

Novik Inc.

Interim Financial Statements (unaudited)

March 31, 2008

Notice from management:

The interim financial statements have not been subject to a review by the company's external auditors.

Novik Inc.

Interim Balance Sheets (unaudited)

	As at March 31	As at December 31
	2008	2007
	\$	\$
	(unaudited)	
Assets		
Current assets		
Accounts receivable (note 4, 9 and 11)	3,168,678	2,325,204
Inventories (note 5, 9 and 11)	3,181,724	2,758,138
Refundable tax credits	206,269	184,364
Prepaid expenses	113,199	183,972
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	6,669,870	5,451,678
Tax credits recoverable	298,636	278,557
Future income tax assets	257,783	296,365
Property, plant and equipment (note 6)	9,620,601	8,975,945
Intangible assets (note 7)	418,202	430,233
Deferred charges (note 8)	837,375	816,956
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	18,102,467	16,249,734
Liabilities		
Current liabilities		
Bank loan (notes 9 and 19)	1,607,913	411,458
Accounts payable and accrued liabilities (note 10)	2,167,558	1,770,713
Current portion of long-term debt (note 11)	1,031,348	1,083,902
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	4,806,819	3,266,073
Long-term debt (note 11)	4,001,591	3,795,473
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	8,808,410	7,061,546
Shareholders' Equity		
Capital stock (note 12)	8,531,413	8,531,413
Stock options and warrants (note 12b and c)	621,564	622,996
Conversion option	14,375	20,781
Contributed surplus	883,534	875,235
Deficit	(756,849)	(862,237)
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	9,294,057	9,188,188
	<hr/>	<hr/>
	18,102,467	16,249,734
Commitments and Subsequent events (notes 18 and 19)		

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

Approved by the Board of Directors

(signed) MICHEL GAUDREAU, Director

(signed) LOUIS-ANDRÉ GAUDREAU, Director

Novik Inc.

Interim Statements of Deficit (unaudited)

	Three Months Ended March 31,	
	2008	2007
	\$	\$
Deficit – Beginning of period	862,237	1,308,692
Net loss (net earnings) for the period	(105,388)	213,219
Deficit – End of period	756,849	1,521,911

Interim Statements of Contributed Surplus (unaudited)

	Three Months Ended March 31,	
	2008	2007
	\$	\$
Balance – Beginning of period	875,235	167,311
Matured conversion option	6,406	6,818
Cancelled stock options (note 12b)	1,913	9,474
Balance – End of period	883,554	183,603

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

Novik Inc.

Interim Statements of Earnings and Comprehensive Income (unaudited)

	Three Months Ended March 31,	
	2008	2007
	\$	\$
Revenues	3,381,966	2,356,199
Cost of sales		
Direct costs	1,952,206	1,347,469
Depreciation and amortization of property, plant and equipment and intangible assets	200,600	189,570
	2,152,806	1,537,039
Gross margin	1,229,160	819,160
Operating expenses		
Selling expenses	640,468	599,803
Administrative expenses	315,393	271,749
Research and development costs	39,766	22,309
Depreciation of property, plant and equipment	5,885	6,017
Amortization of intangible assets	17,071	18,753
Amortization of development expenses	52,500	37,704
	1,071,083	956,335
Earnings (loss) from operations	158,077	(137,175)
Financial expenses		
Interest and bank charges	31,676	23,663
Interest on long-term debt	97,559	111,290
Exchange gain	(129,220)	(4,219)
Amortization of financing expenses	14,092	11,265
	14,107	141,999
Earnings (loss) before income taxes	143,970	(279,174)
Income tax expense (recovery)		
Future income taxes	38,582	(65,955)
Net earnings (net loss) and comprehensive income (loss) for the period	105,388	(213,219)
Basic and diluted net earnings (loss) per share (note 13)	0.0021	(0.005)
Basic and diluted weighted average number of shares outstanding (note 13)		
Basic	45,799,429	45,799,429
Diluted	45,815,676	45,799,429

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

Novik Inc.

