

DOREL INDUSTRIES INC.
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 30, 2008 and 2007

AUDITORS' REPORT TO THE SHAREHOLDERS OF DOREL INDUSTRIES INC.

We have audited the consolidated balance sheets of Dorel Industries Inc. ("the Company") as at December 30, 2008 and 2007 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the two-year period ended December 30, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 30, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two-year period ended December 30, 2008 in accordance with Canadian generally accepted accounting principles.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a horizontal line that starts under the "K" and ends under the "P", with a small upward tick at the end.

Chartered Accountants

Montreal, Canada

March 6, 2009

*CA Auditor permit no 6496

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DOREL INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 30, 2008 and 2007
(All figures in thousands of U.S. dollars)

	As at December 30, 2008	As at December 30, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 24)	\$ 16,966	\$ 22,513
Accounts receivable (Note 5)	316,267	286,924
Income taxes receivable	19,798	6,519
Inventories (Note 6)	509,467	322,332
Prepaid expenses	16,236	10,538
Future income taxes (Note 22)	37,342	35,228
	<u>916,076</u>	<u>684,054</u>
PROPERTY, PLANT AND EQUIPMENT (Note 7)	158,895	140,362
INTANGIBLE ASSETS (Note 8)	368,847	276,383
GOODWILL (Note 25)	540,187	525,235
OTHER ASSETS (Notes 2 and 9)	46,468	31,870
	<u>\$ 2,030,473</u>	<u>\$ 1,657,904</u>

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 30, 2008 and 2007
(All figures in thousands of U.S. dollars)

	As at December 30, 2008	As at December 30, 2007
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 10)	\$ 4,398	\$ 5,836
Accounts payable and accrued liabilities (Note 11)	380,915	325,938
Income taxes payable	30,164	25,532
Future income taxes (Note 22)	2,713	136
Current portion of long-term debt (Notes 2 and 12)	<u>8,879</u>	<u>62,906</u>
	<u>427,069</u>	<u>420,348</u>
LONG-TERM DEBT (Notes 2 and 12)	<u>450,704</u>	<u>192,385</u>
PENSION & POST-RETIREMENT BENEFIT OBLIGATIONS (Note 15)	<u>20,072</u>	<u>20,942</u>
FUTURE INCOME TAXES (Note 22)	<u>111,874</u>	<u>79,635</u>
OTHER LONG-TERM LIABILITIES (Note 13)	<u>6,010</u>	<u>6,848</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 16)	<u>177,422</u>	<u>177,271</u>
CONTRIBUTED SURPLUS	<u>16,070</u>	<u>11,623</u>
RETAINED EARNINGS	738,113	641,981
ACCUMULATED OTHER COMPREHENSIVE INCOME	<u>83,139</u>	<u>106,871</u>
	<u>821,252</u>	<u>748,852</u>
	<u>1,014,744</u>	<u>937,746</u>
	<u>\$ 2,030,473</u>	<u>\$ 1,657,904</u>

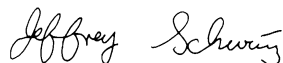
COMMITMENTS AND GUARANTEES (Note 18)

CONTINGENCIES (Note 19)

ON BEHALF OF THE BOARD



DIRECTOR



DIRECTOR

See accompanying notes.

DOREL INDUSTRIES INC.**CONSOLIDATED STATEMENTS OF INCOME**

FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007

(All figures in thousands of U.S. dollars, except per share amounts)

	2008	2007
Sales	\$ 2,164,767	\$ 1,792,611
Licensing and commission income	<u>17,113</u>	<u>21,061</u>
TOTAL REVENUE	<u>2,181,880</u>	<u>1,813,672</u>
EXPENSES		
Cost of sales (Note 3)	1,651,137	1,375,418
Selling, general and administrative expenses	319,118	244,798
Depreciation and amortization	45,854	39,844
Research and development costs (Note 9)	10,909	9,009
Restructuring costs (Note 3)	726	14,509
Interest on long-term debt	21,162	23,782
Other interest	<u>961</u>	<u>(316)</u>
	<u>2,049,867</u>	<u>1,707,044</u>
Income before income taxes	132,013	106,628
Income taxes (Note 22)		
Current	17,002	26,418
Future	<u>2,156</u>	<u>(7,282)</u>
	19,158	19,136
NET INCOME	<u>\$ 112,855</u>	<u>\$ 87,492</u>
EARNINGS PER SHARE (Note 23)		
Basic and diluted	<u>\$ 3.38</u>	<u>\$ 2.63</u>

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007
(All figures in thousands of U.S. dollars)

	2008	2007
NET INCOME	\$ 112,855	\$ 87,492
OTHER COMPREHENSIVE INCOME:		
Net change in unrealized foreign currency gains (losses) on translation of net investments in self-sustaining foreign operations, net of tax of nil	(23,348)	42,985
Portion included in income as a result of reductions in net investments in self-sustaining foreign operations	(384)	-
	<u>(23,732)</u>	<u>42,985</u>
COMPREHENSIVE INCOME	<u>\$ 89,123</u>	<u>\$ 130,477</u>

CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007
(All figures in thousands of U.S. dollars)

	2008	2007
CAPITAL STOCK (Note 16)		
Balance, beginning of year	\$ 177,271	\$ 162,555
Issued under stock option plan	151	14,716
Balance, end of year	<u>177,422</u>	<u>177,271</u>
CONTRIBUTED SURPLUS		
Balance, beginning of year	11,623	6,061
Stock-based compensation (Note 17)	4,447	5,562
Balance, end of year	<u>16,070</u>	<u>11,623</u>
RETAINED EARNINGS		
Balance, beginning of year	641,981	567,020
Net income	112,855	87,492
Dividends on common shares	(16,707)	(12,524)
Dividends on deferred share units	(16)	(7)
Balance, end of year	<u>738,113</u>	<u>641,981</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	106,871	63,886
Other comprehensive income	(23,732)	42,985
Balance, end of year	<u>83,139</u>	<u>106,871</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 1,014,744</u>	<u>\$ 937,746</u>

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007
(All figures in thousands of U.S. dollars)

	2008	2007
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income	\$ 112,855	\$ 87,492
Items not involving cash:		
Depreciation and amortization	45,854	39,844
Amortization of deferred financing costs	362	217
Future income taxes	2,156	(7,282)
Stock-based compensation (Note 17)	4,447	5,562
Pension and post-retirement defined benefit plans (Note 15)	(27)	1,346
Restructuring activities (Note 3)	(6,849)	15,436
Exchange gain from reduction of net investments in foreign operations	(384)	-
(Gain) loss on disposal of property, plant and equipment	(24)	243
	<u>158,390</u>	<u>142,858</u>
Net changes in non-cash balances related to operations (Note 24)	<u>(78,507)</u>	<u>24,482</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>79,883</u>	<u>167,340</u>
FINANCING ACTIVITIES		
Bank indebtedness	(1,055)	1,577
Increase of long-term debt	266,297	-
Repayments of long-term debt	(62,400)	(136,036)
Dividends on common shares	(16,707)	(12,524)
Issuance of capital stock (Note 16)	155	14,698
	<u>186,290</u>	<u>(132,285)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>186,290</u>	<u>(132,285)</u>
INVESTING ACTIVITIES		
Acquisition of subsidiary companies (Notes 4 and 24)	(226,190)	(2,786)
Additions to property, plant and equipment – net	(26,518)	(22,269)
Deferred development costs	(19,069)	(14,470)
Intangible assets	(1,860)	(1,871)
	<u>(273,637)</u>	<u>(41,396)</u>
CASH USED IN INVESTING ACTIVITIES	<u>(273,637)</u>	<u>(41,396)</u>
Effect of exchange rate changes on cash and cash equivalents	1,917	2,929
	<u>1,917</u>	<u>2,929</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(5,547)</u>	<u>(3,412)</u>
Cash and cash equivalents, beginning of year	<u>22,513</u>	<u>25,925</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 24)	<u>\$ 16,966</u>	<u>\$ 22,513</u>

See accompanying notes.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007

(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 1 – NATURE OF OPERATIONS

Dorel Industries Inc. (the “Company”) is a global consumer products company which designs, manufactures or sources, markets and distributes a diverse portfolio of powerful product brands, marketed through its juvenile, recreational/leisure and home furnishings segments. The principal markets for the Company’s products are the United States, Canada and Europe.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) using the U.S. dollar as the reporting currency. The U.S. dollar is the functional currency of the Canadian parent company.

Reclassifications

Effective January 2008, the company has re-classified certain figures to the Juvenile segment from the Home Furnishing segment. This change, based principally on product type and customers served, was made to reflect the way in which this division’s results are reported internally. To allow for better year-over-year comparability, prior year comparatives segmented revenues of \$53,073 for the year and elements of earnings from operations of \$7,114 for the year have been reclassified. Segmented figures are presented in note 25 to these financial statements. Certain comparative accounts have been reclassified to conform to the 2008 financial statement presentation.

New Accounting Standards

Effective as of the beginning of our 2008 fiscal year, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1535, “Capital Disclosures”, CICA Handbook Section 3862, “Financial Instruments – Disclosure”, and CICA Handbook Section 3863, “Financial Instruments – Presentation”. These new accounting standards apply to fiscal years beginning on or after October 1, 2007.

Section 1535 establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure requirements of the entity’s objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with external capital requirements to which it is subject, and, if it has not complied, the consequences of such non-compliance.

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861 “Financial Instruments – Disclosure and Presentation”. Section 3862 requires entities to provide disclosures that enable users to evaluate: (1) the significance of financial instruments for the Company’s financial position and performance and (2) the nature and extent of risk arising from financial instruments to which the Company is exposed and how it manages those risks. Section 3863 carries forward the presentation requirement of the old Section 3861 which remains unchanged. Certain information related to the comparative years is not required by these standards and accordingly has not been presented.

The adoption of these standards did not have any impact on the financial results of the Company. The additional disclosures related to these standards have been presented in Note 14 – Financial instruments of these financial statements.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007

(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Significant estimates and assumptions are used to evaluate the carrying values of long-lived assets, assets held for sale and goodwill, valuation allowances for accounts receivable and inventories, restructuring reserves, liabilities for potential litigation claims and settlements including product liability, assets and obligations related to employee pension and post-retirement benefits, the recovery, establishment of worldwide provision for income taxes including future income tax liabilities and the determination of the realizable value of future income tax assets, and the allocation of the purchase price of acquired assets and businesses. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

Revenue Recognition

Sales and licensing and commission income are recognized upon shipment of product and transfer of ownership to the customer. The Company records estimated reductions to revenue for customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. Provisions for customer incentives and provisions for sales and return allowances are made at the time of product shipment.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less. The carrying amounts of cash and cash equivalents are stated at cost, which approximates their fair values.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventory costs include the purchase price and other costs directly related to the acquisition of materials. Inventory costs also include the costs directly related to the conversion of materials to finished goods, such as direct labour, and an allocation of fixed and variable production overheads. The allocation of fixed production overheads to the cost of inventories is based on a normal range of capacity of the production facilities.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007

(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Capital leases where the risks and rewards of ownership are transferred to the Company are included in property, plant and equipment.

