment at fair market value.	**60**	79
Finance lease liability with an original amount of $29,000, without interest. Repayable in monthly instalments of $1,000 until December 2013. Terms of the lease include a bargain purchase price of one dollar at the end of the lease.	**9**	19
	$ 19,083	**$ 12,861**

Finance lease liabilities are payable as follows:

	December 31, 2012			December 31, 2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 37**	**$ 7**	**$ 30**	**$ 38**	**$ 9**	$ 29
Between one and five years	**43**	**4**	**39**	**80**	**11**	69
	$ 80	**$ 11**	**$ 69**	**$ 118**	**$ 20**	**$ 98**

15 . Warranty provisions

		2012
Balance at January 1	$	755
Provisions made during the year		627
Provisions used during the year		(563)
Balance at December 31	**$**	**819**
Current	$	356
Non-current		463
	$	**819**

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

16 . Capital and other components of equity

A) Share capital

Shares authorized

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

In February 2011, in accordance with the purchase agreement for Concord London, the Corporation issued 1 million common shares at a cost of $0.567 per share.

During 2012, the Corporation repurchased 53,800 common shares (2011-269,200 shares) at an average price of $1.42 (2011-$1.55) per share by way of a normal course issuer bid. The excess of the price paid over the book value of the repurchased shares has been recorded against retained earnings.

B) Accumulated Other Comprehensive Income (AOCI)

AOCI is comprised of the following separate components of equity:

Cumulative translation account

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

Unrealized gains/losses on cash flow hedges

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

C) Dividends

The following dividends were declared and paid by the Corporation:

For the year ended December 31

	2012		2011	
9.4 cents per qualifying common share (2011-10.2 cents)	**$**	**2,175**	$	2,368

17 . Revenue

	2012		2011	
Sale of goods	**$**	**61,714**	$	60,360
Rendering of services		**5,020**		4,914
	$	**66,734**	**$**	**65,274**

18 . Personnel expenses

	2012		2011	
Wages and salaries	**$**	**17,536**	$	18,506
Employment benefits		**2,394**		2,535
Contributions to defined contribution plans		**89**		91
Compensation expense on share options granted		**45**		104
	$	**20,064**	**$**	**21,236**

19 . Other costs

	2012	
Moving costs related to the cost of sales [(1)]	$	921
Moving costs related to administrative expenses [(1)]		95
Others		(26)
	$	**990**

[(1)] Moving costs related to the transfer of operations in Brampton, Ontario to a new building in the amount of $1,016,000.

20 . Finance income and finance costs

	Note	2012		2011	
Interest income		**$**	**30**	$	32
Net gain on foreign currency exchange			**-**		137
Change in the fair value of restructured notes and put option	*11*		**86**		64
Finance income		**$**	**116**	**$**	**233**
Interest on long-term debt		**$**	**732**	$	569
Interest expense and bank charges			**96**		181
Net loss on foreign currency exchange			**69**		-
Finance costs		**$**	**897**	**$**	**750**

21 . Tax

	2012		2011	
Current tax expense				
Current year	**$**	**575**	$	666
Deferred tax (benefit) expense				
Origination and reversal of temporary differences	**$**	**(4)**	$	206
Reduction in tax rate		**-**		5
	$	**(4)**	$	211
Total income tax expense	**$**	**571**	**$**	**877**

21 . Tax (continued)

Tax recognized in other comprehensive income

	2012			2011		
	Before tax	**Tax (expense) benefit**	**Net of tax**	**Before tax**	**Tax (expense) benefit**	**Net of tax**
Change in the fair value of foreign financial instruments designated as cash flow hedges	**$ 575**	**$ (141)**	**$ 434**	$ 182	$ (47)	$ 135
Gains on foreign exchange contracts transferred to net income in the year	**(1,041)**	**263**	**(778)**	(2,237)	599	(1,638)
Unrealized net (gains) losses on translation of financial statements of self-sustained foreign operations	**(15)**	**-**	**(15)**	87	-	87
	$ (481)	**$ 122**	**$ (359)**	**$ (1,968)**	**$ 552**	**$ (1,416)**

