JANUARY
Dorel acquires Tiny Love Ltd., a global multiple award-winning baby products and developmental toy company in Tel Aviv, Israel.

MAY
Dorel Sports (formerly Recreational/Leisure) confirms Interim President and CEO, Peter Woods, as new President and CEO.

JUNE
Dorel announces agreement to acquire juvenile business of Hong Kong-based Lerado Group, one of the largest juvenile products manufacturers in China for US$120 million. Facilities include 3 factories in China and an R&D centre in Taiwan.

SEPTEMBER
Dorel enters into US$105 million bought deal Offering of convertible debentures to finance Chinese manufacturing facilities acquisition.

OCTOBER
Dorel closes bought deal Offering for a total of US$120 million.

NOVEMBER
Dorel concludes Chinese manufacturing facilities acquisition.

DECEMBER
Dorel acquires remaining 30% interest in Dorel Juvenile Brazil.

AUGUST
Cannondale Pro Cycling and Slipstream Sports announce they will join forces in 2015. Cannondale will become a title and technical bicycle sponsor and will take an ownership stake in the management organization of Slipstream Sports LLC.
## FINANCIAL PERFORMANCE – 5 YEARS ADJUSTED

(In thousands of U.S. dollars, except per share amounts)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Cost of sales</th>
<th>Gross profit</th>
<th>Expenses</th>
<th>Operating profit</th>
<th>Income before income taxes</th>
<th>Income taxes</th>
<th>Net income</th>
<th>Earnings per share</th>
<th>Book value per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2,678,154</td>
<td>2,064,837</td>
<td>613,317</td>
<td>482,578</td>
<td>130,739</td>
<td>96,964</td>
<td>12,985</td>
<td>83,979</td>
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<tr>
<td>2013</td>
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<td>1,871,662</td>
<td>563,787</td>
<td>458,819</td>
<td>104,968</td>
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<td>21,070</td>
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<td>13,914</td>
<td>127,727</td>
<td>3.89</td>
<td>35.87</td>
</tr>
</tbody>
</table>

(1) As a result of impairment losses, restructuring and other costs, this 5 year financial performance table is presented on an adjusted basis except for book value per share amounts. For additional information regarding the specific items and non-GAAP measures, please refer to the section entitled “Operating results: non-GAAP measures” in the MD&A for the quarter and the year ended December 30, 2014.

(2) In the first quarter of 2013, the Company early adopted the amendments to IAS 19, Employee Benefits. The amendments have been applied retrospectively by the Company (see Note 3 of the Consolidated Financial Statements as at and for the years ended December 30, 2013 and 2012).

(3) Based on the number of shares outstanding at year-end.
MESSAGE TO SHAREHOLDERS

Dorel invested heavily in 2014 in our two core businesses of juvenile products and bicycles to derive the benefits in the years to come. Overall performance through the year was more satisfying than the previous year. Results were generally good across most of our juvenile divisions, despite the effects of the strong U.S. dollar. Best exemplifying our long-term vision was the US$120 million acquisition of the juvenile business of Hong Kong-based Lerado Group, one of China’s largest juvenile product manufacturers. This is a major initiative to improve Dorel Juvenile’s long-term profitability, shift to a more vertically integrated business model and broaden its global footprint. It will also allow Dorel to better serve existing customers and provides a base from which to expand in China and other parts of Asia.

We moved decisively in Dorel Sports as well after a disappointing 2013. Strategic cost cutting, including supply chain restructuring and a new partnership for our Cannondale Pro Cycling team, had a significant positive impact. Dorel Sports’ revitalized management team delivered solid earnings as it refocused on its strong brands with exciting new bicycle products. Growth also continued in Home Furnishings’ Internet channel and drop ship vendor program.

Sharpening Juvenile’s Game Plan

The Lerado acquisition is a game-changer for Dorel. While we have been doing business in Asia for decades, Dorel had never owned factories there, until now. For decades, a key strength of our juvenile business was a significant mass merchant presence in North America in the opening to mid-price point categories. We had a comfortable position in that segment but it has been contracting as we found ourselves in competition with Chinese factories. This remains a great category for us and this acquisition will put us solidly back in the game.

We also anticipate that margins on the products we manufacture will be enhanced and volumes will increase. With an added research facility in Taiwan, R&D expertise will be broadened. The transaction should also accelerate our plans to grow in the Asian domestic market, an opportunity that thus far we have under-exploited.

Steady progress is being made to integrate the new Asian facilities into existing operations under the leadership of our new CEO there, a seasoned industry veteran from the region. The production of many of Dorel Juvenile USA’s products has already been moved to our facilities from third party suppliers.

The addition of these new facilities prompted a re-assessment of Dorel Juvenile’s global operations. Now with a supply chain that includes Asian-based facilities, future earnings growth will include an important component from Asia, whereas in the past, reliance was on mature markets such as North America. In Europe, growth in the premium category is expected to be driven by the Maxi-Cosi and Quinny brands, two lines that we have successfully positioned in that continent and globally. The Safety 1st brand will continue to play an important role in its categories worldwide.

Regaining Juvenile’s leadership in North America has also been a priority and sales finished strongly in the fourth quarter. Further growth in Europe
is foreseen with the launch of exciting new products through this year. Latin America remains an attractive region for Dorel, which has performed well since we first entered it in 2009 with strong management and strong brands. Last year’s third quarter saw the first shipments from Dorel’s start-up in Mexico. While not material in the short term, this new division holds promise with the organization supported by Dorel’s brands, already known in the Mexican market. Overshadowing this success is the strength of the U.S. dollar which has weakened the currencies and reduced margins in our various markets outside of the U.S.

DOREL SPORTS
Our bicycle business is back on track. Globally, Cannondale Sports Group sales were solid, fueled by strong performances in Europe and Asia, as those regions benefitted from a robust bicycle market, better weather and growth in their markets at the expense of competitors. In the mass merchant channel, Pacific Cycle’s bicycle sales to mass merchants saw healthy year-over-year increases and the ride-on toy business did well as an important program was picked up by a major big box retailer.

Several reports suggest interest in other sports appears to be waning while cycling is growing. Some of our customers are placing a greater focus on bicycles, devoting more in store real estate to biking and further developing the category.

This January we launched Dorel Sports Chile with our existing juvenile partners there. This new division will lead the sales, marketing, distribution and customer service of all Dorel bicycle brands in Chile and Peru. By combining Dorel Sports’ global brand expertise with the extensive marketing, logistical and distribution knowledge of Dorel’s existing juvenile Chile operations, we will sell directly to mass retailers, sporting goods and independent bicycle dealers. By also acquiring the assets of a Santiago-based bicycle retailer we plan to expand selectively into various locations across the region. We are already well-established in Brazil with Caloi bicycles.

Home Furnishings posted another record year of sales through continued growth in the Internet and drop ship vendor channels which offset full year reductions in sales to brick and mortar stores. The majority of the segment’s divisions showed significantly improved operating results.

OUTLOOK
The strength of the US dollar has significantly reduced margins in our markets outside North America. Today, just over half our net income is derived from these markets. We expect this currency pressure will affect Dorel Juvenile and Dorel Sports for at least the first half of this year, but will benefit Dorel Home Furnishings. Each division is developing a strategy to adjust to these new exchange rates which have yet to stabilize. This makes our visibility on earnings difficult.

The fundamentals of our businesses are good. We are experiencing sales and profitability growth in the U.S. in all segments due to renewed strength with our mass-market customers and on-going success in the Internet sales channel. Dorel Juvenile is making progress integrating the new Asian manufacturing facilities although these operations will not be accretive to earnings this year.

In Dorel Sports we believe the second half of 2015 will see growth in the independent bicycle dealer channel. This is based on the planned July introduction of an innovative new bicycle model year line-up, as well as a stabilization of margins in our markets outside of the U.S. We also anticipate another solid year in our mass market bike business. We are optimistic at Dorel Home Furnishings where demand is increasing, Internet sales continue to grow and the weak Canadian dollar will benefit the segment’s Canadian operations.

On behalf of senior management, my sincere thanks to all employees who worked diligently throughout 2014, maintaining a focus on their businesses while working on important new projects to build for the future. As always, the insight and guidance from our Board of Directors is greatly appreciated. And, thank you to our shareholders for your continued faith in Dorel.

Martin Schwartz
President and Chief Executive Officer
A STRATEGIC ACQUISITION

THE PURCHASE OF FACILITIES IN ASIA, AN R&D CENTRE IN TAIWAN AND THREE MODERN FACTORIES IN CHINA, IS A MAJOR STEP IN SOLIDIFYING DOREL’S POSITION AS THE GLOBAL LEADER IN JUVENILE PRODUCTS. DOREL’S MANUFACTURING CAPABILITY WORLDWIDE HAS BEEN RE-ADDRESSED OVER THE LAST SEVERAL MONTHS TO ENSURE A HIGHLY STRATEGIC SUPPLY CHAIN INTEGRATION AND INCREASED SPEED TO MARKET OF INNOVATIVE, SAFE PRODUCTS.

Where there are children, there is the Angel: The new Angel brand features a wide range of affordable juvenile products. Its wide distribution channel across wholesale and hypermarkets enables parents to shop Angel in many cities throughout China.

The modern Research & Development centre based in Taiwan will complement Dorel’s existing product development teams in the U.S. and Europe.

Dorel’s new Zhongshan manufacturing campus is the heart of the Company’s new facilities in China. The 1.3 million square foot facility has a workforce of approximately 2,500 people.
This Management’s Discussion and Analysis of financial conditions and results of operations (“MD&A”) should be read in conjunction with the Consolidated Financial Statements for Dorel Industries Inc. (“Dorel” or “the Company”) as at and for the fiscal years ended December 30, 2014 and 2013 (“the Consolidated Financial Statements”), as well as with the notes to the Consolidated Financial Statements. All financial information contained in this MD&A and in the Company’s Consolidated Financial Statements are in US dollars, unless indicated otherwise, and have been prepared in accordance with International Financial Reporting Standards (“IFRS” or “GAAP”), using the US dollar as the reporting currency.

The audited annual Consolidated Financial Statements and this MD&A were reviewed by the Company’s Audit Committee and were approved and authorized for issuance by our Board of Directors. This MD&A is current as at March 30, 2015.

Forward-looking statements are included in this MD&A. See the “Caution Regarding Forward Looking Information” included at the end of this MD&A for a discussion of risks, uncertainties and assumptions relating to these statements. For a description of the risks relating to the Company, see the “Market Risks and Uncertainties” section of this MD&A. Further information on Dorel’s public disclosures, including the Company’s Annual Information Form (“AIF”), are to be available within the prescribed filing deadlines on-line at www.sedar.com and Dorel’s website at www.dorel.com.

Note: All tabular figures are in thousands of US dollars except per share amounts or otherwise specified.

1. CORPORATE OVERVIEW

The Company’s head office is based in Montreal, Quebec, Canada. Established in 1962, the Company operates in twenty-five countries with sales made throughout the world and employs approximately 11,500 people. Dorel’s ultimate goal is to produce innovative, quality products and satisfy consumer needs while achieving maximum financial results for its shareholders. It operates in three distinct reporting segments; Dorel Juvenile, Dorel Sports and Dorel Home Furnishings. The Company’s growth over the years has resulted from both increasing sales of existing businesses and by acquiring businesses that management believes add value to the Company.

a) Strategy

Dorel is a world class juvenile products and bicycle company. The Company’s safety and lifestyle leadership is pronounced in both its Juvenile and Bicycle categories with an array of trend-setting, innovative products. Dorel Juvenile’s powerfully branded products include global juvenile brands Safety 1st®, Quinny, Maxi-Cosi, Bébé Confort and Tiny Love, complemented by regional brands such as Cosco and Infanti. In Dorel Sports, brands include Cannondale, Schwinn, GT, Mongoose, Caloi, Iron Horse and SUGOI. Dorel Home Furnishings markets a wide assortment of both domestically produced and imported furniture, principally within North America.

Within each of the three segments, there are several operating divisions or subsidiaries. Each segment has its own President and is operated independently by a separate group of managers. Senior management of the Company coordinates the businesses of all segments and maximizes cross-selling, cross-marketing, procurement and other complementary business opportunities.
Dorel’s channels of distribution vary by segment, but overall, its largest customers are major retail chains. These chains include mass merchant discount chains, department stores, club format outlets and hardware/home centres. Within Dorel Juvenile, sales are also made to independent boutiques and juvenile specialty stores. In Dorel Sports, the Independent Bike Dealer (“IBD”) network is a significant channel, along with sporting goods chains in North America. Another growing channel of distribution for all Dorel divisions is the Internet retailer. These customers consist of both mass merchant sites such as Walmart.com and pure Internet retailers like Amazon, and require the same level of service as traditional customers. Dorel also owns and operates close to 100 retail stores in Chile and Peru, as well as two retail locations in Poland.

Dorel conducts its business through a variety of sales and distribution arrangements. These consist of salaried employees; individual agents who carry the Company’s products on either an exclusive or non-exclusive basis; individual specialized agents who sell products, including Dorel’s, exclusively to one customer such as a major discount chain; and sales agencies which themselves employ their own sales force. All of the segments market, advertise, and promote their products through the use of advertisements on-line and social media and, on Company-owned websites, in specific magazines, multi-product brochures, and other media outlets. The Company’s major retail customers also advertise Dorel’s products, principally through circulars and brochures.

In the case of Dorel Sports, event and team sponsorships are also an important marketing tool. One of the principal promotional vehicles is the sponsorship of the Cannondale Pro Cycling team with the team name appearing prominently on riders’ jerseys. This allows for significant marketing integration between Cannondale and the team in order to showcase team riders and wins as well as capitalize on consumers’ interests in pro-cycling. Additionally, other various sponsorships are provided to teams and individual athletes to promote the Caloi, GT and Mongoose brands.

Dorel believes that its commitment to providing a high quality, industry-leading level of service has allowed it to develop successful and mutually beneficial relationships with major retailers. A high level of customer satisfaction has been achieved by fostering particularly close contacts between Dorel’s sales representatives and clients. Permanent, full-service agency account teams have been established in close proximity to certain major accounts. These dedicated account teams provide these customers with the assurance that inventory and supply requirements will be met and that issues will be immediately addressed.

Dorel is a designer and manufacturer of a wide range of products, as well as an importer of finished goods, the majority of the latter from overseas suppliers. As such, the Company relies on its suppliers for both finished goods and raw materials and has always prided itself on establishing successful long-term relationships both domestically and overseas. The Company has established a workforce of over 250 people in mainland China and Taiwan whose role is to ensure the highest standard of quality of its products and to ensure that the flow of product is not interrupted. The on-going economic downturn has illustrated the quality of these supplier relationships in that Dorel has not been adversely affected by issues with its supply base and their continuing ability to service Dorel.

In addition to its solid supply chain, quality products and dedicated customer service, strong recognized consumer brands are an important element of Dorel’s strategy. As examples, in North America, Dorel’s Schwinn and Cannondale product lines are among the most recognized brand names in the sporting goods industry. Safety 1st is a highly regarded Dorel brand in the North American juvenile products market. Throughout Europe, the Maxi-Cosi brand has become synonymous with quality car seats. In most of Dorel’s Latin American markets, Infanti is a leading brand in Dorel Juvenile for lower to medium priced products, and the addition of the Caloi brand brings one of the largest bicycle brands in the market to the Dorel family of brands.

These brands, and the fact that Dorel has a wide range of other brand names, allow for product and price differentiation within the same product categories. Product development is a significant element of Dorel’s past and future growth. Dorel has invested heavily in this area, focusing on innovation, quality, safety and speed to market with several design and product development centres. Over the past five years, Dorel has spent on average over $31 million per year on new product development.
b) Operating Segments

Dorel Juvenile

Dorel Juvenile manufactures and distributes products such as infant car seats, strollers, high chairs, toddler beds, playpens, swings, developmental toys, furniture items and infant health and safety aids. Globally, within its principal categories, Dorel’s combined juvenile operations make it the largest juvenile products company in the world. Innovative products and a strong brand portfolio form an integral part of Dorel Juvenile’s business strategy.

The Safety 1st, Quinny, Maxi-Cosi and Tiny Love brands are sold globally in practically all of Dorel Juvenile’s markets. Other brands such as Cosco, Bebe Confort, Infanti, Voyage and Mother’s Choice are strong regional brands and Dorel is able to address all price points with its range of brands and products. In addition, sales are made under licensed brands such as Walt Disney and Eddie Bauer, principally in North America. Sales are also made to customers under those customers’ own unique house brand names. The segment has divisions in North America, Europe, Latin America, China, Israel, Australia and New Zealand. In total, the segment sells product to almost 100 countries around the world. In 2014, the Dorel Juvenile segment accounted for 40% of Dorel’s revenues.

Over the past several years the juvenile products industry has undergone a significant consolidation exemplified by Asian based suppliers acquiring established brand names outside of China and retailers around the world sourcing product directly from factories in Asia. Dorel Juvenile responded to these trends and undertook a major initiative to improve its long-term profitability, secure its supply chain and broaden its global footprint by acquiring the juvenile business of the Lerado Group, an Asian based manufacturer of juvenile and other consumer products. This acquisition will allow Dorel Juvenile to better service its existing customers and provide a base from which to expand its business in China and other parts of Asia.

Dorel Juvenile USA’s operations are headquartered in Foxboro, Massachusetts. With the exception of car seats, the majority of products are conceived, designed and developed at the Foxboro location. Manufacturing and warehousing operations are based in Columbus, Indiana where car seat development is centralized at the Company’s state-of-the-art Dorel Technical Center for Child Safety. Additional West Coast warehousing is based in Ontario, California. Dorel Juvenile Canada is situated in Montreal, Quebec with a sales force and showroom in Toronto, Ontario and sells to customers throughout Canada. The principal brand names in North America are Cosco, Safety 1st, Maxi-Cosi and Quinny. Dorel Asia sells juvenile furniture to various major retailers, predominantly in the United States.

In North America, the majority of juvenile sales are made to larger retailers such as mass merchants, internet retailers and department stores, where consumers’ priorities are design oriented, with a focus on safety and quality at reasonable prices. Dorel Juvenile’s premium brands and innovative product designs are a focus for sales of medium to higher price points available at smaller boutiques and specialty stores. This North American collection, under principally the Quinny and Maxi-Cosi brand names, competes with smaller premium product juvenile companies. Dorel is one of several large juvenile products companies servicing the North American market along with Graco (a part of the Newell Rubbermaid Group of companies), Evenflo (a subsidiary of Goodbaby International Holdings Limited) and Britax.

Dorel Juvenile Europe is headquartered in Paris, France with major product design facilities located in Cholet, France and Helmond, Holland. Sales operations along with manufacturing and assembly facilities are located in France, Holland and Portugal. In addition, sales and/or distribution subsidiaries are located in Italy, Spain, the United Kingdom, Germany, Belgium, Switzerland and Poland. In Europe, products are principally marketed under the brand names Maxi-Cosi, Quinny, Safety 1st, Bébé Confort, and BABY ART.

In Europe, Dorel sells juvenile products primarily across the mid-level to high-end price points. With its well-recognized brand names and superior designs and product quality, the majority of European sales are made to large European juvenile product retail chains, internet retailers and independent boutiques and specialty stores. Dorel is one of the largest juvenile products companies in Europe, competing with others such as Britax, Peg Perego, Chicco, Maclaren and Graco, as well as several smaller companies.
Dorel Juvenile Brazil manufactures car seats locally and imports other juvenile products, such as strollers. Brands sold in Brazil include local brands Infanti, Voyage and Stillo as well as Dorel’s international brands such as Bébé Confort and Quinny. Dorel Juvenile Chile has operations in Chile and Peru and sells to customers based in Bolivia and Argentina. The principal brand sold by Dorel Juvenile Chile is Infanti, which is one of the most popular juvenile products brands in Latin America, and enjoys a leading position in the market as it caters to all price categories with a focus on opening to mid-price points. Dorel Juvenile Chile operates close to 100 retail locations in Chile and Peru of which the majority are under the Baby Infanti banner. Dorel Juvenile Colombia operates in Colombia and Panama and sells goods into several countries in Central America and the Caribbean.

Dorel Juvenile Australia manufactures and/or distributes its products under both local brand Mother’s Choice, as well as Dorel’s North American and European brands in Australia and New Zealand. Sales are made to both large retailers and specialty stores. Tiny Love is headquartered in Tel Aviv, Israel and is recognized as an innovator in the developmental toy category, which comprises products like activity gyms, mobiles, light gear and toys designed specifically for babies and toddlers. Tiny Love sells products in more than 50 countries worldwide, much of which is through a worldwide distributor network.

**Dorel Sports**

The Dorel Sports segment’s businesses participate in a marketplace that totals approximately $60 billion in retail sales annually. This includes bicycles, bicycling and running footwear and apparel, jogging strollers and bicycle trailers, as well as related parts and accessories. The breakdown of bicycle industry sales around the world is approximately 47.5% in the Asia-Pacific region, 27% in Europe, 12.5% in North America, with the balance in the rest of the world. Bicycles are sold in the mass merchant channel, at IBDs as well as in sporting goods chains. In 2014, the Dorel Sports segment accounted for 39% of Dorel’s revenues.

In the US, mass merchants have captured a greater share of the market over the past 20 years and today account for over 71% of unit sales. Despite the growth of the mass merchant channel, the IBD channel remains an important retail outlet in North America, Europe and other parts of the world. IBD retailers specialize in higher-end bicycles and deliver a level of service to their customers that the mass merchants cannot provide. Retail prices in the IBDs are much higher, reaching to over $10,000 a unit. This compares to the mass merchant channel where the highest prices are between $300 and $500 a unit. The sporting goods chains sell bicycles in the mid-price range and in the US this channel accounts for less than 10% of total industry retail sales.

Brand differentiation is an important part of the bicycle industry with different brands being found in the different distribution channels. High-end bicycles and brands would be found in IBD’s and some sporting goods chains, whereas the other brands can be purchased at mass market retailers. Consumer purchasing patterns are generally influenced by economic conditions, weather and seasonality. Principal competitors include Huffy, Dynacraft, Trek, Giant, Specialized, Scott and Raleigh. In Europe, the market is significantly more fragmented as there is additional competition from much smaller companies that are popular in different regions.

The segment’s worldwide headquarters is based in Wilton, Connecticut. There are also significant operations in Madison, WI, Vancouver, B.C., as well as São Paulo, Brazil. In addition, distribution centres are located in California and Illinois. European operations are headquartered in Oldenzaal, Holland with operations in Switzerland and the United Kingdom. Globally, there are sales and distribution companies based in Japan and China. In Australia, sales are made through a third party distributor. There is a sourcing operation based in Taiwan established to oversee the segment’s Far East supplier base and logistics chain, ensuring that the Company’s products are produced to meet the exacting quality standards that are required.