Interim Statements of Cash Flows (unaudited)

	Three Months Ended March 31,	
	2008	2007
	\$	\$
Cash flows from operating activities		
Net earnings (net loss) for the period	105,388	(213,219)
Items not affecting cash		
Depreciation and amortization	276,053	263,309
Future income taxes	38,583	(65,955)
Interest capitalized on long-term debt	5,775	-
Unrealized gain on foreign currency forward contracts (note 16)	32,616	18,819
Stock-based compensation	481	17,531
	<hr/>	<hr/>
	458,895	20,485
Net change in non-cash working capital items (note 14)	(1,013,254)	(447,915)
	<hr/>	<hr/>
	(554,359)	(427,430)
Cash flows from financing activities		
Variation in bank loan	1,196,455	42,199
Long-term debt contracted	424,677	684,873
Deferred financing expenses	(9,284)	(15,857)
Long-term debt redemption	(267,604)	(270,155)
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	1,344,244	441,060
Cash flows from investing activities		
Additions to property, plant and equipment	(808,730)	(357,540)
Increase in intangible assets	(20,736)	(18,714)
Increase in deferred charges	(72,919)	(79,309)
Government assistance	112,500	112,500
	<hr/>	<hr/>
	(789,885)	(343,063)
Net change in cash	-	(329,433)
Cash – Beginning of period	-	329,433
Cash – End of period	<hr/>	<hr/>
	-	-
Additional information (note 14)		

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

Novik Inc.

Notes to Interim Financial Statements (unaudited)

1 Statutes and nature of activities

The company, incorporated under Part 1A of the Québec Companies Act, specializes in the design, manufacturing and marketing of new siding and roofing covers of polymer and of a wide variety of exterior and utility decorative products for residential and commercial construction and the home improvement industry.

2 Interim financial information

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the most recent annual financial statements of the company, except for the new accounting standards as disclosed in note 3. All disclosures required for annual financial statements have not been included in these financial statements. These unaudited interim financial statements should therefore be read in conjunction with the Company's most recent audited annual financial statements.

The financial information as at March 31, 2008 and for three-month periods ended March 31, 2008 and 2007 is unaudited. However, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year. As well, the company's overall business cycle determines the evolution of its working capital.

3 Changes in accounting policies

Effective October 1, 2007, the company adopted Sections 1506 "Accounting Changes", 1535 "Capital Disclosures", 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" issued by the Canadian Institute of Chartered Accountants.

Section 1506 "Accounting Changes" establishes 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. In particular, this Section allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. Furthermore, this Section requires disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective.

The company has applied these new accounting standards prospectively in note 15 – Capital disclosures for Section 1535 "Capital Disclosures" and in note 16 – Financial instruments for Sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation".

Novik Inc.

Notes to Interim Financial Statements (unaudited)

Going concern

The CICA amended Section 1400, “General Standards of Financial Statement Presentation” to include requirements to assess and disclose an entity’s ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The company does not expect any effects on its financial statements.

4 Accounts receivable

	<u>As at March 31, 2008</u>	<u>As at December 31, 2007</u>
	\$	\$
Trade	2,808,349	1,887,447
Government assistance receivable	-	112,500
Commodity taxes receivable	169,057	148,401
Deposits and others	158,656	42,660
Fair value of forward contracts (note 16)	32,616	134,196
	<u>3,168,678</u>	<u>2,325,204</u>

5 Inventories

	<u>As at March 31, 2008</u>	<u>As at December 31, 2007</u>
	\$	\$
Raw materials	698,133	720,338
Finished goods	2,483,591	2,037,800
	<u>3,181,724</u>	<u>2,758,138</u>

Novik Inc.

Notes to Interim Financial Statements (unaudited)

6 Property, plant and equipment

	As at March 31, 2008		As at December 31, 2007	
	Cost \$	Accumulated depreciation \$	Cost \$	Accumulated depreciation \$
Land	210,228	-	180,659	-
Plant	2,697,812	370,892	2,697,177	347,365
Equipment	4,828,194	1,333,674	4,278,131	1,249,197
Molds	4,830,140	1,320,145	4,581,953	1,242,734
Office furniture	62,939	40,402	62,939	39,217
Computer equipment	150,734	94,333	143,746	90,147
	12,780,047	<u>3,159,446</u>	11,944,605	<u>2,968,660</u>
Less:				
Accumulated depreciation	<u>3,159,446</u>		<u>2,968,660</u>	
Net amount	<u>9,620,601</u>		<u>8,975,945</u>	