Reconciliation of effective tax rate

	2012		2011	
Net income		**$ 1,578**		$ 2,001
Total tax expense		**571**		877
Income before tax expense		**$ 2,149**		$ 2,878
Tax using the Corporation's domestic tax rate	**25.3%**	**$ 544**	26.8%	$ 771
Change in accounting estimates	**0.8%**	**17**	3.5%	101
Reversal of unrecognized tax benefit related to capital losses on investment devaluation	**(2.8)%**	**(61)**	(0.4)%	(13)
Effect of differences in tax rates in other jurisdictions	**(0.2)%**	**(5)**	(1.0)%	(28)
Non-deductible compensation expense on share options granted	**0.5%**	**11**	1.0%	29
Other non deductible expenses	**3.0%**	**65**	1.0%	28
Effect of changes in tax rate	**-**	**-**	0.2%	5
Others	**-**	**-**	(0.6)%	(16)
	26.6%	**$ 571**	**30.5%**	**$ 877**

Reconciliation of change in applicable tax rate

	2012	2011
Applicable tax rate for the previous year	**26.8%**	29.1%
Change in the applicable federal tax rate	**(1.5)%**	(1.5)%
Change in the applicable Ontario tax rate	**-**	(0.8)%
Applicable tax rate for the current year	**25.3%**	26.8%

21 . Tax (continued)

Unrecognized deferred tax assets

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

	2012	2011
Non-capital losses carried forward	**$ 995**	$ 977
Capital losses carried forward	**$ 57**	$ 94

Non-capital tax losses in the amount to $995,000 at the US federal level and $602,000 at the US State level expire between 2014 and 2032. Capital tax losses in the amount of $57,000 at the Canadian federal and Quebec level do not expire.

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

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are recorded as follows:

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Losses carried forward	**$ 1,114**	$ 1,056	**$ -**	$ -	**$ 1,114**	$ 1,056
Deferred development costs	**72**	247	**(75)**	(54)	**(3)**	193
Non-deductible provisions (including warranty and inventory)	**451**	437	**-**	-	**451**	437
Fixed assets	**94**	77	**(21)**	(14)	**73**	63
Investment tax credits	**26**	-	**(268)**	(241)	**(242)**	(241)
Intangible assets	**87**	94	**(353)**	(421)	**(266)**	(327)
Foreign exchange contracts and interest rate agreements	**78**	-	**-**	(32)	**78**	(32)
Others	**178**	188	**(46)**	(126)	**132**	62
Tax assets (liabilities)	**$ 2,100**	$ 2,099	**$ (763)**	$ (888)	**$ 1,337**	$ 1,211
Set-off of tax	**(614)**	(746)	**614**	746	**-**	-
Net tax assets (liabilities)	**$ 1,486**	**$ 1,353**	**$ (149)**	**$ (142)**	**$ 1,337**	**$ 1,211**

The Corporation and certain of its subsidiaries that are in a net deferred tax asset position in the amount of $900,000 have incurred losses in the current year. The Corporation considers that it will most likely realize these deferred tax assets.

Movement in recognized deferred tax assets and liabilities during the year

	Balance January 1, 2011	Recognized in net income	Recognized in other comprehensive income	Balance December 31, 2011
Losses carried forward	$ 1,069	$ (13)	$ -	$ 1,056
Deferred development costs	130	63	-	193
Non-deductible provisions (including warranty and inventory)	364	73	-	437
Fixed assets	30	33	-	63
Investment tax credits	(227)	(14)	-	(241)
Intangible assets	(464)	137	-	(327)
Accumulated other comprehensive income	(29)	(555)	552	(32)
Others	(3)	65	-	62
	$ 870	**$ (211)**	**$ 552**	**$ 1,211**

