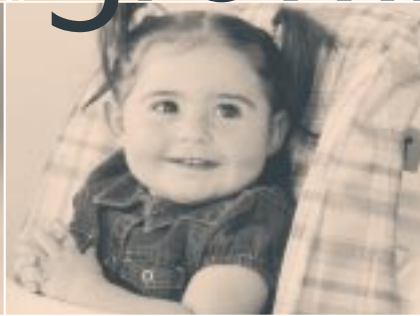


forty years and still **growing**



THIRD QUARTERLY REPORT

for the nine months ended **SEPTEMBER 30, 2002**



Dorel Industries Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2002

Management's Discussion and Analysis of Financial Conditions and Results of Operations (« MD & A ») should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 30, 2002 and the audited consolidated financial statements and MD&A for the year ended December 30, 2001.

Note that there have been no significant changes with regards to "Corporate Objectives, Core Businesses and Strategies", "Risks" and "Critical Accounting Policies and Estimates" to those outlined in the annual MD & A contained in the Company's 2001 Annual Report. As such, they are not repeated herein.

RESULTS OF OPERATIONS

Overview

Dorel reported improvements in sales and earnings for the quarter and the nine-month period ended September 30, 2002. Before adjusting for the impact of the changes in the goodwill amortization rules, third quarter earnings were up 58% to \$16.3 million, or \$0.51 per fully diluted share versus \$0.36 a year ago. Sales were up 9.7% to \$256 million. Nine-month earnings rose 44% to \$47.0 million and EPS fully diluted for the nine-month period was \$1.55 compared to \$1.14 last year. Year to date sales totaled \$751 million, up 7.7% from last year.

Excluding goodwill amortization recorded in the 2001 comparative figures, third quarter earnings were up 32% from \$12.4 million and diluted earnings per share improved from \$0.43. Nine-month earnings rose 22% from \$38.5 million and EPS for the first nine months fully diluted was up by 20 cents from \$1.35. Also of note is the fact that as a result of our share issuance during the second quarter the additional shares had the impact of diluting the 2002 third quarter results by 5 cents per share and by 7 cents year to date.

The great majority of the sales increase year to date and 100% of the increase in the quarter were from internal sales growth as the Company's last acquisition (Quinny) occurred in April of 2001. The increased sales and improved operations combined with lower debt levels and lower interest rates has allowed to company to improve results significantly as shown in the table below:

	Quarter					Nine Months				
	2002		2001		% change	2002		2001		% change
	\$	% of sales	\$	% of sales		\$	% of sales	\$	% of sales	
Gross Profit	59,474	23.2%	49,601	21.2%	19.9%	174,859	23.3%	154,224	22.1%	13.4%
Operating expenses	36,651	14.3%	33,907	14.5%	8.1%	108,415	14.4%	103,844	14.9%	4.4%
Income before amortization of goodwill and taxes	22,823	8.9%	15,694	6.7%	45.4%	66,444	8.8%	50,381	7.2%	31.9%
EBITDA	31,647	12.4%	26,419	11.3%	19.8%	92,887	12.4%	82,965	11.9%	12.0%

Dorel Industries Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2002 (continued)

Segments

The segmented results of the Company are presented in Note 6 to the interim financial statements. In percentage terms, results for the third quarter and first nine months were as follows:

Segmented Results as a Percentage of Sales

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2002	2001	2002	2001
Juvenile				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	76.8%	77.1%	75.9%	76.3%
Gross Profit	23.2%	22.9%	24.1%	23.7%
Operating Expenses	11.1%	10.8%	11.9%	11.2%
Amortization excluding Goodwill	2.7%	3.0%	2.8%	2.8%
Amortization of Goodwill	0.0%	1.6%	0.0%	1.5%
Research and Development	0.7%	0.5%	0.7%	0.6%
Earnings from operations	8.7%	7.0%	8.7%	7.6%
Ready-to-Assemble				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	73.7%	75.6%	74.3%	75.5%
Gross Profit	26.3%	24.4%	25.7%	24.5%
Operating Expenses	6.0%	5.4%	5.6%	5.3%
Amortization excluding Goodwill	1.8%	2.0%	1.8%	2.0%
Amortization of Goodwill	0.0%	0.1%	0.0%	0.1%
Research and Development	0.4%	0.3%	0.3%	0.4%
Earnings from operations	18.1%	16.6%	18.0%	16.7%
Home Furnishings				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	80.6%	89.5%	82.7%	88.3%
Gross Profit	19.4%	10.5%	17.3%	11.7%
Operating Expenses	7.4%	8.0%	7.1%	7.6%
Amortization excluding Goodwill	1.5%	1.6%	1.4%	1.7%
Research and Development	0.3%	0.2%	0.4%	0.3%
Earnings from operations	10.2%	0.7%	8.4%	2.1%