7 Intangible assets

	As at March 31, 2008		As at December 31, 2007	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Software	896,254	503,057	883,568	471,664
Web site	33,070	11,327	25,020	10,217
Trademark	7,896	4,634	7,896	4,370
	937,220	<u>519,018</u>	916,484	<u>486,251</u>
Less:				
Accumulated amortization	<u>519,018</u>		<u>486,251</u>	
Net amount	<u>418,202</u>		<u>430,233</u>	

Novik Inc.

Notes to Interim Financial Statements (unaudited)

8 Deferred charges

	<u>As at March 31, 2008</u>	<u>As at December 31, 2007</u>
	\$	\$
Development expenses, at cost	1,155,056	1,082,137
Less:		
Accumulated amortization	317,681	265,181
Net amount	<u>837,375</u>	<u>816,956</u>

During the period ended March 31, 2008, the company applied research and development tax credits amounting to \$41,984 (\$190,870 in 2007) against deferred development expenses.

9 Credit Facilities

The company has an available authorized line of credit of \$4,000,000 bearing interest at prime rate plus 0.75% and renewable annually. Accounts receivable and inventories have been given as security for the line of credit. As at March 31, 2008, a balance of \$1,381,000 (\$1,772,000 as at December 31, 2007) was unused.

10 Accounts payable and accrued liabilities

	<u>As at March 31, 2008</u>	<u>As at December 31, 2007</u>
	\$	\$
Trade payable	1,451,232	1,118,824
Salaries and employee benefits payable	318,367	160,449
Accrued liabilities	397,959	491,440
	<u>2,167,558</u>	<u>1,770,713</u>

Novik Inc.

Notes to Interim Financial Statements (unaudited)

11 Long-term debt

	<u>As at March 31,</u>	<u>As at December 31,</u>
	2008	2007
	\$	\$
Immoveable hypothec, at prime rate plus 0,6%, payable in monthly principal instalments of \$13,940 plus interest, maturing in May 2019	1,881,900	1,923,720
Note payable, at prime rate plus 1.25%, payable in monthly principal instalments of \$9,443 maturing in January 2011. A moveable hypothec on equipment, molds and all tangible assets has been given as security for this loan (note 19)	358,826	387,155
Notes payable for which a moveable hypothec on equipment, molds, office furniture, computer system and software has been given as security		
Prime rate plus 0.8%, payable in monthly principal instalments of \$2,250, plus interest, maturing in September 2008	11,500	18,250
9.25%, payable in monthly instalments of \$4,976 including principal and interest, until January 2008 and of \$4,536 until January 2010	87,053	98,900
Bankers' acceptance rate plus 2.65%, payable in monthly instalments of \$6,203 including principal and interest, maturing in October 2010	186,746	202,618
Prime rate plus 2.90%, payable in monthly instalments of \$20,900 including principal and interest, until August 2009 and in instalments of \$10,455 including principal and interest, maturing in July 2011	530,353	582,810
Prime rate plus 0.5%, payable in monthly instalments of \$11,905 plus interest, maturing in August 2011	488,095	523,810
6.35%, payable in monthly instalments of \$6,117 US (\$6,275 CAN) including principal and interest, until Mars 2015	424,677	-
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(forward)	3,969,150	3,737,263

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Notes to Interim Financial Statements (unaudited)