Property, plant and equipment are depreciated as follows:

	<u>Method</u>	<u>Rate</u>
Buildings and improvements	Straight-line	40 years
Machinery and equipment	Declining balance	15%
Moulds	Straight-line	3 to 5 years
Furniture and fixtures	Declining balance	20%
Vehicles	Declining balance	30%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	Over the lesser of the useful life and the term of the lease

The capitalized value of depreciable assets under capital leases is amortized over the period of expected use, on a basis that is consistent with the above depreciation method and rates, if the lease contains terms that allow ownership to pass to the Company or contains a bargain purchase option. Otherwise, the asset is amortized over the lease term. Amortization of assets under construction begins when they are ready for their intended use.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007

(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible Assets

Intangible assets are recorded at cost:

Trademarks

Trademarks acquired as part of business acquisitions and registered trademarks are considered to have an indefinite life and are therefore not subject to amortization. They are tested annually for impairment or more frequently when events or changes in circumstances indicate that the trademarks might be impaired. The impairment test compares the carrying amount of the trademarks with its fair value.

Customer Relationships

Customer relationships acquired as part of business acquisitions are amortized on a straight-line basis over a period of 15 to 25 years.

Supplier Relationship

Supplier relationship acquired as part of a business acquisition is amortized on a straight-line basis over a period of 10 years.

Patents

Patents are amortized on a straight-line basis over their expected useful lives ranging from 4 years to 18 years.

Software Licence

Software licence is amortized on a straight-line basis over its expected useful live of 10 years.

Goodwill

Goodwill represents the excess of the purchase price, including acquisition costs, over the fair values assigned to identifiable net assets acquired. Goodwill, which is not amortized, is tested for impairment annually or more frequently when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount.

A two-step impairment test is used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized, if any. The fair value of a reporting unit is first compared with its carrying amount, including goodwill, in order to identify a potential impairment. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. When the carrying amount of a reporting unit exceeds its fair value, the implied fair value of the reporting unit's goodwill is then compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. The fair value of a reporting unit is calculated based on discounted future net cash flows or valuations based on a market approach. When the carrying amount of a reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007

(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment or Disposal of Long-Lived Assets

The Company reviews its long-lived assets and amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future net cash flows resulting from the use of the assets and its eventual disposition. An impairment loss is recognized when the carrying amount of the assets exceeds the fair value. Such evaluations for impairment are significantly affected by estimates of future prices for the Company's product, economic trends in the market and other factors. Quoted market values are used whenever available to estimate fair value. When quoted market values are unavailable, the fair value of the long-lived asset is generally based on estimates of discounted expected net cash flows. Assets held for sale are reflected at the lower of their carrying amount or fair values less cost to sell and are not depreciated while classified as held for sale. Assets held for sale are included in other assets on the balance sheet.

Deferred Charges

Deferred charges are recorded at cost less accumulated amortization. They are included in other assets on the balance sheet.

Research and Development Costs:

The Company incurs costs on activities which relate to research and development of new products. Research costs are expensed as they are incurred. Development costs are also expensed as incurred unless they meet specific criteria related to technical, market and financial feasibility. Deferred development costs are amortized on a straight-line basis over a period of two years.

Costs relating to revolving credit facility:

The Company incurred certain costs related to the revolving credit facility. These amounts are amortized as interest expense on a straight-line basis over the term or life of the related debt.

Foreign Currency

The assets and liabilities of self-sustaining foreign operations, whose functional currency is other than the U.S. dollar (located principally in Europe), are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates for the period. Differences arising from the exchange rate changes are included in the accumulated other comprehensive income (AOCI) component of shareholders' equity. If there is a reduction in the Company's permanent investment in a self-sustaining foreign operation, the relevant portion of AOCI is recognized in Selling, general and administrative expenses. All other operations, including the Canadian parent company, have the U.S. dollar as the functional currency. For these operations, monetary items denominated in currencies other than the U.S. dollar are translated at the exchange rates prevailing at the balance sheet date and translation gains and losses are included in income. Non-monetary items are translated at historical rates. Income and expenses are translated at the average exchange rates for the period. Foreign exchange gains and losses are reflected in net income.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007

(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Company mainly comprise cash and cash equivalents, foreign exchange contracts with a positive fair value, accounts receivable – trade, accounts receivable – other. Financial liabilities of the Company mainly comprises foreign exchange contracts with a negative fair value, bank indebtedness, accounts payable and accrued liabilities, long-term debt, other long-term liabilities and balance of sale payable.

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet when the Company becomes a party to the contractual obligations of the instrument. Except for those incurred on the revolving credit facility, transaction costs are deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability. Financial instruments are initially and subsequently measured at fair value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are subsequently measured at amortized cost. Subsequent recognition of changes in fair value of financial instruments remeasured each reporting date at fair value depend on their initial classification. Held for trading financial investments are measured at fair value with all gains and losses included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with gains and losses included in other comprehensive income until the asset is removed from the balance sheet or until impaired.

The Company has classified its cash and cash equivalents as held for trading. Accounts receivable are classified as loans and receivables. Bank indebtedness, accounts payable and accrued liabilities, long-term debt, other long-term liabilities and balance of sale payable are classified as other liabilities, all of which are measured at amortized cost.

Derivative Financial Instruments

Derivative financial instruments are recorded as either assets or liabilities and are measured at their fair value unless exempted from derivative treatment as a normal purchase or sale. Certain derivatives embedded in other contracts must also be separated from the main contract and measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Any derivative instrument that does not qualify for hedge accounting is marked-to-market at each reporting date and the gains or losses are included in earnings.

Derivative financial instruments are utilized by the Company in the management of its foreign currency exposures. These derivative financial instruments are used as a method for meeting the risk reduction objectives of the Company by generating offsetting cash flows related to the underlying position in respect of amount and timing of forecasted foreign currency cash flows. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. To meet its objective, the Company uses foreign exchange contracts, including futures, forwards and options.

The Company does not apply hedge accounting to foreign exchange contracts. Foreign exchange contracts, classified as held for trading, are marked to market. Unrealized and realized gains and losses associated with derivative instruments are recorded in cost of sales.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007

(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Pension Plans and Post-Retirement Benefits

Pension Plans:

The Company maintains defined benefit plans and defined contribution plans for their employees. Pension benefit obligations under the defined benefit plans are determined annually by independent actuaries using management's assumptions and the accumulated benefit method for plans where future salary levels do not affect the amount of employee future benefits and the projected benefit method for plans where future salaries or cost escalation affect the amount of employee future benefits. The plans provide benefits based on a defined benefit amount and length of service. Management's assumptions consist mainly of best estimate of future salary levels, retirement age of employees, mortality and other actuarial factors.

Plan assets are measured using the fair value method. Actuarial gains or losses arise from the differences between the actual and expected long-term rate of return on plan assets for a period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain or loss over 10 percent of the greater of the benefit obligation and the fair value of plan assets is amortized over the expected average remaining service period. The average remaining service period of active employees covered by all pension plans is 11 years. Prior service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for employees' services rendered in the period;
- interest on the actuarial present value of accrued pension benefits less earnings on pension fund assets;
- amounts which represent the amortization of the unrecognized net pension assets that arose when accounting policies were first applied and prior service costs and amendments, and subsequent gains or losses arising from changes in actuarial assumptions, and experience gains or losses related to return on assets, amortized on a straight-line basis over the expected average remaining service life of the employee group.
- Gains or losses on settlements or curtailments

Post-Retirement Benefits Other Than Pensions:

Post-retirement benefits other than pensions include health care and life insurance benefits for retired employees. The costs of providing these benefits are accrued over the working lives of employees in a manner similar to pension costs. Actuarial gains or losses are treated in a similar manner to those relating to pension plans. The average remaining service period of employees covered by the post-retirement benefit plan is 5 years.

Significant elements in determining the assets or liabilities and related income or expense for these plans are the expected return on plan assets, the discount rate used to value future payment streams, expected trends in health care costs, and other actuarial assumptions. Annually, the Company evaluates the significant assumptions to be used to value its pension and post-retirement plan assets and liabilities based on current market conditions and expectations of future costs.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007

(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Future Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values using the substantively enacted income tax rate, which will be in effect for the year in which the differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amount of future income tax assets to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income and tax planning strategies. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of substantive enactment.

Stock-Based Compensation

The Company recognizes as an expense, all stock options granted, modified or settled to its employees and deferred shares units (DSU's) granted to its directors using the fair value based method.

Stock options awards to employees are measured based on the fair value of the options at the grant date and a compensation expense is recognized over the vesting period of the options, with a corresponding increase to contributed surplus. The fair value of these options is measured using a Black-Scholes option pricing model. When the stock options are exercised, capital stock is credited by the sum of the consideration paid, together with the related portion previously recorded to contributed surplus. DSU's are accounted for in compensation expense at the grant date.

Guarantees

In the normal course of business, the Company enters into various agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract that contingently requires the Company to make payments to a third party based on (i) changes in an underlying interest rate, foreign currency exchange rate, index of prices or rates, or other variable, including the occurrence or non-occurrence of a specified event (such as a scheduled payment under a contract), that is related to an asset, a liability or an equity security of the guaranteed party, (ii) failure of another party to perform under an obligating agreement, or (iii) failure of another party to pay its indebtedness when due. With the implementation of Section 3855 on financial instruments, the stand-by portion of the guarantees are initially measured at fair value. The contingent portion of the guarantee is recorded when the Company considers it probable that a payment relating to the guarantee has to be made to the other party of the contract or agreement

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Future Accounting Changes

Inventories

In June 2007, the CICA issued Section 3031 "Inventories" which replaces Section 3030 "Inventories" and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards ("IFRS"). This Section provides changes to the measurement and more extensive guidance on the determination of the cost, including allocation of overheads and other costs to inventories; prohibits the use of the last-in, first-out (LIFO) method; requires the reversal of previous write-downs when there is a subsequent increase in the value of inventories; and expands the disclosure requirements regarding inventories and cost of sales to increase transparency. This Section applies to interim and annual financial statements beginning on or after January 1, 2008. The Company will apply these new standards in the first quarter of 2009.

As a result of the more restrictive guidance on the determination of costs, the Company changed some of its overhead allocation policy, whereby some overheads costs will be expensed. In accordance with Section 3031, the Company will apply these changes in accounting policies by adjusting the opening retained earnings as at December 31, 2008 (prior fiscal year periods were not restated). Accordingly, effective as of the beginning of our 2009 fiscal year, the impact of measuring the inventories under the new standard is a decrease of the carrying amount of inventories of \$3,511. Opening retained earnings at the beginning of the fiscal year 2009 were decreased by \$2,096, equal to the change in opening inventories net of tax of \$1,415. Section 3031 requires depreciation expense related to manufacturing activities to be included in Cost of sales. The new disclosure requirements will be reflected in the Company's interim consolidated financial statements for the first quarter of 2009.