21 . Tax (continued)

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

	Balance January 1, 2012	Recognized in net income	Recognized in other comprehensive income	Balance December 31, 2012
Losses carried forward	$ 1,056	$ 58	$ -	$ 1,114
Deferred development costs	193	(196)	-	(3)
Non-deductible provisions (including warranty and inventory)	437	14	-	451
Fixed assets	63	10	-	73
Investment tax credits	(241)	(1)	-	(242)
Intangible assets	(327)	61	-	(266)
Accumulated other comprehensive income	(32)	(12)	122	78
Others	62	70	-	132
	$ 1,211	$ 4	$ 122	$ 1,337

22 . Earnings per share

A) Basic earnings per share

The calculation of basic earnings per share at December 31, 2012 was based on net income of $1,578,000 (2011-$2,001,000), and a weighted average number of common shares outstanding of 22,898,122 (2011-22,875,048), calculated as follows:

Weighted average number of common shares

	2012	2011
Issued common shares at January 1	22,880,864	22,017,564
Cancelled shares following issuer bid	(28,575)	(158,558)
Effect of share purchase options exercised	45,833	99,375
Effect of shares issued related to a business combination	-	916,667
Weighted average number of common shares at December 31	22,898,122	22,875,048

B) Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2012 was based on net income of $1,578,000 (2011-$2,001,000), and a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 23,116,051 (2011-23,245,505), calculated as follows:

Weighted average number of common shares (diluted)

	2012	2011
Weighted average number of basic common shares	22,898,122	22,875,048
Effect on potential dilutive securities stock options	217,929	370,457
Weighted average number of diluted common shares at December 31	23,116,051	23,245,505

At December 31, 2012, 250,000 options (2011-225,000) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

The average market value of the Corporation's shares for purposes of calculating the dilutive effect of share purchase options was based on quoted market prices for the period during which the options were outstanding.

23 . Cash flows

A) Net changes in non-cash operating items

	2012	2011
Trade and other receivables	**$ (2,665)**	$ 995
Tax credits receivable	**(177)**	354
Inventories	**1,571**	165
Prepaid expenses	**95**	307
Trade and other payables	**1,398**	(424)
Deferred revenues	**132**	(113)
Warranty provision	**64**	(26)
	$ 418	**$ 1,258**

B) Non-cash transactions

In 2012, there was a non-cash transaction related to the conversion of an account receivable to a long-term loan in the amount of $193,000 (2011-$329,000) as well as an amount of tax credits receivable that was applied against income taxes payable in the amount of $432,000 (2011-$277,000) and $85,000 (2011-$226,000) against deferred development costs.

24 . Share-based payments

The Corporation has set-up a stock option plan for its directors, members of management, employees and consultants, under which the Board of Directors may grant options to purchase common shares of the Corporation at an exercise price established by the Board. The exercise price is the closing price of the day preceding the option grant date. Options generally vest between one and five years from the date of grant and must be exercised within a maximum of six years, except in the event of retirement, termination of employment or death. Exercised options are settled in shares. At December 31, 2012, 1,216,000 options could still be granted by the Corporation (December 31, 2011-937,000).

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

Year ended December 31	Number of options granted	Risk-free interest rate [(1)]	Dividend yield [(1)]	Expected volatility [(1)]	Expected term
2012	**125,000**	**1.16%**	**6.56%**	**40%**	**3 years**
2011	131,250	2.42%	10%	62%	3 to 5 years

[(1)] Weighted average

The estimated fair value of the options granted in 2012 is $33,000 (2011-$49,000). This amount is amortized and charged to earnings as the rights to exercise are vested.

The compensation expense in the amount of $45,000 (2011-$104,000) on options granted to employees and directors has been recognized in administrative expenses and credited to contributed surplus.