	<u>As at March 31,</u>	<u>As at December 31,</u>
	2008	2007
	\$	\$
(brought forward)	3,969,150	3,737,263
Note payable, 12% payable since November 2004 in monthly principal instalments of \$1,410 for the first 24 months, \$2,340 for the following 22 months and \$1,347 for the last instalment, plus interest, convertible into shares in case of default, maturing in September 2008	13,047	20,067
Note payable, 12% payable since November 2004 in monthly principal instalments of \$3,910 for the first 24 months, \$6,510 for the following 23 months and \$2,263 for the last instalment, plus interest, convertible into shares in case of default, maturing in October 2008	41,323	60,853
Note payable to Canada Economic Development, non-interest bearing, payable in five equal and consecutive annual instalments, the first payment being due 24 months after the end of the project, that is July 1, 2005	111,158	107,408
Note payable, bearing interest at prime rate plus 1% payable in monthly principal instalments of \$12,963 plus interest, starting in July 2007 and maturing in December 2011. A moveable hypothec on molds has been given as security.	583,333	622,222
Note payable, bearing interest at prime rate plus 1.9% payable in monthly principal instalments of \$3,125, starting in August 2007 and maturing in March 2014. A moveable hypothec on equipment has been given as security.	225,000	234,375
Note payable to Canada Economic Development, non-interest bearing, payable in five equal and consecutive annual instalments, the first payment being due 24 months after the end of the project, that is July 1, 2007.	157,456	155,431
Deferred financing charges	(67,528)	(58,244)
	<u>5,032,939</u>	<u>4,879,375</u>
Less: Current portion	1,031,348	1,083,902
	<u>4,001,591</u>	<u>3,795,473</u>

The annual principal instalments required over the next five years are as follow: \$758,075 in 2008, \$978,654 in 2009, \$867,079 in 2010, \$641,026 in 2011 and \$244,729 in 2012.

The company has committed to meeting certain financial ratios in connection with certain of these loans. As at March 31, 2008, all financial ratios have been met.

Novik Inc.

Notes to Interim Financial Statements (unaudited)

12 Capital stock

(a) The company's authorized capital stock is now made up of an unlimited number of common shares, without par value, voting and participating.

Issued and fully paid

	<u>As at March 31, 2008</u>	<u>As at December 31, 2007</u>
	\$	\$
45,799,429 common shares	8,542,611	8,542,611
	<u>8,542,611</u>	<u>8,542,611</u>

(b) Stock options

The following table summarizes information about outstanding and exercisable stock options under of the plan since January 1, 2008:

	Number	Carrying value	Weighted average exercise price
		\$	\$
Outstanding – Beginning of period	1,620,000	339,850	0.42
Cancelled during the period	(10,000)	(1,913)	-
Stock-based compensation	-	481	
	<u>1,610,000</u>	<u>338,418</u>	<u>0.42</u>
Outstanding – End of period			
Exercisable – End of period	<u>1,405,000</u>		<u>0.41</u>

Novik Inc.

Notes to Interim Financial Statements (unaudited)

The following table summarizes information on outstanding and exercisable stock options under the plan as at March 31, 2008:

Exercise price	Options outstanding		Options exercisable	
	Number	Weighted average contractual life (years)	Number	Weighted average contractual life (years)
\$0.19	330,000	4.15	330,000	4.15
\$0.45	400,000	3.15	400,000	3.15
\$0.46	120,000	2.99	105,000	2.99
\$0.50	760,000	2.53	570,000	2.53
	<u>1,610,000</u>	<u>3.05</u>	<u>1,405,000</u>	<u>3.12</u>

(c) Warrants

The following table summarizes information about warrants outstanding since January 1, 2008:

	Number	Carrying value \$	Weighted average exercise price \$	Weighted average remaining contractual life (years)
Outstanding and exercisable – Beginning and End of period	<u>3,385,715</u>	<u>283,146</u>	<u>0.45</u>	<u>0.64</u>

13 Earnings per share

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

	Three Months Ended March 31,	
	2008	2007
Basic weighted average number of shares outstanding	45,799,429	45,799,429
Dilutive stock options	<u>16,247</u>	<u>-</u>
Diluted weighted average number of shares outstanding	<u>45,815,676</u>	<u>45,799,429</u>

For the three-month periods ended March 31, 2008 and 2007, the following securities were not included in the calculation of dilutive shares as the effect is anti-dilutive: 1,280,000 stock options (1,699,500 in 2007) and 3,385,715 warrants (12,313,715 in 2007).

Novik Inc.