Goodwill and Intangible Assets

The CICA issued Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets" and Section 3450 "Research and development costs". The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. For the Company, this Section is effective in the first quarter of 2009. The Company has evaluated the new section and determined that there is no impact of its adoption on its financial statements except the deferred development costs will be presented with the intangible assets as opposed to with the other assets. The reclassification will be reflected in the Company's interim consolidated financial statements for the first quarter of 2009.

International Financial Reporting Standards

The Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with IFRS. The changeover date from current Canadian GAAP to IFRS has been established as January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures which must be addressed. As a result, the Company is currently developing its detailed IFRS conversion plan and evaluating the effect of these new standards on its consolidated financial statements. Determination of the key differences between IFRS and the Company's accounting policies is in progress with an evaluation of the main potential impact on its business practices, systems, disclosure controls and procedures, and internal controls over financial reporting.

DOREL INDUSTRIES INC.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Future Accounting Changes (Cont'd)

International Financial Reporting Standards (Cont'd)

The Company has a dedicated project manager to lead the conversion to IFRS. Members of the finance team are working closely with senior management in a number of different business areas to ensure that the impact of the conversion throughout the business is managed in a timely and efficient manner. Training and additional resources will be engaged as required to ensure the timely conversion to IFRS.

General Standards of Financial Statement Presentation

In June 2007, the CICA amended Section 1400 “General Standards of Financial Statement Presentation”, which is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, and which includes requirements to assess and disclose the Company’s ability to continue as a going concern. The adoption of the amended Section will have no impact on the consolidated financial statements of the Company.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 3 – RESTRUCTURING ACTIVITIES

In 2008, the Company recorded total expenses of \$943 (2007 – \$19,184) with respect to restructuring activities, of which \$217 (2007 – \$4,675) were recorded as cost of sales and \$726 (2007 – \$14,509) were recorded as restructuring costs.

Juvenile Segment

In the fourth quarter of 2006, Dorel Europe initiated restructuring activities affecting the Juvenile Segment. Significant operational changes related to the production facilities in Telgate, Italy and Cholet, France are being implemented. The plan's objective is to reduce operational costs through strategic sourcing and manufacturing. These restructuring initiatives are expected to be completed by the end of the second quarter of 2009 and result in cumulative restructuring charges of \$13,671. To date, the Company has recorded a cumulative charge of \$13,103 under the plan, including \$3,411 of non-cash charges related to the write-down of long-lived assets and inventory markdowns, \$10,793 of employee severance and termination benefits and \$204 of other associated costs, net of curtailment gains on defined benefit pension plans of \$222, curtailment gains on compensation liabilities of \$318 and gains on sale of machinery and equipment of \$765. Of this \$13,103 cumulative charge, \$860 was recorded in the current fiscal year, \$8,243 in 2007 and \$4,000 in 2006.

The costs recognized for these restructuring activities consist of the following:

	2008	2007
Employee severance and termination benefits	\$ 1,035	\$ 6,887
Buildings, machinery and equipment write-downs	–	1,052
Net curtailment losses (gains) on defined benefit pension plans (Note 15)	–	264
Curtailment gain on compensation liabilities	–	(318)
Gains on sale of machinery & equipment	(333)	(432)
Other associated costs	8	122
Recorded as Restructuring costs	\$ 710	\$ 7,575
Move of inventory, equipment and other expenses (in Cost of sales)	74	–
Inventory markdowns (in Cost of sales)	76	668
Total	\$ 860	\$ 8,243

DOREL INDUSTRIES INC.

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NOTE 3 – RESTRUCTURING ACTIVITIES (Cont'd)

As at December 30, 2008, the related restructuring plan provision totaling \$894 consists of employee termination benefits and is included in accrued liabilities. In 2007, this provision amounted to \$7,574 of which \$7,427 was included in accrued liabilities and \$147 was included in other long-term liabilities. A summary of the Company's restructuring plan provision is as follows:

	Balance December 30, 2007	2008 Provision	Cash received (paid)	Effect of foreign exchange	Balance December 30, 2008
Employee severance and termination benefits	\$ 7,574	\$ 1,035	\$ (7,474)	\$ (241)	\$ 894
Other associated costs	–	8	(8)	–	–
Total	\$ 7,574	\$ 1,043	\$ (7,482)	\$ (241)	\$ 894

Home Furnishings Segment

Dowagiac, Michigan

On May 17, 2007, the Company announced a plan for restructuring at Ameriwood Industries. The Company determined that its current ready-to-assemble (RTA) furniture manufacturing footprint exceeds anticipated market needs. As such, the majority of manufacturing operations at the Dowagiac, Michigan RTA facility were suspended in July of 2007. The restructuring is part of an overall plan to improve the earnings of the Home Furnishings Segment.

During the third quarter, it was announced that the Company would be increasing its RTA furniture production in the United States, necessitating the need for additional capacity at Dowagiac. Consequently, the Company does not anticipate any additional costs to be incurred with this restructuring plan.

The total pre-tax cost of the restructuring plan is \$11,024 including \$9,604 non-cash charges related to the write-down of long-lived assets and inventory markdowns, \$616 of employee severance and termination benefits, \$547 of contract termination costs and \$257 of other associated costs. Of this \$11,024 cumulative charge, \$83 was recorded in the current fiscal year and \$10,941 was recorded in 2007.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 3 – RESTRUCTURING ACTIVITIES (Cont'd)

The costs recognized for these restructuring activities consist of the following:

	2008	2007
Building and equipment write-downs	\$ –	\$ 5,727
Employee severance and termination benefits	3	613
Contract termination costs	13	534
Other associated costs		60
Recorded as Restructuring costs	\$ 16	\$ 6,934
Move of inventory, equipment and other expenses (in Cost of sales)	67	130
Inventory markdowns (in Cost of sales)	–	3,877
Total	\$ 83	\$ 10,941

A summary of the Company's restructuring plan provision included in accrued liabilities is as follows:

	Balance December 30, 2007	2008 Provision	Cash paid	Balance December 30, 2008
Employee severance and termination benefits	\$ 250	\$ 3	\$ (253)	\$ –
Contract termination costs	394	13	(40)	367
Other associated costs	15	–	(15)	–
Total	\$ 659	\$ 16	\$ (308)	\$ 367

NOTE 4 – BUSINESS ACQUISITION***Cannondale Bicycle Corporation***

On February 4, 2008, the Company acquired all the outstanding shares of Cannondale Bicycle Corporation (“Cannondale”), a leading designer, developer and manufacturer of high-end bicycles for a total consideration of \$202,220. With significant operations in the United States and Holland, as well as locations in Switzerland, Japan and Australia, Cannondale is widely regarded as the bike industry's leading innovator. The purchase also includes Sugoi Performance Apparel, located in Canada.

The acquisition has been recorded under the purchase method of accounting with the results of operations of the acquired business being included in the accompanying consolidated financial statements since the date of acquisition. The goodwill is not deductible for tax purposes. The total goodwill amount is included in the Company's Recreational/Leisure segment as reported in Note 25.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 4 – BUSINESS ACQUISITION (Cont'd)

The allocation of the purchase price of the assets acquired and the liabilities assumed is as follows:

Assets	
Cash and cash equivalents	\$ 4,493
Accounts receivable	52,452
Inventories	67,940
Prepaid expenses	4,858
Short-term future income taxes	1,910
Property, plant and equipment	20,991
Trademarks	59,600
Customer relationships	27,100
Goodwill	21,343
Long-term future income taxes	8,515
	<u>269,202</u>
Liabilities	
Accounts payable and accrued liabilities	27,997
Income taxes payable	640
Short-term future income taxes	110
Other long-term liabilities	3,582
Long-term future income taxes	34,653
	<u>66,982</u>
Net assets acquired	<u>\$ 202,220</u>
<hr/>	
Consideration:	
Cash	\$ 198,375
Transaction costs	3,845
	<u>\$ 202,220</u>

PTI Sports

On June 26, 2008 the Company acquired the assets of PTI Sports, a leading U.S. designer, manufacturer and distributor of bicycle parts, helmets and other accessories for a consideration of \$ 29,371 including related acquisition costs and a balance of sale amounting to \$ 1,100 based on final working capital amounts. The balance of sale is included in the accounts payable and accrued liabilities on the consolidated balance sheet.

The acquisition has been recorded under the purchase method of accounting with the results of operations of the acquired business being included in the accompanying consolidated financial statements since the date of acquisition. The goodwill is deductible for tax purposes. The total goodwill amount is included in the Company's Recreational/Leisure segment as reported in Note 25.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 4 – BUSINESS ACQUISITION (Cont'd)

The allocation of the purchase price of the assets acquired and the liabilities assumed is as follows:

Assets	
Accounts receivable	\$ 14,455
Inventories	9,630
Prepaid expenses	634
Property, plant and equipment	600
Customer relationships	14,600
Supplier relationship	1,500
Goodwill	1,302
Other long term assets	83
	<u>42,804</u>
Liabilities	
Accounts payable and accrued liabilities	<u>13,433</u>
Net assets acquired	<u>\$ 29,371</u>
Consideration:	
Cash	\$ 27,608
Balance of sale payable	1,100
	<u>28,708</u>
Transaction costs	663
	<u>\$ 29,371</u>

IGC (Australia) Pty Ltd

On February 28, 2007, the Company acquired a 55% interest in an Australian company IGC (Australia) Pty Ltd ("IGC"). Operating as *In Good Care*, IGC is a manufacturer and distributor of juvenile products in Australia and New Zealand.

As part of the acquisition, the Company entered into a put and call agreement with the minority interest holder for the purchase of its 45% stake in IGC. Under the terms of this agreement, if specified earnings objectives are not met at the end of 2008 and at the end of each subsequent year until the option is exercised, Dorel has an option to buy this 45% minority interest (the call option) at a formulaic variable price based mainly on earnings levels in future periods (the "exit price"). Similarly, the holder of the minority interest has an option to sell his 45% stake in IGC to Dorel (the put option) for the same variable exit price if a certain earnings target is reached in 2008 or at the end of any subsequent year until the option is exercised. In addition, following December 31, 2012, the minority interest holder has the right to sell its 45% stake in IGC to Dorel at any time for the same terms. The agreement does not include a

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 4 – BUSINESS ACQUISITION (Cont'd)

specified minimum amount of contingent consideration. Under the liability method of accounting, the put and call agreement is reflected in the financial statements as follows:

- (i) The put and call agreement is considered to have been fully executed at the time of acquisition, resulting in the purchase by Dorel of a further 45% interest in IGC. As a result, Dorel has consolidated 100% of IGC at the inception of this agreement.
- (ii) When the contingency is resolved in 2008 and in each subsequent year until the put or call option is exercised, the value of the exit price will be determined and recorded as a financial liability and as an additional element of the purchase price and will increase goodwill. The financial liability amounts to \$966 as at December 30, 2008 and is presented in other long-term liabilities.