Dorel Industries Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2002 (continued)

Juvenile

Third quarter sales in the Juvenile segment increased 14% to \$142 million from \$125 million in the prior year. Earnings from operations were up 15% to \$12.4 million compared to \$10.7 million one year ago. For the nine months ended September, sales were up 7% to \$421 million, while earnings were unchanged at \$36 million. Dorel did considerably better than its major competitors and total market share continues to improve.

Dorel Juvenile Group's North America sales increased in the low double digits, driven primarily by successful new car seats and strong infant health product sales. Shipments of the new LATCH system car seats were substantial, accounting for more than half of car seat sales during the period. Profitability in North America also improved, mainly due to higher volumes and improved margins.

In Europe third quarter sales increased by approximately 10% from last year and profitability improved slightly, but was below expectations. Conditions in Europe remain difficult, particularly in Germany. Retailers are reluctant to build inventory due to the weaker economic environment. Nonetheless, the Quinny brand of strollers remains a very strong seller and this has allowed the European operations to increase its sales. Dorel Juvenile Group (DJG) Europe's broad distribution chain has increased sales of the Quinny products more quickly than would have otherwise been possible.

Gross margins for the quarter and for the nine-month period were higher than in 2001 mainly due to improvements in North America. These improvements came from improved purchasing and better control of overhead costs. Operating costs as a percentage of sales were slightly higher both for the quarter and for the nine months ended September 30th. In North America, the principal reason for the increased expenses were product liability related costs which are tracking on plan, but as of September 30th, were running higher than the prior year at the same time. In Europe, promotional costs were up over last year.

The Company is fine-tuning guidance and now expects sales to be in the range of \$530-\$540 million with earnings from operations of approximately 8.5% of sales. Prior guidance was for sales of between \$525 to \$575 million, with earnings from operations in the range between 8.5% and 9.5% of sales.

Ready-to-Assemble

Dorel's Ready-to-Assemble Furniture segment posted third quarter sales of \$62 million, down 10% over the \$69 million the previous year. Despite this decrease, operating earnings remained even at \$11 million. For the nine-month period, sales were down by less than 1% at \$196 million versus were \$198 million in 2001. Earnings from operations increased 6% to \$35 million from \$33 million a year ago.

The sales decrease in the quarter can be explained by the fact that one of RTA's large customers had unusually high ordering levels during the third quarter last year which then fell off dramatically during the fourth quarter. This year the Company expects a stronger fourth quarter from that customer. Earnings remained strong. As a percentage of sales, earnings were 18.1% in 2002 versus 16.6% in 2001. This was made possible by lower raw material costs as well as improvements in productivity and operating cost containment. For the quarter, operating costs increased as a percentage of sales as sales volume was 10% lower than in 2001, but in dollar terms, operating costs were flat. Year-to-date, operating costs in dollars and as a percentage of sales are consistent with the prior year.

The Company announced it was lowering sales guidance for the RTA segment slightly from \$270-285 million to \$260-270 million but increasing earnings guidance from 16.5% - 17.5% to 17% to 18% of sales.

Dorel Industries Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2002 (continued)

Home Furnishings

Home Furnishings sales rose 30% to \$51 million from \$40 million in 2002, while earnings from operations surged to \$5.2 million compared to \$259 thousand in the third quarter one year ago. For the nine-month period, sales have increased 28% to \$134 million from \$104 million, while earnings jumped 419% to \$11 million from \$2 million last year.