Notes to Interim Financial Statements (unaudited)

14 Additional disclosures on the statements of cash flows

(a) Net change in non-tresorery working capital items

	Three Months Ended March 31,	
	2008	2007
	\$	\$
Accounts receivable	(988,590)	(750,114)
Inventories	(423,586)	(109,588)
Refundable tax credits	(41,984)	81,811
Prepaid expenses	70,773	(15,481)
Accounts payable and accrued liabilities	370,133	345,457
	(1,013,254)	(447,915)

(b) Items not affecting cash related to:

i) Operating and investing activities

	Three Months Ended March 31,	
	2008	2007
	\$	\$
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	26,712	19,000

ii) Financing activities

	Three Months Ended March 31,	
	2008	2007
	\$	\$
Transfer of a portion of the conversion option to the contributed surplus	6,406	6,818
Cancelled stock options accounted for as an increase of the contributed surplus	1,913	9,474
Tax credits receivable applied against deferred charges	41,984	38,895

Novik Inc.

Notes to Interim Financial Statements (unaudited)

(c) Additional information

	Three Months Ended March 31,	
	2008	2007
	\$	\$
Interest paid	97,559	111,290

15 Capital Disclosures

The company's objectives when managing capital are to:

1. maintain financial flexibility in order to preserve its ability to meet financial obligations; and
2. deploy capital to provide an appropriate investment return to its shareholders; and
3. maintain a capital structure that allows multiple financing options to the company should a financing need arise.

The company defines its capital as follows:

1. shareholders' equity;
2. long-term debt, including the current portion;
3. bank loan;
4. cash and cash equivalents.

The company's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

The company periodically monitors capital using a number of financial metrics comprised of the following ratios:

1. long-term debt to net tangible value; and
2. coverage ratio of fixed costs.

Total long-term debt, a non-GAAP measure, is calculated as the sum of the long-term debt including the current portion.

Net tangible value, a non-GAAP measure, is calculated as the sum of shareholders' equity less future income tax assets, intangible assets and deferred charges.

Coverage ratio of fixed costs, a non-GAAP measure, is calculated as the sum of earnings from operations plus depreciation and amortization and stock-based compensation (EBITDA) to the current portion of the long-term debt and interests on bank charges and long-term debt.

Novik Inc.

Notes to Interim Financial Statements (unaudited)

The company's financial objectives and strategy as described above have remained substantially unchanged over the last two completed fiscal years. These objectives and strategy are reviewed on an annual basis. The company believes that its ratios are within reasonable limits, in light of the relative size of the company and its capital management objectives.

The company is also subject to financial covenants in its operating credit facility agreement, which are measured on a monthly basis. The company is in compliance with all financial covenants.

The following table illustrates the financial ratios calculated on a trailing twelve-month basis over the last fiscal period:

	Guidelines (up to)	As at March 31, 2008	As at December 31, 2007
Long-term debt, including the current portion		\$5,032,939	\$4,879,375
Shareholders' equity		\$9,294,057	\$9,188,188
Less:			
Future income tax assets		\$(257,783)	\$(296,365)
Intangible assets		\$(418,202)	\$(430,233)
Deferred charges		\$(837,375)	\$(816,956)
Net tangible value		\$7,780,697	\$7,644,634
Earnings from operations		\$1,621,173	\$1,325,921
Plus:			
Amortization and depreciation		\$1,104,563	\$1,080,551
Stock-based compensation		\$87,077	\$104,127
EBITDA		\$2,812,813	\$2,510,599
Current portion of the long-term debt		\$1,031,348	\$1,083,902
Plus:			
Interests and bank charges		\$78,851	\$70,844
Interests on long-term debt		\$482,171	\$495,902
Fixed costs		\$1,592,370	\$1,650,648
Long-term debt, including the current portion		\$5,032,939	\$4,879,375
Net tangible value		\$7,780,697	\$7,644,634
Long-term debt to net tangible value	1.5:1	0.65:1	0.64:1
EBITDA		\$2,812,813	\$2,510,599
Fixed costs		\$1,592,370	\$1,650,648
Coverage ratio of fixed costs	1.2:1	1.8:1	1.5:1

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Notes to Interim Financial Statements (unaudited)

16 Financial instruments

Risk Management Policies

The company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at the balance sheet date of March 31, 2008.

Fair value

The company's financial instruments recognized in the balance sheet are cash, accounts receivable, bank loan, accounts payable and accrued liabilities and long-term debt. The fair values of these financial instruments approximate their carrying values due to their short-term maturity. The fair value of long-term debt amounts to approximately \$5,027,816 as at March 31, 2008 (\$4,879,375 as at December 31, 2007).