24 . Share-based payments (continued)

	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	**1,425,000**	**$ 1.14**	1,701,250	$ 1.15
Granted	**125,000**	**1.59**	131,250	1.62
Exercised	**(82,500)**	**0.81**	(132,500)	1.24
Expired	**(260,000)**	**1.38**	(75,000)	1.70
Forfeited	**(143,750)**	**0.96**	(200,000)	0.95
Outstanding at December 31	**1,063,750**	**$ 1.19**	**1,425,000**	**$ 1.14**
Exercisable at December 31	**792,916**	**$ 1.20**	**868,957**	**$ 1.20**

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

2012				2011			
	Options outstanding				Options outstanding		
Exercise price	Number	Weighted average years to maturity	Options exercisable	Exercise price	Number	Weighted average years to maturity	Options exercisable
$0.90	**50,000**	**2.4**	**16,666**	$0.64	50,000	0.2	50,000
0.95	**417,500**	**1.6**	**284,167**	0.81	18,750	0.2	18,750
1.10	**27,500**	**0.1**	**27,500**	0.90	50,000	3.4	-
1.17	**100,000**	**0.7**	**83,333**	0.95	525,000	2.5	179,166
1.25	**200,000**	**4.4**	**200,000**	1.07	60,000	2.5	20,000
1.30	**12,500**	**0.2**	**12,500**	1.10	52,500	1.1	37,500
1.41	**6,250**	**1.2**	**6,250**	1.17	125,000	1.6	91,666
1.55	**25,000**	**3.9**	**-**	1.25	200,000	0.1	200,000
1.59	**50,000**	**3.1**	**12,500**	1.30	12,500	1.2	12,500
1.60	**100,000**	**2.2**	**75,000**	1.35	100,000	0.9	100,000
1.65	**75,000**	**1.2**	**75,000**	1.41	6,250	2.2	3,125
-	**-**	**-**	**-**	1.59	150,000	1.8	100,000
-	**-**	**-**	**-**	1.65	75,000	2.2	56,250
$0.90 to $1.65	**1,063,750**	**2.2**	**792,916**	$0.64 to $1.65	1,425,000	1.7	868,957

25 . Financial instruments

A) Financial risk management

Overview

The Corporation has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Corporation's exposure to each of the above risks, and the Corporation's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

25 . Financial instruments (continued)

A) Financial risk management (continued)

The Corporation's Audit Committee oversees how management monitors compliance with the Corporation's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation.

B) Credit risk

Cash, restricted cash and derivative financial instruments 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 instruments is negligible. Investments in restructured notes are subject to uncertainty as to their eventual cash value (note 11).

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 and long-term loans are presented on the financial position net of an allowance for impairment loss. The allowance is based on the Corporation's best estimate as to the probability of collecting uncertain accounts. Uncertainty regarding the collection of accounts may 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.

The Corporation holds personnal assets as security on long-term loans that it has with dealers.

Exposure to credit risk

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

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

	2012	2011
Domestic	**$ 5,232**	$ 4,616
United States	**5,759**	4,500
Other regions	**974**	585
	$ 11,965	**$ 9,701**

Impairment loss

The aging of trade receivables at the reporting date was:

	2012		2011	
	Gross	Allowance	Gross	Allowance
Current, 0-60 days	**$ 7,858**	**$ -**	$ 6,087	$ -
Past due, 61-90 days	**1,310**	**55**	1,211	50
Past due, over 90 days	**2,262**	**645**	1,728	578
	$ 11,430	**$ 700**	**$ 9,026**	**$ 628**

25 . Financial instruments (continued)

B) Credit risk (continued)

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

	2012	2011
Balance at January 1	$ 628	$ 653
Increase in the allowance for doubtful accounts	81	141
Write-off of receivables:		
Accessibility segment	(7)	(163)
Adapted vehicles segment	(2)	(3)
Balance at December 31	$ 700	$ 628

The allowance account in respect of trade receivables is used to record impairment losses unless the Corporation is satisfied that no recovery of the amount owing is possible; at which point, the amounts are considered irrecoverable and are written off against the financial asset directly.

