

**Sigma Industries Inc.**  
(previously Sigma Ventures Inc.)

Consolidated Financial Statements  
**April 26, 2008 and April 30, 2007**

## **Auditors' Report**

### **To the Shareholders of Sigma Industries Inc.**

We have audited the consolidated balance sheets of **Sigma Industries Inc.** as at April 26, 2008 and April 30, 2007 and the consolidated statements of earnings, retained earnings, comprehensive loss, accumulated other comprehensive loss and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 26, 2008 and April 30, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

### **Chartered Accountants**

Quebec, Quebec, Canada  
August 22, 2008

<sup>(1)</sup>  
“PricewaterhouseCoopers” refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.



## Sigma Industries Inc.

Consolidated Statements of Retained Earnings, Comprehensive Loss and Accumulated Other Comprehensive Loss  
For the years ended April 26, 2008 and April 30, 2007

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<b>Retained Earnings</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Balance – Beginning of year</b>	4,744,152	1,092,839
Adjustment related to the implementation of a new accounting standard (note 2)	16,035	-
Deferment of the expiry date of warrants issued as part of the private placement completed in May 2006 (note 11)	(41,707)	-
Net earnings (net loss) for the year	(550,438)	3,651,313
<b>Balance – End of year</b>	<b>4,168,312</b>	<b>4,744,152</b>
<b>Comprehensive Loss</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Net earnings (net loss) for the year</b>	(550,438)	3,651,313
Unrealized losses on available-for-sale financial assets arising during the year, net of related future income taxes of \$22,742	(48,328)	-
Translation adjustment of a self-sustaining foreign operation's financial statements (note 3)	(2,049)	-
<b>Comprehensive loss for the year</b>	<b>(600,815)</b>	<b>3,651,313</b>
<b>Accumulated Other Comprehensive Loss</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Balance – Beginning of year</b>	-	-
Adjustment related to the implementation of a new accounting standard (note 2)	44,125	-
Unrealized losses on available-for-sale financial assets arising during the year, net of future income tax benefits of \$22,742	(48,328)	-
Translation adjustment of a self-sustaining foreign operation's financial statements (note 3)	(2,049)	-
<b>Balance – End of year</b>	<b>(6,252)</b>	<b>-</b>

Total retained earnings and accumulated other comprehensive loss amount to \$4,162,060 and \$4,744,152 as at April 26, 2008 and April 30, 2007, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

(3)

# Sigma Industries Inc.

## Consolidated Statements of Earnings

For the years ended April 26, 2008 and April 30, 2007

	2008 \$	2007 \$
<b>Sales</b>	69,769,023	83,161,145
<b>Cost of sales and operating expenses before the following items</b>	<u>67,500,035</u>	<u>73,821,584</u>
	<u>2,268,988</u>	<u>9,339,561</u>
Interest on long-term debt	1,194,296	1,248,864
Other interest and bank charges	648,651	474,416
Depreciation of property, plant and equipment	1,640,474	1,112,043
Amortization of intangible assets	1,599,706	1,227,362
Amortization of deferred charges	46,995	169,737
Loss (gain) on disposal of property, plant and equipment	26,848	(4,882)
Foreign exchange gain	(51,235)	(71,747)
Gain on settlement of an insurance claim (note 5)	<u>(1,436,135)</u>	<u>-</u>
	<u>3,669,600</u>	<u>4,155,793</u>
<b>Earnings (loss) before income taxes</b>	<u>(1,400,612)</u>	<u>5,183,768</u>
<b>Income tax expense (recovery)</b> (note 13)		
Current	1,202,588	2,210,222
Future	<u>(2,052,762)</u>	<u>(677,767)</u>
	<u>(850,174)</u>	<u>1,532,455</u>
<b>Net earnings (net loss) for the year</b> (note 12a)	<u>(550,438)</u>	<u>3,651,313</u>
<b>Net earnings (net loss) per share</b> (note 14)		
Basic	<u>(0.013)</u>	<u>0.104</u>
Diluted	<u>(0.013)</u>	<u>0.099</u>

# Sigma Industries Inc.

## Consolidated Statements of Cash Flows

For the years ended April 26, 2008 and April 30, 2007

	2008 \$	2007 \$
<b>Cash flows from operating activities</b>		
Net earnings (net loss) for the year	(550,438)	3,651,313
Items not affecting cash		
Depreciation of property, plant and equipment	1,640,474	1,112,043
Amortization of intangible assets	1,599,706	1,227,362
Amortization of financing expenses	143,055	122,745
Amortization of deferred charges	46,995	46,992
Stock-based compensation	91,104	288,919
Loss (gain) on disposal of property, plant and equipment	26,848	(4,882)
Unrealized exchange loss (gain) on derivative foreign currency forward contracts	53,153	(160,141)
Interest capitalized on long-term debt	66,947	6,559
Future income taxes	(2,052,762)	(677,767)
	<u>1,065,032</u>	<u>5,613,143</u>
Change in non-cash working capital items (note 12b)	<u>7,364,360</u>	<u>6,054,165</u>
	<u>8,429,392</u>	<u>11,667,308</u>
<b>Cash flows from financing activities</b>		
Variation in bank loans	(5,387,174)	3,041,834
Long-term debt contracted	7,270,029	20,700,000
Payments on long-term debt	(2,543,549)	(16,587,107)
Increase in deferred charges	-	(325,006)
Issuance of equity components (note 11)	-	11,564,495
Equity component issue expenses	(1,115)	(1,133,464)
	<u>(661,809)</u>	<u>17,260,752</u>
<b>Cash flows from investing activities</b>		
Increase in short-term investments	-	(15,434)
Short-term investments cashed	15,434	166,016
Additions to property, plant and equipment	(3,429,973)	(1,971,359)
Increase in intangible assets	(167,778)	(44,215)
Proceeds from disposal of property, plant and equipment	325,498	11,700
Business acquisition, less net cash acquired (note 4)	(4,334,099)	(26,653,344)
	<u>(7,590,918)</u>	<u>(28,506,636)</u>
<b>Effect of foreign exchange rate changes on cash</b>	<u>(160,121)</u>	<u>-</u>
<b>Increase in cash</b>	16,544	421,424
<b>Cash – Beginning of year</b>	<u>636,449</u>	<u>215,025</u>
<b>Cash – End of year</b>	<u>652,993</u>	<u>636,449</u>
<b>Additional information</b> (note 12c)		

The accompanying notes are an integral part of these consolidated financial statements.