Credit Risk

The company's principal financial assets are accounts receivable, inventories and property plant and equipment.

The company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the balance sheet are net of allowances for bad debts, estimated by the company's management based on prior experience and their assessment of the current economic environment. The company believes that the credit risk of accounts receivable is limited for the following reasons:

- A broad client base dispersed across varying geographic locations.
- Just above 77% of trade receivables is outstanding for less than 60 days.
- Though 52,8% of the company's gross income in the first quarter of fiscal 2008 is coming from its top two clients, the company believes that the credit risk associated with these clients is limited. Generally, the company does not require collateral or other security from clients for trade receivables; however credit is extended to clients following an evaluation of creditworthiness. In addition, the company performs periodic credit reviews of its clients.
- The company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.
- In the past three fiscal years, the company has not recorded bad debt expenses in excess of its provision for bad debts. The allowance for bad debts as at March 31, 2008 was \$15,000 and was \$15,000 as at December 31, 2007. All bad debt write-offs are charged to administrative expenses.

Novik Inc.

Notes to Interim Financial Statements (unaudited)

Liquidity Risk

The company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

The following are the contractual maturities of financial liabilities as at March 31, 2008:

	Carrying Amount	Contractual Cash Flows	0 à 6 months	6 à 12 months	12 à 24 months	After 24 months
Accounts payable and accrued liabilities	2,167,558	2,167,558	2,167,558	-	-	-
Long-term debt	5,032,939	5,032,939	505,383	525,965	978,654	3,090,466
	<u>7,200,497</u>	<u>7,200,497</u>	<u>2,672,941</u>	<u>525,965</u>	<u>978,654</u>	<u>3,090,466</u>

Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

Based on historic movements and volatilities in the above market variables, and management current assessment of the financial markets, the company believes the following variations are reasonably possible over a 12-month period, net of income taxes using an estimated effective tax rate of 32%:

- Proportional foreign exchange rate variation of -10% (depreciation of Canadian dollar (CAD)) and +10% (appreciation of CAD) against the US dollar (USD), from a period-end rate of 1.0259.
- Proportional variation of +1% / -1% in the prime interest rates applicable in the company's respective financial instruments.

If these variations were to occur, the impact on consolidated net earnings and equity for each category of financial instruments held at the balance sheet date would be as follows:

(in thousands of dollars)	Carrying amount	Interest rate risk				Foreign exchange rate risk			
		-1%		+1%		-10%		+10%	
		Earnings	Equity	Earnings	Equity	Earnings	Equity	Earnings	Equity
Financial assets									
Accounts receivable ⁽¹⁾	3,169	-	-	-	-	149	149	(149)	(149)
Financial liabilities									
Bank loan ⁽²⁾	1,608	-	-	-	-	6	6	(7)	(7)
Accounts payable and accrued liabilities ⁽³⁾	2,168	-	-	-	-	(51)	(51)	51	51
Long-term debt ^{(4) (5)}	5,033	43	43	(43)	(43)	(29)	(29)	29	29
TOTAL INCREASE (DECREASE)		43	43	(43)	(43)	75	75	(76)	(76)

Novik Inc.

Notes to Interim Financial Statements (unaudited)

The calculations presented below are pre-tax.