The IBD retail channel is serviced by the Cycling Sports Group (“CSG”) which focuses exclusively on this category principally with the premium-oriented Cannondale and GT brands. The vast majority of sales to this channel consist of bicycles, with some sales of parts and accessories and apparel. The Caloi division has sales to both IBD and mass merchant channels. The Pacific Cycle (“PCG”) division has an exclusive focus on mass merchant and sporting goods chain customers, and along with bicycles and accessories, its product line also includes jogging strollers, bicycle trailers, children’s electric ride-ons and some toys. The mass merchant product line of bicycles, parts and accessories are sold under several brands, the most significant being Schwinn and Mongoose. Other important brands used at varying price points include Roadmaster and Iron Horse, as well as licensed brands on children’s bicycles and tricycles. Jogging strollers and bicycle trailers are sold under the InStep and Schwinn brands and children’s electric ride-ons are sold mainly under KidTrax as well as certain licenses.
In Europe and elsewhere around the world, certain bicycle brands are sold across these distribution channels. As an example, in Russia, GT is a successful brand in the sporting goods channel, whereas in the Czech Republic this same brand is sold in the IBD channel. Sales of sports apparel and related products are made by the Apparel Footwear Group (“AFG”) through the IBDs, various sporting goods chains and specialty running stores. AFG’s principal brand is SUGOI and its major competitors are Nike, Pearl Izumi, Adidas, among others, as well as some of the bicycle brands.

Dorel Home Furnishings
Dorel’s Home Furnishings segment participates in the $80 billion North American furniture industry. Dorel ranks in the top ten of North American furniture manufacturers and marketers and has a strong foothold in both North American manufacturing and importation of furniture, with a significant portion of its supply coming from its own manufacturing facilities and the balance through sourcing efforts in Asia. Dorel is also the number two manufacturer of Ready-to-Assemble (“RTA”) furniture in North America. Products are distributed from our North American manufacturing locations as well as from several distribution facilities. In 2014, this segment accounted for 21% of Dorel’s revenues.

Dorel’s Home Furnishings segment consists of five operating divisions. They are Ameriwood Industries (“Ameriwood”), Altra Furniture (“Altra”), Cosco Home & Office (“Cosco”), Dorel Home Products (“DHP”) and Dorel Asia. Ameriwood specializes in domestically manufactured RTA furniture and is headquartered in Wright City, Missouri. Ameriwood's manufacturing and distribution facilities are located in Tiffin, Ohio, Dowagiac, Michigan, and Cornwall, Ontario. Altra Furniture is also located in Wright City, Missouri and designs and imports furniture mainly within the home entertainment and home office categories. Cosco is located in Columbus, Indiana and the majority of its sales are of metal folding furniture, step stools, hand trucks and specialty ladders. DHP located in Montreal, Quebec, manufactures futons and baby mattresses and imports futons, bunk beds, mattresses and other accent furniture. Dorel Asia specializes in sourcing upholstery and a full range of wooden finished goods from Asia for distribution throughout North America. Major distribution facilities are also located in California and Georgia.

Despite a challenging environment, in 2014 Dorel Home Furnishings grew revenue by over 5%, recording its highest year in sales to date. Dorel has significant market share within its product categories and has a strong presence with its customer base. Sales are concentrated with mass merchants, warehouse clubs, home centres, Internet retailers and office and electronic superstores. Online sales represent a significant portion of Dorel Home Furnishings’ sales revenue and Dorel has made many investments in this channel. Dorel markets its products under generic retail house brands as well as under a range of branded products including; Ameriwood, Altra, System Build, Ridewood, DHP, Dorel Fine Furniture, Signature Sleep, and Cosco. The Dorel Home Furnishings segment has many competitors including Sauder Manufacturing and Whalen Furniture in the RTA category, Meco in the folding furniture category, Tricam in step stools and Werner in ladders.

2. SIGNIFICANT EVENTS IN 2014

On January 16, 2014, the Company announced that it had purchased 100% of the shares of juvenile business Tiny Love, a global, baby products and developmental toy company headquartered in Tel Aviv, Israel, with offices located in the U.S. and China. Tiny Love is recognized as an innovator in the developmental toy category, which comprises products like activity gyms, mobiles, light gear and toys designed specifically for babies and toddlers. The purchase price was $55.8 million.

In addition, on January 16, 2014, within Dorel Sports, the Company acquired certain assets of Sombrio Freewear Company Ltd., a designer and manufacturer of high performance apparel, outerwear and streetwear, headquartered in Vancouver, Canada. The purchase price was $0.7 million.

On April 3, 2014, Dorel Juvenile Brazil acquired the rights to sell Infanti branded product in the Brazilian marketplace for a purchase price of approximately $7.0 million. This acquisition expanded the Company’s ownership of the Infanti brand, to which the Company already owns the rights in Chile, Bolivia, Peru, Argentina, Colombia, and most Central American and Caribbean countries.
On April 22, 2014, Caloi issued approximately $37.6 million (BRL 100.0 million) of non-convertible unsecured debentures in Brazil. The proceeds from the issuance of the debentures were used to replace current existing debts such as bank indebtedness and revolving bank loans. The terms and the principal repayments of these debentures are disclosed in Note 18 of the December 30, 2014 Consolidated Financial Statements.

On May 12, 2014 the Company announced that it had decided to implement a normal course issuer bid (“2014 NCIB”). As approved by the Toronto Stock Exchange (“TSX”), under the 2014 NCIB, the Company is entitled to repurchase for cancellation up to 500,000 Class B Subordinate Voting Shares over a twelve-month period commencing May 14, 2014 and ending May 13, 2015, representing approximately 1.8% of the Company’s issued and outstanding Class B Subordinate Voting Shares. The purchases by the Company will be realized through the facilities of the TSX and will be made at the market price of the Class B Subordinate Voting Shares at the time of the purchase. As at May 5, 2014, there were 28,095,947 Dorel Class B Subordinate Voting Shares issued and outstanding. The Board of Directors considers that the underlying value of the Company may not be reflected in the market price of its Class B Subordinate Voting Shares at certain times during the term of the normal course issuer bid. The Board has therefore concluded that the repurchase of shares at certain market prices may constitute an appropriate use of financial resources and be beneficial to the company and its shareholders.

During the six month period prior to the implementation of the 2014 NCIB, the average daily trading volume for the Class B Subordinate Voting Shares of the Company on the TSX was 29,927 shares. Consequently, under the policies of the TSX, the Company has the right to repurchase during any one trading day a maximum of 7,481 Class B Subordinate Voting Shares, representing 25% of the average daily trading volume. In addition, the Company may make, once per calendar week, a block purchase (as such term is defined in the TSX Company Manual) of Class B Subordinate Voting Shares not directly or indirectly owned by insiders of the Company, in accordance with the policies of the TSX.

Any purchases made pursuant to the 2014 NCIB will be made in accordance with the requirements of the TSX. The Company will make no purchases of Class B Subordinate Voting Shares other than open market purchases during the period of the 2014 NCIB. To the knowledge of the Company, no director or officer of the Company intends to sell shares of the Company while the 2014 NCIB is in effect.

In addition, the Company has entered into an automatic share purchase agreement with CIBC World Markets Inc. in connection with the 2014 NCIB. Under the agreement, CIBC may acquire, at its discretion, Class B Subordinate Voting Shares on the Company’s behalf during certain “black-out” periods, subject to certain parameters as to price and number of shares. The agreement with CIBC is cancellable at any time by the Company.

During the second quarter ended June 30, 2014, the Company implemented a long-term incentive plan which includes a share appreciation rights plan and a performance share unit plan for senior executives and certain key employees that entitle them to a cash payment. Further information on these plans can be found in Note 24 of the December 30, 2014 Consolidated Financial Statements.

On October 9, 2014, the Company closed a public offering (the “Offering”) of 5.50% extendible convertible unsecured subordinated debentures due November 30, 2019 (the “convertible debentures”) in an aggregate principal amount of $120 million. The Company used the aggregate net proceeds of the Offering to fund its acquisition of the juvenile business of Hong Kong-based Lerado Group. Further information on the convertible debentures can be found in Note 18 of the December 30, 2014 Consolidated Financial Statements.
On November 3, 2014, the Company completed the acquisition of all of the outstanding shares of the juvenile business of Hong Kong-based Lerado Group, a juvenile product manufacturer in China specializing in the design and manufacture of a wide range of infant and juvenile products. The Lerado Group is composed of subsidiaries of Lerado Group (Holding) Company Limited, a publicly traded company listed on the Hong Kong Stock Exchange. The purchase price was established at HK$930 million in cash ($119.9 million), subject to post-closing adjustments. The Company is presently in the process of establishing the fair value of the identifiable assets acquired, liabilities assumed and consideration transferred of the acquired business. The acquisition is not expected to be accretive in the first year of operations as work will be required to integrate these new facilities into existing operations.

On December 17, 2014, Dorel Sports Chile acquired the assets of Intercycles, a Santiago-based bicycle retailer for approximately $2.5 million. A long-time distribution partner of Dorel Sports, Intercycles will be an integral part of Dorel Sports Chile. Dorel Sports Chile will lead all sales, marketing, distribution and customer service of all Dorel Sport’s brands, including Cannondale, GT, Schwinn, Mongoose, SUGOI and Caloi in Chile and Peru. Dorel Sports Chile will continue to build on Dorel’s strategy for geographic expansion and market leadership in its two core businesses in South America.

In the fourth quarter, the Company undertook a strategic review of its business model and operations. This resulted in impairment losses on goodwill and trademarks as set out in the operating results commentary.

3. OPERATING RESULTS

a) Non-GAAP measures

As a result of the restructuring costs incurred in both 2014 and 2013, as well as impairment losses and other costs recorded, the Company is including in this MD&A the following non-GAAP financial measures: “total adjusted revenue”, “adjusted gross profit”, “adjusted selling expenses”, “adjusted general and administrative expenses”, “adjusted research and development expenses”, “adjusted operating profit”, “adjusted income before income taxes”, “adjusted income taxes”, “adjusted net income”, and “adjusted earnings per basic and diluted share”. The Company believes that this results in a more meaningful comparison of its core business performance between the periods presented. These non-GAAP financial measures do not have a standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. Contained within this MD&A are reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP.

Free cash flow is also a non-GAAP financial measure and is defined as cash provided from operating activities less dividends paid, shares repurchased, net additions to property plant and equipment and intangible assets. We consider free cash flow to be an important indicator of the financial strength and performance of our business, because it shows how much cash is available after capital expenditures to repay debt and to reinvest in our business, to pursue business acquisitions, and/or to redistribute to our shareholders. We believe this measure is commonly used by investors and analysts when valuing a business and its underlying assets.
**b) Impairment losses, restructuring and other costs**

Reconciliation of Non-GAAP measures:

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Impairment losses, restructuring and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>2,677,554</td>
<td>600</td>
<td>2,678,154</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>2,072,230</td>
<td>(7,393)</td>
<td>2,064,837</td>
</tr>
<tr>
<td><strong>GROSS PROFIT</strong></td>
<td>605,324</td>
<td>7,993</td>
<td>613,317</td>
</tr>
<tr>
<td><strong>Selling expenses</strong></td>
<td>235,776</td>
<td></td>
<td>235,776</td>
</tr>
<tr>
<td><strong>General and administrative expenses</strong></td>
<td>210,691</td>
<td></td>
<td>210,691</td>
</tr>
<tr>
<td><strong>Research and development expenses</strong></td>
<td>36,111</td>
<td></td>
<td>36,111</td>
</tr>
<tr>
<td><strong>Restructuring and other costs</strong></td>
<td>18,781</td>
<td>(18,781)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Impairment losses on goodwill and trademarks</strong></td>
<td>125,821</td>
<td>(125,821)</td>
<td>—</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT (LOSS)</strong></td>
<td>(21,856)</td>
<td>152,595</td>
<td>130,739</td>
</tr>
<tr>
<td><strong>Finance expenses</strong></td>
<td>8,073</td>
<td>25,702</td>
<td>33,775</td>
</tr>
<tr>
<td><strong>INCOME (LOSS) BEFORE INCOME TAXES</strong></td>
<td>(29,929)</td>
<td>126,893</td>
<td>96,964</td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td>11,688</td>
<td></td>
<td>11,688</td>
</tr>
<tr>
<td><strong>Deferred</strong></td>
<td>(20,348)</td>
<td>21,645</td>
<td>1,297</td>
</tr>
<tr>
<td><strong>Tax rate</strong></td>
<td></td>
<td>(8,660)</td>
<td>12,985</td>
</tr>
<tr>
<td><strong>NET INCOME (LOSS)</strong></td>
<td>(21,269)</td>
<td>105,248</td>
<td>83,979</td>
</tr>
<tr>
<td><strong>EARNINGS (LOSS) PER SHARE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic</strong></td>
<td>(0.66)</td>
<td>3.27</td>
<td>2.61</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td>(0.66)</td>
<td>3.25</td>
<td>2.59</td>
</tr>
<tr>
<td><strong>SHARES OUTSTANDING</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic - weighted average</strong></td>
<td>32,213,733</td>
<td></td>
<td>32,213,733</td>
</tr>
<tr>
<td><strong>Diluted - weighted average</strong></td>
<td>32,213,733</td>
<td></td>
<td>32,440,354</td>
</tr>
</tbody>
</table>
Results for the year ended December 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Restructuring and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>2,435,449</td>
<td></td>
<td>2,435,449</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>1,875,737</td>
<td>(4,075)</td>
<td>1,871,662</td>
</tr>
<tr>
<td>GROSS PROFIT</td>
<td>559,712</td>
<td>4,075</td>
<td>563,787</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>231,724</td>
<td></td>
<td>231,724</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>194,190</td>
<td></td>
<td>194,190</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>32,905</td>
<td></td>
<td>32,905</td>
</tr>
<tr>
<td>Restructuring and other costs</td>
<td>19,575</td>
<td>(19,575)</td>
<td>—</td>
</tr>
<tr>
<td>OPERATING PROFIT</td>
<td>81,318</td>
<td>23,650</td>
<td>104,968</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>18,665</td>
<td>2,441</td>
<td>21,106</td>
</tr>
<tr>
<td>INCOME BEFORE INCOME TAXES</td>
<td>62,653</td>
<td>21,209</td>
<td>83,862</td>
</tr>
<tr>
<td>Income taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>15,680</td>
<td></td>
<td>15,680</td>
</tr>
<tr>
<td>Deferred</td>
<td>(10,696)</td>
<td>8,295</td>
<td>(2,401)</td>
</tr>
<tr>
<td>Tax rate</td>
<td>8.0%</td>
<td>15.8%</td>
<td></td>
</tr>
<tr>
<td>NET INCOME</td>
<td>57,669</td>
<td>12,914</td>
<td>70,583</td>
</tr>
<tr>
<td>EARNINGS PER SHARE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>1.81</td>
<td>0.41</td>
<td>2.22</td>
</tr>
<tr>
<td>Diluted</td>
<td>1.79</td>
<td>0.40</td>
<td>2.19</td>
</tr>
<tr>
<td>SHARES OUTSTANDING</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic - weighted average</td>
<td>31,828,510</td>
<td></td>
<td>31,828,510</td>
</tr>
<tr>
<td>Diluted - weighted average</td>
<td>32,190,332</td>
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<td>32,190,332</td>
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</tbody>
</table>
Reconciliation of Non-GAAP measures:

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Impairment losses, restructuring and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>701,002</td>
<td>600</td>
<td>701,602</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>558,057</td>
<td>(6,218)</td>
<td>551,839</td>
</tr>
<tr>
<td><strong>GROSS PROFIT</strong></td>
<td>142,945</td>
<td>6,818</td>
<td>149,763</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>61,444</td>
<td></td>
<td>61,444</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>57,736</td>
<td></td>
<td>57,736</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>11,858</td>
<td></td>
<td>11,858</td>
</tr>
<tr>
<td>Restructuring and other costs</td>
<td>9,503</td>
<td>(9,503)</td>
<td>—</td>
</tr>
<tr>
<td>Impairment losses on goodwill and trademarks</td>
<td>125,821</td>
<td>(125,821)</td>
<td>—</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT (LOSS)</strong></td>
<td>(123,417)</td>
<td>142,142</td>
<td>18,725</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>(20,466)</td>
<td>30,789</td>
<td>10,323</td>
</tr>
<tr>
<td><strong>INCOME (LOSS) BEFORE INCOME TAXES</strong></td>
<td>(102,951)</td>
<td>111,353</td>
<td>8,402</td>
</tr>
<tr>
<td>Income taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>(2,990)</td>
<td></td>
<td>(2,990)</td>
</tr>
<tr>
<td>Deferred</td>
<td>(19,212)</td>
<td>19,611</td>
<td>399</td>
</tr>
<tr>
<td><strong>Tax rate</strong></td>
<td>(22,202)</td>
<td>19,611</td>
<td>(2,591)</td>
</tr>
<tr>
<td><strong>NET INCOME (LOSS)</strong></td>
<td>(80,749)</td>
<td>91,742</td>
<td>10,993</td>
</tr>
<tr>
<td>EARNINGS (LOSS) PER SHARE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>(2.50)</td>
<td>2.84</td>
<td>0.34</td>
</tr>
<tr>
<td>Diluted</td>
<td>(2.50)</td>
<td>2.84</td>
<td>0.34</td>
</tr>
<tr>
<td>SHARES OUTSTANDING</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic - weighted average</td>
<td>32,313,250</td>
<td>32,313,250</td>
<td></td>
</tr>
<tr>
<td>Diluted - weighted average</td>
<td>32,313,250</td>
<td>32,502,846</td>
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</tbody>
</table>
Results for the fourth quarter ended December 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Restructuring and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>633,534</td>
<td></td>
<td>633,534</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>492,777</td>
<td>(4,075)</td>
<td>488,702</td>
</tr>
<tr>
<td>GROSS PROFIT</td>
<td>140,757</td>
<td>4,075</td>
<td>144,832</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>59,143</td>
<td></td>
<td>59,143</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>50,722</td>
<td></td>
<td>50,722</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>10,625</td>
<td></td>
<td>10,625</td>
</tr>
<tr>
<td>Restructuring and other costs</td>
<td>7,709</td>
<td>(7,709)</td>
<td>—</td>
</tr>
<tr>
<td>OPERATING PROFIT</td>
<td>12,558</td>
<td>11,784</td>
<td>24,342</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>1,595</td>
<td>6,175</td>
<td>7,770</td>
</tr>
<tr>
<td>INCOME BEFORE INCOME TAXES</td>
<td>10,963</td>
<td>5,609</td>
<td>16,572</td>
</tr>
</tbody>
</table>

Income taxes

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Restructuring and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>1,571</td>
<td></td>
<td>1,571</td>
</tr>
<tr>
<td>Deferred</td>
<td>(1,632)</td>
<td>4,486</td>
<td>2,854</td>
</tr>
<tr>
<td>Tax rate</td>
<td>(0.6%)</td>
<td>4,486</td>
<td>26.7%</td>
</tr>
</tbody>
</table>

NET INCOME

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Restructuring and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET INCOME</td>
<td>11,024</td>
<td>1,123</td>
<td>12,147</td>
</tr>
</tbody>
</table>

EARNINGS PER SHARE

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>0.35</td>
<td>0.34</td>
</tr>
<tr>
<td>Diluted</td>
<td>0.03</td>
<td>0.04</td>
</tr>
</tbody>
</table>

SHARES OUTSTANDING

<table>
<thead>
<tr>
<th></th>
<th>Basic - weighted average</th>
<th>Diluted - weighted average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>31,905,793</td>
<td>31,905,793</td>
</tr>
<tr>
<td>Diluted</td>
<td>32,245,587</td>
<td>32,245,587</td>
</tr>
</tbody>
</table>
The details of the impairment losses, restructuring and other costs recorded are summarized below:

<table>
<thead>
<tr>
<th></th>
<th>Fourth quarters ended December 30,</th>
<th>Twelve months ended December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Dorel Juvenile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment losses on goodwill and trademarks</td>
<td>125,821</td>
<td>—</td>
</tr>
<tr>
<td>Other charges due to manufacturing transition to Lerado</td>
<td>10,807</td>
<td>—</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>3,081</td>
<td>70</td>
</tr>
<tr>
<td>US Car seat case settlement</td>
<td>—</td>
<td>(2,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>139,709</td>
<td>(1,930)</td>
</tr>
<tr>
<td>Dorel Sports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>1,830</td>
<td>13,482</td>
</tr>
<tr>
<td>Brixia investment write-down and other costs</td>
<td>603</td>
<td>—</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>—</td>
<td>232</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,433</td>
<td>13,714</td>
</tr>
<tr>
<td>Finance Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on remeasurement of forward purchase agreement liabilities</td>
<td>(30,789)</td>
<td>(6,175)</td>
</tr>
<tr>
<td><strong>Total impairment losses, restructuring and other costs before income taxes (1)</strong></td>
<td>111,353</td>
<td>5,609</td>
</tr>
<tr>
<td><strong>Total impairment losses, restructuring and other costs after income taxes</strong></td>
<td>91,742</td>
<td>1,123</td>
</tr>
<tr>
<td>Total impact on diluted earnings per share</td>
<td>(2.84)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>(1) Includes non-cash amounts of:</td>
<td>99,847</td>
<td>2,686</td>
</tr>
</tbody>
</table>

**Impairment losses on goodwill and trademarks**

During the fourth quarter of 2014, Dorel Juvenile undertook a major initiative to improve its long-term profitability, secure its supply chain and broaden its global footprint by acquiring the juvenile business of the Lerado Group, an Asian based designer and manufacturer of juvenile products. This acquisition will allow Dorel to better service its existing customers and provide a base from which to expand its business in China and other parts of Asia. This important strategic orientation to a more vertically integrated business model, also included a re-assessment of its operations around the world. As a result, assumptions on projected earnings and cash flow growth were revised and future earnings are expected to come directly from its new Asian based facilities as opposed to mature markets in North America and Australia. This has resulted in total goodwill impairment losses of $82.7 million recorded in the last quarter of 2014.

The Company also recorded impairment losses of $43.1 million before tax that was allocated to the trademarks based on reduced future profitability and cash flow on specific brands in the South of Europe. The Company has made a strategic decision to focus on the Maxi-Cosi and Quinny brands in this area of the European market and as a result, profits are being driven by these brands and away from the Bebe Confort, Monbebe, Babidéal and Baby Relax brands acquired as part of the 2003 Amfa France business acquisition.