The third quarter was a record period for Home Furnishings as it experienced its highest sales and was the most profitable in the history of Dorel. The Cosco Home and Office group also had a strong quarter in which they improved profitability over last year. Step stools previously manufactured in North America are now outsourced from the Orient, which will improve margins going forward. Also, many new products are being introduced in the fourth quarter of 2002 and into the first quarter of 2003.

For the quarter and year to date all three business units in the segment showed sales increases, with more than half coming from the Dorel Asia group. Profitability improvement in both the quarter and year-to-date was most significantly impacted by Dorel Home Products' futon business. This was due to higher sales volumes, large increases in productivity and better control of raw material costs.

Gross margins improved over 2001 for the quarter and year-to-date mainly due to the positive impact of changes made at Dorel Home Products as detailed above and in the 2001 year-end MD & A. For the quarter and year-to-date, operating costs are lower as a percentage of sales due to higher sales volumes and strict cost controls at Dorel Home Products as part of the re-organization that began there in early 2001.

The Company is raising its sales guidance from between \$165 and \$175 million to \$190-200 million and earnings from operations from 4% to 5% of sales to 7.5% to 8.5% of sales.

Other Expenses

Interest in 2002 was down compared to 2001 for both the quarter and year to date. This decrease was a function of lower loan balances, due to improved cash flow from operations and from funds raised through a USD \$69.4 million share issue that were received in late May. The Company also benefited from lower interest rates, as a large portion of Dorel's debt is at variable rates.

Corporate expenses remained relatively flat versus the prior year. For the quarter, the income tax rate, before the effect of non-deductible goodwill amortization, increased from 21.2% in 2001 to 28.4% in 2002. Year to date tax rates also increased from 23.6% to 29.3%. This increase in the effective tax rate is attributable to the proportionate change in pre-tax profits in the different tax jurisdictions in which Dorel operates. The Company expects the rate going forward to remain around 30%.

LIQUIDITY AND CAPITAL RESOURCES

During the third quarter of 2002, cash flow from operating activities before changes in non-cash working capital was \$22.2 million, as compared to \$18.2 million in 2001. After funding non-cash working capital, operating activities provided \$22.0 million in 2002 versus \$2.4 million in 2001, an improvement of \$19.6 million. This increase was due principally through improved management of accounts receivables offset by increased accounts payable disbursements.

Dorel Industries Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2002 (continued)

During the first nine months of 2002, cash flow from operating activities before changes in non-cash working capital was \$66.6 million, as compared to \$57.8 million in 2001. After funding non-cash working capital, operating activities provided \$63.4 million in 2002 versus a use of cash in the amount of \$16.9 million in 2001, an improvement of \$70.3 million. This increase was due principally through better management of inventory levels that rose by only \$2.0 million from year-end levels versus 2001 when inventory levels rose \$30.5 million and from improved management of accounts receivable that used only \$23.3 million in 2002 versus \$41.8 million in the prior year.

The Company's net disbursements on various investing activities in 2002 were \$4.3 million for the quarter and \$13.7 million year to date. Excluding the impact of the sale of accounts receivable in the third quarter of 2001 which raised \$27.8 million, as described in note 3, this compares to \$4.9 million in the 2001 quarter and \$12.5 million for the nine months ended September 30, 2001.

On April 26, 2002, Dorel announced that it had entered into an agreement with a syndicate of underwriters led by CIBC World Markets Inc. under which the underwriters agreed to buy and sell to the public 3.5 million of Dorel's Class B Subordinate Voting Shares. The purchase price of the shares was \$CAN 38.50. Of these, 2.5 million shares were from Dorel's treasury and one million shares from members of senior management. The underwriters also had an option to purchase up to an additional 500,000 Class B Subordinate Voting Shares from treasury, exercisable at any time up to 24 hours prior to closing. On April 30, 2002, the Company filed a preliminary short form prospectus in each of the provinces of Canada with respect to this offering. At closing on May 22, 2002, the final quantity of shares issued was 2,929,200 shares for net proceeds of CDN \$108 million or USD \$69.4 million. The proceeds of the issue were used to pay down existing debt.