# **Sigma Industries Inc.**

Notes to Consolidated Financial Statements

**April 26, 2008 and April 30, 2007**

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## **1 Statutes, nature of activities and change of corporate name**

Sigma Industries Inc. (the "company"), incorporated under the Canada Business Corporations Act, is a composite and metal products manufacturer. The company is active in the growing heavy duty truck, coach, transit and bus, train and subway, machinery, agriculture, light forestry and alternative energy market segments.

On February 21, 2008, the company announced that its corporate name changed from Sigma Ventures Inc. to Sigma Industries Inc. and obtained a certificate of continuance under the Canada Business Corporations Act. Following the adoption of this new corporate name, the common shares of Sigma Industries have been traded since this date, under ticker symbol SIC on the TSX Venture Exchange.

## **2 Accounting changes**

On May 1, 2007, the company adopted five new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"): Section 1506 "*Accounting Changes*", Section 3855 "*Financial Instruments – Recognition and Measurement*", Section 3865 "*Hedges*", Section 1530 "*Comprehensive Income*" and Section 3251 "*Equity*".

Section 1506 prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

Section 3855 expands on Section 3860 "*Financial Instruments – Disclosure and Presentation*" by prescribing when a financial instrument is to be recognized on the balance sheet and in what amount. It also specifies how financial instrument gains and losses are to be presented.

Section 3865 provides alternative treatments to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline AcG-13 "*Hedging Relationships*" and the hedging guidance in Section 1650 "*Foreign Currency Translation*" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Section 1530 "*Comprehensive Income*" introduces a new requirement to temporarily exclude certain gains and losses from net income.

Consequently, Section 3250 "*Surplus*" has been revised as Section 3251 "*Equity*".

Effective May 1, 2007, the company adopted sections 1506, 1530, 3251, 3855 and 3865.

### **Recognition of financial assets and liabilities**

Held-for-trading financial assets and liabilities are recognized at fair value, and any change in the fair value is reflected in net earnings. Held-to-maturity investments, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial assets are measured at fair value or at cost if there are no published price quotations in an active market and gains and losses are recognized in comprehensive income.

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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The company has elected to capitalize transaction costs upon initial recognition and to present them with the related financial instruments. They are then amortized using the effective interest method.

Following is a summary of the accounting model the company has elected to apply to each of its significant categories of financial instruments outstanding as of May 1, 2007:

Cash	Held-for-trading
Short-term investments	Available-for-sale assets
Accounts receivable	Loans and receivables
Derivative foreign currency forward contracts	Held-for-trading
Other liabilities	Other than held-for-trading

### *Impact of the adoption of these standards*

The adjustments related to the classification of short-term investments as available-for-sale financial assets have been included in the opening balance of accumulated other comprehensive loss as at May 1, 2007. Adjustments resulting from the reclassification of deferred charges as of May 1, 2007, in the amount of \$365,785, and related to financing expenses have been applied against the long-term debt. These adjustments have been recorded net of related income taxes.

The impact of these new accounting standards is summarized as follows:

	As at April 30, 2007	Adjustments related to the implementation of new standards	As at May 1, 2007
	\$	\$	\$
Assets			
Short-term investments	77,234	64,890	142,124
Deferred charges	460,975	(365,785)	95,190
Liabilities and Shareholders' Equity			
Future income tax liabilities – Current portion	831,324	20,765	852,089
Long-term debt	12,012,947	(389,763)	11,623,184
Future income tax liabilities – Long-term portion	4,248,346	7,673	4,256,019
Retained earnings	4,744,152	16,305	4,760,457
Accumulated other comprehensive loss	-	44,125	44,125

# **Sigma Industries Inc.**

## Notes to Consolidated Financial Statements

**April 26, 2008 and April 30, 2007**

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### *Future accounting changes*

The CICA has published the following new sections that will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, and to fiscal years beginning on or after January 1, 2008 as regards Section 3031:

Section 3862, "*Financial Instruments – Disclosures*" describes the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, "*Financial Instruments – Presentation*" establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "*Financial Instruments – Disclosure and Presentation*".

Section 1535, "*Capital Disclosures*" establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.

Section 3031, "*Inventories*" prescribes the accounting treatment for inventories. It provides guidance on the determination of cost and its subsequent recognition as an expense including any writedown to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

The implementation of the aforementioned standards will not have any significant impact on the company's financial position or results of operations, except that additional disclosures will be provided.

The CICA has also published Section 3064, "*Goodwill and Intangible Assets*", replacing Section 3062, "*Goodwill and Other Intangible Assets*" and Section 3450, "*Research and Development Costs*". Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new sections will be applicable to the annual financial statements relating to fiscal years beginning on or after October 1, 2008. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

### **3 Summary of significant accounting policies**

#### **Basis of presentation and consolidation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the accounts of the company and all of its wholly-owned

# **Sigma Industries Inc.**

## Notes to Consolidated Financial Statements

**April 26, 2008 and April 30, 2007**

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subsidiaries. Intercompany transactions and related balances have been eliminated. As at April 26, 2008, the company's subsidiaries are as follows:

- Sigma US Industries Inc. and its subsidiary Sigma OH Industries (previously Pickens Plastics Inc.)
- René Composites Materials Ltd. and its subsidiary GSC Inc.
- Transcam Composites Inc.
- Faroex Ltd.
- PNS-Tech Inc.

### **Accounting estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of sales and expenses during the years. Management believes its estimates to be appropriate; however, actual results could differ from those estimates.

### **Foreign currency translation**

#### *Foreign currency transactions*

Transactions denominated in currencies other than the reporting currency, being the Canadian dollar, are translated into the reporting currency as follows: monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, and revenues and expenses are translated at the monthly average exchange rate. Non-monetary assets and liabilities are translated at historical rates. Foreign exchange gains and losses arising from such translation are reflected in the statements of earnings.

#### *Foreign currency forward contracts*

The company's foreign currency forward contracts, which are used to hedge anticipated US-denominated sales and purchases as well as euro-denominated purchases, do not qualify for hedge accounting and are recorded at fair value. Any change in the fair value is reflected in the statements of earnings.