**Restructuring costs**

As previously announced, Dorel Sports initiated restructuring activities during the second and fourth quarters of 2013 to enhance its competitiveness. Among the initiatives, the segment suspended its activities at its Bedford, PA assembly facility, is in the process of moving its research and development facility at its Bethel, CT facility to the new headquarters located in Wilton, CT, and converted its former retail lab to accommodate GURU academy activities. Note 6 to the Company’s consolidated financial statements includes complete details related to these initiatives.
These restructuring initiatives were completed by the end of 2014 and resulted in cumulative restructuring charges of $20.3 million, including $11.0 million of non-cash charges related to the write-down on long-lived assets, accelerated depreciation due to the revision of the estimated useful lives of long-lived assets and inventory markdowns, $8.2 million of employee severance and termination benefits and $1.1 million of other associated costs. There are no expected remaining costs associated with these restructuring activities.

The costs recognized for these restructuring activities consist of the following for the years ended December 30:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee severance and termination benefits</td>
<td>1,651</td>
<td>6,571</td>
</tr>
<tr>
<td>Accelerated depreciation</td>
<td>916</td>
<td>—</td>
</tr>
<tr>
<td>Building write-down</td>
<td>—</td>
<td>4,786</td>
</tr>
<tr>
<td>Other associated costs</td>
<td>1,150</td>
<td>—</td>
</tr>
<tr>
<td>Recorded as restructuring costs</td>
<td>3,717</td>
<td>11,357</td>
</tr>
<tr>
<td>Inventory markdowns</td>
<td>(317)</td>
<td>4,075</td>
</tr>
<tr>
<td>Accelerated depreciation</td>
<td>1,492</td>
<td>—</td>
</tr>
<tr>
<td>Recorded in cost of sales</td>
<td>1,175</td>
<td>4,075</td>
</tr>
<tr>
<td>Total</td>
<td>4,892</td>
<td>15,432</td>
</tr>
</tbody>
</table>

Other costs

Relating to the transfer of the manufacturing of certain products of Dorel Juvenile entities from third party suppliers to the juvenile business of the Lerado Group, $10.8 million of costs were incurred. More specifically, the transfer required new product designs and moulds resulting in the non-cash write-down of $4.6 million of deferred development costs and of moulds for products that were abandoned as a result of the change in sourcing strategy. The remaining $6.2 million in relation with this transfer represents employee severance and termination benefit for $1.1 million, customer programs and incentive offerings for $0.6 million, markdowns and relocation of inventory for $3.7 million and other associated costs for $0.8 million. In addition, Dorel Juvenile incurred $4.3 million of acquisition-related costs.

In Dorel Sports, the Company included in selling expenses $6.5 million related to changes in the Cannondale Pro-Cycling team. The signature of a new agreement with Slipstream Sports LLC led to a non-cash charge write-off of the equity investment in the Brixia associated team of $3.4 million during the year, as well as an additional $3.1 million year-to-date of funding a shortfall in sponsorship income during the transition period. Dorel Sports incurred $0.2 million of acquisition-related costs.

Remeasurement of forward purchase agreement liabilities

In the fourth quarter of 2014, the Company changed its accounting policy to reclassify the forward purchase agreements unrealized (gains) losses due to foreign exchange exposure and the remeasurement due to change in assumptions from general and administrative expenses to finance expenses as it was determined that these items were more representative of finance expenses and that it will result in a more reliable and relevant presentation.

The Company was already recognizing the accretion expense on the forward purchase agreement within finance expenses, therefore no recategorization was required pertaining to the accretion expense. As a result, the forward purchase agreement liabilities are remeasured to fair value and any subsequent changes, whether they relate to accretion expense, change in assumptions or unrealized (gains) losses due to foreign exchange exposure, are recognized as finance expenses in the consolidated income statements. This new accounting policy did not have an impact on income taxes expense, net income, earnings per share, the consolidated statements of financial position and cash flows or the consolidated statement of comprehensive income.

Non-cash gains of $30.8 million and $25.7 million are included in 2014 fourth quarter and year-end finance expenses, respectively. These gains are related to the remeasurement of the forward purchase agreement liabilities with regards to certain past business acquisitions. In 2013, the remeasurement of the forward purchase agreement liabilities generated a total non-cash gain of $6.2 million in the quarter and $2.4 million for the full year.
c) Selected annual financial information

Selected financial information from the consolidated income statement for the years ended:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013*</th>
<th>2012**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>% of revenue</td>
<td>$</td>
</tr>
<tr>
<td>Total revenue</td>
<td>2,677,554</td>
<td>100.0</td>
<td>2,435,449</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(21,269)</td>
<td>(0.8)</td>
<td>57,669</td>
</tr>
<tr>
<td>Total adjusted revenue</td>
<td>2,678,154</td>
<td>100.0</td>
<td>2,435,449</td>
</tr>
<tr>
<td>Adjusted net income</td>
<td>83,979</td>
<td>3.1</td>
<td>70,583</td>
</tr>
<tr>
<td>Cash dividends declared per share</td>
<td>1.20</td>
<td></td>
<td>1.20</td>
</tr>
<tr>
<td>Earnings (loss) per share:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>(0.66)</td>
<td></td>
<td>1.81</td>
</tr>
<tr>
<td>Diluted</td>
<td>(0.66)</td>
<td></td>
<td>1.79</td>
</tr>
<tr>
<td>Adjusted earnings per share:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>2.61</td>
<td></td>
<td>2.22</td>
</tr>
<tr>
<td>Diluted</td>
<td>2.59</td>
<td></td>
<td>2.19</td>
</tr>
<tr>
<td>Impact of after tax impairment losses, restructuring and other costs on the diluted earnings per share for the year</td>
<td>(3.25)</td>
<td>(0.40)</td>
<td>0.02</td>
</tr>
</tbody>
</table>

* Restated to reflect the changes in accounting policies as described in Note 3 of the Consolidated Financial Statements as at December 30, 2014 and 2013
** Restated to reflect the changes in accounting policies as described in Note 3 of the Consolidated Financial Statements as at December 30, 2013 and 2012

Variations in the total adjusted revenue across the Company's segments for the years ended:

<table>
<thead>
<tr>
<th>Segment</th>
<th>2014</th>
<th>2013</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Dorel Juvenile</td>
<td>1,071,113</td>
<td>992,882</td>
<td>78,231</td>
</tr>
<tr>
<td>Dorel Sports</td>
<td>1,053,183</td>
<td>918,744</td>
<td>134,439</td>
</tr>
<tr>
<td>Dorel Home Furnishings</td>
<td>553,858</td>
<td>523,823</td>
<td>30,035</td>
</tr>
<tr>
<td>Total adjusted revenue</td>
<td>2,678,154</td>
<td>2,435,449</td>
<td>242,705</td>
</tr>
</tbody>
</table>
Principal changes in the net income for the year ended December 30, 2014:

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Impairment losses, restructuring and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dorel Juvenile increase (decrease)</td>
<td>(136,196)</td>
<td>134,457</td>
<td>(1,739)</td>
</tr>
<tr>
<td>Dorel Sports increase (decrease)</td>
<td>33,989</td>
<td>(5,512)</td>
<td>28,477</td>
</tr>
<tr>
<td>Dorel Home Furnishings increase (decrease)</td>
<td>(1,958)</td>
<td>—</td>
<td>(1,958)</td>
</tr>
<tr>
<td>Total increase (decrease) in operating profit</td>
<td>(104,165)</td>
<td>128,945</td>
<td>24,780</td>
</tr>
<tr>
<td>Increase in finance expenses other than remeasurement of forward purchase agreement liabilities</td>
<td>(12,669)</td>
<td>—</td>
<td>(12,669)</td>
</tr>
<tr>
<td>Decrease in finance expenses related to the remeasurement of forward purchase agreement liabilities</td>
<td>23,261</td>
<td>(23,261)</td>
<td>—</td>
</tr>
<tr>
<td>Decrease (increase) in income tax expense (includes tax impact of restructuring costs)</td>
<td>13,644</td>
<td>(13,350)</td>
<td>294</td>
</tr>
<tr>
<td>Decrease in corporate expenses</td>
<td>991</td>
<td>—</td>
<td>991</td>
</tr>
<tr>
<td>Total increase (decrease) in net income</td>
<td>(78,938)</td>
<td>92,334</td>
<td>13,396</td>
</tr>
</tbody>
</table>

d) Consolidated annual operating review

As described in the Corporate Overview section, over the years, the Company has been able to effectively manage challenging economic conditions based on the diversity of its segments, the nature of its products and its strong commitment to new product development and brand support. As in recent years, 2014 was a year in which consumers remained prudent in their level of discretionary spending in North America and particularly in many regions of Europe, which are facing economic adversity.

The economic environment of the past several years has been a challenge for all consumer products companies. Each of the Company’s segments has put into place both short-term and long-term plans to remain profitable given this environment. In Dorel Juvenile, the segment has expanded into new markets like Latin America in the past few years and, to capture more market share, the segment has broadened its product lines in both North America and Europe, as well as taking direct control of part of the supply chain and expand its footprint in Asia with the acquisition of the Lerado Group. In Dorel Sports, the segment expanded into the Latin American market with the acquisition of Caloi in Brazil in 2013 and Intercycles in Chile at the end of 2014. Moreover the investment in new product development and brand support over the past several years has allowed its products to remain desirable to consumers and has helped prevent competing merely on price. In Dorel Home Furnishings, a marketplace that has caused many competitors to down-size or incur losses, Dorel has continued to leverage its model of both domestically produced products and imported furniture items and this has allowed for sustained profitability. Finally, in all three segments, the Company has identified the trends in E-Commerce and changes in consumers’ shopping habits and has been able to capitalize on the potential of the Internet channel of distribution.

The appreciation of the U.S. dollar versus the majority of the Company’s other operating currencies, more particularly in the second half of 2014, had a net negative impact on both the Juvenile and the Sports segments of approximately $13 million in 2014 compared to 2013. In addition, the favourable effect of exchange on the remeasurement of the forward purchase agreement liabilities which resulted in a gain of $3.4 million in 2014 compared to a gain of $4.7 million in 2013 recorded in finance expenses represented a net unfavourable change due to foreign exchange variations of $1.3 million in the income statement. As a global consumer products company, the increase in the value of the U.S. dollar impacts both cost of sales for Dorel’s non-U.S. based divisions that purchase in U.S. dollars and sell in local currencies, as well as Dorel’s reported earnings translated into U.S. dollars.
Overall Dorel’s adjusted revenue increased by 10.0% in 2014 compared with the prior year. Dorel recorded revenues of $2,678 million, an increase from $2,435 million in 2013. If the impact of business acquisitions and year-over-year foreign exchange rate variations are excluded, the organic sales increase was approximately 5%. Adjusted net income for the full year amounted to $84.0 million or $2.59 per fully diluted share, compared to 2013 adjusted net income of $70.6 million or $2.19 per fully diluted share.

Reported gross profit in 2014 was 22.6% as compared to 23.0% recorded in the prior year. Excluding the restructuring charges, impairment losses and other costs, adjusted gross profit was 22.9% in 2014 compared with 23.1% in 2013.

Selling expenses increased to $235.8 million versus $231.7 million in the prior year, an increase of 1.8%. As a percentage of revenues this is a decrease of 70 basis points from 9.5% to 8.8%. When excluding the selling expenses of the acquired businesses (Lerado, Tiny Love and Caloi), the total selling expenses actually decreased by approximately 4% compared to 2013. As a percentage of revenues, the selling expenses then represented 8.8% in 2014 compared to 9.5% of revenues in 2013, on a comparable basis.

General and administrative expenses were $210.7 million an increase of 8.5% compared with the prior year general and administrative expenses of $194.2 million. When excluding the general and administrative expenses of acquired businesses, these expenses increased by approximately 1% and represented 7.7% of revenues versus 8.0% in 2013. Research and development expenses in the year increased from the prior year by $3.2 million or 9.7% to $36.1 million and represents 1.3% of revenues in line with prior year levels.

Reported finance expenses in 2014 were $8.1 million versus $18.7 million in the prior year. Both years’ finance expenses include the non-cash and non-taxable amounts related to the remeasurement of forward purchase agreement liabilities related to certain past business acquisitions, as explained above. Adjusted finance expenses were $33.8 million for the year compared to $21.1 million in 2013.

Details of finance expenses for the year are summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on long-term debt -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>including effect of cash flow</td>
<td></td>
<td></td>
</tr>
<tr>
<td>hedge related to the interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>rate swaps and the accreted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>interest related to long-term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>debt bearing interest at fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>rates</td>
<td>25,063</td>
<td>14,243</td>
</tr>
<tr>
<td>Remeasurement of forward</td>
<td>(25,702)</td>
<td>(2,441)</td>
</tr>
<tr>
<td>purchase agreement liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of deferred</td>
<td>607</td>
<td>317</td>
</tr>
<tr>
<td>financing costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other interest</td>
<td>8,105</td>
<td>6,546</td>
</tr>
<tr>
<td>Total reported</td>
<td>8,073</td>
<td>18,665</td>
</tr>
<tr>
<td>Adjustment due to remeasurement</td>
<td>25,702</td>
<td>2,441</td>
</tr>
<tr>
<td>of forward purchase agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total adjusted</td>
<td>33,775</td>
<td>21,106</td>
</tr>
</tbody>
</table>

Interest on long term debt increased to $25.1 million from the previous year’s $14.2 million. The increase is due to increased borrowings as part of the acquisition of Tiny Love and Lerado, as well as a full year of interest on the acquired debt of Caloi. The full year interest rate on the Company’s long-term borrowings was approximately 4.9%, compared with 4.0% in 2013. The increase in the rate is mainly due to the issuance of the Caloi debentures in April 2014 as well as the debentures issued for the acquisition of the Lerado Group in October 2014.

Reported results before income taxes represented a loss of $29.9 million in 2014 versus an income before income taxes of $62.7 million in 2013. Adjusted income before income taxes was $97.0 million compared to $84.0 million in 2013, an increase of $13.0 million or 15.6%.
As a multi-national company, Dorel is resident in numerous countries and therefore subject to different tax rates in those various tax jurisdictions and by the interpretation and application of these tax laws, as well as the application of income tax treaties between various countries. As such, significant variations from year to year in the Company's combined tax rate can occur. In 2014 the Company’s effective tax rate was 28.9% compared to 8.0% in 2013. Excluding the income taxes on impairment losses, restructuring and other costs in both 2014 and 2013, the Company's adjusted tax rate was 13.4% and 15.8% respectively. The main cause of the variations is changes in permanent differences in foreign jurisdictions.

The components and variation in the reported Company's tax rate for the years ended as of December 30, are summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>%</th>
<th>2013</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (loss) before income taxes</td>
<td>(29,929)</td>
<td>62,653</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROVISION FOR INCOME TAXES (1)</td>
<td>(7,871)</td>
<td>26.3</td>
<td>16,434</td>
<td>26.2</td>
</tr>
<tr>
<td>ADD (DEDUCT) EFFECT OF:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference in statutory tax rates of foreign subsidiaries</td>
<td>(19,963)</td>
<td>66.7</td>
<td>(9,150)</td>
<td>(14.6)</td>
</tr>
<tr>
<td>Non-recognition of tax benefits related to tax losses and temporary differences</td>
<td>6,801</td>
<td>(22.7)</td>
<td>6,437</td>
<td>10.3</td>
</tr>
<tr>
<td>Tax incentives</td>
<td>(2,808)</td>
<td>9.4</td>
<td>(3,044)</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Non-deductible (non-taxable) forward purchase agreement liabilities</td>
<td>(6,408)</td>
<td>21.4</td>
<td>142</td>
<td>0.2</td>
</tr>
<tr>
<td>Non-deductible impairment of goodwill</td>
<td>30,847</td>
<td>(103.1)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Permanent differences</td>
<td>(7,452)</td>
<td>24.9</td>
<td>(5,486)</td>
<td>(8.8)</td>
</tr>
<tr>
<td>Effect of foreign exchange, change in tax rates and other - net</td>
<td>(1,806)</td>
<td>6.0</td>
<td>(349)</td>
<td>(0.5)</td>
</tr>
<tr>
<td></td>
<td>(8,660)</td>
<td>28.9</td>
<td>4,984</td>
<td>8.0</td>
</tr>
</tbody>
</table>

(1) The applicable statutory tax rates are 26.3% for the year ended December 30, 2014 (2013 - 26.2%). The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

The components and variation in the adjusted Company's tax rate for the years ended as of December 30, are summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>%</th>
<th>2013</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted income before income taxes</td>
<td>96,964</td>
<td>83,862</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROVISION FOR INCOME TAXES (1)</td>
<td>25,502</td>
<td>26.3</td>
<td>21,997</td>
<td>26.2</td>
</tr>
<tr>
<td>ADD (DEDUCT) EFFECT OF:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference in statutory tax rates of foreign subsidiaries</td>
<td>(5,294)</td>
<td>(5.5)</td>
<td>(5,592)</td>
<td>(6.7)</td>
</tr>
<tr>
<td>Non-recognition of tax benefits related to tax losses and temporary differences</td>
<td>6,497</td>
<td>6.7</td>
<td>6,437</td>
<td>7.7</td>
</tr>
<tr>
<td>Tax Incentives</td>
<td>(2,808)</td>
<td>(2.9)</td>
<td>(3,044)</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Permanent differences</td>
<td>(9,151)</td>
<td>(9.4)</td>
<td>(6,070)</td>
<td>(7.2)</td>
</tr>
<tr>
<td>Effect of foreign exchange, change in tax rates and other - net</td>
<td>(1,761)</td>
<td>(1.8)</td>
<td>(449)</td>
<td>(0.5)</td>
</tr>
<tr>
<td></td>
<td>12,985</td>
<td>13.4</td>
<td>13,279</td>
<td>15.8</td>
</tr>
</tbody>
</table>

(1) The applicable statutory tax rates are 26.3% for the year ended December 30, 2014 (2013 - 26.2%). The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.
e) Segmented annual operating review

**Dorel Juvenile**

*Dorel Juvenile - Reconciliation of non-GAAP measures:*

<table>
<thead>
<tr>
<th>Year Ended December 30, 2014</th>
<th>Reported</th>
<th>Impairment losses and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>1,070,513</td>
<td>600</td>
<td>1,071,113</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>779,135</td>
<td>(6,218)</td>
<td>772,917</td>
</tr>
<tr>
<td>GROSS PROFIT</td>
<td>291,378</td>
<td></td>
<td>298,196</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>117,959</td>
<td></td>
<td>117,959</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>93,069</td>
<td></td>
<td>93,069</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>25,229</td>
<td></td>
<td>25,229</td>
</tr>
<tr>
<td>Other costs</td>
<td>8,338</td>
<td>(8,338)</td>
<td>—</td>
</tr>
<tr>
<td>Impairment losses on goodwill and trademarks</td>
<td>125,821</td>
<td>(125,821)</td>
<td>—</td>
</tr>
<tr>
<td>OPERATING PROFIT (LOSS)</td>
<td>(79,038)</td>
<td>140,977</td>
<td>61,939</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year Ended December 30, 2013</th>
<th>Reported</th>
<th>Other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>992,882</td>
<td></td>
<td>992,882</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>711,259</td>
<td></td>
<td>711,259</td>
</tr>
<tr>
<td>GROSS PROFIT</td>
<td>281,623</td>
<td></td>
<td>281,623</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>110,721</td>
<td></td>
<td>110,721</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>84,264</td>
<td></td>
<td>84,264</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>22,960</td>
<td></td>
<td>22,960</td>
</tr>
<tr>
<td>Other costs</td>
<td>6,520</td>
<td>(6,520)</td>
<td>—</td>
</tr>
<tr>
<td>OPERATING PROFIT</td>
<td>57,158</td>
<td>6,520</td>
<td>63,678</td>
</tr>
</tbody>
</table>

Dorel Juvenile adjusted operating profit in percentage of revenues for the years ended December 30:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>% of revenue</td>
<td>$</td>
</tr>
<tr>
<td>Total adjusted revenue</td>
<td>1,071,113</td>
<td>100.0</td>
<td>992,882</td>
</tr>
<tr>
<td>Adjusted GROSS PROFIT</td>
<td>298,196</td>
<td>27.8</td>
<td>281,623</td>
</tr>
<tr>
<td>Adjusted selling expenses</td>
<td>117,959</td>
<td>11.0</td>
<td>110,721</td>
</tr>
<tr>
<td>Adjusted general and administrative expenses</td>
<td>93,069</td>
<td>8.7</td>
<td>84,264</td>
</tr>
<tr>
<td>Adjusted research and development expenses</td>
<td>25,229</td>
<td>2.4</td>
<td>22,960</td>
</tr>
<tr>
<td>Adjusted OPERATING PROFIT</td>
<td>61,939</td>
<td>5.8</td>
<td>63,678</td>
</tr>
</tbody>
</table>
Adjusted revenues in 2014 increased from 2013 levels by $78.2 million or 7.9%. For the segment, excluding the impact of foreign exchange and acquisitions, organic revenues increased approximately by 3% from the prior year. The main drivers of the increased revenue were Latin America and North America while revenues in Europe were stable. Dorel Juvenile Asia has had rejuvenated growth in the sale of wooden cribs and other wooden juvenile furniture products, particularly in higher margin items.

Reported gross profit declined by 120 basis points from 2013 levels to 27.2%. Adjusted gross profit was 27.8% a decline of 60 basis points from 2013.

For the segment as a whole, reported selling expenses in 2014 increased by $7.2 million, or 6.5% from last year. As a percentage of adjusted revenues these costs were lower at 11.0% in 2014 versus 11.2% in the prior year. Excluding the impact of acquisitions, selling expenses increased 1.3% over the previous year and represented 11.1% of revenues.

General and administrative expenses were $93.1 million compared with $84.3 million in the previous year, representing 8.7% of revenues in 2014 and 8.5% in 2013. The $8.8 million increase is explained by higher payroll costs and increases in IT spending. A full year of general and administrative expenses at Tiny Love which was acquired in January 2014, as well as general and administrative expenses at the Lerado Group acquired in November 2014 had an impact of approximately $6.3 million. The increase was partially offset by the decrease of the product liability charges due to the significant settlement charge of $6.0 million in 2013.