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 insure that sufficient liquidity is available to meet current obligations, the Corporation maintains similar payment terms with its customers as it has with its suppliers.

As at December 31, 2012, the Corporation had, at its disposal, working capital of $14,550,000 (December 31, 2011-$16,377,000) and unused credit facilities of $1,775,000 (December 31, 2011-$2,425,000).

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

	2012					
	Carrying amount	Contractual cash flows	1 year	2 to 3 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities						
Trade and other payables	$ 7,518	$ 7,518	$ 7,518	$ -	$ -	$ -
Long-term debt, including current portion	19,152	21,590	4,065	5,605	3,789	8,131
	$ 26,670	$ 29,108	$ 11,583	$ 5,605	$ 3,789	$ 8,131
Derivative financial liabilities						
Interest rate swap agreements	$ 291	$ 297	$ 118	$ 147	$ 32	$ -

25 . Financial instruments (continued)

C) Liquidity risk (continued)

	2011					
	Carrying amount	Contractual cash flows	1 year	2 to 3 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities						
Bank loans	$ 75	$ 75	$ 75	$ -	$ -	$ -
Trade and other payables	6,123	6,123	6,123	-	-	-
Long-term debt, including current portion	12,861	13,420	5,119	7,942	359	-
	$ 19,059	**$ 19,618**	**$ 11,317**	**$ 7,942**	**$ 359**	**$ -**

D) Market risk

i) Currency risk

The Corporation realizes approximately 53% (2011-50%) 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 forward foreign exchange contracts. Those contracts oblige the Corporation to sell US dollars at a fixed rate.

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

The Corporation has at its disposal a line of treasury in the amount of $4,500,000 in order to cover foreign exchange risks associated with its forward foreign exchange contracts, of which $3,150,000 is garanteed by Export Development Canada.

At December 31, 2012, the Corporation did not have any commitments to sell currencies since it cashed in advance the contracts that it held.

The following tables summarize the caracteristics of the foreign exchange contracts at December 31, 2011:

Maturity	Type	Average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.0294	$9,600
12 to 24 months	Sale	1.0295	$8,700
24 to 36 months	Sale	1.0302	$4,500
		1.0296	**$22,800**

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.

25 . Financial instruments (continued)

i) Currency risk (continued)

The fair value of the derivative financial instruments which are presented as "Accumulated other comprehensive income (loss)", before income taxes of $157,000 (December 31, 2011-$201,000), is as follows as at December 31:

	2012	2011
Unrealized gains on forward exchange contracts maturing in the next twelve months	**$ -**	$ 83
Gains on forward exchange contracts cashed in advance that will be recognized in the next twelve months	**391**	667
	$ 391	$ 750
Unrealized gains on forward exchange contracts maturing after the next twelve months	**$ -**	$ 44
Gains on forward exchange contracts cashed in advance that will be recognized after the next twelve months	**229**	-
	$ 229	$ 44
	$ 620	**$ 794**

As at December 31, 2012 and 2011, 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 "Net change in fair value of derivative financial instruments designated as cash flow hedges".

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

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

(in thousands of US dollars)

	2012	2011
Cash	**$ 5,160**	$ 2,130
Trade and other receivables	**5,533**	3,991
Long-term loans, including current portion	**487**	605
Trade and other payables	**(670)**	(602)
Long-term debt, including current portion	**(1,804)**	(1,883)
Total monetary items denominated in US dollars	**$ 8,706**	**$ 4,241**

As at December 31, 2012, with other variables unchanged, an upward or downward change of $0.01 in the value of the Canadian dollar against the US dollar would have the effect of decreasing or increasing "Finance income (costs)" in the amount of $87,000 (December 31, 2011-$42,000), $65,000 (December 31, 2011-$31,000) net of income taxes.

ii) Interest rate risk

The Corporation's interest rate risk arises from long-term loans, long-term investments, bank loans and long-term debt. Investments and 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.