The Company's improved cash flow along with the share issuance allowed the Company to lower net debt levels by \$172 million to \$93 million from \$265 million a year ago. As of September 30, 2002 the debt to equity ratio was reduced to 0.34, an additional improvement over the record low set in the second quarter of this year. The Company is compliant with all covenants connected with its borrowings.

On July 30, 2002 the Company announced the sale, through one of our subsidiaries, of U.S. \$50 million in principal amount of 6.80% Series A Senior Guaranteed Notes due July 26, 2012. The net proceeds from the sale of the Notes were used to repay existing bank indebtedness. Under the terms of the Note issuance agreement, Dorel may issue up to U.S. \$50 million of additional Notes on or before July 26, 2005. The Notes were purchased by a group of institutional investors led by The Prudential Insurance Company of America.

On August 7, 2002 Dorel announced that the Toronto Stock Exchange had approved its application for a normal course issuer bid. Under the normal course issuer bid, the Company will be entitled to repurchase for cancellation up to a maximum of 200,000 Class B Subordinate Voting Shares over the twelve-month period starting August 9, 2002 and ending August 8, 2003, representing 0.76% of the issued and outstanding Class B Subordinate Voting Shares. The normal course issuer bid has been instituted as it is considered that the repurchase of shares at certain market prices will be beneficial to Dorel. To the knowledge of the Company, no director, officer or insider of Dorel intends to sell his shares. As of September 30, 2002, the Company had purchased 2,000 shares at a total cost of \$44 thousand.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENT OF INCOME
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2002 (unaudited)
ALL FIGURES IN THOUSANDS OF US \$

	Third quarter ended		Nine months ended	
	Sept. 30, 2002	Sept. 30, 2001	Sept.30, 2002	Sept. 30, 2001
SALES	<u>256,110</u>	<u>233,528</u>	<u>751,085</u>	<u>697,297</u>
EXPENSES				
Cost of sales	196,637	183,927	576,226	543,072
Operating	26,324	22,275	77,798	68,136
Amortization	6,119	6,060	18,143	17,839
Research and development costs	1,503	907	4,174	3,123
Interest on long-term debt	2,492	4,393	7,960	14,165
Other interest	<u>212</u>	<u>272</u>	<u>340</u>	<u>581</u>
	<u>233,287</u>	<u>217,834</u>	<u>684,641</u>	<u>646,916</u>
Income before income taxes and amortization of goodwill	22,823	15,694	66,444	50,381
Income taxes	<u>6,478</u>	<u>3,332</u>	<u>19,475</u>	<u>11,899</u>
Income before amortization of goodwill	16,345	12,362	46,969	38,482
Amortization of goodwill	<u>-</u>	<u>2,032</u>	<u>-</u>	<u>5,966</u>
NET INCOME	<u><u>16,345</u></u>	<u><u>10,330</u></u>	<u><u>46,969</u></u>	<u><u>32,516</u></u>
EARNINGS PER SHARE - BASIC:				
Before amortization of goodwill	<u>0.52</u>	<u>0.44</u>	<u>1.58</u>	<u>1.37</u>
Net income	<u><u>0.52</u></u>	<u><u>0.37</u></u>	<u><u>1.58</u></u>	<u><u>1.15</u></u>
EARNINGS PER SHARE - DILUTED: (Note 2)				
Before amortization of goodwill	<u>0.51</u>	<u>0.43</u>	<u>1.55</u>	<u>1.35</u>
Net income	<u><u>0.51</u></u>	<u><u>0.36</u></u>	<u><u>1.55</u></u>	<u><u>1.14</u></u>
SHARES OUTSTANDING				
Basic - weighted average	<u>31,297,083</u>	<u>28,170,492</u>	<u>29,696,628</u>	<u>28,155,218</u>
Diluted - weighted average	<u><u>32,018,905</u></u>	<u><u>28,619,784</u></u>	<u><u>30,335,366</u></u>	<u><u>28,548,395</u></u>

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 (unaudited)
ALL FIGURES IN THOUSANDS OF US \$