#### *Self-sustaining subsidiary*

The accounts of the self-sustaining subsidiary, whose functional currency is other than the Canadian dollar, are translated into Canadian dollars using the current rate method, whereby assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenues and expenses are translated at the average exchange rate for the year. Foreign exchange gains and losses arising from such translation are deferred and recorded as a translation adjustment in the statement of comprehensive income.

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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### Cash

Cash consists of cash on hand and balances with banks.

### Short-term investments

Short-term investments, valued at fair value as at April 26, 2008 and at cost as at April 30, 2007, are made up mainly of shares of a business listed on the TSX Venture Exchange.

### Inventories

Inventories are valued at the lower of cost and market value. Cost is determined using the first in first out method for raw materials and using the absorption costing method for work in progress and finished goods. Market value is defined as replacement cost for raw materials and as net realizable value for work in progress and finished goods.

### Property, plant and equipment

Property plant and equipment are recorded at cost less related government grants and research and development tax credits. Property, plant and equipment are depreciated over their estimated useful lives using the following methods, period and annual rates:

	<b>Methods</b>	<b>Period and annual rates</b>
Buildings	Declining balance	5%
Machinery and equipment	Declining balance	10 and 15%
Office furniture	Declining balance	10%
Computer equipment	Declining balance	30%
Automotive equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 and 6 years
Construction work in progress	-	-

### Deferred charges

As at April 26, 2008, deferred charges, which consist of incorporation expenses, are recorded at cost and are amortized using the straight-line method over a five-year period since May 1, 2006.

As at April 30, 2007, deferred expenses, which were made up mainly of financing expenses, were amortized using the straight-line method over the term of the related debt.

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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### Intangible assets

Intangible assets with finite useful lives consist of patents, customer relationships, technologies and software. Patents represent costs, including professional fees, incurred for the registration of these patents. Intangible assets with finite useful lives are amortized using the following methods, periods and annual rate:

	<b>Methods</b>	<b>Periods and rate</b>
Patents	Straight-line	7 and 10 years
Customer relationships	Sum-of-the-years-digits	12 and 15 years
Technologies	Sum-of-the-years-digits	6 and 10 years
Software	Declining balance	30%

The trademark is an intangible asset with an indefinite useful life and is not amortized.

### Impairment of long-lived assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of an asset or group of assets is greater than the undiscounted future cash flows expected to be provided by the asset or group of assets. The amount of impairment loss, if any, is the excess of the carrying value over the fair value. The fair value of long-lived assets is determined based on discounted future cash flows. During fiscal years 2008 and 2007, no impairment loss has been recorded.

Intangible assets with indefinite lives are tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Impairment exists when the carrying amount of the intangible asset exceeds its fair value. During fiscal years 2008 and 2007, no impairment loss has been recorded.

### Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of net identifiable assets acquired. Goodwill is not amortized but must be tested for impairment on an annual basis or more frequently if events or circumstances indicate that it might be impaired. Recoverability of goodwill is determined at the reporting unit level using a two-step approach. First, the net carrying value of a reporting unit is compared to its fair value. If the carrying value of a reporting unit exceeds its fair value, the second step is performed. In this step, the amount of impairment loss, if any, represents the excess of the carrying value of goodwill over its fair value and the loss is charged to earnings in the period in which it is incurred. For the purposes of this impairment test, the fair value of goodwill is estimated in the same way as goodwill is determined in business combinations; that is, the excess of the fair value of a reporting unit over the estimated fair value of its net identifiable assets. The company elected to perform its annual impairment test in April of each fiscal year and no impairment loss has been recorded for fiscal years 2008 and 2007.

# **Sigma Industries Inc.**

## Notes to Consolidated Financial Statements

**April 26, 2008 and April 30, 2007**

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### **Revenue recognition**

Revenue from sales of products is recognized, net of estimated sales allowances and rebates, when title passes to customers, which is generally at the time goods are shipped, when collection is reasonably assured and consideration is fixed or determinable. Amounts received for moulds in process are recorded as deferred revenues in the balance sheet.

### **Stock-based compensation costs**

Since the adoption of the stock option plan as at October 7, 2005, the company accounts for all forms of stock-based compensation granted to officers, directors, consultants and employees, using the fair value-based method. Stock-based compensation costs are amortized to expense over the vesting periods using the graded vesting method.

### **Research and development expenses**

All expenses related to development activities, which do not meet generally accepted criteria for deferral, and research, are expensed as incurred, net of related government assistance. Development expenses which would meet generally accepted criteria for deferral would be capitalized, net of related government assistance, and would be amortized against earnings over the estimated period of benefit.

### **Tax credits and government assistance**

Tax credits and government assistance are recognized in the year in which the related expenses are incurred, provided the company has reasonable assurance the amounts will be recovered. Tax credits and government assistance related to property, plant and equipment are applied against the cost of these assets. Tax credits and government assistance pertaining to current expenses are recognized as the related expenses are incurred.

### **Income taxes**

The company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the carrying amounts and tax bases of the assets and liabilities, using enacted or substantively enacted tax rates expected to be in effect for the year in which the differences are expected to reverse.

The company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

### **Basic and diluted earnings per share**

Basic earnings per share are determined using the weighted average number of participating shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of participating shares outstanding during the year, plus the effects of dilutive potential participating shares outstanding during the

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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year. The calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive potential participating shares have been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase participating shares of the company at the average quoted market value of the participating shares during the year.

### Equity issue expenses

Equity issue expenses are applied against the proceeds from the related issuance.

### Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

## 4 Business acquisitions

### Acquisition in 2008

On February 29, 2008, the company acquired, through its wholly-owned subsidiary, Sigma US Industries Inc., all of the outstanding shares of Pickens Plastics Inc. ("Pickens"), and the buildings owned by the shareholder of Pickens which are based in the State of Ohio (United States), for a total consideration of \$5,111,108 (US\$5,192,105) settled as follows: a cash amount of \$4,127,874 (US\$4,193,289), acquisition-related costs payable totalling \$786,354 (US\$798,816) and a balance of purchase price payable amounting to \$196,880 (US\$200,000). Pickens specializes in the manufacture of composite parts for the road transportation and public transit industries, namely bus and truck parts, farm machinery parts such as farm tractor hoods, and in the design of the state-of-the-art composite products for the industrial product market.