The Corporation has at its disposal a line of treasury up to a maximum amount of $610,000 to cover any potential loss in converting its variable interest rate long-term debt in the amount of $9,600,000 and $7,000,000 to a fixed rate.

25 . Financial instruments (continued)

ii) Interest rate risk (continued)

In April 2012, the Corporation entered into interest rate swap agreements.

Original face value		Fixed interest rate	Maturity date
$	7,000	1.98%	April 13, 2017
$	9,600	2.08%	April 13, 2017

These instruments were designated as hedging for accounting purposes. The total balance of the loans that are subject to the swaps is $15,471,000 at December 31, 2012 (December 31, 2011- none).

The fair value of the financial instruments which are presented as "Accumulated other comprehensive income (loss)", before income taxes of $78,000 (December 31, 2011-none), is as follows as at December 31:

	2012		2011	
Unrealized losses on interest rate swap agreements applicable to the current portion of long-term debt	**$**	**117**	$	-
Unrealized losses on interest rate swap agreements applicable to the non-current portion of long-term debt		**174**		-
	$	**291**	**$**	**-**

Impact on the profit or loss of interest rate risks on monetary items with a variable interest rate:

	2012		2011	
Bank loans	**$**	**3,225**	$	75
Long-term debt, including current portion and excluding debt that is covered by interest rate swap agreements		**1,795**		10,382
Total monetary items with a variable interest rate	**$**	**5,020**	**$**	**10,457**

As at December 31, 2012 and 2011, with other variables unchanged, an upward change of 100 basis points in the prime rate would only have a negligeable impact on net income and would result in an increase of "Other comprehensive income (loss)" in the amount of $363,000 (2011-none) net of income taxes. A downward change of 100 basis points in the prime rate would only have a negligeable impact on net income and would result in a decrease of "Other comprehensive income (loss)" in the amount of $379,000 (2011-none) net of income taxes.

iii) Price risk

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

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

25 . Financial instruments (continued)

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Foreign exchange forward contracts	$ -	$ -	$ 127	$ 127
Long-term investments in restructured notes	1,401	1,401	1,282	1,282
Put option	64	64	181	181
	$ 1,465	$ 1,465	$ 1,590	$ 1,590
Assets carried at amortized cost				
Cash	$ 1,993	$ 1,993	$ 3,931	$ 3,931
Restricted cash	-	-	1,100	1,100
Trade and other receivables	10,999	10,999	8,515	8,515
Long-term loans	535	511	675	627
	$ 13,527	$ 13,503	$ 14,221	$ 14,173
Liabilities carried at fair value				
Interest rate swap agreements	$ 291	$ 291	$ -	$ -
Liabilities carried at amortized cost				
Bank loans	$ -	$ -	$ 75	$ 75
Trade and other payables	7,518	7,518	6,123	6,123
Long-term debt	19,083	19,139	12,861	12,843
	$ 26,601	$ 26,657	$ 19,059	$ 19,041

The basis for determining fair value is disclosed in note 27.

Fair values hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

	Level 1	Level 2	Level 3	Total
2012				
Long-term investments in restructured notes	$ -	$ -	$ 1,401	$ 1,401
Put option	-	-	64	64
Interest rate swap agreements	-	(291)	-	(291)
	$ -	$ (291)	$ 1,465	$ 1,174
2011				
Foreign exchange forward contracts	$ -	$ 127	$ -	$ 127
Long-term investments in restructured notes	-	-	1,282	1,282
Put option	-	-	181	181
	$ -	$ 127	$ 1,463	$ 1,590

25 . Financial instruments (continued)

Fair values hierarchy (continued)

During the years ended on December 31, 2012 and 2011, the reconciliation of items evaluated using unobservable inputs (Level 3) is as follows :