The total goodwill amount is included in the Company's Juvenile segment as reported in Note 25.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	December 30,	
	2008	2007
Trade accounts receivable	\$ 356,608	\$ 320,174
Allowance for anticipated credits	(56,479)	(43,203)
Allowance for doubtful accounts	(11,305)	(6,914)
	<u>288,824</u>	<u>270,057</u>
Foreign exchange contracts	11,548	734
Other receivables	15,895	16,133
	<u>\$ 316,267</u>	<u>\$ 286,924</u>

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 6 – INVENTORIES

Inventories consist of the following:

	December 30,	
	2008	2007
Raw materials	\$ 97,155	\$ 62,459
Work in process	6,906	6,427
Finished goods	405,406	253,446
	<u>\$ 509,467</u>	<u>\$ 322,332</u>

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

	December 30, 2008		
	Cost	Accumulated Depreciation	Net
Land	\$ 14,387	\$ –	\$ 14,387
Buildings and improvements	72,575	16,148	56,427
Machinery and equipment	75,975	48,807	27,168
Moulds	118,301	93,918	24,383
Furniture and fixtures	7,499	5,229	2,270
Computer equipment	30,210	20,319	9,891
Leasehold improvements	9,464	5,499	3,965
Assets under construction	18,902	–	18,902
Assets under capital leases	2,829	2,014	815
Vehicles	1,838	1,151	687
	<u>\$ 351,980</u>	<u>\$ 193,085</u>	<u>\$ 158,895</u>

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	December 30, 2007		
	Cost	Accumulated Depreciation	Net
Land	\$ 11,561	\$ –	\$ 11,561
Buildings and improvements	60,551	14,549	46,002
Machinery and equipment	73,837	49,896	23,941
Moulds	122,125	97,793	24,332
Furniture and fixtures	5,895	4,512	1,383
Computer equipment	29,284	19,395	9,889
Leasehold improvements	7,828	4,545	3,283
Assets under construction	18,228	–	18,228
Assets under capital leases	2,779	1,685	1,094
Vehicles	1,684	1,035	649
	<u>\$ 333,772</u>	<u>\$ 193,410</u>	<u>\$ 140,362</u>

Assets under construction consists of the following major categories:

	December 30,	
	2008	2007
Buildings and improvements	\$ 8,576	\$ 2,520
Machinery and equipment	1,122	1,560
Moulds	8,332	12,612
Computer equipment	872	1,536
	<u>\$ 18,902</u>	<u>\$ 18,228</u>

Depreciation of property, plant and equipment amounted to \$26,200 (2007 – \$25,062).

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 8 – INTANGIBLE ASSETS

December 30, 2008			
	Cost	Accumulated Amortization	Net
Trademarks	\$ 275,085	\$ –	\$ 275,085
Customer relationships	97,401	14,783	82,618
Supplier relationship	1,500	75	1,425
Patents	22,576	13,525	9,051
Software licence	<u>668</u>	<u>–</u>	<u>668</u>
	<u>\$ 397,230</u>	<u>\$ 28,383</u>	<u>\$ 368,847</u>

December 30, 2007			
	Cost	Accumulated Amortization	Net
Trademarks	\$ 219,700	\$ –	\$ 219,700
Customer relationships	57,310	10,968	46,342
Patents	21,184	11,345	9,839
Software licence	<u>502</u>	<u>–</u>	<u>502</u>
	<u>\$ 298,696</u>	<u>\$ 22,313</u>	<u>\$ 276,383</u>

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 8 – INTANGIBLE ASSETS (Cont'd)

In 2008, the aggregate amount of amortizable intangible assets acquired amounted to \$1,992 (2007 – \$1,830) of which \$140 (2007 – \$8) is unpaid at year-end. The aggregate amortization expense of intangible assets amounted to \$6,738 (2007 – \$4,632).

NOTE 9 – OTHER ASSETS

Other assets consist of the following:

	December 30,	
	2008	2007
Deferred development costs (1)	\$ 26,895	\$ 21,375
Accrued benefit asset (Note 15)	8,354	8,970
Long-term future income tax assets (Note 22)	10,420	892
Costs relating to revolving credit facility (2)	354	188
Assets held for sale	129	129
Other	316	316
	<u>\$ 46,468</u>	<u>\$ 31,870</u>

- (1) The Company incurred \$29,978 (2007 – \$23,479) of research and development costs of which \$10,909 (2007 – \$9,009) were expensed and \$19,069 (2007 – \$14,470) were deferred. Amortization of deferred development costs amounted to \$12,916 (2007 – \$10,150).
- (2) As a result of the application of Section 3855 (Note 2), unamortized financing costs of \$96 as at December 30, 2008 (2007 – \$179), previously recorded in other assets, have been reclassified in 2007 against long-term debt. The amortization of financing costs related to the revolving credit facility and to the long-term debt included in interest on long-term debt is \$309 and \$143 respectively (2007 – \$65 and \$152).

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 10 – BANK INDEBTEDNESS

The average interest rates on the outstanding borrowings as at December 30, 2008 and 2007 were 4.5% and 6.08% respectively. As at December 30, 2008, the Company had available bank lines of credit amounting to approximately \$56,935 (2007 – \$61,460) which are renegotiated annually.

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 30,	
	2008	2007
Trade creditors and accruals	\$ 303,556	\$ 231,853
Salaries payable	27,804	27,505
Product liability (Note 20)	23,087	30,571
Foreign exchange contracts	1,093	3,021
Other accrued liabilities	<u>25,375</u>	<u>32,988</u>
	<u>\$ 380,915</u>	<u>\$ 325,938</u>

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 12 – LONG-TERM DEBT

	December 30,	
	2008	2007
<u>Series "A" Senior Guaranteed Notes</u>		
Bearing interest at 6.80 % per annum with principal repayments as follows	\$ 45,000	\$ 46,000
1 instalment of \$8,500 in July 2009		
2 annual instalments of \$10,000 ending in July 2011		
1 final instalment of \$16,500 in July 2012		
Bearing interest at 5.09% per annum repaid in February 2008	–	55,000
<u>Series "B" Senior Guaranteed Notes</u>		
Bearing interest at 5.63% per annum repayable in February 2010	55,000	55,000
<u>Term Notes</u>		
Bearing interest at 7.00% per annum repaid in April 2008	–	4,800
Bearing interest at 7.13% per annum repaid in June 2008	–	1,600
<u>Revolving Bank Loans</u>		
Bearing interest at various rates per annum, averaging 4.0% based on LIBOR or U.S. bank rates, total availability of \$475,000, (2007 – \$325,000) due to mature in July 2010. This agreement also includes an accordion feature allowing the company to have access to an additional amount of \$50,000 on a revolving basis.	359,024	92,000
Obligations under capital leases	655	1,045
Other	–	25
Less unamortized financing costs (Note 2)	(96)	(179)
	459,583	255,291
Current Portion	(8,879)	(62,906)
	<u>\$ 450,704</u>	<u>\$ 192,385</u>

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 12 – LONG-TERM DEBT (Cont'd)

The aggregate repayments in subsequent years of existing long-term debt will be:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2009	\$ 8,879
2010	424,169
2011	10,048
2012	<u>16,487</u>
	\$ <u>459,583</u>

NOTE 13 – OTHER LONG-TERM LIABILITIES

	December 30,	
	2008	2007
Employee compensation	\$ 4,121	\$ 5,420
Restructuring provision (Note 3)	–	147
Balance of sale payable	–	192
Other	<u>1,889</u>	<u>1,089</u>
	<u>\$ 6,010</u>	<u>\$ 6,848</u>

Employee compensation consists of bonuses based on length of service and profit sharing offered by one of the Company's subsidiaries.

DOREL INDUSTRIES INC.

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NOTE 14 – FINANCIAL INSTRUMENTS

Financial instruments – carrying values and fair values

The fair value of financial assets and liabilities, together with the carrying amounts included in the consolidated balance sheet, are as follows:

	December 30, 2008		December 30, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>				
Held for trading financial assets:				
Cash and cash equivalents	\$ 16,966	\$ 16,966	\$ 22,513	\$ 22,513
Foreign exchange contracts	\$ 11,548	\$ 11,548	\$ 734	\$ 734
Loans and receivables:				
Accounts receivable – trade	\$ 288,824	\$ 288,824	\$ 270,057	\$ 270,057
Accounts receivable - other	\$ 15,895	\$ 15,895	\$ 16,133	\$ 16,133
<u>Financial liabilities</u>				
Held for trading financial liabilities:				
Foreign exchange contracts	\$ 1,093	\$ 1,093	\$ 3,021	\$ 3,021
Other liabilities:				
Bank indebtedness	\$ 4,398	\$ 4,398	\$ 5,836	\$ 5,836
Accounts payable and accrued liabilities	\$ 378,722	\$ 378,722	\$ 322,917	\$ 322,917
Long-term debt – bearing interest at variable rates:				
Revolving Bank Loans	\$ 359,024	\$ 359,024	\$ 92,000	\$ 92,000
Long-term debt – bearing interest at fixed rates				
	\$ 100,559	\$ 98,827	\$ 163,291	\$ 162,054
Other long-term liabilities	\$ 6,010	\$ 6,010	\$ 6,656	\$ 6,656
Balance of sale payable	\$ 1,100	\$ 1,100	\$ 192	\$ 192

The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the balance sheet dates because of the short-term nature of those financial instruments. For long-term debt bearing interest at variable rates, the fair value is considered to approximate the carrying amount. For long-term debt bearing interest at fixed rates, the fair value is estimated based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity. As at December 30, 2008 and 2007, the fair value of the other long-term liabilities are comparable to their carrying value since the majority of the amount is recorded based on discounted future cash outflows. The fair value of the foreign exchange contracts was determined using quoted market values.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2008 and 2007

(All figures in thousands of U.S. dollars, except per share amounts)

NOTE 14 – FINANCIAL INSTRUMENTS (Cont'd)

Foreign exchange gains (losses)

	December 30,	
	2008	2007
Gains (losses) relating to financial assets and liabilities, excluding foreign exchange contracts	\$ 7,489	\$ 5,657
Gains (losses) relating to foreign exchange contracts, including amounts realized on contract maturity and changes in fair value of open positions	18,340	(3,519)
Foreign exchange gains (losses) relating to financial instruments	25,829	2,138
Other foreign exchange gains (losses)	138	(268)
Foreign exchange gains (losses)	\$ 25,967	\$ 1,870

Management of risks arising from financial instruments

In the normal course of business, the Company is subject to various risks relating to foreign currency exchange, interest rate, credit and liquidity risks. The Company manages these risk exposures on an ongoing basis. In order to limit the effects of changes in foreign exchange rates on its revenues, expenses and its cash flows, the Company can avail itself of various derivative financial instruments. The Company's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience. The following analysis provides a measurement of risks as at December 30, 2008.