This acquisition has been accounted for using the purchase method, and the results of operations have been included in the financial statements of the company from the date of acquisition. The purchase price allocation has been completed with the assistance of an independent valuation firm.

The fair values allocated to the net assets acquired are as follows:

	\$
Assets acquired	
Cash	62,522
Other current assets	1,366,195
Income taxes receivable	169,044
Property, plant and equipment	5,255,853
Future income tax assets	11,055
Intangible assets	
Customer relationships	17,174
Software	96,373
	<hr/>
	6,978,216

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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	\$
Liabilities assumed	
Bank loan	196,880
Other current liabilities	371,987
Long-term liabilities	344,263
Future income tax liabilities	953,978
	<u>1,867,108</u>
Net identifiable assets acquired and purchase price	<u>5,111,108</u>
Settled as follows :	
Cash used for the acquisition	4,127,874
Acquisition-related costs unpaid	786,354
Balance of purchase price unpaid (note 10)	196,880
	<u>5,111,108</u>

### Acquisitions in 2007

- (a) On June 28, 2006, the company acquired all the shares of René Composite Materials Ltd. ("René") and 3547141 Canada Inc., two companies located in Saint-Ephrem-de-Beauce, for a total cash consideration of \$23,196,279, including acquisition-related costs of \$1,148,411. René is a manufacturer of composite parts for the road transport industry such as parts for Class 7 and 8 trucks whereas 3547141 Canada Inc is specialized in the manufacturing of moulds for the customers of René.
- (b) On January 27, 2007, the company acquired, through 3547141 Canada Inc, the assets of Camoplast's truck composite division located in Acton Vale, Province of Quebec ("Acton Vale"), for a total consideration of \$4,898,960 settled as follows: a cash amount of \$3,434,566, the issuance of 1,625,000 common shares of the company for an amount of \$1,074,000, acquisition-related costs payable totalling \$250,792 and a balance of purchase price payable amounting to \$139,602. The value of the shares issued has been reduced by a 20.4% discount so as to consider the impact of the escrow thereon and a blockage discount considering the importance of the block of shares issued compared to the volume of shares exchanged. The stock price has been determined based on the weighted average stock price over a four-day period preceding and following the announcement of the transaction. The plant manufactures a range of composite hoods for Class 7 and 8 highway trucks and vocational trucks, as well as B6 Magnum series.
- (c) On February 1, 2007, the company acquired, through René, all the shares of Groupe Synergy Composites Inc. ("GSC"), located in Chesterville, Québec, for a total consideration of \$2,321,291 settled as follows: a cash amount of \$1,100,000, a balance of purchase price payable amounting to \$1,121,291, non-interest bearing (\$1,200,000 discounted at 6.5%) and acquisition-related costs payable totalling \$100,000.

GSC specializes in the development of advanced composite products for the utility vehicle and bus industries. Moreover, GSC has developed a unique composite body for the transportation sector, which offers unique characteristics such as light weight and resistance to corrosion while preserving high payload

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

capacity. GSC plant utilizes the state-of-the-art and environmentally friendly Resin Transfer Molding (RTM-light) process.

These three acquisitions have been accounted for using the purchase method, and the results of operations have been included in the financial statements of the company from the date of acquisition. The purchase price allocation has been finalized at year-end with the assistance of an independent valuation firm.

The allocated values of the net assets acquired in 2007 were as follows:

	René \$	Acton Vale \$	GSC \$
Assets acquired			
Cash	1,258,910	-	-
Short-term investments	300,027	-	-
Other current assets	22,109,090	1,624,168	703,037
Property, plant and equipment	5,489,910	3,321,472	626,333
Deferred charges	-	-	2,204
Future income tax assets	836,590	-	81,073
Intangible assets			
Trademark	268,158	-	-
Customer relationships	5,491,920	-	700,000
Technologies	2,277,137	-	1,200,000
	<u>38,031,742</u>	<u>4,945,640</u>	<u>3,312,647</u>
Liabilities assumed			
Bank indebtedness	-	-	18,001
Other current liabilities	10,969,903	46,680	763,603
Long-term liabilities	121,791	-	458,785
Future income tax liabilities	3,743,769	-	587,100
	<u>14,835,463</u>	<u>46,680</u>	<u>1,827,489</u>
Net identifiable assets acquired	23,196,279	4,898,960	1,485,158
Goodwill *	-	-	836,133
Purchase price	<u>23,196,279</u>	<u>4,898,960</u>	<u>2,321,291</u>
Settled as follows:			
Cash used for the acquisitions	22,047,868	3,434,566	1,100,000
Acquisition-related costs unpaid	1,148,411	250,792	100,000
Balance of purchase price unpaid (note 10)	-	139,602	1,121,291
Issuance of common shares	-	1,074,000	-
	<u>23,196,279</u>	<u>4,898,960</u>	<u>2,321,291</u>

\*Goodwill is not deductible for income tax purposes.

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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### 5 Accounts receivable

	2008 \$	2007 \$
Trade accounts receivable	11,813,479	12,548,749
Insurance claim receivable *	-	4,244,701
	<u>11,813,479</u>	<u>16,793,450</u>

\* On February 11, 2008, the company received the final settlement of the insurance claim resulting from a fire that damaged the René Composites Materials facilities in St-Ephrem-de-Beauce on October 19, 2005. A gain on settlement of an insurance claim amounting to \$1,436,135 has been accounted for in the statement of earnings for the current fiscal year. Proceeds therefrom have been used to reduce the company's bank loans. During the year, the company cashed an amount of \$7,100,000 for a total compensation of \$13,100,000 related to this claim.