	Long-term investments in restructured notes		Put option	
Balance at January 1, 2011	$	1,290	$	209
Change in the fair value of restructured notes		55		(28)
Change in foreign currency exchange rates		31		3
Impact on the value of the put option related to the disposal of restructured notes		-		(3)
Capitalized interest on long-term debt		6		-
Total gains (losses) recognized as "Finance income (costs)"		92		(28)
Repayment of capital following the disposal of restructured notes		(100)		-
Balance at December 31, 2011	**$**	**1,282**	**$**	**181**
Change in the fair value of restructured notes	**$**	**220**	**$**	**(87)**
Change in foreign currency exchange rates		**(22)**		**2**
Impact on the value of the put option related to the disposal of restructured notes		**-**		**(32)**
Capitalized interest on long-term debt		**5**		**-**
Total gains (losses) recognized as "Finance income (costs)"		**203**		**(117)**
Repayment of capital following the disposal of restructured notes		**(84)**		**-**
Balance at December 31, 2012	**$**	**1,401**	**$**	**64**

E) Capital management

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

	2012		2011	
Cash	**$**	**(1,993)**	$	(3,931)
Restricted cash		**-**		(1,100)
Long-term investments, including current portion		**(1,465)**		(1,463)
Bank loans		**-**		75
Long-term debt, including current portion		**19,083**		12,861
	$	**15,625**	$	6,442
Equity		**19,224**		20,145
Total capital structure	**$**	**34,849**	**$**	**26,587**

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Corporation defines as result from operating activities divided by total shareholders’ equity. Management also monitors the level of dividends to common shareholders.

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

25 . Financial instruments (continued)

E) Capital management (continued)

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

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

Furthermore, the Corporation has given the following assets as surety on its various banking arrangements: a first ranking movable hypothec in the amount of $50,000,000 on the Corporation and its subsidiaries' overall assets, a guarantee pursuant to Section 427 of the Bank Act on inventories, a first ranking movable hypothec in the amount of $9,700,000 on the Corporation's building as well as a surety bond in the amount of $50,000,000 covering all of the Corporation's subsidiaries.

From time to time, the Corporation purchases its own shares on the market; the timing of these purchases depends on market prices.

There were no changes in the Corporation’s approach to capital management during the year.

Neither the Corporation, nor any of its subsidiaries, are subject to externally imposed capital requirements.

26 . Commitments

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2012	**2011**
Less than 1 year	**$ 780**	$ 1,508
Between 1 and 5 years	**1,422**	319
	$ 2,202	**$ 1,827**

The Corporation concluded lease agreements for the rental of its premises and entered into operating leases for rolling stock and equipment. The building leases run for remaining periods between 5 and 52 months, with most leases having an option to renew after that date.

During the year ended December 31, 2012, an amount of $520,000 was recognized in cost of sales and an amount of $456,000 was recognized in operating costs in respect of operating leases (2011-$1,272,000 and $499,000).

27 . Determination of fair values

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

A) Fixed assets

The fair value of fixed assets recognized as a result of a business combination is based on market values. The fair value of items of equipment, office furniture, rolling stock, computer hardware and leasehold improvements is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

B) Intangible assets

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

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

C) Inventories

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

D) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

E) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swap arrangements is estimated by discounting the difference between the contractual interest rate and market rates over the value of the loans.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Corporation entity and counterparty when appropriate.

F) Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

G) Share-based payment transactions

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

28 . Government assistance

During 2012, the Corporation recorded scientific research and experimental development tax credits of $320,000 (2011-$272,000). An overall amount of $156,000 has not yet been assessed by the tax authorities.

The Corporation also recorded $142,000 (2011-$86,000) in apprenticeship tax credits which have not yet been assessed by the tax authorities.

These credits were accounted for as follows:

	2012	2011
Decrease in deferred development costs	**$ 85**	$ 226
Decrease in cost of sales	**145**	87
Decrease in administrative expenses	**5**	-
Decrease in research and development expenses	**227**	45
	$ 462	**$ 358**

29 . Operating segments

Information about the operating segments

The Corporation's business structure is divided into two segments based on differences in the products offered: 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 mobility challenges (Adapted Vehicles).