Foreign Currency Exchange Risk

In order to mitigate the foreign currency exchange risks, the Company uses from time to time various derivative financial instruments such as options, futures and forward contracts to hedge against adverse fluctuations in currency. The Company's main source of foreign currency exchange rate risk resides in sales and purchases of goods denominated in currencies other than the functional currency of each of Dorel's entities. For the Company's transactions denominated in currencies other than the functional currency of each of Dorel's entities, fluctuations in the respective exchange rates relative to the functional currency of each of Dorel's entities will create volatility in the Company's cash flows and in the reported amounts in its consolidated statement of income. The Company's financial debt mainly consists of notes issued exclusively in U.S. dollars, for which no foreign currency hedging is required. Short-term lines of credit and overdrafts commonly used by Dorel's entities are in the currency of the borrowing entity and therefore carry no exchange-rate risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to exchange-rate risk. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of each of Dorel's entities at the rates of exchange at each balance sheet date, the impact of which is reported as a foreign exchange gain and loss in the statement of income.

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NOTE 14 – FINANCIAL INSTRUMENTS (Cont'd)

Derivative financial instruments are used as a method for meeting the risk reduction objectives of the Company by generating offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted transactions. The terms of the currency derivatives ranges from one to twelve months. Dorel does not hold or use derivative financial instruments for trading or speculative purposes.

The following tables provide an indication of the Company's significant foreign currency exposures during the year ended December 30, 2008, including the period end balances of financial and monetary assets and liabilities denominated in currencies other than the functional currency of each of Dorel's entities, as well as the amount of revenue and operating expenses during the interim period that were denominated in foreign currencies other than the functional currency of each of Dorel's entities. The tables below do not consider the effect of foreign exchange contracts.

December 30, 2008				
	US	CAD	Euro	GBP
Cash and cash equivalents	\$ 1,403	\$ (25)	\$ 299	\$ 517
Accounts receivable	1,160	16,927	1,195	1,665
Accounts payable and accrued liabilities	(22,511)	(11,758)	(12,127)	(81)
Future income taxes and income taxes payable, net	–	(2,371)	–	–
Inter-company loans	(1,500)	–	–	–
Balance sheet exposure excluding financial derivatives	<u>\$ (21,448)</u>	<u>\$ 2,773</u>	<u>\$ (10,633)</u>	<u>\$ 2,101</u>

December 30, 2008				
	US	CAD	Euro	GBP
Revenue	\$ 7,644	\$ 104,911	\$ 12,232	\$ 13,370
Expenses	181,353	128,708	22,907	209
Net exposure	<u>\$(173,709)</u>	<u>\$ (23,797)</u>	<u>\$ (10,675)</u>	<u>\$ 13,161</u>

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NOTE 14 – FINANCIAL INSTRUMENTS (Cont'd)

The following table summarizes the Company's derivative financial instruments relating to commitments to buy and sell foreign currencies through options and forward foreign exchange contracts as at December 30, 2008 and, 2007:

<u>Foreign exchange contracts</u> <u>Currencies (sold/bought)</u>	<u>December 30,</u> 2008			<u>December 30,</u> 2007		
	<u>Average</u> <u>rate</u> (1)	<u>Notional</u> <u>amount</u> (2)	<u>Fair</u> <u>value</u>	<u>Average</u> <u>rate</u> (1)	<u>Notional</u> <u>amount</u> (2)	<u>Fair</u> <u>value</u>
Forwards						
EUR/\$	0.6855	\$105,700	\$ 3,487	0.7074	\$ 32,450	\$(1,337)
GBP/\$	0.5995	\$ 18,800	\$ 2,493	0.4937	\$ 2,900	\$ 34
AUD/\$	1.2155	\$ 1,142	\$ 180	–	–	–
NZD/\$	0.7418	\$ 137	\$ 31	–	–	–
GBP/EUR	0.8777	\$ 13,450	\$ 1,344	0.6942	\$ 7,146	\$ 392
NZD/AUD	0.8420	\$ 337	\$ 3	0.8423	\$ 148	\$ (7)
Options						
EUR/\$	0.6613	\$ 61,150	\$ 1,782	0.7077	\$ 41,400	\$(1,672)
GBP/\$	0.5066	\$ 3,350	\$ 469	0.4893	\$ 4,750	\$ 31
GBP/EUR	0.7738	\$ 6,371	\$ 666	0.6896	\$ 9,283	\$ 272
Total			<u>\$10,455</u>			<u>\$(2,287)</u>

(1) Rates are expressed as the number of units of the currency sold for one unit of currency bought.

(2) Exchange rates as at December 30, 2008 and 2007 were used to translate amounts in foreign currencies.

The following outlines the main exchange rates applied in 2008:

	<u>Year-to-date</u> <u>average rate</u>	<u>Reporting</u> <u>date rate</u> <u>December 30,</u> <u>2008</u>
CAD TO USD	0.9386	0.8190
EURO TO USD	1.4694	1.4158
GBP TO USD	1.8545	1.4476

Based on the Company's foreign currency exposures noted above and the foreign exchange contracts in effect in 2008, varying the above foreign exchange rates to reflect a 5 percent weakening of the currencies, other than the functional currency of each of Dorel's entities, would have increased (decreased) pre-tax income during the year ended December 30, 2008, as follows, assuming that all other variables remained constant:

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NOTE 14 – FINANCIAL INSTRUMENTS (Cont'd)

Source of pre-tax income variability from changes in foreign exchange rates	US	CAD	Euro	GBP
Financial instruments, including foreign exchange contracts	\$ (6,688)	\$ (139)	\$ (311)	\$ (105)
Revenues and expenses	\$ 8,059	\$ 1,190	\$ 233	\$ (634)
(Decrease) increase in pre-tax income	\$ 1,371	\$ 1,051	\$ (78)	\$ (739)

An assumed 5 percent strengthening of the currencies, other than the functional currency of each of Dorel's entities, during the year ended December 30, 2008, would have increased (decreased) pre-tax income during the year as follows, assuming that all other variables remained constant:

Source of pre-tax income variability from changes in foreign exchange rates	US	CAD	Euro	GBP
Financial instruments, including foreign exchange contracts	\$ 6,721	\$ 139	\$ 310	\$ 105
Revenues and expenses	\$ (8,059)	\$ (1,190)	\$ (233)	\$ 634
Increase (decrease) in pre- tax income	\$ (1,338)	\$ (1,051)	\$ 77	\$ 739

Interest Rate Risk

The Company is exposed to interest rate fluctuations, related primarily to its revolving long-term bank loans, for which amounts drawn are subject to LIBOR or U.S. bank rates in effect at the time of borrowing, plus a margin. The Company manages its interest rate exposure and could potentially enter into swap agreements consisting in exchanging variable rates for fixed rates for an extended period of time, but it has not done so. All other long-term debts have fixed interest rates and are therefore not exposed to cash flow interest rate risk.

Based on the value of interest-bearing revolving long-term bank loans as at December 30, 2008, if interest rates related to the revolving long-term bank loans had been 50 basis points higher, assuming that all other variables had remained the same, pre-tax income for the year ended December 30, 2008 would have decreased by \$1,795. If interest rates had been 50 basis points lower, pre-tax income would have increased by \$1,795.

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NOTE 14 – FINANCIAL INSTRUMENTS (Cont'd)

Credit Risk

Credit risk stems primarily from the potential inability of clients or counterparties to discharge their obligations and arises primarily from the Company's trade accounts receivable. The Company may also have credit risk relating to cash and cash equivalents and foreign exchange contracts resulting from defaults by counterparties. The Company enters into financial instruments with a diversity of creditworthy parties. When entering into foreign exchange contracts, the counterparties are large Canadian and International banks. Therefore, the Company does not expect to incur material credit losses due to its risk management on other financial instruments.

The maximum credit risk to which the Company is exposed as at December 30, 2008, represents the fair value of cash equivalents, accounts receivable and foreign exchange contracts with positive fair value. The risk to which the company is exposed with respect to foreign exchange contracts is limited to the replacement cost of contracts at market prices in the event of a counterparty default.

Substantially all trade accounts receivable arise from the sale to the retail industry. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. In addition, a portion of the total accounts receivable is insured against possible losses. In 2008, sales to a major customer represented 30.4% of total revenue (2007 – 33.9%) As at December 30, 2008, two customers accounted for respectively 20.6% and 10.2% for an aggregate of 30.8% of the Company's total trade accounts receivable balance. As at December 30, 2007, there was one customer that accounted for 27.7% of the Company's total trade accounts receivable balance.

The Company establishes an allowance for doubtful accounts on a customer-by-customer basis. It is based on the evaluation of the collectability of accounts receivable at each balance sheet reporting date, taking into account amounts which are past due, specific credit risk, historical trends and any available information indicating that a customer could be experiencing liquidity or going concern problems. Bad debt expense is included within the selling, general and administrative expenses.

The Company's exposure to credit risk for trade accounts receivable by geographic area and type of customer as at December 30, 2008 was as follows:

	December 30, 2008
Canada	\$ 19,749
United States	141,330
Europe	105,926
Other foreign countries	22,819
	<u>\$ 289,824</u>

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 14 – FINANCIAL INSTRUMENTS (Cont'd)

The allocation of accounts receivable to each geographic area is based on the location of selling entity.

	December 30, 2008
Mass-market retailers	\$ 151,074
Specialty/independent stores	138,750
	<u>\$ 289,824</u>

Pursuant to their respective terms, trade accounts receivable are aged as follows as at December 30, 2008:

	December 30, 2008
Not past due	\$ 222,490
Past due 0-30 days	49,202
Past due 31-60 days	8,641
Past due 61-90 days	5,319
Past due over 90 days	15,477
Trade accounts receivable	301,129
Less allowance for doubtful accounts	<u>(11,305)</u>
	<u>\$ 289,824</u>

Based on past experience, the Company believes that no allowance is necessary in respect of trade receivables not past due and past due 0-30 days; 90% of these balances, which includes the amounts owed by the Company's most significant customers, relates to customers that have a good track record with the Company.

DOREL INDUSTRIES INC.

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NOTE 14 – FINANCIAL INSTRUMENTS (Cont'd)

The movement in the allowance for doubtful accounts with respect to trade accounts receivable was as follows:

	December 30, 2008
Balance at beginning of year	\$ 6,914
Bad debt expense	2,410
Uncollectible accounts written-off, net of recovery	(1,668)
Increase due to acquisitions (Note 4)	3,985
Effect of foreign currency exchange rate changes	(336)
Balance at end of year	<u>\$ 11,305</u>

Liquidity Risk

Liquidity risk is the risk of being unable to honor financial commitments by the deadlines set out under the terms of such commitments. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in "Capital Risk Management". It also manages liquidity risk by continuously monitoring actual and projected cash flows matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including acquisitions or other major investments or divestitures.

The Company has committed revolving bank loans for a maximum of \$ 475,000 due to mature in July 2010 which provide for an annual one-year extension. This agreement also includes an accordion feature allowing the Company to have access to an additional amount of \$ 50,000 on a revolving basis. The revolving bank loans bear interest at LIBOR or U.S. bank rates plus a margin and the effective interest rate for the year ended December 30, 2008, was 4.0%. Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support the Company's financial liabilities.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 14 – FINANCIAL INSTRUMENTS (Cont'd)

The following table summarizes the contractual maturities of financial liabilities of the Company as of December 30, 2008, excluding future interest payments but including accrued interest:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Bank indebtedness	\$ 4,398	\$ 4,398	\$ –	\$ –	\$ –
Long-term debt – revolving bank loans	359,024	–	359,024	–	–
Other long-term debt	100,559	8,879	75,193	16,487	–
Accounts payable and accrued liabilities	378,722	378,722	–	–	–
Foreign exchange contracts	1,093	1,093	–	–	–
Balance of sales payable	1,100	1,100	–	–	–
Other long term liabilities	6,010	–	–	6,010	–
Total	<u>\$ 850,906</u>	<u>\$ 394,192</u>	<u>\$ 434,217</u>	<u>\$ 22,497</u>	<u>–</u>

The Company's only derivative financial liabilities as at December 30, 2008 were foreign exchange contracts, for which notional amounts, maturities, average exchange rates and the carrying and fair values are disclosed under "Foreign Exchange Risk".