	2002	2001
BALANCE, BEGINNING OF PERIOD	153,223	127,719
Net income	46,969	32,516
Premium paid on repurchase of shares (Note 4)	(37)	-
Share issue expenses (net of income taxes - \$1,070)	<u>(1,988)</u>	<u>-</u>
BALANCE, END OF PERIOD	<u><u>198,167</u></u>	<u><u>160,235</u></u>

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30 , 2002 (unaudited)
ALL FIGURES IN THOUSANDS OF US \$

	as at September 30, 2002	as at December 30, 2001	as at September 30, 2001
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	21,231	18,640	6,246
Accounts receivable (Note 3)	118,644	93,945	140,524
Inventories	156,093	152,411	173,913
Income taxes refundable	-	5,156	-
Prepaid expenses	16,494	17,178	18,190
Deferred income taxes	9,332	11,195	14,605
	<u>321,794</u>	<u>298,525</u>	<u>353,478</u>
CAPITAL ASSETS	94,968	98,366	96,601
GOODWILL	153,274	151,624	151,294
DEFERRED CHARGES	12,535	12,557	10,012
INTANGIBLE ASSETS	4,239	4,055	3,794
DEFERRED INCOME TAXES	383	1,327	1,938
OTHER ASSETS	2,120	2,120	1,120
	<u>589,313</u>	<u>568,574</u>	<u>618,237</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank indebtedness	8,516	7,911	10,115
Accounts payable and accrued liabilities	107,193	104,873	106,408
Income taxes payable	14,740	-	3,832
Current portion of long-term debt	2,126	2,680	2,530
	<u>132,575</u>	<u>115,464</u>	<u>122,885</u>
LONG-TERM DEBT	<u>103,270</u>	<u>225,246</u>	<u>259,001</u>
PENSION OBLIGATION	<u>13,074</u>	<u>12,879</u>	<u>13,099</u>
DEFERRED INCOME TAXES	<u>1,975</u>	<u>3,073</u>	<u>2,695</u>
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (Note 4)	138,386	63,023	63,023
RETAINED EARNINGS	198,167	153,223	160,235
CUMULATIVE TRANSLATION ADJUSTMENT	1,866	(4,334)	(2,701)
	<u>338,419</u>	<u>211,912</u>	<u>220,557</u>
	<u>589,313</u>	<u>568,574</u>	<u>618,237</u>

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2002 (unaudited)
ALL FIGURES IN THOUSANDS OF US \$

	Third quarter ended		Nine months ended	
	Sept. 30, 2002	Sept. 30, 2001	Sept. 30, 2002	Sept. 30, 2001
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income from continuing operations:	16,345	10,330	46,969	32,516
Adjustments for:		-		
Amortization	6,119	8,092	18,143	23,805
Deferred income taxes	(79)	197	1,679	1,381
Loss (gain) on disposal of capital assets	(176)	(416)	(203)	110
	<u>22,209</u>	<u>18,203</u>	<u>66,588</u>	<u>57,812</u>
Changes in non-cash working capital:				
Accounts receivable	248	(31,371)	(23,340)	(41,883)
Inventories	2,560	(3,758)	(2,039)	(30,459)
Prepaid expenses	(702)	1,442	977	(2,119)
Accounts payable and accrued liabilities	(8,802)	17,225	1,383	(3,432)
Income taxes payable	6,487	615	19,822	3,224
	<u>(209)</u>	<u>(15,848)</u>	<u>(3,197)</u>	<u>(74,669)</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>22,000</u>	<u>2,355</u>	<u>63,391</u>	<u>(16,857)</u>
FINANCING ACTIVITIES				
Increase (decrease) in long-term debt	(5,015)	2,498	(122,574)	(5,540)
Issuance of capital stock	385	-	75,370	528
Repurchase of capital stock	(44)	-	(44)	-
Share issue expenses	(12)	-	(1,988)	-
Increase (decrease) in bank indebtedness	(1,703)	3,633	(401)	5,240
CASH PROVIDED BY (USED) IN FINANCING ACTIVITIES	<u>(6,389)</u>	<u>6,131</u>	<u>(49,637)</u>	<u>228</u>
		-		-
INVESTING ACTIVITIES				
Acquisition of subsidiary company	-	-	-	(9,503)
Cash on hand	-	-	-	548
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,955)</u>
Financed by long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,955</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Proceeds from sale of accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,750</u>
Additions to capital assets - net	(2,354)	(2,931)	(9,942)	(7,128)
Deferred charges	(2,039)	(1,432)	(3,160)	(3,455)
Intangible assets	77	(569)	(606)	(902)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(4,316)</u>	<u>(4,932)</u>	<u>(13,708)</u>	<u>16,265</u>
Effect of exchange rate changes on cash	<u>(827)</u>	<u>(98)</u>	<u>2,545</u>	<u>(60)</u>
		-		-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,468	3,456	2,591	(424)
Cash and cash equivalents, beginning of period	<u>10,763</u>	<u>2,790</u>	<u>18,640</u>	<u>6,670</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>21,231</u>	<u>6,246</u>	<u>21,231</u>	<u>6,246</u>