Research and development expenses increased by $2.3 million compared to the prior year which represents 2.4% of revenues in 2014 compared with 2.3% in the prior year. As part of the transition of the manufacturing of certain products for the segment to the newly acquired Lerado Group, a $2.6 million non-cash write-off of deferred research and development costs was recorded.

Dorel Juvenile reported an operating loss in 2014 of $79.0 million versus a profit of $57.2 million in the prior year. The segment recorded an adjusted operating profit of $61.9 million compared with $63.7 million in 2013 which represents a 2.7% decrease.

The strength of the US dollar in 2014 has negatively impacted Dorel Juvenile by approximately $10 million.

**Dorel Sports**

_Dorel Sports – Reconciliation of non-GAAP measures:_

<table>
<thead>
<tr>
<th>Year Ended December 30, 2014</th>
<th>Reported</th>
<th>Restructuring and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>1,053,183</td>
<td>$</td>
<td>1,053,183</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>806,451</td>
<td>(1,175)</td>
<td>805,276</td>
</tr>
<tr>
<td>GROSS PROFIT</td>
<td>246,732</td>
<td>1,175</td>
<td>247,907</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>98,631</td>
<td></td>
<td>98,631</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>74,720</td>
<td></td>
<td>74,720</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>7,049</td>
<td></td>
<td>7,049</td>
</tr>
<tr>
<td>Restructuring and other costs</td>
<td>10,443</td>
<td>(10,443)</td>
<td>—</td>
</tr>
<tr>
<td>OPERATING PROFIT</td>
<td>55,889</td>
<td>11,618</td>
<td>67,507</td>
</tr>
</tbody>
</table>
Year Ended December 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Restructuring and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>918,744</td>
<td>918,744</td>
<td>918,744</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>706,859</td>
<td>(4,075)</td>
<td>702,784</td>
</tr>
<tr>
<td>GROSS PROFIT</td>
<td>211,885</td>
<td>4,075</td>
<td>215,960</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>102,581</td>
<td>102,581</td>
<td>102,581</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>68,054</td>
<td>68,054</td>
<td>68,054</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>6,295</td>
<td>6,295</td>
<td>6,295</td>
</tr>
<tr>
<td>Restructuring and other costs</td>
<td>13,055</td>
<td>(13,055)</td>
<td>—</td>
</tr>
<tr>
<td>OPERATING PROFIT</td>
<td>21,900</td>
<td>17,130</td>
<td>39,030</td>
</tr>
</tbody>
</table>

Dorel Sports adjusted operating profit in percentage of revenues for the years ended December 30:

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>% of revenue</td>
<td>$</td>
</tr>
<tr>
<td>Total adjusted revenue</td>
<td>1,053,183</td>
<td>100.0</td>
</tr>
<tr>
<td>Adjusted GROSS PROFIT</td>
<td>247,907</td>
<td>23.5</td>
</tr>
<tr>
<td>Adjusted selling expenses</td>
<td>98,631</td>
<td>9.4</td>
</tr>
<tr>
<td>Adjusted general and administrative expenses</td>
<td>74,720</td>
<td>7.1</td>
</tr>
<tr>
<td>Adjusted research and development expenses</td>
<td>7,049</td>
<td>0.7</td>
</tr>
<tr>
<td>Adjusted OPERATING PROFIT</td>
<td>67,507</td>
<td>6.3</td>
</tr>
</tbody>
</table>

The Dorel Sports segment completed its restructuring activities in 2014 recording $4.9 million of restructuring costs compared with $15.4 million in 2013. As planned, the segment suspended its activities at its Bedford, PA assembly facility, is in the process of moving its research and development facility to the new headquarters located in Wilton, CT, and converted its former retail lab to accommodate GURU academy activities. Of the total restructuring charges recorded in 2014, an amount of $2.1 million represents non-cash accelerated depreciation expense and inventory markdown, $1.7 million is for employee severance and $1.1 million are other associated costs.

Dorel Sports revenues increased by 14.6% to $1,053.2 million in 2014 compared to $918.7 million a year ago. The organic sales increase after removing the impact of foreign exchange and acquisitions was approximately 8%. The increase was in both the IBD and the mass merchant distribution channels, driven partially by improved weather conditions with a rebound in the global bike market when compared with the prior year. Overseas markets in the IBD channel, particularly in Europe and Asia continued to contribute to the organic sales increase. Also, shipments of battery powered ride-ons and improved sales in Canada on the mass market side contributed to the growth.

Reported gross profit for the segment as a whole increased 30 basis points to 23.4% in 2014 compared with 23.1% in 2013 and adjusted gross profit was stable at 23.5% in both years.

Selling expenses decreased by $3.9 million or 3.9% and represented 9.4% of revenues compared with the prior year’s 11.2%. Excluding the impact of the Caloi acquisition, selling expenses declined by approximately 10% and represent 9.3% of revenues, a decrease of 190 basis points on a comparable basis. Likewise, general and administrative costs increased by $6.7 million and were 7.1% of revenues compared with 7.4% of revenues in 2013, a decrease of 30 basis points. Excluding the impact of the Caloi acquisition, general and administrative costs declined by $2.1 million or 3.0% to represent 6.7% of revenue, a decrease of 70 basis points.
As previously discussed above, pre-tax restructuring charges in 2014 were $4.9 million or 0.5% of revenue compared with $15.4 million or 1.7% of revenue in 2013. Overall, operating expenses efficiencies for the year were derived from restructuring efforts and tight management of expenditures. As a result, the segment recorded an annual operating profit increase of $34.0 million or 155.2%. Excluding restructuring and other costs, adjusted operating profit was $67.5 million an increase of 73.0% from the adjusted operating profit of $39.0 million in 2013. For the year, the negative net impact of adverse foreign exchange rates was approximately $3 million.

**Dorel Home Furnishings**

**Dorel Home Furnishings operating profit in percentage of revenues for the years ended December 30:**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>% of revenue</td>
<td>$</td>
</tr>
<tr>
<td>Total revenue</td>
<td>553,858 100.0</td>
<td>523,823 100.0</td>
<td>30,035 5.7</td>
</tr>
<tr>
<td>Gross profit</td>
<td>67,214 12.1</td>
<td>66,204 12.6</td>
<td>1,010 1.5</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>16,253 2.9</td>
<td>15,972 3.0</td>
<td>281 1.8</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>23,094 4.2</td>
<td>20,590 3.9</td>
<td>2,504 12.2</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>3,833 0.7</td>
<td>3,650 0.7</td>
<td>183 5.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>24,034 4.3</td>
<td>25,992 5.0</td>
<td>(1,958) (7.5)</td>
</tr>
</tbody>
</table>

For the year, Dorel Home Furnishings revenues were $553.9 million compared to $523.8 million in the prior year, an increase of 5.7%. The organic sales increase after removing the impact of foreign exchange rate variations was approximately 6%. The revenue increase was led by Dorel Home Products and Cosco furniture product categories. The segment operates principally in the North American market which is characterized by fierce competition, chiefly from importers. Therefore, the ability to source both domestically and from overseas as well as cost containment are central to the segment’s ability to remain profitable and be a strong generator of cash flow. Dorel Home Furnishings continues its expansion into the Internet sales channel which now represents 30% of revenue compared to 20% in 2013. The segment posted another record year of sales through the Internet sales channel which offset reductions in sales to brick and mortar stores.

Gross profit in 2014 was 12.1% versus 12.6% recorded in the prior year, a decrease of 50 basis points. While the segment benefitted from relatively stable input costs in 2014 compared with 2013, this was partially offset by an increase in overhead costs related to the increase in sales to the Internet channel. The weakening of the Canadian dollar against its U.S. counterpart attenuated the decreased gross profit percent, as two of the segment’s plants are based in Canada and ship the majority of their products to the United States.

Selling expenses for the year were consistent at 2.9% of revenues in 2014 versus 3.0% in 2013. General and administrative expenses increased to 4.2% of revenues compared to 3.9% in the prior year. Research and development expenses were slightly higher year-over-year at $3.8 million in 2014 versus $3.7 million in 2013. As such, operating profit for the year was $24.0 million compared to $26.0 million in 2013.
Seasonality
Though revenues at the operating segments within Dorel may vary in their seasonality, for the Company as a whole, variations between quarters are not significant as illustrated below.

f) Selected quarterly financial information
Variations in the total adjusted revenue across the Company’s segments for the fourth quarters:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dorel Juvenile</td>
<td>289,836</td>
<td>255,254</td>
<td>$34,582</td>
</tr>
<tr>
<td>Dorel Sports</td>
<td>260,083</td>
<td>245,465</td>
<td>$14,618</td>
</tr>
<tr>
<td>Dorel Home Furnishings</td>
<td>151,683</td>
<td>132,815</td>
<td>$18,868</td>
</tr>
<tr>
<td>Total adjusted revenue</td>
<td>701,602</td>
<td>633,534</td>
<td>$68,068</td>
</tr>
</tbody>
</table>
Selected financial information from the consolidated income statement for the quarters ended:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>701,002</td>
<td>673,020</td>
<td>655,831</td>
<td>647,701</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>(80,749)</td>
<td>19,480</td>
<td>15,200</td>
<td>24,800</td>
</tr>
<tr>
<td><strong>Total adjusted revenue</strong></td>
<td>701,602</td>
<td>673,020</td>
<td>655,831</td>
<td>647,701</td>
</tr>
<tr>
<td><strong>Adjusted net income</strong></td>
<td>10,993</td>
<td>23,783</td>
<td>19,768</td>
<td>29,435</td>
</tr>
</tbody>
</table>

**Earnings (loss) per share:**

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic</strong></td>
<td>(2.50)</td>
<td>(2.50)</td>
<td>0.34</td>
<td>0.34</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td>0.60</td>
<td>0.60</td>
<td>0.74</td>
<td>0.73</td>
</tr>
<tr>
<td><strong>Adjusted earnings per share:</strong></td>
<td>0.34</td>
<td>0.34</td>
<td>0.61</td>
<td>0.61</td>
</tr>
</tbody>
</table>

Impact of after tax impairment losses, restructuring and other costs on the reported diluted earnings per share for the quarter:

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic</strong></td>
<td>(2.84)</td>
<td>(0.13)</td>
<td>(0.14)</td>
<td>(0.14)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>633,534</td>
<td>607,298</td>
<td>600,449</td>
<td>594,168</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>11,024</td>
<td>11,105</td>
<td>13,224</td>
<td>22,316</td>
</tr>
<tr>
<td><strong>Adjusted net income</strong></td>
<td>12,147</td>
<td>21,332</td>
<td>13,611</td>
<td>23,493</td>
</tr>
</tbody>
</table>

**Earnings per share:**

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic</strong></td>
<td>0.35</td>
<td>0.34</td>
<td>0.41</td>
<td>0.41</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td>0.35</td>
<td>0.34</td>
<td>0.41</td>
<td>0.41</td>
</tr>
</tbody>
</table>

**Adjusted earnings per share:**

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic</strong></td>
<td>0.38</td>
<td>0.38</td>
<td>0.43</td>
<td>0.42</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td>0.67</td>
<td>0.66</td>
<td>0.43</td>
<td>0.42</td>
</tr>
</tbody>
</table>

Impact of after tax impairment losses, restructuring and other costs on the reported diluted earnings per share for the quarter:

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic</strong></td>
<td>(0.04)</td>
<td>(0.32)</td>
<td>(0.01)</td>
<td>(0.03)</td>
</tr>
</tbody>
</table>
Principal changes in net income for the fourth quarter ended December 30, 2014:

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Impairment losses, restructuring and other costs</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dorel Juvenile increase (decrease)</td>
<td>(149,281)</td>
<td>141,639</td>
<td>(7,642)</td>
</tr>
<tr>
<td>Dorel Sports increase (decrease)</td>
<td>15,024</td>
<td>(11,281)</td>
<td>3,743</td>
</tr>
<tr>
<td>Dorel Home Furnishings increase (decrease)</td>
<td>233</td>
<td>—</td>
<td>233</td>
</tr>
<tr>
<td>Total increase (decrease) in operating profit</td>
<td>(134,024)</td>
<td>130,358</td>
<td>(3,666)</td>
</tr>
<tr>
<td>(Increase) in finance expenses other than remeasurement of forward purchase agreement liabilities</td>
<td>(2,553)</td>
<td>—</td>
<td>(2,553)</td>
</tr>
<tr>
<td>Decrease in finance expenses related to the remeasurement of forward purchase agreement liabilities</td>
<td>24,614</td>
<td>(24,614)</td>
<td>—</td>
</tr>
<tr>
<td>Decrease (increase) in income tax expense (includes tax impact of restructuring costs)</td>
<td>22,141</td>
<td>(15,125)</td>
<td>7,016</td>
</tr>
<tr>
<td>Decrease (increase) in corporate expenses</td>
<td>(1,951)</td>
<td>—</td>
<td>(1,951)</td>
</tr>
<tr>
<td>Total increase (decrease) in net income</td>
<td>(91,773)</td>
<td>90,619</td>
<td>(1,154)</td>
</tr>
</tbody>
</table>

g) Consolidated quarterly operating review

Adjusted revenues for the fourth quarter were $701.6 million compared to $633.5 million a year ago, an increase of 10.7%. After removing the effect of varying rates of exchange year-over-year, and sales from business acquisitions, organic revenue improved by approximately 8%.

Reported gross profit in the fourth quarter of 2014 decreased to 20.4% from 22.2% in the prior year. Adjusted gross profit was 21.3% in 2014 and 22.9% in the same quarter of 2013, a decline of 160 basis points.

It is more particularly in the fourth quarter that the significant decline was noted in the value of the major currencies and most notably for the Euro and the Latin American currencies against the US dollar. As explained, the weakening of most foreign exchange currencies had a significant negative impact on Dorel Juvenile and Dorel Sports results. The unfavourable net effect on the 2014 fourth quarter results compared to the same quarter in 2013 was approximately $9 million. In addition, an unfavourable change of approximately $3 million related to the unrealized foreign exchange on the forward purchase agreement liabilities also impacted in the same way the results.

Selling expenses increased by $2.3 million to $61.4 million from $59.1 million representing 8.8% of the quarter's revenue compared to 9.3% of revenue in 2013. The selling expenses of the acquired businesses in the fourth quarter accounted for the entire increase.

General and administrative expenses increased by $7.0 million and represent 8.2% of revenues compared with 8.0% of revenues in the fourth quarter of 2013. The general and administrative expenses of the acquired businesses accounted for approximately half of the increase.
Research and development expenses increased by $1.2 million principally within the Juvenile segment due to acquisitions. Also, as discussed above, the write off of capitalized research and development costs and some other associated costs in Dorel Juvenile due to the transition of some manufacturing to newly acquired Lerado have been included in other costs. Excluding the research and development expenses of the acquired businesses, these expenses would have decreased by approximately 15% compared with the same quarter in 2013.

Below are the details of the finance expenses for the fourth quarter. After eliminating the impact of the remeasurement of forward purchase agreement liabilities, adjusted finance expenses for the quarter were $10.3 million compared with $7.8 million in the fourth quarter of 2013. Interest on long-term debt for the quarter increased to $7.7 million from $3.8 million last year. As explained above, interest on long-term debt increased due to higher borrowings as part of the acquisitions of Tiny Love and Caloi, the issuance of debentures related to the acquisition of the Lerado Group as well as the issuance of the Caloi debentures in April 2014.

Details of the finance expenses for the quarter are summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on long-term debt - including effect of cash flow hedge related to the interest rate swaps and the accreted interest related to long-term debt bearing interest at fixed rates</td>
<td>7,669</td>
<td>3,768</td>
</tr>
<tr>
<td>Remeasurement of forward purchase agreement liabilities</td>
<td>(30,789)</td>
<td>(6,175)</td>
</tr>
<tr>
<td>Amortization of deferred financing costs</td>
<td>144</td>
<td>12</td>
</tr>
<tr>
<td>Other interest</td>
<td>2,510</td>
<td>3,990</td>
</tr>
<tr>
<td><strong>Total reported finance expenses</strong></td>
<td>(20,466)</td>
<td>1,595</td>
</tr>
<tr>
<td>Adjustment due to remeasurement of forward purchase agreement liabilities</td>
<td>30,789</td>
<td>6,175</td>
</tr>
<tr>
<td><strong>Total adjusted finance expenses</strong></td>
<td>10,323</td>
<td>7,770</td>
</tr>
</tbody>
</table>

Reported loss before taxes was $103.0 million for the fourth quarter of 2014 versus an income before taxes of $11.0 million in 2013. Excluding pre-tax impairment losses, restructuring and other costs, adjusted income before income taxes was $8.4 million in 2014, a decrease of $8.2 million compared to the fourth quarter of 2013.

In the last quarter of 2014, the Company’s effective tax rate was an expense of 21.6% compared to a recovery of 0.6% in 2013. The Company’s adjusted effective tax rate was a recovery of 30.8% and an expense of 26.7% in 2014 and 2013 fourth quarters respectively. The main causes of the variations are changes in permanent differences in foreign jurisdictions and changes in deferred income taxes resulting from a reduction in tax rates in certain jurisdictions.

Adjusted net income for the fourth quarter was $11.0 million a decrease from $12.1 million in 2013. Adjusted earnings per share for the quarter were $0.34 per fully diluted share, compared to $0.38 per fully diluted share in the fourth quarter the previous year.
h) Segmented quarterly operating review

Segment operating results for the fourth quarters:

<table>
<thead>
<tr>
<th>Segment</th>
<th>2014 (Reported)</th>
<th>2013 (Reported)</th>
<th>2014 (Adjusted)</th>
<th>2013 (Adjusted)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of revenue</td>
<td>% of revenue</td>
<td>% of revenue</td>
<td>% of revenue</td>
<td>%</td>
</tr>
<tr>
<td><strong>Dorel Juvenile</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>289,236</td>
<td>600</td>
<td>289,836</td>
<td>—</td>
<td>13.5</td>
</tr>
<tr>
<td>Gross profit</td>
<td>69,022 23.9</td>
<td>6,818 2.4</td>
<td>75,840 26.2</td>
<td>—</td>
<td>3.3</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>32,020 11.1</td>
<td>—</td>
<td>32,020 11.1</td>
<td>—</td>
<td>11.9</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>25,927 9.0</td>
<td>—</td>
<td>25,927 8.9</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>9,077 3.1</td>
<td>—</td>
<td>9,077 3.1</td>
<td>—</td>
<td>12.4</td>
</tr>
<tr>
<td>Restructuring and other costs</td>
<td>7,070 2.5</td>
<td>(7,070)</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Impairment losses on goodwill and trademarks</td>
<td>125,821 43.5</td>
<td>(125,821)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Operating profit</td>
<td>(130,893) (45.3)</td>
<td>139,709 4.6</td>
<td>8,816 3.1</td>
<td>—</td>
<td>(46.4)</td>
</tr>
<tr>
<td><strong>Dorel Sports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>260,083</td>
<td>—</td>
<td>260,083</td>
<td>—</td>
<td>6.0</td>
</tr>
<tr>
<td>Gross profit</td>
<td>56,890 21.9</td>
<td>—</td>
<td>56,890 21.9</td>
<td>—</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>24,490 9.4</td>
<td>—</td>
<td>24,490 9.4</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>18,498 7.1</td>
<td>—</td>
<td>18,498 7.1</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>1,872 0.7</td>
<td>—</td>
<td>1,872 0.7</td>
<td>—</td>
<td>16.9</td>
</tr>
<tr>
<td>Restructuring and other costs</td>
<td>2,433 0.9</td>
<td>(2,433)</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>9,597 3.8</td>
<td>2,433 12.0</td>
<td>12,030 4.6</td>
<td>—</td>
<td>45.2</td>
</tr>
<tr>
<td><strong>Dorel Home Furnishings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>151,683</td>
<td>—</td>
<td>151,683</td>
<td>—</td>
<td>14.2</td>
</tr>
<tr>
<td>Gross profit</td>
<td>17,033 11.2</td>
<td>—</td>
<td>17,033 11.2</td>
<td>—</td>
<td>10.2</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>4,168 2.7</td>
<td>—</td>
<td>4,168 2.7</td>
<td>—</td>
<td>(0.7)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>6,719 4.4</td>
<td>—</td>
<td>6,719 4.4</td>
<td>—</td>
<td>26.7</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>909 0.6</td>
<td>—</td>
<td>909 0.6</td>
<td>—</td>
<td>(3.9)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5,237 3.5</td>
<td>—</td>
<td>5,237 3.5</td>
<td>—</td>
<td>4.7</td>
</tr>
</tbody>
</table>
**Dorel Juvenile**

The adjusted Dorel Juvenile revenue increase in the fourth quarter was 13.5% compared to the same quarter a year ago. Excluding the impact of foreign exchange, the organic revenue increase was approximately 5% led by the United States, Brazil and Australia.

Adjusted gross profit decreased in the fourth quarter to 26.2% from 28.8% recorded in the same quarter a year earlier. The decrease in gross profit was due to unfavorable foreign exchange currency losses versus the US dollar. Selling expenses were $32.0 million versus $28.6 million in the prior year an increase of 11.9% compared with 2013. Excluding the impact of acquisitions, selling expenses increased by approximately 3%. General and administrative expenses increased $5.6 million to $25.9 million versus $20.3 million in 2013. The increase is mainly due to increased global staffing to support the business. Product liability costs in the U.S. were $1.0 million in the quarter versus a recovery of $0.4 million in 2013. The car seat case in the U.S. reported in the third quarter of 2013 was settled during the fourth quarter of 2013 resulting in lower product liability costs. Research and development expenses increased by $1.0 million or 12.4% due to acquisitions. On a comparable basis excluding the impact of the acquired businesses, research and development expenses decreased by approximately 23% compared with the same quarter in 2013.

All major divisions of Dorel Juvenile saw their currencies weaken significantly against the U.S. dollar during the fourth quarter, a situation which was particularly pronounced in the Euro region. This had a net negative impact for the segment of approximately $5.0 million during the fourth quarter.

The fourth quarter also includes in 2014 operating losses of $1.6 million pertaining to Lerado Juvenile results as well as start-up operations in Mexico.

**Dorel Sports**

Dorel Sports revenues increased by $14.6 million or 6.0% in the fourth quarter of 2014. The organic sales increase, excluding the impact of foreign exchange was approximately 10%. The remaining increase was primarily due to increased revenues in the mass merchant bike branded products and at Caloi in Brasil.

Adjusted gross profit in the quarter for Dorel Sports decreased in 2014 to 21.9%, compared to 22.8% the year before. The decline was due mainly to unfavorable foreign exchange rate variations on purchase, and unfavorable product mix. The segment was challenged in the fourth quarter due to the net unfavourable effect of the drastically appreciated US dollar against all major currencies. The net negative impact was approximately $4 million for Dorel Sports.