Capital Risk Management

The Company's objectives in managing capital is to provide sufficient liquidity to support its operations while generating a reasonable return to shareholders, give the flexibility to take advantage of growth and development opportunities of the business and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash and cash equivalents.

The Company manages its capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may elect to adjust the amount of dividends paid to shareholders, return capital to its shareholders, issue new shares or increase/decrease net debt.

The Company monitors its capital structure using the ratio of indebtedness to adjusted earnings before interest, taxes, depreciation and amortization, restructuring costs and extraordinary or unusual items ("adjusted EBITDA"), which it aims to maintain at less than 3.0:1. The terms of the unsecured notes and the revolving credit facility permit the Company to exceed this limit under certain circumstances. This ratio is calculated as follows: indebtedness/ adjusted EBITDA. Indebtedness is equal to the aggregate of bank indebtedness, long-term debt (including obligations under capital leases) and guarantees (including all letters of credit and standby letters of credit). Adjusted EBITDA is based on the last four quarters ending on the same date as the balance sheet date used to compute the indebtedness. The indebtedness to adjusted EBITDA as at December 30, 2008 and 2007 was as follows:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 14 – FINANCIAL INSTRUMENTS (Cont'd)

	December 30,	
	2008	2007
Bank indebtedness	\$ 4,398	\$ 5,836
Current portion of long-term debt	8,879	62,906
Long-term debt	450,704	192,385
Guarantees	16,505	16,950
Balance of sale payable	1,100	192
Indebtedness	<u>\$ 481,586</u>	<u>\$ 278,269</u>

	For the trailing four quarters ended December 30, (1)	
	2008	2007
Net income	\$ 112,948	\$ 87,492
Interest, net	24,860	23,466
Income taxes expense	19,160	19,136
Depreciation and amortization	46,511	39,844
Restructuring costs	943	19,184
Adjusted EBITDA	<u>\$ 204,422</u>	<u>\$ 189,122</u>

Indebtedness to adjusted EBITDA ratio	<u>2.36:1</u>	<u>1.47:1</u>
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(1) Includes the results of the operations of the acquired businesses.

The Company used its revolving bank loans to finance the acquisitions of Cannondale on February 4, 2008 and of PTI on June 26, 2008. The financing of the acquisitions resulted in debt leverage which was still below the Company's objective of a maximum indebtedness to adjusted EBITDA ratio of 3.0:1.

There were no changes in the Company's approach to capital management during the period. Under the unsecured notes and revolving credit facility, the Company is subject to certain covenants, including maintaining certain financial ratios. During the year ended December 30, 2008, the Company is in compliance with these covenants.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 15 – PENSION & POST RETIREMENT BENEFIT PLANS

Pension Benefits

The Company's subsidiaries maintain defined benefit plans and defined contribution plans for their employees. Pension benefit obligations under the defined benefit plans are determined annually by independent actuaries using management's assumptions and the accumulated benefit method for the plan where future salary levels do not affect the amount of employee future benefits and the projected benefit method for plans where future salaries or cost escalation affect the amount of employee future benefits.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 15 – PENSION & POST RETIREMENT BENEFIT PLANS – (Cont'd)

Information regarding the Company's defined benefit pension plans is as follows:

	December 30,	
	2008	2007
Accrued benefit obligations:		
Balance, beginning of year	\$ 37,466	\$ 36,128
Current service cost	1,314	1,573
Interest cost	2,230	2,049
Disposals	–	(276)
Amendments	1,005	–
Participant contributions	315	246
Benefits paid	(2,637)	(2,332)
Effect of exchange rates	(489)	1,345
Actuarial (gain) / loss	(22)	(1,172)
Restructuring giving rise to curtailments	–	(95)
Balance, end of year	39,182	37,466
Plan assets		
Fair value, beginning of year	29,984	28,653
Actual return on plan assets	(5,607)	1,589
Employer contributions	2,036	1,579
Participant contributions	315	246
Benefits paid	(2,637)	(2,332)
Effect of exchange rates	(215)	471
Additional charges	(228)	(222)
Fair value, end of year	23,648	29,984
Funded status - plan deficit	(15,534)	(7,482)
Unamortized actuarial loss	16,384	8,853
Unamortized transitional obligation	102	116
Unamortized past service costs	2,072	1,291
Net amount recognized	<u>\$ 3,024</u>	<u>\$ 2,778</u>

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NOTE 15 – PENSION & POST RETIREMENT BENEFIT PLANS – (Cont'd)

	December 30,	
	2008	2007
The net amount recognized consists of the following:		
Accrued benefit asset:	\$ 8,354	\$ 8,970
Accrued benefit liability	(5,330)	(6,192)
Net amount recognized	<u>\$ 3,024</u>	<u>\$ 2,778</u>

The accrued benefit asset relating to pension benefits is included in other assets and the accrued benefit liability is included in pension & post-retirement benefit obligations on the Company's Consolidated Balance Sheet.

The accrued benefit obligation at the end of the period and the fair value of plan assets at the end of the period for the aggregate of plans with accrued benefit obligations in excess of plan assets are the following:

	December 30,	
	2008	2007
Accrued benefit obligation, end of year	\$ 39,182	\$ 12,595
Fair value of plan assets, end of year	\$ 23,648	\$ 4,470

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 15 – PENSION & POST RETIREMENT BENEFIT PLANS – (Cont'd)

Net pension costs for the defined benefit plans comprise the following:

	December 30,	
	2008	2007
Current service cost	\$ 1,314	\$ 1,573
Interest cost	2,230	2,049
Actual return on plan assets	5,607	(1,589)
Actuarial (gain) / loss	(22)	(1,172)
Disposals	–	(276)
Amendments	1,005	–
Effect of curtailments (Note 3)	<u>–</u>	<u>264</u>
Cost before adjustments to recognize the long-term nature of the plans	10,134	849
Difference between actual and expected return on plan assets	(7,796)	(486)
Difference between actuarial loss on accrued benefit obligation and the amount recognized	436	2,003
Difference between amortization of past service costs and actual amendments for the year	(775)	230
Amortization of transition obligation	<u>10</u>	<u>9</u>
Pension expense	<u>\$ 2,009</u>	<u>\$ 2,605</u>

Under the Company's defined contribution plans, total expense was \$1,576 (2007 – \$1,623). Total cash payments for employee future benefits for 2008, consisting of cash contributed by the Company to its funded plans, cash contributed to its defined contribution plans and benefits paid directly to beneficiaries for unfunded plans, was \$4,310 (2007 – \$3,946).

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 15 – PENSION & POST RETIREMENT BENEFIT PLANS – (Cont'd)Post-Retirement Benefits

One of the Company's subsidiaries maintains a defined benefit post-retirement benefit plan for substantially all its employees.

Information regarding this Company's post-retirement benefit plan is as follows:

	December 30,	
	2008	2007
Accrued benefit obligations:		
Balance, beginning of year	\$ 13,113	\$ 13,839
Current service cost	239	204
Interest cost	726	737
Benefits paid	(698)	(743)
Actuarial (gain) / loss	113	(924)
Balance, end of year	\$ 13,493	\$ 13,113
Plan assets:		
Employer contributions	698	743
Benefits paid	(698)	(743)
Fair value, end of year	\$ –	\$ –
Funded status-plan deficit	\$ (13,493)	\$ (13,113)
Unamortized actuarial (gain)/loss	(1,649)	(2,063)
Unamortized past service costs	400	426
Accrued benefit liability	<u>\$ (14,742)</u>	<u>\$ (14,750)</u>

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NOTE 15 – PENSION & POST RETIREMENT BENEFIT PLANS – (Cont'd)

Net costs for the post-retirement benefit plan comprise the following:

	December 30,	
	2008	2007
Current service cost	\$ 239	\$ 204
Interest cost	726	737
Actuarial (gain)/loss	113	(924)
Cost (benefit) before adjustments to recognize the long-term nature of the plans	1,078	17
Difference between actuarial (gain)/loss on accrued benefit obligation and the amount recognized	(414)	775
Difference between amortization of past service costs and actual amendments for the year	26	26
Net benefit plan expense	<u>\$ 690</u>	<u>\$ 818</u>

Assumptions

Weighted-average assumptions used to determine benefit obligations as at December 30:

	Pension Benefits		Post Retirement Benefits	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Discount rate	5.98%	6.03%	6.25%	6.50%
Rate of compensation increase	2.22%	2.30%	n/a	n/a

Weighted-average assumptions used to determine net periodic cost for the years ended December 30:

	Pension Benefits		Post Retirement Benefits	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Discount rate	6.03%	5.40%	6.50%	5.55%
Expected long-term return on plan assets	7.86%	7.81%	n/a	n/a
Rate of compensation increase	2.30%	2.30%	n/a	n/a

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NOTE 15 – PENSION & POST RETIREMENT BENEFIT PLANS – (Cont'd)

The measurement date used for plan assets and pension benefits and the measurement date used for post-retirement benefits was December 30 for both 2008 and 2007. The most recent actuarial valuations for the pension plans and post-retirement benefit plans are dated January 1, 2008. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2008, and the next required valuation will be as of January 1, 2009.

Plan assets are held in trust and their weighted average allocations were as follows as at the measurement date:

	<u>2008</u>	<u>2007</u>
Equity securities	42%	51%
Debt securities	36%	34%
Other	<u>22%</u>	<u>15%</u>
	<u>100%</u>	<u>100%</u>

The assumed health care cost trend used for measurement of the accumulated postretirement benefit obligation is 10% in 2008, decreasing gradually to 5% in 2014 and remaining at that level thereafter. Assumed health care cost trends have a significant effect on the amounts reported for health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

	<u>1 Percentage Point Increase</u>	<u>1 Percentage Point Decrease</u>
Effect on total of service and interest cost	\$ 201	\$ (152)
Effect on post-retirement benefit obligation	\$ 2,127	\$ (1,643)

Other

Certain of the Company's subsidiaries have elected to act as self-insurer for certain costs related to all active employee health and accident programs. The expense for the year ended December 30, 2008 was \$7,473 (2007 – \$10,995) under this self-insured benefit program.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 16 – CAPITAL STOCK

The capital stock of the Company is as follows:

Authorized

An unlimited number of preferred shares without nominal or par value, issuable in series.

An unlimited number of Class "A" Multiple Voting Shares without nominal or par value, convertible at any time at the option of the holder into Class "B" Subordinate Voting Shares on a one-for-one basis.