See accompanying notes.

Notes to the Consolidated Financial Statements
As at September 30, 2002
All figures in US\$ (Unaudited)

1. Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) using the U.S. dollar as the reporting currency. They have been prepared on a basis consistent with those followed in the most recent audited financial statements. These consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the year ended December 30, 2001.

Change in Accounting Principles

Earnings per share

In the third quarter of 2001, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Section 3500, "Earnings per Share" which was applied retroactively with prior periods being restated. This section requires the treasury stock method be used rather than the imputed earnings method for determining the dilutive effect of warrants and options when calculating diluted earnings per share. Adoption of the new recommendations did not have a significant impact on the diluted earnings per share calculation.

Stock Based Compensation

Effective January 1, 2002 the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Section 3870, "Stock-Based Compensation and other Stock-Based Payments". This new section is similar to existing U.S. GAAP requirements covered by the United States Financial Accounting Standards Board standard SFAS No. 123 and by the guidelines of Accounting Principles Board Opinion No. 25 in that it establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

Currently the Company may under various plans, grant stock options on the Company's 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. Section 3870 encourages companies to apply the fair value based method of accounting to all employee stock-based compensation plans, but requires them to do so only for specific types of stock-based payments, of which the Company has none.

Therefore, the Company has elected not to record any related compensation expense in the Company's results of operations. Had the Company elected to recognize compensation costs based on the fair value at the date of grant consistent with the provisions of the guidelines, the Company's net income and earnings per share for the nine months and quarter ending September 30, 2002 would have been reduced by \$756 thousand or \$0.02 per share and \$252 thousand or \$0.01 cent per share respectively. Note that in the first year of application, comparative disclosures need not be provided for prior years.

Goodwill

Effective January 1, 2002 the Company adopted the recommendations of the Canadian Institute of Chartered Accountants Section 1581, "Business Combinations", and Section 3062, "Goodwill and Other Intangible Assets". Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Also in accordance with the new standards, goodwill and intangible assets with an indefinite life are no longer amortized to income, but rather are assessed for impairment on an annual basis. As detailed on the Income Statement, goodwill amortization for the nine months and third quarter of 2001 amounted to \$6.0 million or \$0.21 (diluted) per share and \$2.0 million or \$0.07 (diluted) per share respectively.

In addition as part of the new standard, a transitional impairment test of the goodwill's value is required as of December 30, 2001. The Company has completed its assessment and has concluded that no impairment existed as at December 30, 2001.

Notes to the Consolidated Financial Statements (continued)
As at September 30, 2002
All figures in US\$ (Unaudited)

1. Accounting Policies (continued)

Segmented Information

The Company has changed the structure of its internal organization with respect to the manufacture and sale of metal and wood furniture previously reported within the Home Furnishings segment. These products are now considered part of the Ready-to-Assemble (RTA) segment. Accordingly, results for the prior period as previously reported have been restated to reflect this change and are included in the RTA segment as shown in Note 6 to these financial statements.

Reclassifications

Certain of the prior year's accounts have been reclassified to conform to the 2002 financial statement presentation.