Selling expenses were $24.5 million or 9.4% of revenue compared to $25.7 million and 10.5% from prior year. General and administrative expenses decreased to $18.5 million or 7.1% of revenue in 2014, a decrease of $1.8 million from $20.3 million or 8.3% of revenue in the previous year. The decrease highlights the effectiveness of the restructuring initiated in 2013. Research and development expenses increased by $0.3 million. The segment recorded $2.4 million in total restructuring and other costs in the fourth quarter compared with $13.7 million in the fourth quarter of 2013. Adjusted operating profit for the quarter increased by $3.7 million or 45.2% to $12.0 million from $8.3 million in 2013.
Dorel Home Furnishings
In the fourth quarter, Dorel Home Furnishing revenues increased by 14.2%. The organic sales increase, excluding the impact of foreign exchange was approximately 15%. The increase in the fourth quarter of 2014 was driven by sales through the internet and drop ship vendor channel as well as sales to the brick and mortar channel.

Gross profit remained stable compared to prior year due mainly to effective cost controls. Selling expenses remained in line with the prior year and decreased as a percentage of revenue to 2.7% from 3.2% in the previous year. General and administrative expenses for the quarter increased by $1.4 million mainly due to product liability costs. As a result, operating profit increased to $5.2 million versus $5.0 million in 2013.

4. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

a) Selected information from the Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>As at:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 30,</td>
<td>December 30,</td>
<td>December 30,</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Total assets</td>
<td>$2,529,959</td>
<td>$2,439,963</td>
<td>$2,203,868</td>
</tr>
<tr>
<td>Long-term liabilities excluding current portion:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>490,188</td>
<td>13,183</td>
<td>317,970</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,765</td>
<td>1,993</td>
<td>1,969</td>
</tr>
<tr>
<td>Written put option and forward purchase agreement liabilities</td>
<td>44,640</td>
<td>92,570</td>
<td>40,782</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>2,063</td>
<td>2,727</td>
<td>2,818</td>
</tr>
<tr>
<td>Other Long-term liabilities</td>
<td>10,428</td>
<td>12,751</td>
<td>5,895</td>
</tr>
<tr>
<td>Current portion of long-term debt and bank indebtedness</td>
<td>89,609</td>
<td>416,920</td>
<td>24,996</td>
</tr>
</tbody>
</table>

Over the past two years, the Company made acquisition of businesses which impacted total assets and total long-term debt as indicated in the above table. In addition, as described earlier, the Company recorded during its fourth quarter of 2014 $125.8 million of impairment losses on goodwill and trademarks which reduced total assets.
The following table summarizes the preliminary or final fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition for the significant business acquisitions during the year ended December 30, 2014:

<table>
<thead>
<tr>
<th></th>
<th>Tiny Love</th>
<th>Infanti Brazil</th>
<th>Lerado</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7,789</td>
<td>—</td>
<td>4,841</td>
<td>12,630</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3,213</td>
<td>—</td>
<td>24,520</td>
<td>27,733</td>
</tr>
<tr>
<td>Inventories</td>
<td>2,009</td>
<td>—</td>
<td>25,905</td>
<td>27,914</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>6</td>
<td>—</td>
<td>—</td>
<td>6</td>
</tr>
<tr>
<td>Income taxes receivable</td>
<td>751</td>
<td>—</td>
<td>9</td>
<td>760</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>146</td>
<td>—</td>
<td>1,231</td>
<td>1,377</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>441</td>
<td>—</td>
<td>62,343</td>
<td>62,784</td>
</tr>
<tr>
<td>Trademarks</td>
<td>23,200</td>
<td>3,597</td>
<td>—</td>
<td>26,797</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>22,900</td>
<td>2,237</td>
<td>—</td>
<td>25,137</td>
</tr>
<tr>
<td>Land use rights</td>
<td>—</td>
<td>—</td>
<td>43,798</td>
<td>43,798</td>
</tr>
<tr>
<td>Goodwill</td>
<td>19,336</td>
<td>1,184</td>
<td>23,760</td>
<td>44,280</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>—</td>
<td>—</td>
<td>1,081</td>
<td>1,081</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>79,791</td>
<td>7,018</td>
<td>187,488</td>
<td>274,297</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank indebtedness</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>12,727</td>
<td>—</td>
<td>38,275</td>
<td>51,002</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>9</td>
<td>—</td>
<td>16,636</td>
<td>16,645</td>
</tr>
<tr>
<td>Net pension &amp; defined benefit obligations</td>
<td>—</td>
<td>—</td>
<td>2,005</td>
<td>2,005</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>11,231</td>
<td>—</td>
<td>10,641</td>
<td>21,872</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>23,968</td>
<td>—</td>
<td>67,557</td>
<td>91,525</td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
<td>55,823</td>
<td>7,018</td>
<td>119,931</td>
<td>182,772</td>
</tr>
<tr>
<td><strong>Consideration:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>55,823</td>
<td>5,965</td>
<td>119,931</td>
<td>181,719</td>
</tr>
<tr>
<td>Balance of Sale</td>
<td>—</td>
<td>1,053</td>
<td>—</td>
<td>1,053</td>
</tr>
<tr>
<td><strong>Total Consideration</strong></td>
<td>55,823</td>
<td>7,018</td>
<td>119,931</td>
<td>182,772</td>
</tr>
</tbody>
</table>

**b) Working Capital**

Certain of the Company’s working capital ratios are:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt* to equity</td>
<td>0.48</td>
<td>0.32</td>
</tr>
<tr>
<td># of days in receivables</td>
<td>65</td>
<td>68</td>
</tr>
<tr>
<td># of days in inventory</td>
<td>111</td>
<td>108</td>
</tr>
<tr>
<td># of days in payables</td>
<td>71</td>
<td>61</td>
</tr>
</tbody>
</table>

* Debt is defined as bank indebtedness plus long-term debt
Primarily as a result of the business acquisitions, the debt to equity ratio increased when compared to prior year. In addition, excluding the impact of the acquired businesses, the number of days in receivables would have been stable at 66 days in both years, the number of days in inventory would have been 107 in 2014 compared to 105 in 2013, and the number of days in payables would have been 58 in 2014 versus 59 in 2013, which was an overall decline in working capital compared with the prior year’s results.

c) Cash Flow

For the year, cash flow provided by operating activities was $101.6 million compared to $144.2 million recorded in 2013, a decrease of $42.6 million which was mainly due to the decline in working capital. The principal items of this change in working capital were:

<table>
<thead>
<tr>
<th>Source (Use) of cash</th>
<th>2014</th>
<th>2013</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>(14,740)</td>
<td>15,384</td>
<td>(30,124)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(74,305)</td>
<td>(18,900)</td>
<td>(55,405)</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>886</td>
<td>3,060</td>
<td>(2,174)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>68,683</td>
<td>14,337</td>
<td>54,346</td>
</tr>
<tr>
<td>Provisions, other financial liabilities and other long-term liabilities</td>
<td>(11,232)</td>
<td>6,976</td>
<td>(18,208)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(30,708)</td>
<td>20,857</td>
<td>(51,565)</td>
</tr>
</tbody>
</table>

Free cash flow, a non-GAAP financial measure, was $6.0 million in 2014 versus $43.9 in 2013, detailed as follows:

<table>
<thead>
<tr>
<th>Source (Use) of cash</th>
<th>2014</th>
<th>2013</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided by operating activities</td>
<td>101,648</td>
<td>144,280</td>
<td>(42,632)</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(38,651)</td>
<td>(38,185)</td>
<td>(466)</td>
</tr>
<tr>
<td>Shares repurchased</td>
<td>—</td>
<td>(321)</td>
<td>321</td>
</tr>
<tr>
<td>Additions to property, plant &amp; equipment - net</td>
<td>(34,842)</td>
<td>(41,391)</td>
<td>6,549</td>
</tr>
<tr>
<td>Additions to intangible assets</td>
<td>(22,109)</td>
<td>(20,489)</td>
<td>1,620</td>
</tr>
<tr>
<td><strong>FREE CASHFLOW</strong> (1)</td>
<td>6,046</td>
<td>43,894</td>
<td>(37,848)</td>
</tr>
</tbody>
</table>

(1) “Free cashflow” is a non-GAAP financial measure and is defined as cash provided from operating activities less dividends paid, shares repurchased, additions to property plant and equipment, and intangible assets (see note in the Non-GAAP measures section)

The Company’s net debt position, defined as long-term debt and bank indebtedness less cash and cash equivalents, was $532.7 million as at December 30, 2014 as compared to $390.0 million at the end of the prior year. This increase of $142.7 million is mainly explained by the following:

- In 2014, $170.6 million was used in reference to new business acquisitions versus $71.9 million in 2013, an increase in the investing activities of $98.7 million; and
- The cash provided by the operating activities was $101.6 million in 2014, a decrease of $42.7 million from the $144.3 million in 2013.
d) Contractual Obligations

The following table summarizes the contractual obligations of the Company as of December 30, 2014:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>less than 1 year</th>
<th>1 - 3 years</th>
<th>4 - 5 years</th>
<th>After 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank indebtedness</td>
<td>27,053</td>
<td>27,053</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Long-term debt repayments</td>
<td>561,505</td>
<td>62,556</td>
<td>292,865</td>
<td>182,784</td>
<td>23,300</td>
</tr>
<tr>
<td>Future minimum lease payments exclusive of additional charges</td>
<td>190,133</td>
<td>46,026</td>
<td>71,425</td>
<td>37,095</td>
<td>35,587</td>
</tr>
<tr>
<td>Interest payments (1)</td>
<td>88,952</td>
<td>26,492</td>
<td>43,119</td>
<td>18,995</td>
<td>346</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>490,527</td>
<td>490,527</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign exchange contracts and interest rate swaps</td>
<td>1,655</td>
<td>1,655</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Written put option and forward purchase agreement liabilities</td>
<td>44,640</td>
<td>—</td>
<td>22,977</td>
<td>21,663</td>
<td>—</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>2,063</td>
<td>—</td>
<td>928</td>
<td>635</td>
<td>500</td>
</tr>
<tr>
<td>Expenditure related to marketing</td>
<td>22,500</td>
<td>7,500</td>
<td>15,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Minimum payments under licensing agreements</td>
<td>17,603</td>
<td>7,909</td>
<td>7,148</td>
<td>2,546</td>
<td>—</td>
</tr>
<tr>
<td>Capital addition purchase commitments</td>
<td>3,872</td>
<td>3,872</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total contractual obligations</strong></td>
<td><strong>1,450,503</strong></td>
<td><strong>673,590</strong></td>
<td><strong>453,462</strong></td>
<td><strong>263,718</strong></td>
<td><strong>59,733</strong></td>
</tr>
</tbody>
</table>

(1) Interest payments on the Company’s revolving bank loans are calculated using the interest rate in effect for the year ended December 30, 2014 and assumes no debt reduction until the due date in July 2017, at which point the loan would be paid in full. Interest payments on the Company’s notes and debentures are as specified in the related agreements.

The Company does not have significant contractual commitments beyond those reflected in the consolidated statement of financial position, the commitments listed in Note 26 to the Consolidated Financial Statements or those listed in the table above.

Under the terms of its financing agreements, Dorel is required to meet certain financial covenants. As of December 30, 2014, Dorel was compliant with all of its borrowing covenant requirements and as a result the related debts are classified as long-term. As at December 30, 2013, the Company was in breach with one of its covenants. As a result of this breach, related to the 2013 figures, the Company reclassified the long-term portion of the related debts to the current portion of long-term debt since as at December 30, 2013, the Company had not obtained from the associated lenders the amendment to its debt agreements for this covenant. During the three months ended March 31, 2014, the Company amended certain financial covenants related to its debt agreements.

For purposes of this table, contractual obligations for the purchases of goods or services are defined as agreements that are enforceable and legally binding on the Company and that specify all significant terms, including; fixed or variable price provisions; and the approximate timing of the transaction. With the exception of those listed above, the Company does not have significant agreements for the purchase of raw materials or finished goods specifying minimum quantities or set prices that exceed its short term expected requirements. Therefore, not included in the above table are Dorel’s outstanding purchase orders for raw materials, finished goods or other goods and services which are based on current needs and are fulfilled by its vendors on relatively short timetables.

As new product development is vital to the continued success of Dorel, the Company must make capital investments in research and development, moulds and other machinery, equipment and technology. It is expected that the Company will invest approximately $55.0 million over the course of 2015 to meet its new product development and other growth objectives. The Company expects its existing operations to be able to generate sufficient cash flow to provide for this and other requirements as they arise throughout the year.
Over and above long-term debt in the contractual obligation table, included in the Company’s non-current liabilities in the Consolidated Financial Statements are the following amounts:

**Pension and post-retirement benefit obligations:** As detailed in Note 22 of the Consolidated Financial Statements, an amount of $46.1 million pertains to the Company's pension and post-retirement benefit plans. In 2015, contributions expected to be made for funded plans and benefits expected to be paid for unfunded plans under these plans will amount to approximately $2.7 million.

<table>
<thead>
<tr>
<th>Non-current provisions consist of:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation consisting of bonuses based on length of service and profit sharing</td>
<td>1,608</td>
</tr>
<tr>
<td>Other provisions due in more than one year</td>
<td>157</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,765</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other long-term financial liabilities consist of:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government mandated employee savings plans in Europe</td>
<td>1,063</td>
</tr>
<tr>
<td>Repayable government assistance</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,063</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other long-term liabilities consist of:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government assistance</td>
<td>3,422</td>
</tr>
<tr>
<td>Deferred tenant inducement</td>
<td>4,463</td>
</tr>
<tr>
<td>Other liabilities due in more than one year</td>
<td>2,543</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,428</strong></td>
</tr>
</tbody>
</table>

The written put option and forward purchase agreement liabilities included in non-current liabilities pertain to certain of the Company’s business acquisitions or incorporation of subsidiaries. In these cases, where the Company holds less than 100% of the shares, the Company has entered into agreements with the non-controlling interest holders for the purchase of the balance of the shares at some future point. Under the terms of these agreements, the purchase price of these shares is a formulaic variable price which is mainly based on earnings level in future periods.

e) **Off-Balance Sheet Arrangements**

In addition to the contractual obligations listed above, the Company has certain off-balance sheet arrangements and commitments that have financial implications, specifically contingent liabilities, guarantees, and standby letters of credit. The Company’s off-balance sheet arrangements are described in Notes 26 and 27 to the Consolidated Financial Statements.

Requests for providing commitments to extend credit and financial guarantees are reviewed and approved by senior management. Management regularly reviews all outstanding commitments, letters of credit and financial guarantees and the result of these reviews are considered in assessing the adequacy of Dorel’s reserve for possible credit and guarantee losses.

f) **Derivative Financial Instruments**

The Company is exposed to interest rate fluctuations, related primarily to its revolving long-term bank loans and non-convertible debentures, for which amounts drawn are subject to LIBOR, Euribor, Canadian, U.S. bank rates or a floating Inter-Bank Certificate of Deposit rate in effect at the time of borrowing, plus a margin. The Company manages its interest rate exposure and enters into swap agreements consisting of exchanging variable rates for fixed rates for an extended period of time. All other long-term debts have fixed interest rates and are therefore not exposed to cash flow interest rate risk.

The Company uses interest rate swap agreements to lock-in a portion of its debt cost and reduce its exposure to the variability of interest rates by exchanging variable rate payments for fixed rate payments. The Company has designated its interest rate swaps as cash flow hedges for which it uses hedge accounting.

In the normal course of business, Dorel is subject to various risks relating primarily to foreign exchange risk. In order to mitigate the
effects of changes in foreign exchange rates on its revenues, expenses and its cash flows, from time to time, the Company uses various derivative financial instruments such as options, futures and forward contracts to hedge against adverse fluctuations in currency rates. The Company’s main source of foreign exchange rate risk resides in sales and purchases of goods denominated in currencies other than the functional currency of each of Dorel’s entities. The Company’s financial debt is mainly denominated in US dollars, for which no foreign currency hedging is required. Short-term lines of credit, overdrafts and most long-term debts 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 financial position date, the impact of which is reported as a foreign exchange gain and loss in the consolidated income statement.

As such, derivative financial instruments are used as a method for meeting the risk reduction objectives of Dorel by generating offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted transactions. Dorel does not hold or use derivative financial instruments for trading or speculative purposes.

The fair values, average rates and notional amounts of derivatives and the fair values and carrying amounts of financial instruments are disclosed in Note 20 of the Consolidated Financial Statements.

5. CRITICAL ACCOUNTING ESTIMATES

The Consolidated Financial Statements have been prepared in accordance with IFRS. The preparation of these financial statements requires using judgments, which includes making estimates and assumptions at the date of the Consolidated Financial Statements that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and contingent liabilities. A complete list of all significant accounting policies is listed in Note 4 to the Consolidated Financial Statements.

The Company believes the following are the most critical accounting policies and related required estimates that affect Dorel’s results as presented herein and that would have the most material effect on the financial statements should these accounting estimates change materially or should these policies change or be applied in a different manner:

**Goodwill and intangible assets with indefinite useful lives:** Goodwill is tested for impairment annually (as at October 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit’s (CGU) (or group of CGUs) to which the goodwill relates. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. The Company defines its CGUs based on the way it internally monitors and derives economic benefits from the acquired goodwill.

Intangible assets with indefinite useful lives are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost and are the subject of continuous marketing support. Trademarks with indefinite useful lives are tested for impairment at the CGU level annually (as at October 31) and when circumstances indicate that the carrying value may be impaired.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication of impairment exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount which requires the use of judgment. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value in use.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. In determining fair value less costs to sell, an appropriate valuation model is used. Differences in estimates could affect whether goodwill or intangible assets with indefinite useful lives are in fact impaired and the dollar amount of that impairment. Dorel assesses the uncertainty of these estimates by making sensitivity analyses.

**Product liability:** The Company insures itself to mitigate its product liability exposure. The estimated product liability exposure requires the use of judgment and is discounted and 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 products sold prior to the reporting date. 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. The Company reviews periodically its recorded product liability provisions and any adjustment is recorded in general and administrative expenses.

**Written put option and forward purchase agreements:** Judgment is used to determine whether there is a written put option or forward purchase agreement in place in certain newly incorporated subsidiaries or business acquisitions when there is a non-controlling shareholder. Management’s judgment impacts whether the remeasurement of the written put option or forward purchase agreement is accounted for as other equity or as finance expenses.

**Income taxes:** The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes relate to the expected future tax consequences of differences between the carrying amount of assets and liabilities for financial reporting purposes in the consolidated statement of financial position and their corresponding tax values using the enacted or substantively enacted income tax rate, which are expected to be in effect for the year in which the differences are expected to reverse.

A deferred tax asset is recorded when it is probable that it will be realized in the future. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing on the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company’s income tax provision is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. Management’s estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities.

**Allowances for sales returns and other customer programs:** At the time revenue is recognized, 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. These estimates are based on agreements with applicable customers, historical experience with the customers and/or product, historical sales returns, changes in internal credit policies, customer concentration and other relevant factors. Actual results can differ greatly from management’s estimate.
Inventory valuation: The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand declines. If actual market conditions are less favorable than previously projected, or if liquidation of the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

Allowance for doubtful accounts: The Company is required to make an assessment of whether trade receivables are collectible. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other revenue adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

Warranty provisions: A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of the warranty coverage, the nature of the product sold and in service, counter-warranty coverage available from the Company’s suppliers and product recalls. The Company reviews periodically its recorded product warranty provisions and any adjustment is recorded in cost of sales.

Business combinations: Business acquisitions are accounted for using the acquisition method as at the acquisition date, when control is transferred. On the date that control is obtained, the identifiable assets acquired, liabilities assumed and consideration transferred of the acquired businesses are measured at fair value. Depending on the complexity of determining these valuations, the Company uses appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flow. These valuations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied.

Convertible debentures: As the convertible debentures are convertible into the Company's Class “B” Subordinate Voting Shares, they have been accounted for as a compound financial instrument with a liability component and a separate equity component. The accounting treatment and the valuation of the liability component required the use of estimates and judgment.

6. CHANGES IN ACCOUNTING POLICIES

The following are changes in accounting policies applied by the Company in the preparation of the Consolidated Financial Statements:

Change in Accounting Policy Related to the Accounting of a Written Put Option
Reclassification of Certain Costs Related to the Forward Purchase Agreements
Reclassification of certain other costs
IFRIC Interpretation 21 – Levies (IFRIC 21)

Further information on these changes in accounting policies can be found in Note 3 of the December 30, 2014 Consolidated Financial Statements.
7. FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the year ended December 30, 2014 and have not been applied in preparing the Consolidated Financial Statements. The following standards and interpretations have been issued by the IASB and the IFRIC with effective dates in the future that have been determined by management to impact the consolidated financial statements:

IFRS 9 – Financial Instruments
IFRS 15 – Revenue from contracts with customers
IAS 19 – Employee Benefits

Further information on these modifications can be found in Note 5 of the December 30, 2014 Consolidated Financial Statements.

8. MARKET RISKS AND UNCERTAINTIES

General Economic Conditions
In its over 50 year history, the Company has experienced several economic downturns and its products have proven to be ones that consumers continue to purchase in varying economic conditions. In 2014, in most of its markets, the retail environment could be characterized as challenging. As a result, the majority of the Company’s retail customers continued to emphasize price competitiveness as their primary focus. To provide these retail partners with value over and above competitive pricing, Dorel continued to invest in new product development and various brand support initiatives.

In Dorel Juvenile, the Company believes that demand generally remains steady as child safety is a constant priority and parents require products that fill that need. In recent years, a trend has emerged that consumers were more likely to purchase less expensive items, often at lower margins for the Company. In addition, birth rates are falling in many of the Company’s markets, which also negatively affect demand.

In Dorel Sports, the Company believes that consumer trends that consider health and environmental concerns help buffer this segment against possible declines in overall consumer spending. However, demand can also be affected by weather conditions which are beyond the Company’s control. In addition, Dorel offers a great assortment of products in the value priced product category available at its mass merchant customers. This means that should consumers elect to spend less on a particular recreational product, Dorel has alternatives to higher priced items.

In Dorel Home Furnishings, Dorel concentrates exclusively on value priced items and sells the majority of its products through the mass merchant and Internet sales distribution channel. During difficult economic times, when shopping for furniture, consumers are likely to spend less and tend to eschew furniture store outlets and shop at the mass merchants for reasonably priced items.