- (1) Accounts receivable include \$2,185 of USD denominated receivables. USD amount of foreign-denominated debtors as at March 31, 2008 = $\$2,185 / 1.0259 = \text{US\$ } 2,130$.
Sensitivity to a -10% variation in this foreign exchange rate = $(\text{US\$}2,130 \times 1.1285) - \$2,185 = \$219$.
Sensitivity to a +10% variation in this foreign exchange rate = $(\text{US\$}2,130 \times 0.9233) - \$2,185 = (\$219)$.
- (2) Bank loan include (\$67) of USD bank loan. USD amount of bank loan as at March 31, 2008 = $(\$67) / 1.0259 = \text{US\$}(\$65)$.
Sensitivity to a -10% variation in this foreign exchange rate = $(\text{US\$}65 \times 1.1285) - (\$67) = 7$.
Sensitivity to a +10% variation in this foreign exchange rate = $(\text{US\$}65 \times 0.9233) - (\$67) = (7)$.
- (3) Accounts payable and accrued liabilities include \$753 of USD denominated payables. USD amount of foreign-denominated trade creditors as at March 31, 2008 = $(\$753 / 1.0259 = \text{US\$}734)$.
Sensitivity to a -10% variation in this foreign exchange rate = $(\text{US\$}734 \times 1.1285) - \$753 = \$75$.
Sensitivity to a +10% variation in this foreign exchange rate = $(\text{US\$}734 \times 0.9233) - \$753 = (\$75)$.
- (4) Long-term debt includes \$425 of USD long-term debt. USD amount of long-term debt as at March 31, 2008 = $(\$425 / 1.0259 = \text{US\$}414)$.
Sensitivity to a -10% variation in this foreign exchange rate = $(\text{US\$}414 \times 1.1285) - \$425 = \$43$.
Sensitivity to a +10% variation in this foreign exchange rate = $(\text{US\$}414 \times 0.9233) - \$425 = (\$43)$.
- (5) Long-term debt includes \$4,266 of debt bearing at a variable rate.
Sensitivity to a -1% variation in this interest rates = $\$4,266 \times 1\% = \43 .
Sensitivity to a +1% variation in this interest rates = $(\$43)$.

Interest rate risk

Accounts receivable and accrued liabilities bear no interest. The interest rates of bank loan and long-term debt are mentioned in notes 9 and 11, respectively.

Novik Inc.

Notes to Interim Financial Statements (unaudited)

Currency risk

Since a part of the company's revenues is denominated in US dollars, the company is exposed to currency risk. These risks are partially hedged by its purchases in US dollars and by foreign currency forward contracts.

The fair value of foreign currency forward contracts at the end of the year is as follows as at March 31, 2008:

Purchasing currency	Selling currency	Par value in selling currency \$	Maturity	Fair value as at March 31, 2008 (a) \$	Average rate \$
CAN\$	US\$	1,800,000	2008	32,616	1.01605

(a) Fair value of foreign currency forward contracts generally reflects the estimated amounts that the company would receive by way of settlement of favourable contracts or would be required to pay to terminate unfavourable contracts at the balance sheet date.

17 Segment information

The company is organized under one single operating segment, as described in note 1.

Revenues by geographic region are detailed as follows:

	<u>Three Months Ended March 31,</u>	
	<u>2008</u> \$	<u>2007</u> \$
Canada	630,403	753,372
United States	895,332	1,179,017
North America	1,525,735	1,932,389
Europe and Asia-Pacific	1,856,231	432,810
	<u>3,381,966</u>	<u>2,356,199</u>

Revenues have been allocated based on the country of residence of the customer. All of the company's long-lived assets are located in Canada.

Novik Inc.

Notes to Interim Financial Statements (unaudited)

Major customers

Customers representing 10% or more of revenues are allocated as follows:

	<u>Three Months Ended March 31,</u>	
	2008	2007
	%	%
Customer 1	31.64	11.07
Customer 2	21.13	7.27

18 Commitments

As at March 31, 2008, the company's minimum aggregate commitments under long-term equipment and vehicle lease agreements amount to \$110,016. Minimum lease payments required over the next four years amount to \$33,335 in 2008, \$44,446 in 2008, \$28,769 in 2010 and \$3,466 in 2011. The company has also agreed to pay an approximate amount of \$185,000 for the acquisition of equipments and molds as well as purchases of raw materials.

19 Subsequent events

On May 5, 2008, the company changed its financial partner responsible for the authorized line of credit and a note payable. The new financial partner authorized a line of credit of \$4,000,000 bearing interest at prime rate plus 0.25% and renewable annually. Accounts receivable and inventories have been given as security for the line of credit. Note payable bears interest at prime rate plus 0.4% and matures in January 2011. An immoveable hypothec on equipment, molds and all tangible assets has been given as security for the amount outstanding. This new operating credit facility requires the company to achieve financial objectives. This credit facility was used to fully repay, as at May 5, 2008, all borrowings under the existing bank loan agreements.