2. Earnings per share

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

	Third Quarter Ended September 30		Nine months Ended September 30	
	2002	2001	2002	2001
Weighted daily average number of Class A Multiple and Class B Subordinate Voting Shares	31,297,083	28,170,492	29,696,628	28,155,218
Dilutive effect of stock options and share purchase warrants	721,822	449,292	638,737	393,177
Weighted average number of diluted shares	32,018,905	28,619,784	30,335,365	28,548,395
Number of anti-dilutive stock options or share purchase warrants excluded from fully diluted earnings per share calculation	100,000	200,000	100,000	200,000

3. Sale of Accounts Receivable

On September 22, 2001, the Company entered into an agreement with a third party to sell \$30 million of eligible accounts receivable at a discount. Under this agreement, the Company acts as the servicer of the receivable and is permitted to sell, on a revolving basis, additional eligible accounts receivable to the extent amounts are collected on previously sold receivables. As of September 30, 2002, the Company sold \$30.0 million of accounts receivable under this agreement and excluded this amount from the accounts receivable balance at September 30, 2002. The Company also recorded a retained interest in the sold receivables representing the estimated fair value retained at the date of sale. At September 30, 2002, the retained interest totalled \$2.25 million.

Notes to the Consolidated Financial Statements (continued)

As at September 30, 2002

All figures in US\$ (Unaudited)

4. 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:

	Nine Months Ended September 30, 2002		Year Ended December 30, 2001		Nine Months Ended September 30, 2001	
	Number	Amount ('000)	Number	Amount ('000)	Number	Amount ('000)
<u>Class A Multiple Voting Shares</u>						
Balance, beginning of period	4,940,360	\$2,168	5,035,260	\$2,207	5,035,260	\$2,207
Converted from Class A to Class B	(30,900)	(12)	(94,900)	(39)	(58,600)	(24)
Balance, end of period	4,909,460	2,156	4,940,360	2,168	4,976,660	2,183
<u>Class B Subordinate Voting Shares</u>						
Balance, beginning of period	23,230,132	60,855	23,090,232	60,288	23,090,232	60,288
Converted from Class A to Class B	30,900	12	94,900	39	58,600	24
Issuance of capital stock (1)	2,929,200	72,435	-	-	-	-
Issued under stock option plan	210,000	2,935	45,000	528	45,000	528
Repurchase of capital stock (2)	(2,000)	(7)	-	-	-	-
Balance, end of period	26,398,232	136,230	23,230,132	60,855	23,178,332	60,840
TOTAL CAPITAL STOCK		<u>\$138,386</u>		<u>\$63,023</u>		<u>\$63,023</u>

(1) Under an agreement dated April 26, 2002 between the Company and a syndicate of underwriters led by CIBC World Markets Inc., the Company agreed to sell and the underwriters agreed to purchase on May 22, 2002 2,929,200 Class B Subordinate Voting Shares at a price of \$CAN 38.50 for an aggregate consideration of \$CAN 112.8 million, all pursuant to a prospectus dated May 8, 2002.

Notes to the Consolidated Financial Statements (continued)

As at September 30, 2002

All figures in US\$ (Unaudited)

4. Capital Stock (continued)

- (2) Under a Normal course Issuer Bid effective August 9, 2002, the Company indicated its intention to purchase up to 200,000 Class B Subordinate Voting Shares at the prevailing market price. The program expires on August 8, 2003. During the third quarter, the Company purchased for cancellation by way of a Normal Course Issuer Bid on the Toronto Stock Exchange 2,000 Class B Subordinate Voting shares for total consideration of \$44 thousand.

5. Stock Options

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 may be granted. No option may be exercised during the first year following its granting and is exercisable, on a cumulative basis, at the rate of 25% in each of the following four years, and will expire no later than the year 2007.

The Company's stock option plan is as follows:

	Nine Months Ended September 30, 2002		Year Ended December 30, 2001		Nine Months Ended September 30, 2001	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	1,414,000	\$13.69	1,503,000	\$13.72	1,503,000	\$13.72
Granted	884,000	20.80	15,000	16.47	15,000	16.47
Exercised	(210,000)	15.15	(45,000)	11.73	(45,000)	11.73
Cancelled	-	-	(59,000)	16.24	(47,000)	16.62
Options outstanding, end of period	2,088,000	\$16.56	1,414,000	\$13.69	1,426,000	\$13.72