Should economic conditions worsen significantly, unemployment rise dramatically or bad weather conditions occur, this could have a negative impact on the Company as consumer spending would likely be curtailed. There can be no assurance that the economies, taken as a whole in which the Company operates, will improve going forward and in the event of a substantial deterioration of these economies, the Company could be adversely affected.

Product Costs and Supply
Dorel purchases raw materials, component parts and finished goods. The main commodity items purchased for production include particleboard and plastic resins, as well as corrugated cartons. Key component parts include car seat covers, hardware, buckles and harnesses, bicycle frames and futon frames and covers. These parts are derived from textiles, and a wide assortment of metals, plastics, and wood. The Company’s finished goods purchases are largely derived from steel, aluminum, resins, textiles, rubber and wood.
Raw material costs in North America and Europe were overall slightly higher in 2014. The impact of falling crude oil prices contributed to decreases in resin prices in the fourth quarter. Given the current level of oil pricing, the Company foresees lower resin prices in 2015. Particleboard prices in North America increased in 2014 and prices are forecasted to increase further in 2015.

The Company’s suppliers of components and finished goods experienced lower input material costs in 2014. The Chinese currency (“RMB”) depreciated approximately 2% in 2014 and labour costs in China continue to increase at a rate of 10-15% per year.

Industry container freight costs were moderately volatile in 2014 relative to 2013, primarily in the fourth quarter due to US west coast congestion issues; however, the overall costs on average remained stable. Current expectations are for container pricing to slightly increase in 2015.

The Company’s level of profitability is impacted by its ability to manage these various input costs and adjust pricing to its customers as required. In addition, Dorel relies on its suppliers to provide quality products on a timely basis and has always prided itself on establishing successful long-term relationships both domestically and overseas. The Company remains committed to actively working with its supplier base to ensure that the flow of product is not interrupted. Should input costs increase dramatically or should major existing vendors be unable to supply Dorel, this could have an adverse effect on the Company going forward.

**Foreign Currency Fluctuations**

Dorel uses the US dollar as its reporting currency. Dorel is subject to risk due to variations in currency values against the US dollar. Foreign currency risk occurs at two levels; transactional and translational. Transactional currency risk occurs when a given division either incurs costs or generates revenues in a currency other than its own functional currency. The Company's operations that are most affected by transactional currency risk are those that operate in the Euro zone, the United Kingdom, Canada, Latin America, Japan and Australia. Translational risk occurs upon conversion of non-US functional currency divisions’ results to the US dollar for reporting purposes. Dorel's European, Latin American, Asian and Australian operations are the most significant subsidiaries that do not use the US dollar as their functional currency, and as such translational risk is limited to those operations. The two major functional currencies in Europe are the Euro and Pound Sterling.

Dorel's European, Latin American, Asian and Australian operations are negatively affected by a stronger US dollar as portions of its purchases are in that currency, while its revenues are not. The Dorel Sports Segment is growing its business more quickly outside of the US and as such its exposure to fluctuations in the US dollar on both a transactional and translational basis has grown over the past few years. They are similar to the Dorel Juvenile Segment in that portions of its purchases are in US dollars, while its revenues are not. Dorel's Canadian operations within Dorel Home Furnishings benefits from a stronger US dollar as large portions of its revenues are generated in the United States and the majority of its costs are in Canadian dollars. This situation is mitigated somewhat by Dorel Juvenile Canada’s operations that import US dollar denominated goods and sells to Canadian customers.

Particularly in the second half of 2014 with a bigger impact in the fourth quarter, all major divisions saw their currencies weakening significantly against the stronger US dollar. In 2014, the Euro was an exception to most other currencies against the US dollar with a significant decline in value only occurring in December. Since then, the surge in the value of the US dollar versus the majority of Dorel's other operating currencies have continued to have a negative impact on Dorel's earnings from both transactional and translational levels. Dorel Juvenile and Dorel Sports are the segments most impacted negatively by the strengthening of the US dollar while Dorel Home Furnishings benefits positively from it.

The Company uses options, futures and forward contracts to hedge against these adverse fluctuations in currency. Further details on the Company's hedging strategy and the impact in the year can be found in Note 20 to the Consolidated Financial Statements. Significant changes in the value of the US dollar can affect greatly future earnings.

**Concentration of Revenues**

For the year ended December 30, 2014, one customer accounted for over 10% of the Company’s revenues, at 25.9% of Dorel's total revenue. In 2013, this customer accounted for 27.9% of total revenue. Dorel does not have long-term contracts with its customers, and as such revenues are dependent upon Dorel's continued ability to deliver attractive products at a reasonable price, combined with high levels of service. There can be no assurance that Dorel will be able to sell to such customers on an economically advantageous basis in the future or that such customers will continue to buy from Dorel.
Customer and Credit Risk
The majority of the Company’s revenue is derived from sales to major retail chains. The remainder of Dorel’s sales are made mostly to specialty juvenile stores and independent bike dealers. To minimize credit risk, the Company conducts ongoing credit reviews and maintains credit insurance on selected accounts. Should certain of these major retailers cease operations, there could be a material short term adverse effect on the Company’s consolidated results of operations. In the long term, the Company believes that should certain retailers cease to exist, consumers will shop at competitors at which Dorel’s products will generally also be sold. As at December 30, 2014, one customer accounted for 16.0% of the Company’s total trade accounts receivable balance. This same customer accounted for 13.8% of the Company’s total trade accounts receivable balance in 2013. Based on past experience, the Company believes that no significant allowance for doubtful accounts is necessary in respect of trade accounts receivable not past due and past due 0-30 days which represent 91.0% of total gross trade accounts receivable (2013 – 89.6%).

Product Liability
As with all manufacturers of products designed for use by consumers, Dorel is subject to numerous product liability claims, particularly in the United States. At Dorel, there is an ongoing effort to improve quality control and to ensure the safety of its products. The Company is insured to mitigate its product liability exposure. No assurance can be given that a judgment will not be rendered against it in an amount exceeding the amount of insurance coverage or in respect of a claim for which Dorel is not insured. During the year ended December 30, 2013 an amount of $6.0 million was recorded in restructuring and other costs relating to the settlement of a U.S. car seat case.

Income Taxes
The Company’s current organizational structure has resulted in a comparatively low effective income tax rate. This structure and the resulting tax rate are supported by current domestic tax laws in which the Company operates and by the interpretation and application of these tax laws. The rate can also be affected by the application of income tax treaties between these various jurisdictions. Unanticipated changes to these interpretations and applications of current domestic tax laws, or to the tax rates and treaties, could impact the effective income tax rate of the Company going forward.

Product and Brand Development
To support continued revenue growth, the Company must continue to update existing products, design innovative new items, develop strong brands and make significant capital investments. The Company has invested heavily in product development and plans to keep it at the centre of its focus. In addition, the Company must continue to maintain, develop and strengthen its end-user brands. Should the Company invest in or design products that are not accepted in the marketplace, or if its products are not brought to market in a timely manner, and in certain cases, fail to be approved by the appropriate regulatory authorities, this could negatively impact future growth.

Regulatory Environment
The Company operates in certain industries which are highly regulated and as such operates within constraints imposed by various regulatory authorities. In recent years greater concern regarding product safety has resulted in more onerous regulations being placed on the Company as well as on all of the Company’s competitors operating in these industries. Dorel has always operated within this environment and has always placed a great deal of resources on meeting these obligations, and is therefore well positioned to meet these regulatory requirements. However, any future regulations that would require additional costs could have an impact on the Company going forward.

Liquidity and Access to Capital Resources
Dorel requires continued access to capital markets to support its activities. Part of the Company’s long-term strategy is to grow through the acquisition of complementary businesses that it believes will enhance the value of the Company for its shareholders. To satisfy its financing needs, the Company relies on long-term and short-term debt and cash flow from operations. Any impediments to the Company’s ability to access capital markets, including significant changes in market interest rates, general economic conditions or the perception in the capital markets of the Company’s financial condition or prospects, could have a material adverse effect on the Company’s financial condition and results of operation.
Valuation of Goodwill and other Intangible Assets

As part of its annual impairment tests, the value of goodwill and other indefinite life intangible assets are subject to significant assumptions, such as future expected cash flows and assumed discount and weighted average cost of capital rates. In addition, the value of customer relationships and supplier relationship recognized includes significant assumptions in reference to customer attrition rates and useful lives. Should current market conditions adversely affect the Company’s expectations of future results, this could result in a non-cash impairment being recognized at some point in the future. Additionally, in the current market environment, some of the other assumptions could be impacted by factors beyond the Company’s control. For example, more conservative risk assumptions could materially affect these valuations and could require a downward adjustment in the value of these intangible assets in the future.

The Company performs its impairment tests of goodwill and intangible assets with indefinite useful lives (trademarks) during the fourth quarter or more frequently if an impairment indicator is triggered. After taking into consideration the impairment losses on goodwill and trademarks recorded in the fourth quarter of 2014 which was explained in section 3 “Operating Results” of this MD&A, the Company completed a reconciliation of the sum of the estimated fair values of its CGUs to its market capitalization. The Company’s market capitalization was determined by multiplying the number of Class “A” and Class “B” shares outstanding as at October 31, 2014 by the market price of the Company’s total shares as at October 31, 2014. The accounting principles regarding goodwill acknowledge that the observed market prices of individual trades of a company’s stock (and thus its computed market capitalization) may not be representative of the fair value of the company as a whole. The Company believes that market capitalization alone does not capture the fair value of the business as a whole, or the substantial value that an acquirer would obtain from its ability to obtain control of the business. The amount of the control premium in excess of the Company’s market capitalization requires significant judgment and the Company has observed recent market transactions as a guide to establish a range of reasonably possible control premiums to estimate the Company’s fair value. The Company also considers the following qualitative items that cannot be accurately quantified and are based upon the beliefs of management, but provide additional support for the explanation of the remaining difference between the estimated fair values of the Company’s CGUs and its market capitalization:

- The Company’s stock has relatively low trading volume;
- Previously unseen pressures are in place given the global financial and economic crises.

As described above, the Company’s share price and control premium are significant factors in assessing the Company’s fair value for purposes of the goodwill impairment assessment. The Company’s share price can be affected by, among other things, changes in industry or market conditions, including the effect of competition, changes in our results of operations, and changes in our forecasts or market expectations relating to future results. In the last 52 week range, the Company’s share price has fluctuated significantly from a high of CAD$42.12 and a low of CAD$31.98. The Company will continue to monitor market trends in the business, the related expected cash flows and the calculation of market capitalization for purposes of identifying possible indicators of impairment. Should the Company’s market capitalization decline or the Company has other indicators of impairment, the Company would be required to perform a goodwill impairment test. Additionally, the Company would then be required to review its remaining non-financial assets for impairment.

9. OTHER INFORMATION

The designation, number and amount of each class and series of its shares outstanding as of March 26, 2015 are as follows:

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, and;

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:

<table>
<thead>
<tr>
<th>Class A</th>
<th></th>
<th>Class B</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
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<td>$(000)</td>
<td>Number</td>
<td>$(000)</td>
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</tr>
<tr>
<td>4,195,135</td>
<td>1,771</td>
<td>28,126,876</td>
<td>198,257</td>
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<td>200,028</td>
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</table>

Outstanding stock options, Deferred Share Units, cash-settled Share Appreciation Rights and cash-settled Performance Share Units are disclosed in Note 24 to the Consolidated Financial Statements. There were no significant changes to these values in the period between the year end and the date of the preparation of this MD & A.

In October 2014, the Company received a gross proceeds of $120 million from the issuance of convertible debentures. These convertible debentures are convertible at any time at the holder’s option in the Company’s Class “B” Subordinate Voting Shares at a conversion price of $46.75 per share. This represents a conversion rate of 21.3904 Class “B” Subordinate Voting Shares per $1 principal amount of convertible debentures. Further information on the convertible debentures can be found in Note 18 of the December 30, 2014 Consolidated Financial Statements.

10. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures (“DC&P”)
National Instrument 52-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings”, issued by the Canadian Securities Administrators requires that the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) certify that they are responsible for establishing and maintaining DC&P for the Company, that DC&P have been designed and are effective in providing reasonable assurance that material information relating to the Company is made known to them, that they have evaluated the effectiveness of the Company’s DC&P and that their conclusions about the effectiveness of those DC&P at the end of the period covered by the relevant annual filings have been disclosed by the Company.

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-president, Chief Financial Officer and Secretary, management has evaluated the design and operating effectiveness of the Company’s DC&P as at December 30, 2014 and have concluded that those DC&P were appropriately designed and operating effectively in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

Internal controls over financial reporting (“ICFR”)
National Instrument 52-109 also requires the CEO and CFO to certify that they are responsible for establishing and maintaining ICFR for the Company, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards, and that the Company has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its ICFR.

During 2014, management evaluated the Company’s ICFR to ensure that they have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards. Management has used the Internal Control-Integrated Framework (2013) to evaluate the effectiveness of ICFR, which is a recognized and suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-president, Chief Financial Officer and Secretary, management has evaluated the ICFR as at December 30, 2014 and have concluded that those internal controls were appropriately designed and were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards.
Limitation on scope of design
The Company has limited the scope of its DC&P and ICFR to exclude controls, policies and procedures of a business acquired not more than 365 days before the last day of the period covered by the annual filing. The Company elected to exclude the juvenile business of the Lerado Group as allowed by National Instrument 52-109 and in accordance with practices accepted by the Autorités des Marchés Financiers.

The table below presents the summary financial information included in the Company’s Consolidated Financial Statements for the excluded acquired business:

<table>
<thead>
<tr>
<th>Juvenile business of Lerado Group</th>
<th>November 3 - December 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$29,974</td>
</tr>
<tr>
<td>Operating Profit (1)</td>
<td>$(1,009)</td>
</tr>
</tbody>
</table>

(1) Excludes acquisition related costs incurred since the beginning of the year.

11. LOCAL STATUTORY DISCLOSURE REQUIREMENTS

On April 22, 2014, Caloi issued approximately $37.6 million (BRL 100.0 million) of non-convertible unsecured debentures in Brazil bearing interest at various rates per annum, based on a floating CDI (Inter-Bank Certificate of Deposit) rate plus a margin. The principal repayments of the debentures are 6 semi-annual instalments of $5.4 million (BRL 14.3 million) payable in March and September of each year from March 2016 until September 2018 and 1 final semi-annual instalment of $5.5 million (BRL 14.5 million) in March 2019.

Brazilian regulatory legislation requires that Caloi publish statutory financial statements due to its issuance of debentures in its local market. As such, the following summary financial information of Caloi is provided in the table below:

<table>
<thead>
<tr>
<th>Caloi Norte SA</th>
<th>For the year ended December 30</th>
<th>August 22 - December 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$122,360</td>
<td>$60,320</td>
</tr>
<tr>
<td>Operating profit (1)</td>
<td>$7,288</td>
<td>$6,974</td>
</tr>
</tbody>
</table>

(1) Excludes acquisition related costs incurred.
Caloi Norte SA
Selected financial information from the financial position

<table>
<thead>
<tr>
<th></th>
<th>As at December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$68,602</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>$40,503</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$37,954</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>$48,170</td>
</tr>
</tbody>
</table>

12. CAUTION REGARDING FORWARD LOOKING INFORMATION

Certain statements included in this MD&A may constitute “forward-looking statements” within the meaning of applicable Canadian securities legislation. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the Company’s expectations expressed in or implied by such forward-looking statements and that the objectives, plans, strategic priorities and business outlook may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize, or if any of them do, what benefits the Company will derive from them. Forward-looking statements are provided in this MD&A for the purpose of giving information about Management’s current expectations and plans and allowing investors and others to get a better understanding of the Company’s operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this MD&A are based on a number of assumptions that the Company believed were reasonable on the day it made the forward-looking statements. Factors that could cause actual results to differ materially from the Company’s expectations expressed in or implied by the forward-looking statements include: general economic conditions; changes in product costs and supply channel; foreign currency fluctuations; customer and credit risk including the concentration of revenues with few customers; costs associated with product liability; changes in income tax legislation or the interpretation or application of those rules; the continued ability to develop products and support brand names; changes in the regulatory environment; continued access to capital resources and the related costs of borrowing; changes in assumptions in the valuation of goodwill and other intangible assets; and there being no certainty that the Company’s current dividend policy will be maintained. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking statements are discussed throughout this MD&A and, in particular, under Market Risks and Uncertainties.

The Company cautions readers that the risks described above are not the only ones that could impact it. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also have a material adverse effect on the Company’s business, financial condition or results of operations. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.
MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the consolidated financial statements and the financial information presented in this annual report. This responsibility includes the selection of accounting policies and practices and making judgments and estimates necessary to prepare the consolidated financial statements.

Management has also prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being produced.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, which is comprised solely of independent directors. The consolidated financial statements have been audited by the independent auditors KPMG LLP, whose report follows.

Martin Schwartz  Jeffrey Schwartz
President and Chief Executive Officer  Executive Vice-President, Chief Financial Officer
and Secretary
INDEPENDENT AUDITORS’ REPORT

To the Shareholders of Dorel Industries Inc.

We have audited the accompanying consolidated financial statements of Dorel Industries Inc. (“the Company”), which comprise the consolidated statements of financial position as at December 30, 2014 and 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dorel Industries Inc. as at December 30, 2014 and 2013 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Montreal, Canada
March 30, 2015

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. KPMG Canada provides services to KPMG LLP.
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 30, 2014 and 2013  
(All figures in thousands of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>As at December 30, 2014</th>
<th>As at December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSET</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 30)</td>
<td>471,011</td>
<td>400,741</td>
</tr>
<tr>
<td>Trade and other receivables (Note 8)</td>
<td>4,747,041</td>
<td>456,465</td>
</tr>
<tr>
<td>Inventories (Note 9)</td>
<td>633,022</td>
<td>555,567</td>
</tr>
<tr>
<td>Other financial assets (Note 10)</td>
<td>4,299</td>
<td>231</td>
</tr>
<tr>
<td>Income taxes receivable</td>
<td>15,731</td>
<td>11,626</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>25,343</td>
<td>26,200</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,200,200</td>
<td>1,090,163</td>
</tr>
<tr>
<td>Assets held for sale (Note 6)</td>
<td>1,308</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>1,201,508</strong></td>
<td><strong>1,090,163</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>As at December 30, 2014</th>
<th>As at December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment (Note 11)</td>
<td>226,893</td>
<td>181,299</td>
</tr>
<tr>
<td>Intangible assets (Notes 12 and 13)</td>
<td>519,798</td>
<td>500,381</td>
</tr>
<tr>
<td>Goodwill (Note 13)</td>
<td>544,782</td>
<td>637,084</td>
</tr>
<tr>
<td>Other financial assets (Note 10)</td>
<td>571</td>
<td>620</td>
</tr>
<tr>
<td>Deferred tax assets (Note 28)</td>
<td>31,009</td>
<td>24,356</td>
</tr>
<tr>
<td>Other assets (Note 14)</td>
<td>5,398</td>
<td>6,060</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td>1,328,451</td>
<td>1,349,800</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>2,529,959</strong></td>
<td><strong>2,439,963</strong></td>
</tr>
</tbody>
</table>

See accompanying notes.
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

### As at December 30, 2014 and 2013

(All figures in thousands of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>As at December 30, 2014</th>
<th>As at December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank indebtedness (Note 15)</td>
<td>27,053</td>
<td>72,546</td>
</tr>
<tr>
<td>Trade and other payables (Note 16)</td>
<td>490,527</td>
<td>379,311</td>
</tr>
<tr>
<td>Other financial liabilities (Note 10)</td>
<td>1,655</td>
<td>3,231</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>19,046</td>
<td>7,075</td>
</tr>
<tr>
<td>Long-term debt (Note 18)</td>
<td>62,556</td>
<td>344,374</td>
</tr>
<tr>
<td>Provisions (Note 19)</td>
<td>37,727</td>
<td>44,570</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>638,564</td>
<td>851,107</td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt (Note 18)</td>
<td>490,188</td>
<td>13,183</td>
</tr>
<tr>
<td>Net pension and post-retirement defined benefit liabilities (Note 22)</td>
<td>46,128</td>
<td>31,701</td>
</tr>
<tr>
<td>Deferred tax liabilities (Note 28)</td>
<td>89,199</td>
<td>87,171</td>
</tr>
<tr>
<td>Provisions (Note 19)</td>
<td>1,765</td>
<td>1,993</td>
</tr>
<tr>
<td>Written put option and forward purchase agreement liabilities (Note 17)</td>
<td>44,640</td>
<td>92,570</td>
</tr>
<tr>
<td>Other financial liabilities (Note 10)</td>
<td>2,063</td>
<td>2,727</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>10,428</td>
<td>12,751</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT LIABILITIES</strong></td>
<td>684,411</td>
<td>242,096</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital (Note 23)</td>
<td>199,927</td>
<td>190,458</td>
</tr>
<tr>
<td>Contributed surplus</td>
<td>25,691</td>
<td>26,994</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>(20,579)</td>
<td>67,824</td>
</tr>
<tr>
<td>Other equity</td>
<td>579</td>
<td>—</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,001,366</td>
<td>1,061,484</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>1,206,984</td>
<td>1,346,760</td>
</tr>
<tr>
<td><strong>COMMITMENTS AND GUARANTEES (Note 26)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CONTINGENCIES (Note 27)</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes.