An unlimited number of Class "B" Subordinate Voting Shares without nominal or par value, convertible into Class "A" Multiple Voting Shares, under certain circumstances, if an offer is made to purchase the Class "A" shares.

Details of the issued and outstanding shares are as follows:

	December 30,			
	2008		2007	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Class "A" Multiple Voting Shares				
Balance, beginning of year	4,427,744	\$ 1,913	4,440,544	\$ 1,921
Converted from Class "A" to Class "B" (1)	(198,034)	(120)	(12,800)	(8)
Balance, end of year	<u>4,229,710</u>	<u>\$ 1,793</u>	<u>4,427,744</u>	<u>\$ 1,913</u>
Class "B" Subordinate Voting Shares				
Balance, beginning of year	28,969,448	\$175,358	28,420,898	\$160,634
Converted from Class "A" to Class "B" (1)	198,034	120	12,800	8
Issued under stock option plan (2)	5,000	151	535,750	14,716
Balance, end of year	<u>29,172,482</u>	<u>\$175,629</u>	<u>28,969,448</u>	<u>\$175,358</u>
TOTAL CAPITAL STOCK		<u><u>\$177,422</u></u>		<u><u>\$177,271</u></u>

(1) During the year, the Company converted 198,034 (2007 –12,800) Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares at an average rate of \$0.61 per share (2007 – \$0.61 per share).

(2) In 2008, the Company realized tax costs amounting to \$4 as a result of stock option transactions. The cost has been debited to capital stock and is not reflected in the current income tax provision. In 2007, the Company realized tax benefits amounting to \$18 as a result of stock option transactions. The benefit has been credited to capital stock and is not reflected in the current income tax provision.

DOREL INDUSTRIES INC.

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NOTE 17 – STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

Stock option plans

Under various plans, the Company may grant stock options on the Class "B" Subordinate Voting Shares at the discretion of the Board of Directors, to senior executives and certain key employees. The exercise price is the market price of the securities at the date the options are granted. Of the 6,000,000 Class "B" Subordinate Voting Shares initially reserved for issuance, 1,171,000 were available for issuance under the share option plans as at December 30, 2008. Options granted vest according to a graded schedule of 25% per year commencing a day after the end of the first year, and expire no later than the year 2013.

The Company's stock option plan is as follows:

	December 30,			
	2008		2007	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	2,308,750	\$ 31.92	1,364,000	\$ 30.73
Granted	160,000	30.83	1,517,000	31.12
Exercised	(5,000)	30.96	(535,750)	27.43
Expired	(51,000)	36.89	-	-
Cancelled	(159,000)	32.39	(36,500)	30.27
Options outstanding, end of period	<u>2,253,750</u>	<u>\$ 31.67</u>	<u>2,308,750</u>	<u>\$ 31.92</u>
Total exercisable, end of period	<u>1,048,500</u>	<u>\$ 32.35</u>	<u>619,625</u>	<u>\$ 33.50</u>

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NOTE 17 – STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS – (Cont'd)

A summary of options outstanding at December 30, 2008 is as follows:

Range of Exercise Prices	Total Outstanding			Total Exercisable	
	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Options	Weighted Average Exercise Price
\$29.27 - \$32.62	1,678,500	\$ 30.91	3.24	528,875	\$ 30.85
\$33.45 - \$34.49	<u>575,250</u>	<u>33.89</u>	<u>0.53</u>	<u>519,625</u>	<u>33.87</u>
	<u>2,253,750</u>	<u>\$ 31.67</u>	<u>2.55</u>	<u>1,048,500</u>	<u>\$ 32.35</u>

Total compensation cost recognized in income for employee stock options for the year amounts to \$4,125 (2007 – \$5,163), and was credited to contributed surplus.

The compensation cost recognized in income were computed using the fair value of granted options as at the date of grant as calculated by the Black-Scholes option pricing model. The following weighted average assumptions were used to estimate the fair values of options granted during the year:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	3.21%	4.00%
Dividend yield	1.62%	1.71%
Expected volatility	27.05%	25.63%
Expected life	4.50	4.49

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NOTE 17 – STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS – (Cont'd)

Deferred Share Unit Plan

The Company has a Deferred Share Unit Plan (the “DSU Plan”) under which an external director of the Company may elect annually to have his or her director’s fees and fees for attending meetings of the Board of Directors or committees thereof paid in the form of deferred share units (“DSU’s”). A plan participant may also receive dividend equivalents paid in the form of DSU’s. The number of DSU’s received by a director is determined by dividing the amount of the remuneration to be paid in the form of DSU’s on that date or dividends to be paid on payment date (the “Award Dates”) by the fair market value of the Company’s Class “B” Subordinate Voting Shares on the Award Date. Upon termination of a director’s service, a director may receive, at the discretion of Board of Directors, either:

- (a) cash equal to the number of DSU’s credited to the director’s account multiplied by the fair market value of the Class “B” Subordinate Voting Shares on the date a notice of redemption is filed by the director; or
- (b) the number of Class “B” Subordinate Voting Shares equal to the number of DSU’s in the director’s account.
- (c) a combination of cash and Class “B” Subordinate Voting Shares

Of the 75,000 DSU’s authorized for issuance under the plan, 34,780 were available for issuance under the DSU plan as at December 30, 2008. During the year, 11,120 additional DSU’s were issued (2007 – 12,553) and \$306 (2007 – \$392) was expensed and credited to contributed surplus. An additional 585 DSU’s were issued (2007 – 240) for dividend equivalents and \$16 (2007 – \$7) was charged to retained earnings and credited to contributed surplus. At December 30, 2008, 40,220 (2007 – 28,515) DSU’s are outstanding with related contributed surplus amounting to \$1,150 (2007 – \$828).

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NOTE 18 – COMMITMENTS AND GUARANTEES

- a) The Company has entered into long-term operating lease agreements for buildings and equipment that expire at various dates through the year 2028. Rent expense was \$27,554 and \$26,579 in 2008 and 2007, respectively. Future minimum lease payments exclusive of additional charges, are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2009	\$ 25,312
2010	19,661
2011	15,971
2012	12,705
2013	7,043
Thereafter	<u>9,370</u>
	<u>\$ 90,062</u>

- b) The Company has entered into various licensing agreements for the use of certain brand names on its products. Under these agreements, the Company is required to pay royalties as a percentage of sales with minimum royalties of \$2,031 due in fiscal 2009 and \$2,178 due in fiscal 2010 and 2011 combined.
- c) As at December 30, 2008, the Company has capital expenditure commitments of approximately \$13,776 and commercial letters of credit outstanding totalling \$71.
- d) In the normal course of business, the Company enters into agreements that may contain features which meet the definition of a guarantee:
- The Company granted irrevocable standby letters of credit issued by highly rated financial institutions to various third parties to indemnify them in the event the Company does not perform its contractual obligations, such as payment of product liability claims, lease and licensing agreements, duties and workers compensation claims. As at December 30, 2008, standby letters of credit outstanding totalled \$15,045. As many of these guarantees will not be drawn upon, these amounts are not indicative of future cash requirements. No material loss is anticipated by reason of such agreements and guarantees and no amounts have been accrued in the Company's consolidated financial statements with respect to these guarantees. The Company has determined that the fair value of the non-contingent obligations requiring performance under the guarantees in the event that specified events or conditions occur approximate the cost of obtaining the letters of credit.
 - The Company has provided a financing provider the right, upon customer default on payment to this financing provider, to sell back certain new products to the Company at predetermined prices. The maximum exposure with respect to this guarantee as at December 30, 2008 is \$1,389. Should the Company be required to act under such agreement, it is expected that no material loss would result after consideration of possible resell recoveries. Historically, the Company has not made any payments under such vendor financing agreement and the estimated exposure have been accrued in the Company's consolidated financial statements with respect to this guarantee.

DOREL INDUSTRIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 19 – CONTINGENCIES

The breadth of the Company's operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating the ultimate taxes the Company will pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Company's tax assets and tax liabilities.

The Company is currently a party to various claims and legal proceedings. If management believes that a loss arising from these matters is probable and can reasonably be estimated, that amount of the loss is recorded, or the minimum estimated liability when the loss is estimated using a range and no point within the range is more probable than another. When a loss arising from such matters is probable, legal proceedings against third parties or counterclaims are recorded only if management, after consultation with outside legal counsels, believes such recoveries are likely to be realized. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations.

In 2006, anti-dumping duties in the amount of \$4,472 were imposed upon the Company by the United States Department of Commerce ("DOC"). These duties pertain to certain metal furniture imported from China into the United States that was subject to anti-dumping duties during the period between December 3, 2001 through May 31, 2003. In relation to this charge the Company has a pending claim against a major international law firm. That claim relates to a breach of professional duty by the law firm for its failure to timely file a request for an administrative review by the DOC of the duties imposed.

NOTE 20 – PRODUCT LIABILITY

The Company is insured for product liability by the use of both traditional insurance and self-funded insurance programs, which mitigate its product liability exposure.

The estimated product liability exposure was calculated by an independent actuary based on historical sales volumes, past claims history and management and actuarial assumptions. The estimated exposure includes incidents that have occurred, as well as incidents anticipated to occur on units sold prior to December 30, 2008. Significant assumptions used in the actuarial model include management's estimates for pending claims, product life cycle, discount rates, and the frequency and severity of product incidents.

As at December 30, 2008, the Company's recorded liability amounts to \$23,087 (2007 – \$30,571), which represents the Company's total estimated exposure related to current and future product liability incidents.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 21 – INSURANCE RECOVERY

In the second quarter of 2007, the Company has recorded a recovery of \$2,200 in connection with the final settlement of a business interruption insurance claim made following a major fire at one of the Company's primary suppliers of particle board in April 2006. The claim was made as a result of incurring increased costs of production, principally paying higher board prices. This insurance recovery was recorded as a reduction of these additional costs, in cost of sales.