### 6 Inventories

	2008 \$	2007 \$
Raw materials	4,035,614	4,818,924
Work in progress	1,301,501	2,238,843
Finished goods	2,841,041	4,599,697
	<u>8,178,156</u>	<u>11,657,464</u>

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

### 7 Property, plant and equipment

	2008		2007	
	Cost \$	Accumulated depreciation \$	Cost \$	Accumulated depreciation \$
Land	619,128	-	483,845	-
Buildings	8,563,117	446,610	5,346,026	259,453
Machinery and equipment	14,734,034	1,613,403	10,827,273	918,835
Office furniture	375,411	96,753	333,466	72,552
Computer equipment	448,626	197,002	135,431	72,581
Automotive equipment	287,099	42,020	257,915	34,416
Leasehold improvements	257,915	53,267	-	10,746
Construction work in progress	338,685	-	-	-
	25,624,015	<u>2,449,055</u>	17,680,348	<u>1,368,583</u>
Less:				
Accumulated depreciation	<u>2,449,055</u>		<u>1,368,583</u>	
Net amount	<u>23,174,960</u>		<u>16,311,765</u>	

### 8 Intangible assets

	2008		2007	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Trademark *	268,158	-	268,158	-
Patents	98,561	22,514	59,059	11,138
Customer relationships	6,209,650	1,352,801	6,191,920	602,844
Technologies	3,477,137	1,369,695	3,477,137	592,176
Software	386,822	97,840	159,050	37,011
	10,440,328	<u>2,842,850</u>	10,155,324	<u>1,243,169</u>
Less:				
Accumulated amortization	<u>2,842,850</u>		<u>1,243,169</u>	
Net amount	<u>7,597,478</u>		<u>8,912,155</u>	

\* Intangible asset with an indefinite useful life.

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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During the year, the company acquired intangible assets in the amount of \$285,004 (\$9,983,527 in 2007) of which a sum of \$285,004 (\$9,715,369 in 2007) is subject to amortization.

### 9 Credit facilities

The company has an available line of credit of an authorized amount of \$10,000,000 in Canadian dollars, bearing interest at prime rate plus 0.5%. It also has an available credit facility of \$2,500,000 to hedge against foreign exchange risks and a credit of \$250,000 for the risks related to the settlement of electronic funds transfers. A moveable hypothec over accounts receivable, inventories and all present and future tangible and intangible assets has been given as security. These credit facilities are renewable annually.

### 10 Long-term debt

	2008 \$	2007 \$
Decreasing revolving bank loan, bearing interest at prime rate plus 0.60%, payable in monthly principal instalments of \$191,935, from May 2008 to June 2011. A moveable hypothec over the universality of the company's present and future tangible and intangible assets has been given as security for this loan	11,900,000	8,575,000
Bank loan, bearing interest at prime rate plus 0.60%, payable in monthly principal instalments of \$11,905, maturing in February 2012. A moveable hypothec over the universality of the company's present and future tangible and intangible assets has been given as security for this loan	833,333	976,190
Decreasing bank loan, bearing interest at prime rate plus 4%, payable in monthly principal instalments of \$138,889 plus interest, maturing in December 2009. A moveable hypothec over the universality of the company's present and future tangible and intangible assets has been given as security for this loan	1,627,776	3,294,444
Bank loan, 3%, payable in monthly principal instalments of \$10,072 (US\$9,910), maturing in March 2011. A moveable hypothec over the universality of the present and future tangible and intangible assets of one company's subsidiary has been given as security for this loan	346,324	-
Balance of purchase price payable of a total amount of \$1,200,000, discounted at 6.5%, payable in monthly principal instalments of \$50,000, maturing in February 2009	485,202	1,027,851
	<hr/>	<hr/>
(forward)	15,192,635	13,873,485

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

	2007 \$	2007 \$
(brought forward)	15,192,635	13,873,485
Balance of purchase price payable, 6 %, payable in annual principal instalments of \$101,630 (US\$100,000), maturing in March 2010	203,260	-
Bank loans, bearing interest at prime rate plus 1.5% and 8%, payable in monthly principal instalments of \$3,540 and monthly principal instalments including interest of \$1,617 beginning June 2011, maturing in June 2016 and October 2016. Moveable and immoveable hypothecs have been given as security for these loans	441,080	483,560
Bank loans for which moveable hypothecs over automotive equipment have been given as security, 6.98% and nil, payable in monthly instalments of \$488, including principal and interest, maturing in February 2010	10,060	15,030
Term loan, non-interest bearing, maturing in July 2008, payable in half-yearly instalments of \$5,450	5,450	43,097
Loan granted by Canada Economic Development under the Innovation, Development of Entrepreneurship and Access Program for SME, non-interest bearing, payable in five annual instalments of \$30,800, maturing in January 2011*	78,017	123,200
Bank loan (note 9) payable through the issuance of a new long-term debt**	3,945,029	-
Deferred financing expenses	(232,024)	-
	<u>19,643,507</u>	<u>14,538,372</u>
Less: Current portion	4,968,430	2,525,425
	<u>14,675,077</u>	<u>12,012,947</u>

\* As a result of the application of the new accounting standard on financial instruments (see note 2), the balance of that debt has been decreased by \$23,978 so as to consider an effective interest rate of 10.25%.

\*\* In April 2008, the company negotiated a financing with respect to a two bonds loans totalling \$1,534,613 (US\$1,510,000), \$1,941,133 (US\$1,910,000) and a term loan of \$1,524,450 (US\$1,500,000), bearing interest at 5.75%, 6.5% and 3% respectively, payable in monthly principal instalments including interest for the two bonds loans of \$35,395 (US\$34,827) and in monthly principal instalments including interest of \$15,332 (US\$15,086), beginning in November 2008, maturing in December 2014, June 2023 and June 2018. Tangible and intangible moveables owned by a self-sustaining subsidiary have been given as security for this loan. The financing was closed in August 21, 2008, and the proceeds of the financing will be used to repay the bank loan. The bank loan has been reclassified as a long-term debt in accordance with EIC-122 guidance "Balance Sheet Classification of Callable Debt Obligations and Debt Obligations Expected to be Refinanced". The current portion reflects the refinancing terms.

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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The annual principal instalments due on long-term debt over the next five years are as follows:

	\$
2009	4,968,430
2010	2,995,554
2011	2,924,599
2012	5,743,366
2013	366,711

The company has agreed to respect specific financial ratios relating to certain loans, which have been met as at April 26, 2008.