**ON BEHALF OF THE BOARD**

[Signatures of Directors]
<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>2,661,559</td>
<td>2,417,291</td>
</tr>
<tr>
<td>Licensing and commission income</td>
<td>15,995</td>
<td>18,158</td>
</tr>
<tr>
<td>TOTAL REVENUE</td>
<td>2,677,554</td>
<td>2,435,449</td>
</tr>
<tr>
<td>Cost of sales (Note 6)</td>
<td>2,072,230</td>
<td>1,875,737</td>
</tr>
<tr>
<td>GROSS PROFIT</td>
<td>605,324</td>
<td>559,712</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>235,776</td>
<td>231,724</td>
</tr>
<tr>
<td>General and administrative expenses (Note 3)</td>
<td>210,691</td>
<td>194,190</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>36,111</td>
<td>32,905</td>
</tr>
<tr>
<td>Restructuring and other costs (Note 6)</td>
<td>18,781</td>
<td>19,575</td>
</tr>
<tr>
<td>Impairment losses on goodwill and trademarks (Notes 12, 13 and 32)</td>
<td>125,821</td>
<td>—</td>
</tr>
<tr>
<td>OPERATING PROFIT (LOSS)</td>
<td>(21,856)</td>
<td>81,318</td>
</tr>
<tr>
<td>Finance expenses (Notes 3, 17 and 31)</td>
<td>8,073</td>
<td>18,665</td>
</tr>
<tr>
<td>INCOME (LOSS) BEFORE INCOME TAXES</td>
<td>(29,929)</td>
<td>62,653</td>
</tr>
<tr>
<td>Income taxes (Note 28)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>11,688</td>
<td>15,680</td>
</tr>
<tr>
<td>Deferred</td>
<td>(20,348)</td>
<td>(10,696)</td>
</tr>
<tr>
<td></td>
<td>(8,660)</td>
<td>4,984</td>
</tr>
<tr>
<td>NET INCOME (LOSS)</td>
<td>(21,269)</td>
<td>57,669</td>
</tr>
<tr>
<td>EARNINGS (LOSS) PER SHARE (Note 29)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>(0.66)</td>
<td>1.81</td>
</tr>
<tr>
<td>Diluted</td>
<td>(0.66)</td>
<td>1.79</td>
</tr>
</tbody>
</table>

See accompanying notes.
### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 30, 2014 and 2013

(All figures in thousands of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET INCOME (LOSS)</strong></td>
<td>$ (21,269)</td>
<td>$ 57,669</td>
</tr>
<tr>
<td><strong>OTHER COMPREHENSIVE INCOME (LOSS):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Items that are or may be reclassified subsequently to net income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cumulative translation account:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in unrealized foreign currency gains (losses) on translation of net investments in foreign operations, net of tax of nil</td>
<td>(84,220)</td>
<td>8,987</td>
</tr>
<tr>
<td><strong>Net changes in cash flow hedges:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in unrealized gains (losses) on derivatives designated as cash flow hedges</td>
<td>6,425</td>
<td>(1,706)</td>
</tr>
<tr>
<td>Reclassification to income</td>
<td>956</td>
<td>1,005</td>
</tr>
<tr>
<td>Reclassification to the related non-financial asset</td>
<td>(1,488)</td>
<td>(314)</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(1,559)</td>
<td>(103)</td>
</tr>
<tr>
<td></td>
<td>4,334</td>
<td>(1,118)</td>
</tr>
<tr>
<td><strong>Items that will not be reclassified to net income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined benefit plans:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of the net pension and post-retirement defined benefit liabilities (Note 22)</td>
<td>(14,021)</td>
<td>3,972</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>5,504</td>
<td>(1,636)</td>
</tr>
<tr>
<td></td>
<td>(8,517)</td>
<td>2,336</td>
</tr>
<tr>
<td><strong>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</strong></td>
<td>(88,403)</td>
<td>10,205</td>
</tr>
<tr>
<td><strong>TOTAL COMPREHENSIVE INCOME (LOSS)</strong></td>
<td>(109,672)</td>
<td>67,874</td>
</tr>
</tbody>
</table>

See accompanying notes.
<table>
<thead>
<tr>
<th></th>
<th>Share Capital</th>
<th>Contributed Surplus</th>
<th>Accumulated other comprehensive income</th>
<th>Defined Benefit Plans</th>
<th>Other Equity</th>
<th>Retained Earnings</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at December 30, 2012</strong></td>
<td>$180,856</td>
<td>$27,192</td>
<td>$66,391</td>
<td>$(1,036)</td>
<td>$(7,736)</td>
<td>$1,042,446</td>
<td>$1,308,113</td>
</tr>
<tr>
<td><strong>Total comprehensive income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>—</td>
<td>—</td>
<td>$8,987</td>
<td>$(1,118)</td>
<td>2,336</td>
<td>—</td>
<td>$10,205</td>
</tr>
<tr>
<td>Issued under stock option plan (Note 23)</td>
<td>7,605</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td>7,605</td>
</tr>
<tr>
<td>Reclassification from contributed surplus due to exercise of stock options (Note 23)</td>
<td>1,838</td>
<td>$(1,838)</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification from contributed surplus due to settlement of deferred share units (Notes 23 and 24)</td>
<td>227</td>
<td>$(347)</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td>$(120)</td>
</tr>
<tr>
<td>Repurchase and cancellation of shares (Note 23)</td>
<td>(68)</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td>(68)</td>
</tr>
<tr>
<td>Premium paid on share repurchase (Note 23)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based payments (Note 24)</td>
<td>—</td>
<td>1,794</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td>1,794</td>
</tr>
<tr>
<td>Dividends on common shares (Note 23)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on deferred share units (Note 24)</td>
<td>—</td>
<td>193</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td>(193)</td>
</tr>
<tr>
<td><strong>Balance as at December 30, 2013</strong></td>
<td>$190,458</td>
<td>$26,994</td>
<td>$75,378</td>
<td>$(2,154)</td>
<td>$(5,400)</td>
<td>$1,061,484</td>
<td>$1,346,760</td>
</tr>
<tr>
<td><strong>Total comprehensive loss:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
<td>$(21,269)</td>
<td>$(21,269)</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>—</td>
<td>—</td>
<td>$(84,220)</td>
<td>4,334</td>
<td>(8,517)</td>
<td>—</td>
<td>$(88,403)</td>
</tr>
<tr>
<td>Issued under stock option plan (Note 23)</td>
<td>—</td>
<td>—</td>
<td>$(84,220)</td>
<td>4,334</td>
<td>(8,517)</td>
<td>$(21,269)</td>
<td>$(109,672)</td>
</tr>
<tr>
<td>Reclassification from contributed surplus due to exercise of stock options (Note 23)</td>
<td>1,924</td>
<td>$(1,924)</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification from contributed surplus due to settlement of deferred share units (Notes 23 and 24)</td>
<td>264</td>
<td>$(484)</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td>$(220)</td>
</tr>
<tr>
<td>Share-based payments (Note 24)</td>
<td>—</td>
<td>907</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td>907</td>
</tr>
<tr>
<td>Equity component of convertible debentures, net of tax of $727 (Note 18)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td>$2,037</td>
</tr>
<tr>
<td>Remeasurement of written put option liabilities (Note 17)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$(1,458)</td>
<td>—</td>
<td>$(1,458)</td>
<td></td>
</tr>
<tr>
<td>Dividends on common shares (Note 23)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
<td>$(38,651)</td>
<td>$(38,651)</td>
<td></td>
</tr>
<tr>
<td>Dividends on deferred share units (Note 24)</td>
<td>—</td>
<td>198</td>
<td>—</td>
<td></td>
<td>—</td>
<td>$(198)</td>
<td></td>
</tr>
<tr>
<td><strong>Balance as at December 30, 2014</strong></td>
<td>$199,927</td>
<td>$25,691</td>
<td>$(8,842)</td>
<td>2,180</td>
<td>$(13,917)</td>
<td>$579</td>
<td>$1,206,984</td>
</tr>
</tbody>
</table>

See accompanying notes.
## CONSOLIDATED STATEMENTS OF CASH FLOWS

*For the years ended December 30, 2014 and 2013 (All figures in thousands of U.S. dollars)*

### 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income (Loss)</td>
<td>$(21,269)</td>
</tr>
<tr>
<td><strong>Items not involving cash:</strong></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 11 and 12)</td>
<td>$65,436</td>
</tr>
<tr>
<td>Impairment losses on goodwill and trademarks (Note 13)</td>
<td>$125,821</td>
</tr>
<tr>
<td>Unrealized losses (gains) arising on financial assets and financial liabilities classified as held for trading</td>
<td>$92</td>
</tr>
<tr>
<td>Finance expenses (Note 31)</td>
<td>$8,073</td>
</tr>
<tr>
<td>Restructuring costs (Note 6)</td>
<td>$4,892</td>
</tr>
<tr>
<td>Income taxes expense (recovery) (Note 28)</td>
<td>$(8,660)</td>
</tr>
<tr>
<td>Share-based payments (Note 24)</td>
<td>$763</td>
</tr>
<tr>
<td>Defined benefit pension and post-retirement costs (Note 22)</td>
<td>$2,544</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>$617</td>
</tr>
</tbody>
</table>

### CASH PROVIDED BY OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$101,648</td>
</tr>
</tbody>
</table>

### FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank indebtedness</td>
<td>$(41,483)</td>
</tr>
<tr>
<td>Increase of long-term debt</td>
<td>$249,033</td>
</tr>
<tr>
<td>Repayments of long-term debt</td>
<td>$(26,926)</td>
</tr>
<tr>
<td>Repayments of written put option and forward purchase agreement liabilities (Note 17)</td>
<td>$(1,600)</td>
</tr>
<tr>
<td>Financing costs</td>
<td>$(6,740)</td>
</tr>
<tr>
<td>Share repurchase (Note 23)</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of share capital (Note 23)</td>
<td>$7,241</td>
</tr>
<tr>
<td>Dividends on common shares (Note 23)</td>
<td>$(38,651)</td>
</tr>
</tbody>
</table>

### CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$140,874</td>
</tr>
</tbody>
</table>

### INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of businesses (Notes 7 and 30)</td>
<td>$(170,551)</td>
</tr>
<tr>
<td>Additions to property, plant and equipment (Notes 11 and 30)</td>
<td>$(35,745)</td>
</tr>
<tr>
<td>Disposals of property, plant and equipment</td>
<td>$903</td>
</tr>
<tr>
<td>Additions to intangible assets (Notes 12 and 30)</td>
<td>$(22,109)</td>
</tr>
</tbody>
</table>

### CASH USED IN INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(227,502)</td>
</tr>
</tbody>
</table>

### EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(7,993)</td>
</tr>
</tbody>
</table>

### NET INCREASE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,027</td>
</tr>
</tbody>
</table>

### Cash and cash equivalents, beginning of year

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$40,074</td>
</tr>
</tbody>
</table>

### CASH AND CASH EQUIVALENTS, END OF YEAR (Note 30)

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$47,101</td>
</tr>
</tbody>
</table>

See accompanying notes.
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 Dorel Juvenile, Dorel Sports and Dorel Home Furnishings segments. The principal markets for the Company’s products are the United States, Canada, Europe and Latin America. The principal activities of the Company are described in Note 32. The Company is incorporated and domiciled in Canada whose shares are traded on the Toronto Stock Exchange. The registered office is in Montreal, Québec.

NOTE 2 – STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND MEASUREMENT

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the International Accounting Standards Board (“IASB”), using the U.S. dollar as the reporting currency. The U.S. dollar is the functional currency of the Canadian parent company. All financial information is presented in U.S. dollars and has been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a historical basis except for:

- derivative financial instruments which are measured at fair value;
- written put option and forward purchase agreement liabilities which are measured at fair value;
- share-based compensation arrangements which are measured in accordance with IFRS 2 – Share-based payments;
- identifiable assets acquired and liabilities assumed in connection with a business combination which are measured at fair value at acquisition date;
- the net pension and post-retirement defined benefit liabilities which are measured as the net total of plan assets measured at fair value less the discounted present value of the defined benefit obligations; and
- product liability which is measured at its discounted present value.

These consolidated financial statements were authorized by the Company’s Board of Directors for issue on March 30, 2015.

NOTE 3 – CHANGES IN ACCOUNTING POLICIES

The following are changes in accounting policies applied by the Company in the preparation of these consolidated financial statements.

Change in Accounting Policy Related to the Accounting of a Written Put Option

In the fourth quarter of 2014, the Company changed its accounting policy related to the remeasurement of the fair value of the written put option related to Dorel Juvenile Brazil. Historically, the remeasurement was accounted for through the consolidated income statement. The Company’s new accounting policy is to account for the changes in the fair value of the put option financial liability as an equity transaction through the other equity account. The Company has determined that this presentation is more indicative of the underlying transaction between the equity holders and as such is a more reliable and relevant presentation for the remeasurement of the written put option. The Company has determined that the retrospective impact of this change in accounting policy was not material to previously issued consolidated statements of financial position or consolidated income statements and therefore no reclassification was done.
NOTE 3 – CHANGES IN ACCOUNTING POLICIES (continued)

Reclassification of Certain Costs Related to the Forward Purchase Agreements

In the fourth quarter of 2014, the Company reclassified the forward purchase agreements unrealized (gains) losses due to foreign exchange exposure and the remeasurement due to change in assumptions from general and administrative expenses to finance expenses as it was determined that these items were more representative of finance expenses and that it will result in a more reliable and relevant presentation. The Company was already recognizing the accretion expense on the forward purchase agreement within finance expenses, therefore no reclassification was required pertaining to the accretion expense. As a result, the forward purchase agreement liabilities are remeasured to fair value and any subsequent changes are recognized as finance expenses in the consolidated income statements. This new accounting policy did not have an impact on income taxes expense, net income, earnings per share, the consolidated statements of financial position, comprehensive income or cash flows.

Reclassification of certain other costs

The Company has reclassified certain other costs from general and administrative expenses as presented in Note 6 to conform to the current year presentation.

The above reclassifications have been applied retrospectively by the Company.

The following table illustrates the impact of the reclassifications:

<table>
<thead>
<tr>
<th>Consolidated income statement:</th>
<th>Year Ended December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As presented</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>197,152</td>
</tr>
<tr>
<td>Restructuring and other costs</td>
<td>11,357</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>23,921</td>
</tr>
<tr>
<td>Net income</td>
<td>57,669</td>
</tr>
</tbody>
</table>

IFRIC Interpretation 21 – Levies (IFRIC 21)

IFRIC 21 was issued by the IASB in May 2013. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, Income Taxes and fines or other penalties imposed for breaches of the legislation. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies: (i) the liability is recognized progressively if the obligating event occurs over a period of time, and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. The standard is effective for annual periods beginning January 1, 2014 and in the fourth quarter of 2014, the Company early adopted this standard. The adoption of IFRIC 21 did not have an impact on the Company’s consolidated financial statements.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES

Except for the changes in accounting policies described above in Note 3, the accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements of all years presented and have been applied consistently by the Company’s entities. Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the 2014 financial statement presentation.

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 30, 2014. The Company consolidates a 100% interest in all its material subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights to, variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are prepared with the same reporting period of the Company. The accounting policies of subsidiaries have been changed when necessary to align them with the policies of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

b) Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS 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 following:

- carrying values of goodwill and intangibles with indefinite lives (see Note 13);
- fair value measurement of written put option and forward purchase agreement liabilities (see Notes 17 and 20);
- classification, measurement and allocation of the convertible debentures consideration between the liability and the equity component (Note 18);
- valuation allowances for trade receivables (see Notes 8 and 20) and inventories (see Note 9);
- provisions, including product liability, accrual of product warranties, liabilities for potential litigation claims and settlements (see Note 19);
- the establishment of a worldwide provision for income taxes including deferred tax liabilities and the determination of the realizable value of deferred tax assets (see Note 28); and
- fair value measurement of the identifiable assets acquired, liabilities assumed and consideration transferred of the acquired businesses (see Note 7).

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 and in any future periods affected. Actual results could differ from those estimates and such differences could be material.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Judgments

Accounting can involve using judgment, which includes making estimates and assumptions at the date of the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effect of any change is recognized immediately. The most critical judgments in applying the accounting policies are described below:

• **Goodwill and intangible assets with indefinite useful lives:**
  Goodwill and intangible assets with indefinite useful lives are allocated to a cash generating unit (CGU) or group of CGUs and tested for impairment by comparing the carrying value of the CGU, including allocated goodwill and intangible assets, to the recoverable amount. The recoverable amount is defined as the higher of fair value less costs to sell and value in use. Significant management estimates are required to determine both fair value and value in use. Estimates of fair value, selling costs or the discounted future cash flows related to the CGUs are required. Differences in estimates could affect whether goodwill or intangible assets with indefinite useful lives are in fact impaired and the dollar amount of that impairment.

• **Written put option and forward purchase agreements:**
  The Company uses judgment to determine whether there is a written put option or forward purchase agreement in place in certain newly incorporated subsidiaries or business acquisitions when there is a non-controlling shareholder. Management’s judgment impacts whether the remeasurement of the written put option or forward purchase agreement is accounted for as other equity or as finance expenses.

• **Provisions:**
  A provision is recognized if the Company has a present legal or constructive obligation, as a result of past events, that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Management must use judgment in determining whether all of the above three conditions have been met to recognize a provision or whether a contingent liability is in existence at the reporting date.

  Management formulates a reliable estimate for the obligation once the applicable criteria have been satisfied to recognize the liability. Management’s estimate is based on the likelihood and timing of economic outflows, discount rates, historical experience, nature of provision, opinions of legal counsel and other advisors and if there is a claim amount. Provisions and contingencies can vary materially from management’s initial estimate and affect future consolidated financial statements.

• **Income taxes:**
  The Company’s income tax provision is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. Management’s estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities.

• **Allowances for sales returns and other customer programs:**
  At the time revenue is recognized, 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. These estimates are based on agreements with applicable customers, historical experience with the customers and/or product and other relevant factors.

  Historical sales returns, changes in internal credit policies and customer concentrations are used when evaluating the adequacy of the allowances for sales returns. Actual results can differ greatly from management’s estimates.
c) Judgments (continued)

- **Inventory valuation:**
  The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand declines. If actual market conditions are less favourable than previously projected, or if liquidation of the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

- **Allowance for doubtful accounts:**
  The Company is required to make an assessment of whether trade receivables are collectible. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other revenue adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

d) **Revenue Recognition**

Sales are recognized at the fair value of the consideration received or receivable when:

- the risks and rewards of ownership have been transferred to the customer;
- there is no continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- the recovery of the consideration is probable; and
- the associated costs and possible return of goods can be measured reliably.

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 for sales and return allowances are made at the time of product shipment. Sales are reported net of these provisions and exclude sales taxes.

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the commission earned by the Company. Licensing and commission income is recognized based on the contract terms on an accrual basis.

e) **Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less. Cash and cash equivalents are classified as a financial asset as loans and receivables and measured at amortized cost using the effective interest rate method.

f) **Inventories**

Inventories are measured 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;
- 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, including manufacturing depreciation expense. The allocation of fixed production overhead to the cost of inventories is based on a normal range of capacity of the production facilities. Normal capacity is the average production expected to be achieved over a number of periods under normal circumstances.
- Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Inventories (continued)

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down.

g) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset, such as the purchase price or manufacturing cost, capitalized borrowing costs, as well as other costs incurred in bringing the asset to its present location and condition.

Finance leases where substantially all the risks and rewards of ownership are transferred to the Company are included in property, plant and equipment. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Property, plant and equipment are depreciated as follows:

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

When significant parts of a property, plant and equipment have different useful lives, they are accounted for as a separate component of the asset and depreciated over their useful lives as described above.

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of assets not in service, from the date they are ready for their intended use.

The capitalized value of depreciable assets under finance leases are amortized over the period of expected use, on a basis that is consistent with the above depreciation methods and rates. Assets not in service include expenditures incurred to date for plant expansions which are still in process, and property, plant and equipment not yet in service as at the statement of financial position date.

Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

The property, plant and equipment’s residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

i) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalized development and patent costs, are not capitalized and the expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The residual value, amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end and adjusted prospectively, if applicable. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates which are accounted for prospectively.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently if an impairment indicator is identified, either individually or at the CGU level. Indefinite life intangible assets are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost and are the subject of continuous marketing support. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which the expenditure relates. All other expenditures, including those on internally generated intangible assets are recognized in the consolidated income statement as incurred.

Intangible assets comprise the following:

- **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 may be impaired.

- **Customer Relationships**
  Customer relationships are acquired as part of business acquisitions and are amortized on a straight-line basis over a period of 9 to 25 years.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Intangible Assets (continued)

• Supplier Relationship
  Supplier relationship that was 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.

• Land Use Rights
  Land use rights are amortized on a straight-line basis over the term of the land use rights over a period of 50 years or 70 years.

• Software Licences
  Software licences are amortized on a straight-line basis over their expected useful life of 10 years.

• 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 all of the following can be demonstrated:

  - The technical feasibility of completing the intangible asset so that it will be available for use or sale;
  - The intention to complete the intangible asset and use or sell it;
  - The ability to use or sell the intangible asset;
  - How the intangible asset will generate future economic benefits;
  - The availability of adequate resources to complete the development and to use or sell the intangible asset; and
  - The ability to measure reliably the expenditure attributable to the intangible asset during development.

  Initial capitalization of costs is based on management’s judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project.

  Following initial recognition of the deferred development costs as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Deferred development costs are amortized on a straight-line basis over a period of two years or are expensed immediately if capitalized projects are not completed.

j) Business Combinations and Related Goodwill

Business Combinations and Related Goodwill

Business acquisitions are accounted for using the acquisition method as at the acquisition date, when control is transferred. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any liability and equity interests issued by the Company on the date control of the acquired company is obtained. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Company measures goodwill as the fair value for the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized immediately in the consolidated income statement as a gain from a bargain purchase. The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Business Combinations and Related Goodwill (continued)

Business Combinations and Related Goodwill (continued)
Restructuring, transaction costs other than those associated with the issue of debt or equity securities, and other direct costs of a business combination are not considered part of the business acquisition transaction and are expensed as incurred.

Subsequent Recognition of Goodwill
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is not amortized but tested for impairment at least annually and upon occurrence of an indication of impairment. The impairment testing process is described in the appropriate section of these accounting policies.

Where goodwill forms part of a CGU unit and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

k) Written Put Options

As part of certain incorporation of subsidiaries, the Company has written put options to acquire the non-controlling interest holders stake. Under the terms of these agreements, the holders of the non-controlling interest has an option to sell their stake in the respective companies at a formulaic variable price based mainly on the earnings levels in future periods (the “exit price”). The agreements do not include a minimum exit price.

When the put option granted to the non-controlling shareholders provides for settlement in cash or in another financial asset by the Company, the Company is required to recognize a liability for the present value of the exercise price of the put option.

In accounting for this transaction, the Company applies the anticipated acquisition method of accounting. Under this method of accounting, the written put option is accounted for as if the put option had already been exercised and satisfied by the non-controlling shareholders. As a result, the underlying interests are presented as already owned by the Company in the consolidated statements of financial position, the consolidated income statements and the consolidated statements of comprehensive income, even though legally they are still considered non-controlling interest. In other words, profits and losses attributable to the holders of the non-controlling interest that are subject to the put option are presented as attributable to the Company and not as attributable to those non-controlling shareholders.