NOTE 22 – INCOME TAXES

Variations of income tax expense from the basic Canadian federal and provincial combined tax rates applicable to income from operations before income taxes are as follows:

	December 30,			
	2008		2007	
PROVISION FOR INCOME TAXES	\$ 41,188	31.2%	\$ 35,187	33.0%
ADD (DEDUCT) EFFECT OF:				
Difference in effective tax rates of foreign subsidiaries	(20,666)	(15.7)	(20,247)	(19.0)
Recovery of income taxes arising from the use of unrecorded tax benefits	(5,498)	(4.1)	(3,362)	(3.2)
Change in valuation allowance	1,100	0.8	3,806	3.6
Non-deductible stock options	1,440	1.1	1,160	1.1
Other non-deductible items	1,893	1.4	1,067	1.0
Change in future income taxes resulting from changes in tax rates	179	0.1	(580)	(0.5)
Effect of foreign exchange	(1,221)	(0.9)	518	0.5
Other - Net	743	0.6	1,587	1.4
	<u>19,158</u>	<u>14.5%</u>	<u>\$ 19,136</u>	<u>17.9%</u>

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NOTE 22 – INCOME TAXES – (Cont’d)

The tax effects of significant items comprising the Company’s net future income tax liabilities are as follows:

	December 30,	
	2008	2007
Capital and operating loss carryforwards	\$ 22,645	\$ 13,299
Employee pensions and post-retirement	3,631	3,473
Other long-term liabilities	308	2,614
Accounts receivable	7,928	3,969
Inventories	11,671	9,698
Accrued expenses	18,463	17,799
Stock options	725	943
Derivatives	(3,110)	454
Property, plant and equipment	(22,509)	(19,110)
Intangible assets	(66,405)	(47,213)
Goodwill	(18,388)	(13,578)
Deferred development costs	(16,364)	(6,496)
Prepaid expenses	(88)	(63)
Valuation allowance	(4,900)	(7,325)
Foreign exchange and other	(432)	(2,115)
	<u>\$ (66,825)</u>	<u>\$ (43,651)</u>

The short-term and long-term future income tax assets and liabilities are as follows:

	December 30,	
	2008	2007
Short-term future income tax assets	\$ 37,342	\$ 35,228
Long-term future income tax assets (Note 9)	10,420	892
Short-term future income tax liabilities	(2,713)	(136)
Long-term future income tax liabilities	(111,874)	(79,635)
	<u>\$ (66,825)</u>	<u>\$ (43,651)</u>

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NOTE 22 – INCOME TAXES – (Cont'd)

As at December 30, 2008, the Company has \$254 of capital losses with no expiry and \$70,649 of operating loss carryforwards, of which \$10,278 will expire between 2011 and 2018 and \$29,978 will expire between 2025 and 2028. The remaining \$30,393 has no expiration date. The Company also has unclaimed expenses available to reduce federal income tax amounting to \$2,129 and expiring between 2009 and 2013.. The Company recognized a future income tax asset for all of these unused tax losses and other available income tax reductions but used a valuation allowance to reduce the related future income tax asset to the amount that is more likely than not to be realized. As limitations on the utilization of these tax assets may apply, the Company has provided a valuation allowance in the amount of \$4,900 as at December 30, 2008 for the full value of the capital losses and unclaimed expenses and for a portion of the operating loss carryforwards.

The Company has not recognized a future income tax liability for the undistributed earnings of its subsidiaries in the current or prior years since the Company does not expect to sell or repatriate funds from those investments, in which case the undistributed earnings may become taxable. Any such liability cannot reasonably be determined at the present time.

NOTE 23 – EARNINGS PER SHARE

The following table provides a reconciliation between the number of basic and fully diluted shares outstanding:

	December 30,	
	2008	2007
Weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares	33,398,544	33,285,990
Dilutive effect of stock options and deferred share units	348	7,258
Weighted average number of diluted shares	<u>33,398,892</u>	<u>33,293,248</u>
Number of anti-dilutive stock options and deferred share units excluded from fully diluted earnings per share calculation	<u>2,278,710</u>	<u>2,317,718</u>

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NOTE 24 – STATEMENT OF CASH FLOWS

Net changes in non-cash balances related to operations are as follows:

	December 30,	
	2008	2007
Accounts receivable	\$ 28,223	\$ 19,811
Inventories	(121,027)	13,137
Prepaid expenses	677	(126)
Accounts payable, accruals and other liabilities	22,105	(23,707)
Income taxes	(8,485)	15,367
Total	<u>\$ (78,507)</u>	<u>\$ 24,482</u>

Details of acquisition of subsidiary companies:

	December 30,	
	2008	2007
Acquisition of subsidiary companies (Note 4)	\$ (231,591)	\$ (2,733)
Cash acquired (Note 4)	4,493	541
	(227,098)	(2,192)
Balance of sale (paid)	908	(594)
	<u>\$ (226,190)</u>	<u>\$ (2,786)</u>

The components of cash and cash equivalents are:

	December 30,	
	2008	2007
Cash	\$ 15,408	\$ 18,449
Short-term investments	1,558	4,064
Cash and cash equivalents	<u>\$ 16,966</u>	<u>\$ 22,513</u>

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NOTE 24 – STATEMENT OF CASH FLOWS– (Cont'd)

Supplementary disclosure:

	December 30,	
	2008	2007
Interest paid	\$ (19,542)	\$ (22,989)
Income taxes paid	\$ (27,221)	\$ (19,430)
Income taxes received	\$ 1,660	\$ 8,455

Acquiring a long-lived asset by incurring a liability does not result in a cash outflow for the Company until the liability is paid. As such, the consolidated statement of cash flows excludes the following non-cash transactions:

	December 30,	
	2008	2007
Acquisition of property, plant and equipment financed by accounts payable and accrued liabilities	\$ 763	\$ 1,903
Acquisition of intangible assets financed by accounts payable and accrued liabilities	\$ 140	\$ 8

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NOTE 25 – SEGMENTED INFORMATION

The Company's significant business segments include:

- **Juvenile Products Segment:** Engaged in the design, sourcing, manufacturing and distribution of children's furniture and accessories which include infant car seats, strollers, high chairs, toddler beds, cribs and infant health and safety aids.
- **Recreational / Leisure Segment:** Engaged in the design, sourcing and distribution of recreational and leisure products and accessories which include bicycles, jogging strollers, scooters and other recreational products.
- **Home Furnishings Segment:** Engaged in the design, sourcing, manufacturing and distribution of ready-to-assemble furniture and home furnishings which include metal folding furniture, futons, step stools, ladders and other imported furniture items.

The accounting policies used to prepare the information by business segment are the same as those used to prepare the consolidated financial statements of the Company as described in Note 2.

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NOTE 25 – SEGMENTED INFORMATION (Cont'd)

The Company evaluates financial performance based on measures of income from segmented operations before interest and income taxes. The allocation of revenues to each geographic areas are based on where the selling company is located. Inter-segment sales were immaterial for the years ended December 30, 2008 and 2007.

Geographic Segments – Origin

December 30,				
	Total Revenue		Property, plant and equipment and Goodwill	
	2008	2007	2008	2007
Canada	\$ 248,107	\$ 203,546	\$ 42,413	\$ 41,452
United States	1,195,382	1,025,958	378,604	349,038
Europe	593,309	462,846	273,396	270,960
Other foreign countries	145,082	121,322	4,669	4,147
Total	<u>\$2,181,880</u>	<u>\$1,813,672</u>	<u>\$ 699,082</u>	<u>\$ 665,597</u>

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NOTE 25 – SEGMENTED INFORMATION (Cont'd)

Industry Segments

December 30,

	Total		Juvenile		Recreational / Leisure		Home Furnishings		Eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales to customers	\$ 2,181,880	\$ 1,813,672	\$ 1,109,174	\$ 1,016,645	\$ 643,985	\$ 374,783	\$ 428,721	\$ 422,244	\$ -	\$ -
Inter-segment sales	-	-	-	-	6,670	-	10,150	7,649	(16,820)	(7,649)
Total Revenue	2,181,880	1,813,672	1,109,174	1,016,645	650,655	374,783	438,871	429,893	(16,820)	(7,649)
Cost of sales	1,651,137	1,375,418	785,273	707,409	498,153	301,835	384,531	373,823	(16,820)	(7,649)
Selling, general and administrative expenses	292,227	218,661	154,140	149,838	102,226	38,260	35,861	30,563		
Depreciation & amortization	45,759	39,755	32,900	32,174	6,964	1,736	5,895	5,845		
Research and development costs	10,909	9,009	7,928	6,364	-	-	2,981	2,645		
Restructuring costs (Note 3)	726	14,509	710	7,575	-	-	16	6,934		
Earnings from Operations	181,122	156,320	<u>\$ 128,223</u>	<u>\$ 113,285</u>	<u>\$ 43,312</u>	<u>\$ 32,952</u>	<u>\$ 9,587</u>	<u>\$ 10,083</u>	<u>\$ -</u>	<u>\$ -</u>
Interest	22,123	23,466								
Corporate expenses	26,986	26,226								
Income taxes	19,158	19,136								
Net income	<u>\$ 112,855</u>	<u>\$ 87,492</u>								
Total Assets	<u>\$ 2,003,459</u>	<u>\$ 1,628,346</u>	<u>\$ 1,060,800</u>	<u>\$ 1,005,663</u>	<u>\$ 175,215</u>	<u>\$ 392,833</u>	<u>\$ 767,444</u>	<u>\$ 229,850</u>	<u>\$ -</u>	<u>\$ -</u>
Additions to property, plant and equipment – net	<u>\$ 26,423</u>	<u>\$ 22,184</u>	<u>\$ 18,504</u>	<u>\$ 16,680</u>	<u>\$ 3,997</u>	<u>\$ 3,476</u>	<u>\$ 3,922</u>	<u>\$ 2,028</u>		

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NOTE 25 – SEGMENTED INFORMATION (Cont'd)

Total Assets

	December 30,	
	2008	2007
Total assets for reportable segments	\$ 2,003,459	\$ 1,628,346
Corporate assets	27,014	29,558
Total Assets	<u>\$ 2,030,473</u>	<u>\$ 1,657,904</u>

Goodwill

The continuity of goodwill by industry segment is as follows:

	December 30,							
	Total		Juvenile		Recreational / Leisure		Home Furnishings	
	2008	2007	2008	2007	2008	2007	2008	2007
Balance, beginning of year	\$ 525,235	\$ 501,356	\$ 350,848	\$ 326,969	\$ 143,215	\$ 143,215	\$ 31,172	\$ 31,172
Additions (Note 4)	23,611	945	966	945	22,645	–	–	–
Additional consideration	–	–	–	–	–	–	–	–
Foreign exchange	(8,659)	22,934	(8,659)	22,934	–	–	–	–
Balance, end of year	<u>\$ 540,187</u>	<u>\$ 525,235</u>	<u>\$ 343,155</u>	<u>\$ 350,848</u>	<u>\$ 165,860</u>	<u>\$ 143,215</u>	<u>\$ 31,172</u>	<u>\$ 31,172</u>

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NOTE 25 – SEGMENTED INFORMATION (Cont'd)

Concentration of Credit Risk

Sales to the Company's major customer as described in Note 14 were concentrated as follows:

	<u>Canada</u>		<u>United States</u>		<u>Foreign</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Juvenile	1.5%	1.9%	7.5%	8.5%	1.3%	–%
Recreational/Leisure	–%	–%	8.1%	8.1%	–%	–%
Home furnishings	2.3%	1.8%	7.4%	9.5%	2.3%	4.1%

NOTE 26 – SUBSEQUENT EVENT

On January 29, 2009 the Company announced the purchase of all of the outstanding shares of Belgium-based *BABY ART bvba*. Created in 2006, *BABY ART bvba* markets its products under the BABY ART and HOPPOP brands. The innovative baby products and accessories, feature outstanding modern designs, are highly popular with consumers and received rave reviews at Europe's prestigious 2008 Cologne, Germany juvenile trade fair.

The purchase price was 4.1 million Euros or US\$ 5.3 million. The transaction was financed through debt. The Company is presently in the process of allocating the cost of this purchase to the net assets acquired.