### 11 Shareholders' equity

#### Share capital

##### Authorized

Unlimited number of common shares, without par value, voting and participating

Unlimited number of preferred shares with rights and restrictions fixed by the Board of Directors upon issuance

##### Issued

	<u>2008</u>		<u>2007</u>	
	Number	Amount \$	Number	Amount \$
Balance – Beginning of year	42,899,095	13,126,424	21,969,017	1,790,195
Issuance of common shares:				
For cash consideration	-	-	15,556,282	8,718,297
For the acquisition of assets (note 4b)	-	-	1,625,000	1,074,000
Following the conversion of debentures*	-	-	2,745,046	1,760,233
Following the exercise of stock options	-	-	540,000	274,719
Following the exercise of warrants	-	-	463,750	347,812
Share issue expenses, net of future income taxes of \$525 in 2008 and \$395,122 in 2007	-	(1,115)	-	(838,832)
Balance – End of year	<u>42,899,095</u>	<u>13,125,309</u>	<u>42,899,095</u>	<u>13,126,424</u>

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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- \* Two debentures with respective nominal values of \$1,000,000 and \$750,000 and interest on these debentures totalling \$10,233 have been converted into common shares during the previous year.

On May 15, 2006, the company issued 9,999,967 units at a price of \$0.60 per unit. The gross proceeds from the private placement amount to \$6,000,000. Of this amount, a sum of \$1,026,185 (net of issue expenses of \$229,954) has been allocated to warrants using the Black-Scholes model. Each unit consists of one common share and one-half warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.85 per share until January 31, 2009. The underwriters obtained a monetary consideration equivalent to 8% of the gross proceeds from the placement and an additional compensation in warrants entitling for the purchase of 797,332 shares at a price of \$0.60 which expired on November 15, 2007. An amount of \$292,107 has been allocated to these warrants using the Black-Scholes model. The net proceeds from the private placement were used to repay the debts contracted upon the acquisition of Faroex on March 15, 2006.

On May 15, 2006, the company issued 416,667 warrants to a former holder of a convertible debenture entitling the latter to purchase one common share at a price of \$0.85 per warrant until January 31, 2009. This option results from the acquisition of a convertible debenture on March 15, 2006, which had been reflected in shareholders' equity and converted into shares on April 28, 2006. An amount of \$104,679 has been allocated to these warrants using the Black-Scholes model.

On March 14 and 29, 2007, the company issued 5,556,315 units at a price of \$0.90 per unit. The gross proceeds from the private placement amount to \$5,000,683. Of this amount, a sum of \$931,865 (net of issue expenses of \$94,382) has been allocated to warrants using the Black-Scholes model. Each unit consists of one common share and one-half warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$1.15 per share until March 14, 2012. The underwriters obtained a monetary consideration equivalent to 7.2% of the gross proceeds from the placement and an additional compensation in warrants entitling for the purchase of 135,289 common shares at a price of \$0.90 until September 29, 2008. An amount of \$28,040 has been allocated to these warrants using the Black-Scholes model. The net proceeds from the private placement were used to reduce long-term debt and to meet the company's working capital requirements.

### Contributed surplus

The following table presents the contributed surplus activity since May 1, 2006:

	<b>2008</b>	<b>2007</b>
	\$	\$
Balance – Beginning of year	8,103	-
Stock options forfeited	73,978	8,103
Warrants matured	292,107	-
Balance – End of year	<u>374,188</u>	<u>8,103</u>

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

### Warrants

The following tables present information about warrants outstanding since May 1, 2006 and summarize certain information about warrants outstanding and exercisable:

	2008			2007		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable						
– Beginning of year	9,227,438	2,486,728	0.91	818,750	-	0.71
Granted	-	-	-	9,127,438	2,707,212	0.92
Exercised	-	-	-	(463,750)	-	0.75
Forfeited	(797,332)	(292,107)	0.60	(255,000)	-	0.75
Deferment of the expiry date *	-	41,707	-	-	-	-
Issue expenses, net of future income taxes of \$103,852	-	-	-	-	(220,484)	-
Outstanding and exercisable – End of year	8,430,106	2,236,328	0.94	9,227,438	2,486,728	0.91

### Warrants outstanding and exercisable as at April 26, 2008

Exercise price	Number	Weighted average remaining contractual life (years)
\$0.40	100,000	2.45
\$0.85	5,416,658	0.77
\$0.90	135,289	0.43
\$1.15	2,778,159	3.88
	<u>8,430,106</u>	

- \* On September 11, 2007, the company received conditional approval by the TSX Venture Exchange to defer the expiry date of warrants granted as part of its private placement completed in May 2006. The 4,991,991 warrants, as well as 416,667 additional warrants granted to a former holder of a convertible debenture as part of this private placement, entitled the holder to purchase one common share at a price of \$0.85 per share at all times during the 18-month period following the closing date. Expiry dates of these warrants had originally been set at November 3 and November 14, 2007. The conditional approval aims to

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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defer and standardize the expiry date of these warrants to January 31, 2009. With the exception of this extended exercise period, all exercise terms and conditions of these warrants are unchanged. No warrant has been exercised up to the deferment date.

For the year ended April 26, 2008, the fair value of warrants following the deferment of the expiry date of warrants granted in May 2006 was estimated using the Black-Scholes model with the following weighted average assumptions:

Risk-free interest rate	4.08%
Expected volatility	60%
Dividend yield	0%
Expected weighted average life of each warrant following the deferment of the expiry date of warrants granted in May 2006	15 months
Weighted average fair value of each warrant following the deferment of the expiry date of warrants granted in May 2006	\$0.0077

For the year ended April 30, 2007, the fair value of warrants was estimated using the Black-Scholes model with the following weighted average assumptions:

Risk-free interest rate	4.04%
Expected volatility	58%
Dividend yield	0%
Expected weighted average life of each warrant granted	29 months
Weighted average fair value of each warrant granted	\$0.30

### Stock option plan

The company has a stock option plan for its officers, directors, employees and consultants providing ongoing services to the company. Under the plan, which is managed by the Board of Directors, stock options, except for those granted to the agent, which are fully exercisable on the date of grant, vest over a three-year period and expire after a period of 18 months to 60 months. The maximum number of common shares issuable under the plan is limited to 10% of the issued and outstanding common shares.

On May 1, 2006, the company granted 150,000 stock options at an exercise price of \$0.60. These stock options will generate aggregate stock-based compensation costs of \$80,704 over their vesting period. Those costs are amortized on a straight-line basis over their vesting period of three years.