	2012			2011		
	Accessibility	Adapted Vehicles	Total	Accessibility	Adapted Vehicles	Total
External revenues	**$ 52,488**	**$ 14,246**	**$ 66,734**	$ 50,319	$ 14,955	$ 65,274
Income before income tax and unallocated amounts	**$ 4,202**	**$ 1,071**	**$ 5,273**	$ 4,982	$ 787	$ 5,769
Segment's assets	**$ 28,219**	**$ 7,851**	**$ 36,070**	$ 32,153	$ 8,222	$ 40,375
Segment's liabilities	**$ 9,675**	**$ 1,279**	**$ 10,954**	$ 7,263	$ 2,452	$ 9,715
Capital expenditures	**$ 777**	**$ 16**	**$ 793**	$ 677	$ 459	$ 1,136

Reconciliations of operating segments and the consolidated balances

	2012	2011
Income before income tax		
Total income of segments, before income tax and unallocated amounts	**$ 5,273**	$ 5,769
Unallocated amounts:		
Depreciation and amortization	**(1,541)**	(1,480)
Net finance costs	**(606)**	(552)
Other corporate expenses [(1)]	**(977)**	(859)
Income before income tax	**$ 2,149**	**$ 2,878**
Assets		
Total assets of segments	**$ 36,070**	$ 40,375
Unallocated amounts [(2)]	**13,310**	2,038
Total consolidated assets	**$ 49,380**	**$ 42,413**
Liabilities		
Total liabilities of segments	**$ 10,954**	$ 9,715
Unallocated amounts [(2)]	**19,202**	12,553
Total consolidated liabilities	**$ 30,156**	**$ 22,268**

[(1)] Salaries, professional fees and other corporate expenses not included in the segments' income

[(2)] Assets and liabilities not included in the assets and liabilities of the segments

29 . Operating segments (continued)

Reconciliations of operating segments and the consolidated balances (continued)

	2012	2011
Capital expenditures		
Total capital expenditures of segments	**$ 793**	$ 1,136
Unallocated amounts [(1)]	**10,279**	-
Total consolidated capital expenditures	**$ 11,072**	**$ 1,136**

[(1)] Capital expenditures by the parent company related to the purchase of a building not included in the sements' capital expenditure

Geographical information

	Revenue		Non-current assets	
	2012	2011	2012	2011
Domestic	**$ 30,329**	$ 31,296	**$ 20,734**	$ 12,091
United States	**29,407**	26,956	**12**	-
Other regions	**6,998**	7,022	**178**	220
	$ 66,734	**$ 65,274**	**$ 20,924**	**$ 12,311**

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

30 . Contingencies

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

The Corporation has received a claim with respect to the non-payment of the note payable related to the acquisition of Freedom. The Corporation has instituted a counter-claim with respect to this same transaction. The outcome of these claims cannot be determined at this time.

31 . Related parties

Transactions with key management personnel

A) Loan to a director

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 share capital and the number of issued stock options was increased by 200,000 options. Contingent loan repayments will result in a corresponding increase in share capital and, consequently, the number of options outstanding will be reduced. 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 $312,000 at December 31, 2012. Interest is compounded and payable on an annual basis while the principal is payable at maturity, on May 30, 2017.

B) Key management personnel compensation

	2012	2011
Short-term employee benefits	**$ 545**	$ 416
Share-based payments	**45**	34
	$ 590	**$ 450**

31 . Related parties (continued)

C) Key management personnel and director transactions

Directors of the Corporation control 67.6% percent of the voting shares of the Corporation.

The Corporation recorded an amount of $41,000 (2011-$84,000) for accounting and tax services rendered by an entity whose officer is a director and chief financial officer of the Corporation. Of this amount, $15,000 was recorded as Trade and other payables in the statement of financial position as at December 31, 2012 (December 31, 2011-none).