A summary of options outstanding at September 30, 2002 is as follows:

Total Outstanding				Total Exercisable	
Options	Exercise Price	Weighted Average Exercise Price	Weighted Average Remaining Life	Options	Weighted Average Exercise Price
2,088,000	\$12.47-\$24.52	\$16.56	2.63	804,000	\$13.07

Notes to the Consolidated Financial Statements (continued)
As at September 30, 2002
All figures in US\$ (Unaudited)

6. Segmented Information

For the Three Month Period Ended September 30, 2002 (All figures in thousands)

	Juvenile	Ready-to-Assemble	Home Furnishings	Eliminations	Consolidated
Sales to customers	\$ 142,463	\$ 62,431	\$ 51,216	\$ -	\$ 256,110
Inter-segment sales	-	-	-	(-)	-
TOTAL OPERATING REVENUE	142,463	62,431	51,216	(-)	256,110
OPERATING PROFIT	\$ 12,352	\$ 11,271	\$ 5,242		28,865
Corporate expenses					3,338
Interest					2,704
Income taxes					6,478
NET INCOME					<u>\$ 16,345</u>
Amortization	\$ 3,845	\$ 1,153	\$ 778		
Amortization of goodwill	\$ -	\$ -	\$ -		

For the Three Month Period Ended September 30, 2001 (All figures in thousands)

	Juvenile	Ready-to-Assemble	Home Furnishings	Eliminations	Consolidated
Sales to customers	\$ 124,806	\$ 69,164	\$ 39,558	\$ -	\$ 233,528
Inter-segment sales	-	-	-	-	-
TOTAL OPERATING REVENUE	124,806	69,164	39,558	(-)	233,528
OPERATING PROFIT*	\$ 8,735	\$ 11,504	\$ 259		20,498
Corporate expenses					2,171
Interest					4,665
Income taxes					3,332
NET INCOME					<u>\$ 10,330</u>
Amortization	\$ 3,794	\$ 1,375	\$ 637		
Amortization of goodwill	\$ 1,965	\$ 68	\$ -		

Note that there has not been a material change in the relative value of segmented asset information nor the geographic segment information disclosed in the most recently audited annual consolidated financial statements dated December 30, 2001. As such, these amounts are not disclosed here.

Notes to the Consolidated Financial Statements (continued)
As at September 30, 2002
All figures in US\$ (Unaudited)

6. Segmented Information (continued)

For the Nine Month Period Ended September 30, 2002 (All figures in thousands)

	Juvenile	Ready-to-Assemble	Home Furnishings	Eliminations	Consolidated
Sales to customers	\$ 421,178	\$ 196,284	\$ 133,623	\$ -	\$ 751,085
Inter-segment sales	-	-	-	(-)	-
TOTAL OPERATING REVENUE	421,178	196,284	133,623	(-)	751,085
OPERATING PROFIT	\$ 36,413	\$ 35,259	\$ 11,264		82,936
Corporate expenses					8,192
Interest					8,300
Income taxes					19,475
NET INCOME					\$ 46,969
Amortization	\$ 11,837	\$ 3,457	\$ 1,897		
Amortization of goodwill	\$ -	\$ -	\$ -		
Goodwill Carrying Value	\$ 148,852	\$ 4,422	\$ -		

For the Nine Month Period Ended September 30, 2001 (All figures in thousands)

	Juvenile	Ready-to-Assemble	Home Furnishings	Eliminations	Consolidated
Sales to customers	\$ 394,963	\$ 198,034	\$ 104,300	\$ -	\$ 697,297
Inter-segment sales	8	-	-	(8)	-
TOTAL OPERATING REVENUE	394,971	198,034	104,300	(8)	697,297
OPERATING PROFIT*	\$ 30,214	\$ 33,022	\$ 2,172		65,408
Corporate expenses					6,247
Interest					14,746
Income taxes					11,899
NET INCOME					\$ 32,516
Amortization	\$ 11,243	\$ 4,027	\$ 1,751		
Amortization of goodwill	\$ 5,758	\$ 208	\$ -		
Goodwill Carrying Value	\$ 146,717	\$ 4,577	\$ -		

* Includes goodwill amortization