On October 3, 2006, the company granted 300,000 stock options at an exercise price of \$0.92. These stock options will generate aggregate stock-based compensation costs of \$150,732 over their vesting period. Those costs are amortized on a straight-line basis over their vesting period of three years.

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

On December 1, 2006, the company granted 150,000 stock options at an exercise price of \$0.80. These stock options will generate aggregate stock-based compensation costs of \$65,314 over their vesting period. Those costs are amortized on a straight-line basis over their vesting period of three years.

For the year ended April 30, 2007, the fair value of stock options granted was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2008	2007
Risk-free interest rate	-	3.95%
Expected volatility	-	63%
Dividend yield	-	0%
Expected weighted average life of each option granted	-	4.5 years
Weighted average fair value of each option granted	-	\$0.49

The following tables present information about stock options outstanding since May 1, 2006 and summarize certain information about stock options outstanding and exercisable:

	2008			2007		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable –						
Beginning of year	1,835,000	398,382	0.53	1,825,000	176,285	0.40
Granted	-	-	-	600,000	-	0.81
Exercised	-	-	-	(540,000)	(58,719)	0.40
Forfeited	(150,000)	(73,978)	0.60	(50,000)	(8,103)	0.40
Compensation costs for the year	-	91,104	-	-	288,919	-
Outstanding and exercisable – End of year	1,685,000	415,508	0.53	1,835,000	398,382	0.53

# Sigma Industries Inc.

Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

Exercise price	Options outstanding as at April 26, 2008		Options exercisable as at April 26, 2008	
	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
\$0.40	1,235,000	2.12	1,235,000	2.12
\$0.80	150,000	3.60	100,000	3.60
\$0.92	300,000	3.44	200,000	3.44
	<u>1,685,000</u>		<u>1,535,000</u>	

## 12 Additional disclosures

### (a) Consolidated statements of earnings

The cost of sales and operating expenses include research and development expenses less scientific research and experimental development tax credits or government grants:

	2008 \$	2007 \$
Gross research and development expenses	361,346	352,221
Grants	(47,189)	(71,999)
Tax credits	(205,114)	-
Net research and development expenses	<u>109,043</u>	<u>280,222</u>

### (b) Consolidated statements of cash flows

Net change in non-cash working capital items

	2008 \$	2007 \$
Accounts receivable	5,751,405	4,690,682
Income taxes	(928,134)	2,163,796
Inventories	4,114,717	49,848
Prepaid expenses	(499,881)	233,845
Accounts payable and accrued liabilities	(780,722)	457,431
Deferred revenues	(293,025)	(1,541,437)
	<u>7,364,360</u>	<u>6,054,165</u>

# Sigma Industries Inc.

Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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Items not affecting cash related to operating, financing and investing activities

	<b>2008</b>	<b>2007</b>
	\$	\$
Acquisition-related costs included in accounts payable and accrued liabilities	517,608	187,384
Warrants matured and reflected in the contributed surplus	292,107	-
Balance of purchase price in partial settlement of the acquisition of Pickens and included in long-term debt	196,880	-
Stock options forfeited and reflected in the contributed surplus	73,978	8,103
Deferment of the expiry date of warrants	41,707	-
Conversion of debentures into share capital	-	1,750,000
Balance of purchase price in partial settlement of the acquisition of GSC and included in long-term debt	-	1,121,291
Issuance of common shares in partial settlement of the acquisition of Acton Vale	-	1,074,000
Issuance of warrants in settlement of issue expenses	-	424,826
Balance of purchase price in partial settlement of the acquisition of Acton Vale and included in accounts payable and accrued liabilities	-	139,602
Issuance of common shares in settlement of accounts payable	-	10,233

(c) Additional information

	<b>2008</b>	<b>2007</b>
	\$	\$
Interest paid	1,252,182	1,677,388
Income taxes paid	2,048,160	205,353

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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### 13 Income taxes and future income taxes

The reconciliation of the income tax expense (recovery), calculated using the statutory income tax rates of the federal government and the Province of Quebec, to the income tax expense (recovery) per the financial statements is as follows:

	<b>2008</b>	<b>2007</b>
	\$	\$
Income taxes at the combined statutory tax rate of the Canadian federal government and provincial government (31.65% in 2008 and 32.02% in 2007)	(443,293)	1,691,843
Stock-based compensation costs	28,803	94,278
Other non-deductible expenses	87,673	62,526
Non-taxable income	(24,703)	7,875
Change in statutory and future tax rates	(327,384)	(30,327)
Difference in subsidiaries statutory tax rates	934	44,380
Recognition of deferred losses not previously recognized	-	(220,726)
Settlement further to a review by tax authorities	(120,000)	-
Other	(52,204)	(85,394)
	<hr/>	<hr/>
Income tax expense (recovery)	(850,174)	1,532,455

The income tax expense (recovery) consists of the following:

	<b>2008</b>	<b>2007</b>
	\$	\$
Current		
Canada	1,202,588	2,210,222
United States	-	-
	<hr/>	<hr/>
	1,202,588	2,210,222
Future		
Canada	(1,984,642)	(677,767)
United States	(68,120)	-
	<hr/>	<hr/>
	(2,052,762)	(677,767)

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

Significant components of future income tax assets and liabilities are as follows:

	2008 \$	2007 \$
Future income tax assets		
Financing expenses	247,526	414,133
Non-capital losses carried forward	1,938,357	1,103,133
Other assets	205,961	-
	<u>2,391,844</u>	<u>1,517,266</u>
Future income tax liabilities		
Insurance claim receivable	-	(831,324)
Property, plant and equipment	(2,103,222)	(1,629,869)
Intangible assets	(2,753,187)	(2,618,477)
Other liabilities	(15,476)	-
	<u>(4,871,885)</u>	<u>(5,079,670)</u>
Future income taxes, net	<u>(2,480,041)</u>	<u>(3,562,404)</u>
	2008 \$	2007 \$
Classified as follows :		
Current future income tax assets	151,848	-
Long-term future income tax assets	1,423,223	1,517,266
Current future income tax liabilities	-	(831,324)
Long-term future income tax liabilities	(4,055,112)	(4,248,346)
	<u>(2,480,041)</u>	<u>(3,562,404)</u>

As at April 26, 2008, the company had available non-capital losses in several tax jurisdictions. The following table summarizes the year of expiry of these losses by tax jurisdiction:

Year of expiry	Canada		United States
	Federal	Provincial	
2015	146,529	-	-
2026	75,027	75,027	-
2027	2,744,146	2,777,066	-
2028	3,430,220	3,395,558	113,576
	<u>6,395,922</u>	<u>6,247,651</u>	<u>113,576</u>

# Sigma Industries Inc.

Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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## 14 Earnings per share

The following table summarizes the basic and potentially dilutive weighted average number of common shares outstanding used in the basic and diluted net earnings per share calculations:

	<b>2008</b>	<b>2007</b>
Basic weighted average number of shares outstanding	42,899,095	35,092,429
Dilutive effect of convertible debentures	-	497,124
Dilutive effect of stock options and warrants	328,964	1,468,091
	<hr/>	<hr/>
Diluted weighted average number of shares outstanding	<u>43,228,059</u>	<u>37,057,644</u>

Furthermore, the following table presents the items excluded from the calculation of diluted earnings per share for the years ended April 26, 2008 and April 30, 2007 because the exercise price was greater than the average market price of the common shares or due to their anti-dilutive effect:

	<b>2008</b>	<b>2007</b>
Weighted average number of stock options at exercise prices varying from \$0.40 to \$0.92	1,136,082	346,849
Weighted average number of warrants at exercise prices varying from \$0.40 to \$1.15	6,990,728	263,408

## 15 Related party transactions

During the year, the company paid a director management fees amounting to \$13,200 (\$34,604 in 2007). These related party transactions are in the normal course of business and are measured at the exchange amount. Services rendered consisted of a study on management compensation in 2008 and management fees related to research for the purpose of obtaining financing in 2007.

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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### 16 Segment information

The company is organized under one single operating segment, being the manufacturing of composite and metal products. All of the long-lived assets, which consist of property, plant and equipment, intangible assets and goodwill, are as follows:

	2008 \$	2007 \$
Canada	27,714,173	27,710,309
United States	5,544,654	-
	<u>33,258,827</u>	<u>27,710,309</u>

The following sales have been allocated to geographic regions based on the country of residence of the related customers:

	2008 \$	2007 \$
<b>Sales by geographic region</b>		
United States	47,636,726	59,927,072
Canada	21,222,447	21,113,120
Asia	356,330	872,285
South America	281,359	744,882
Europe	213,839	266,306
Australia	58,322	156,762
Others	-	80,718
	<u>69,769,023</u>	<u>83,161,145</u>

Sales from the five largest customers represent 74.8% in 2008 and 74.7% in 2007 of the company's total sales. Two of these customers represent more than 10% of the company's total sales for 2008 and 2007. In 2008, the most important customer represents more than 1.4 time (2.7 times in 2007) as much as that of the second most important customer of the company.

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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Supplementary information:

	2008	2007
	\$	\$
<b>Sales by family of product</b>		
Transportation	45,810,829	59,979,787
Snow removal	7,622,470	11,260,821
Agriculture	6,014,132	5,746,956
Industrial	4,707,671	2,992,907
Wind energy	3,522,699	900,016
Forestry	531,484	1,299,036
Other	1,559,738	981,622
	<hr/>	<hr/>
	69,769,023	83,161,145
	<hr/>	<hr/>

## 17 Financial instruments

### Fair value

Cash, short-term investments, derivative foreign currency forward contracts and bank loans are recorded at fair value while accounts receivable, accounts payable and accrued liabilities and long-term debt are financial instruments whose carrying value approximates their fair value due to their short-term maturity or current market rates for most of the long-term debt items.

### Credit risk

Financial instruments which potentially subject the company to concentrations of credit risk consist principally of cash and accounts receivable. Cash is held with Canadian and U.S. chartered banks.

Generally, the company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the company performs on-going credit reviews of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Allowance for doubtful accounts amounted to \$132,262 as at April 26, 2008 and \$372,710 as at April 30, 2007.

# Sigma Industries Inc.

## Notes to Consolidated Financial Statements

April 26, 2008 and April 30, 2007

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### Interest rate risk

As at April 26, 2008 and April 30, 2007, the company's exposure to interest risk is as follows:

Cash	Variable interest rate
Short-term investments	Non-interest bearing
Accounts receivable	Non-interest bearing
Bank loans	Variable interest rate
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 10

### Currency risks and foreign currency forward contracts

The company is exposed to currency risks as a result of its export sales of products manufactured in Canada and a portion of its purchases, substantially all of which are denominated in US dollars. These risks are partially hedged by currency forward contracts and certain operating expenses denominated in US dollars and euros. As at April 30, 2007, the company held contracts to sell US dollars at various forward rates while as at April 26, 2008, the company held contracts to sell US dollars and purchase US dollars and euros at various forward rates, which are summarized as follows:

Description	Expiration Date	Contractual amount \$	Weighted average contractual forward rate \$	Market Value \$
<b>As at April 26, 2008</b>				
Sale of US dollars	May 2008 to May 2009	2,550,000	1.0234	54,801
Purchase of US dollars	August 2008 to March 2009	1,700,000	0.9839	16,738
Purchase of euros	May 2008 to October 2008	267,301	1.4456	35,449
<b>As at April 30, 2007</b>				
Sale of US dollars	May 2007 to November 2007	2,500,000	1.1715	160,141

## 18 Commitments

The company is committed to various operating leases for certain of its premises and equipment, which expire at various dates through July 2012. As at April 26, 2008, minimum rentals payable under these operating leases in each of the next five years will amount to \$429,883 in 2009, \$240,187 in 2010, \$102,156 in 2011, \$27,115 in 2012 and \$2,248 in 2013 for total commitments of \$801,589. Some of these lease agreements include a renewal option.

The company is also committed to paying a total amount of \$179,300 for the acquisition of equipment.

# **Sigma Industries Inc.**

Notes to Consolidated Financial Statements

**April 26, 2008 and April 30, 2007**

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## **19 Contingency**

The company and its subsidiaries are party to an ongoing litigation, which is related to a claim regarding the common cost sharing for the rental of warehouse space and the use of technology linked to the metallurgy sector. The ultimate settlement of these claims cannot be determined at this time. Management believes that these claims are unfounded.