The written put options are considered financial liabilities and are initially recognized at the present value of the exercise price of the put. The Company has chosen to account for the remeasurement of the written put option liability at each reporting period within the other equity account.

l) Forward Purchase Agreements

As part of certain business combinations, the Company has entered into forward purchase agreements to purchase the non-controlling interest holders stake in the respective companies. Under the forward purchase agreements the Company will acquire the non-controlling interest in the future at a formulaic variable price based mainly on the earnings levels in future periods (the “exit price”). The agreements do not include a specified minimum amount for the forward purchase price.

When the forward granted to the non-controlling shareholders provides for settlement in cash or in another financial asset by the Company, the Company is required to recognize a liability for the present value of the exercise price of the forward.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Forward Purchase Agreements (continued)

In accounting for this transaction, the Company applies the anticipated acquisition method of accounting. Under this method of accounting, the forward purchase agreement is accounted for on the acquisition date as if the forward had already been exercised and satisfied by the non-controlling shareholders. As a result, the underlying interests are presented as already owned by the Company in the consolidated statements of financial position, the consolidated income statements and the consolidated statements of comprehensive income, even though legally they are still considered non-controlling interest. In other words, profits and losses attributable to the holders of the non-controlling interest that are subject to the forward purchase agreement are presented as attributable to the Company and not as attributable to those non-controlling shareholders.

The forward purchase agreements are considered financial liabilities and are initially recognized at the present value of the exercise price of the forward. The forward is remeasured to fair value at each reporting date and any subsequent changes are recognized in the consolidated income statements as finance expenses.

m) Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount which requires the use of judgment. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount immediately. Impairment losses are recognized in the consolidated income statement. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from long-term plans generally for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The Company assesses the uncertainty of these estimates by making sensitivity analyses.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded companies or other available fair value indicators. The Company assesses the uncertainty of these estimates by making sensitivity analyses.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. An impairment loss in respect of goodwill is not reversed in future periods.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Impairment of Non-Financial Assets (continued)

The following criteria are also applied in assessing the impairment of specific non-financial assets:

**Goodwill**

Goodwill is tested for impairment annually (as at October 31) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. The Company defines its CGUs based on the way it internally monitors and derives economic benefits from the acquired goodwill.

**Trademarks**

Trademarks with indefinite useful lives are tested for impairment at the CGU level annually (as at October 31) and when circumstances indicate that the carrying value may be impaired.

The key assumptions used to determine the recoverable amount for the different CGUs are further explained in Note 13.

n) Assets Held for Sale

Assets held for sale are recorded at the lower of their carrying amount or fair value less costs to sell and are not depreciated while classified as held for sale. Assets held for sale are classified within this category if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, subject only to terms that are useful and customary for sales of such assets.

o) Costs Relating to Revolving Credit Facility

The Company incurred certain costs related to the revolving credit facility. These deferred charges are recorded at cost less accumulated amortization. These amounts are amortized as interest expense on a straight-line basis over the term or life of the related debt. The deferred charges are included in other assets on the consolidated statement of financial position.

p) Foreign Currency

**Foreign Currency Transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Company’s subsidiaries at the average exchange rates for the period. The monetary items denominated in currencies other than the functional currency of a subsidiary are translated at the exchange rates prevailing at the statement of financial position date and translation gains and losses are included in the consolidated income statement. Non-monetary items denominated in foreign currencies other than the functional currency are translated at historical rates.

**Foreign Currency Translation**

The assets and liabilities of foreign operations, whose functional currency is not the U.S. dollar, are translated into U.S. dollars at the exchange rates in effect at the statement of financial position date. Revenues and expenses are translated at average exchange rates for the period. Differences arising from the exchange rate changes are included in other comprehensive income in the cumulative translation account.

On disposal of a foreign operation where control is lost, the cumulative amount of the exchange differences recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated income statement as part of the profit or loss on disposal.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Foreign Currency (continued)

Foreign Currency Translation (continued)

On the partial disposal of a subsidiary that includes a foreign operation where control is retained, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interest in that foreign operation. In any other partial disposal of a foreign operation, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to the consolidated income statement.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and monetary items the settlement of which is planned but that have been designated as a hedge of the net investment in a foreign operation and to the extent the hedge is effective, are recognized in other comprehensive income in the cumulative translation account and reclassified from equity to the consolidated income statement on the disposal of the net investment.

q) 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 comprise:

- cash and cash equivalents;
- foreign exchange contracts and interest rate swaps with a positive fair value;
- trade and other receivables; and
- other financial assets.

Financial liabilities of the Company comprise:

- foreign exchange contracts and interest rate swaps with a negative fair value;
- bank indebtedness;
- trade and other payables;
- long-term debt;
- written put option and forward purchase agreement liabilities; and
- other financial liabilities.

All financial instruments, including derivatives, are recognized in the consolidated statement of financial position initially at fair value when the Company becomes a party to the contractual obligations of the instrument. Except for those incurred on the revolving credit facility, transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are not subsequently recognized at fair value are deducted from the financial liability and are amortized using the effective interest rate method over the expected life of the related liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Financial Instruments (continued)

Financial assets
Financial assets are classified, at initial recognition, into one of the following categories:

- fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables;
- available-for-sale financial assets; or
- derivatives designated as hedging instruments in an effective hedge.

Financial assets at fair value through profit or loss include financial assets held for trading, and are classified as such if they are acquired for the purpose of selling or repurchasing in the near term, and those that are designated as such upon initial recognition when doing so results in more relevant information being presented. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in an effective hedging relationship.

Financial assets are initially and subsequently measured at fair value with the exception of loans and receivables and investments that are held-to-maturity, which are subsequently measured at amortized cost using the effective interest rate method, less impairment.

Subsequent recognition of changes in fair value of financial assets re-measured at each reporting date at fair value depend on their initial classification. Financial assets at fair value through profit or loss 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 assets are measured at fair value with gains and losses included in other comprehensive income until the asset is removed from the consolidated statement of financial position or until impaired.

Impairment of financial assets
At each reporting date, the Company assesses whether its financial assets are impaired. Impairment losses are recognized in the consolidated income statement when there is objective evidence that the financial assets are impaired. Financial assets are deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset(s) that can be reliably estimated.

Evidence of impairment may include:

- indications that the debtor is experiencing significant financial difficulty;
- default or delinquency in interest or principal payments;
- the probability that they will enter bankruptcy or other financial reorganization; and
- where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial assets
Financial assets are derecognized when the Company’s contractual rights to the cash flows from the respective assets have expired or have been transferred and the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them.

Financial liabilities and equity instruments
Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Financial Instruments (continued)

Financial liabilities are classified, at initial recognition, into one of the following categories:

- fair value through profit or loss;
- other financial liabilities measured at amortized cost; or
- derivatives designated as hedging instruments in an effective hedge.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term, and those that are designated as such upon initial recognition when doing so results in more relevant information being provided. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in an effective hedging relationship. Otherwise, they are considered as an other financial liability.

Financial liabilities at fair value through profit or loss are measured at fair value with all gains and losses included in net income in the period in which they arise. Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs and applicable income taxes.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Compound financial instrument

Compound financial instrument issued by the Company comprise convertible debentures that can be converted into common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The component parts of the compound instrument issued by the Company are initially classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is an equity instrument.

At the date the convertible debentures are issued, the liability component is initially recognized at the fair value of similar debentures which do not have an equity conversion option. The initial amount of the liability component is determined by discounting the face value of the convertible debentures using a rate of interest prevailing for similar non-convertible instruments at the date of issue for instruments of similar terms and risks. The conversion option classified as the equity component is determined by deducting the amount of the liability component from the gross proceeds. The equity component is recognized net of income tax effects within the other equity account.

Subsequently, the liability component is accounted for at amortized cost and is accreted using the effective interest method, up to the face value of the convertible debentures during the period they are outstanding. Interest expense on the convertible debentures is composed of the interest calculated on the face value of the convertible debentures and a non-cash notional interest representing the accretion of the carrying value of the convertible debentures. The equity component is not remeasured.

The conversion option classified as equity remains in the other equity account until the conversion option is exercised, in which case, the balance recognized in other equity is transferred to share capital. When the conversion option remains unexercised at the maturity date of the convertible debentures, the balance recognized in other equity will be transferred to contributed surplus. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Financial Instruments (continued)

Compound financial instrument (continued)
Transaction costs related to the issuance of convertible debentures are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in other equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible debentures using the effective interest method.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
Financial liabilities are derecognized when the obligations under the liabilities are discharged, cancelled, expired or are replaced by a new liability with substantially modified terms.

Classification and fair value measurements
The Company has classified its cash and cash equivalents, other financial assets and its trade and other receivables as loans and receivables. Bank indebtedness, trade and other payables, long-term debt and other financial liabilities are classified as other financial liabilities, all of which are measured at amortized cost. Derivative financial instruments are either classified as held for trading if they are not designated as hedging instruments in hedge relationships or as derivatives designated as hedging instruments in an effective hedge.

r) Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments
The Company holds derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to hedge its foreign currency and interest rate risk exposures. Derivative financial instruments are recorded as either assets, when their fair value is positive, or liabilities, when their fair value is negative, 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 income unless specific hedge criteria are met.

Hedge accounting
Derivatives that qualify as hedging instruments must be designated as either a “cash flow hedge”, when the hedged risk is a variability in the future cash flows of the hedged item, or a “fair value hedge”, when the hedged risk is a variability in the fair value of the hedged item. 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 income.

Cash flow hedges
For derivative financial instruments designated as cash flow hedges, the effective portion of changes in their fair value is recognized in other comprehensive income in the consolidated statement of comprehensive income and presented in the cash flow hedges reserve in equity. Any ineffectiveness is recognized in income immediately as it arises in the same consolidated income statement account as the hedged item when realized.

Should a cash flow hedging relationship become ineffective or the hedging relationship be terminated, previously unrealized gains and losses remain within the cash flows hedges reserve until the hedged item is settled and any future changes in value of the derivative are recognized in income prospectively.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Derivative Financial Instruments and Hedge Accounting (continued)

Cash flow hedges (continued)
When the hedged item is realized, amounts recognized in the cash flow hedge reserve are reclassified to the same consolidated income statement account or reclassified to the related non-financial asset in which the hedged item is recorded. If the hedged item ceases to exist before the hedging instrument expires, the unrealized gains or losses within the cash flow hedge reserve are immediately reclassified to income.

Fair value hedges
For a fair value hedge, the derivative and the hedged item’s carrying value are adjusted to record changes in fair value resulting from the hedged risk only. Both are recorded at fair value in the consolidated statement of financial position and the unrealized gains/losses from both items are included in income. The gains or losses from the measurement of derivative hedging instruments at fair value are recorded in income, while gains or losses on hedged items attributable to the hedged risks are accounted for as an adjustment to the carrying amount of hedged items and are recorded in income.

Use of derivative financial instruments
Derivative financial instruments are utilized by the Company in the management of its foreign currency exposures and interest-rate market risks. 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 and interest payments.

The Company uses interest rate swap agreements to lock-in a portion of its debt cost and reduce its exposure to the variability of interest rates by exchanging variable rate payments for fixed rate payments. The Company has designated its interest rate swaps as cash flow hedges for which it uses hedge accounting. The Company also has designated some foreign exchange contracts as cash flow hedges for which it uses hedge accounting. 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 as well as interest rate swap agreements.

When it utilizes derivatives in hedge accounting relationships, the Company formally documents and designates all of its eligible hedging relationships. This process involves associating all derivatives to specific assets and liabilities on the consolidated statement of financial position or with forecasted or probable transactions. The Company also formally assesses the effectiveness of hedging relationships at inception and on an on-going basis.

s) Employee Benefits

Short-Term Employee Benefits
Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided or capitalized if the service rendered is in connection with the creation of an asset. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pension Plans
The Company provides defined benefit and defined contribution plans to certain employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Employee Benefits (continued)

**Defined contribution plans**
Certain benefits are given to employees through defined contribution plans administered by governments. The Company’s contributions to these plans are recognized on an accrual basis and expensed as the related service is provided.

**Defined benefit plans**
The Company has a number of contributory defined benefit pension plans providing pension benefits to eligible employees. These plans provide a pension based on length of service and eligible pay. The Company’s net liability in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Defined benefit obligations are actuarially calculated annually by a qualified actuary as at the statement of financial position year end date. The actuarial valuations are determined based on management’s best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the net defined benefit obligation for accounting purposes is based on the yield on a portfolio of corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations.

The fair value of plan assets are deducted from the defined benefit obligation to arrive at the net liability. Plan assets are measured at fair value as at the statement of financial position date. Past service costs arising from plan amendments are recognized in operating income in the year that they arise. Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets, excluding interest, and the effect of the asset ceiling, if any, are recognized in other comprehensive income in the period in which they arise.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for employees’ services rendered in the period;
- net interest expense (income) on the net defined benefit liability (asset) for the period determined by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments;
- past service costs; and
- gains or losses on settlements or curtailments.

**Post-Retirement Benefits Other Than Pensions**
The Company sponsors post-retirement benefits other than pensions that are classified as a long-term defined benefit arrangement and they include health care and life insurance benefits for retired employees. When the amount of the long-term post-retirement benefits does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. When the amount depends on length of service, the cost of providing these benefits are accrued over the working lives of employees in a manner similar to defined benefit pension cost.

The expected costs of these post-retirement benefits other than pensions are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains or losses on post-employment defined benefit plans arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Employee Benefits (continued)

Post-Retirement Benefits Other Than Pensions (continued)
Significant elements requiring the use of judgment in determining the assets or liabilities and related income or expense for these plans are 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.

t) Share-Based Payments

Stock options
The Company recognizes as an expense, all stock options granted, modified or settled to its employees using the fair value based method. Stock option 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 within equity. The fair value of these options is measured using a Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate inputs to the valuation model including the expected life of the stock options, volatility, risk-free interest rate and dividend yield and making assumptions about them. The cumulative expense recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period. When the stock options are exercised, share capital is credited by the sum of the consideration paid, together with the portion previously recorded to contributed surplus.

Directors’ Deferred Share Units
For the Deferred Share Unit Plan offered to its external directors, the Company records an expense with a corresponding increase to contributed surplus when the units are granted which is the date the remuneration is to be paid. As the Company has the option and intent to settle the deferred share units in Class “B” Subordinate Voting Shares upon termination of a director, the contributed surplus account is affected. The amount corresponds to its directors’ fees and fees for attending meetings of the Board of Directors or committees.

Executive Deferred Share Units
For the Executive Deferred Share Unit Plan offered to its executive officers, the Company records an increase to contributed surplus when the units are granted which is on the last business day of each month of the Company’s fiscal year in the case of salary and on the date on which the bonus is, or would otherwise be, paid to the participant in the case of bonus. As the Company has the option and intent to settle the deferred share units in Class “B” Subordinate Voting Shares upon termination of an executive officer, the contributed surplus account is affected. The amount corresponds to the portion of salary or bonus elected to be paid in the form of deferred share units.

Share Appreciation Rights (cash-settled)
The Share Appreciation Rights (“SARs”) plan entitles senior executive and certain key employees to a cash payment based on the increase in the share price of the Company’s Class “B” Subordinate Voting Shares from the grant date to the vesting date. A liability is recognized for the services acquired and is recorded at the fair value of the SARs in other long-term liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense within general and administrative expenses, over the period that the employees become unconditionally entitled to the payment. The fair value of the employee benefits expense of the SARs is measured using the Black-Scholes pricing model. Estimating fair value requires determining the most appropriate inputs to the valuation model including the expected life of the SARs, volatility, risk-free interest rate and dividend yield and making assumptions about them. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated income statement for the period.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

   t) Share-Based Payments (continued)

   Performance Share Units (cash-settled)
   The Performance Share Units plan entitles senior executive and certain key employees to a cash payment. A liability is recognized for the services acquired and is recorded at fair value based on the share price of the Company’s Class “B” Subordinate Voting Shares in other long-term liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense within general and administrative expenses. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated income statement for the period.

   The dilutive effect of outstanding options and deferred share units is reflected as additional share dilution in the computation of diluted earnings per share.

   u) Income Taxes

   Income taxes expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in income except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income.

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

   Deferred Income Taxes
   The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes relate to the expected future tax consequences of differences between the carrying amount of assets and liabilities for financial reporting purposes in the consolidated statement of financial position and their corresponding tax values using the enacted or substantively enacted income tax rate, which are expected to be in effect for the year in which the differences are expected to reverse.

   A deferred tax asset is recorded when it is probable that it will be realized in the future. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enacted or substantive enactment.

   Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing on the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

   Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets and deferred tax liabilities are recognized on the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of realization or settlement.
v) Provisions

Provisions are recognized when:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

**Product Liability**

The Company insures itself to mitigate its product liability exposure. The estimated product liability exposure requires the use of judgment and is discounted and 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 products sold prior to the reporting date.

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.

The Company reviews periodically its recorded product liability provisions and any adjustment is recorded in general and administrative expenses.

**Warranty Provisions**

A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of the warranty coverage, the nature of the product sold and in service, counter-warranty coverage available from the Company’s suppliers and product recalls.

The Company reviews periodically its recorded product warranty provisions and any adjustment is recorded in cost of sales.

**Restructuring**

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

w) Earnings per share (“EPS”)

Basic EPS is computed based on net income attributable to equity holders of the Company divided by the weighted daily average number of Class “A” Multiple and Class “B” Subordinate Voting Shares outstanding during the year. Diluted EPS is determined by adjusting the net income attributable to equity holders of the Company and the weighted daily average number of Class “A” Multiple and Class “B” Subordinate Voting Shares outstanding during the year for the effects of the exercise of all dilutive elements of stock options, deferred share units and conversion features of the convertible debentures.
NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Fair value determination

Certain of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities for both measurement and disclosure purposes. In establishing fair value, the Company uses a fair value hierarchy depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments’ fair value.

NOTE 5 – FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory but not yet effective for the year ended December 30, 2014 and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the IASB and the IFRIC with effective dates in the future that have been determined by management to impact the consolidated financial statements:

IFRS 9 – Financial Instruments

As part of the initial phase to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. This first phase only covers classification and measurement of financial assets and financial liabilities, with impairment of financial assets and hedge accounting being addressed in the two other phases. More specifically, the standard:

- Deals with classification and measurement of financial assets;
- Establishes two primary measurement categories for financial assets: amortized cost and fair value;
- Prescribes that classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset; and
- Eliminates the following existing categories of financial assets: held to maturity, available for sale, and loans and receivables.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

In November 2013, the IASB released IFRS 9, *Financial Instruments (2013)*, which introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a significant change in hedge accounting requirements. It increases the scope of hedged items eligible for hedge accounting and it enables entities to better reflect their risk management activities in their financial statements.

On July 24, 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.
NOTE 5 – FUTURE ACCOUNTING CHANGES (continued)

IFRS 15 – Revenue from contracts with customers
In May 2014, the IASB released IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 also requires more comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, and a number of revenue-related interpretations (IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions Involving Advertising Service). IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

IAS 19 – Employee Benefits
On November 21, 2013, the IASB issued amendments to IAS 19, Employee Benefits, to simplify accounting for employee and third party contributions.

The amendments introduce a relief (practical expedient) that will reduce the complexity and burden of account for certain contributions from employees or third parties. When employee contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service costs in the period in which the related service is rendered. If the practical expedient is not or cannot be applied, the amendments clarify how service-linked contributions from employees or third parties should be included in determining net current service cost and the defined benefit obligation.

Retrospective application of this standard will be effective for annual periods beginning on or after July 1, 2014, with earlier adoption permitted.

The Company will adopt these new standards for the annual period beginning on December 31, 2014. The adoption of these amendments will not have a material impact on the consolidated financial statements.

NOTE 6 – RESTRUCTURING AND OTHER COSTS
In 2014, the Company recorded total expenses of $26,774 (2013 – $23,650) with respect to restructuring and other costs, of which $7,993 (2013 – $4,075) were recorded as cost of sales and $18,781 (2013 – $19,575) were recorded as restructuring and other costs as a separate line within the consolidated income statements.

a) Restructuring costs

Dorel Sports segment
In the second and fourth quarters of 2013, restructuring activities affecting the Dorel Sports segment were initiated. In the second quarter of 2013, the Company initiated significant cost reductions across the Dorel Sports segment which included headcount reduction.

In the fourth quarter of 2013, the Company continued its strategy and it was announced that toward the end of 2014, the segment would close its assembly and testing facility in Bedford, Pennsylvania and leverage the strengths and capabilities of its global resources, third party partners, and existing facilities to simplify and optimize its business model. As part of its initiative to simplify and optimize its business model, the Dorel Sports segment announced a new partnership in Australia with Monza Imports ("Monza") who became the official distributor of the brands in Australia. The operations in Australia transitioned to Monza on May 1, 2014. Operations currently performed at Bedford, including manufacturing, assembly, testing, quality control and customer and technical services are expected to be redeployed by early 2015.
NOTE 6 – RESTRUCTURING AND OTHER COSTS (continued)

a) Restructuring costs (continued)

Dorel Sports segment (continued)

In addition, the Dorel Sports segment is in the process of relocating its research and development facility in Bethel, Connecticut to the segment’s new headquarters in Wilton, Connecticut, and converted its former retail lab in Bethel to accommodate GURU Academy activities. The value of the former Bethel headquarters was written down in the fourth quarter of 2013 to the fair value less costs to sell off the property. In April 2014, the Company made available for sale the building facility in Bethel, Connecticut. Accordingly, the land and building related to this facility are presented as current assets held for sale on the Company’s consolidated statements of financial position.

These restructuring initiatives were completed by the end of 2014 and resulted in cumulative restructuring charges of $20,324, including $10,952 of non-cash charges related to the write-down on long-lived assets, accelerated depreciation due to the revision of the estimated useful lives of long-lived assets and inventory markdowns, $8,222 of employee severance and termination benefits and $1,150 of other associated costs. There are no expected remaining costs associated with these restructuring activities.

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

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Employee severance and termination benefits (Note 19)</td>
<td>1,651</td>
<td>6,571</td>
</tr>
<tr>
<td>Accelerated depreciation*</td>
<td>916</td>
<td>—</td>
</tr>
<tr>
<td>Building write-down*</td>
<td>—</td>
<td>4,786</td>
</tr>
<tr>
<td>Other associated costs (Note 19)</td>
<td>1,150</td>
<td>—</td>
</tr>
<tr>
<td>Recorded as restructuring costs</td>
<td>3,717</td>
<td>11,357</td>
</tr>
<tr>
<td>Inventory markdowns*</td>
<td>(317)</td>
<td>4,075</td>
</tr>
<tr>
<td>Accelerated depreciation*</td>
<td>1,492</td>
<td>—</td>
</tr>
<tr>
<td>Recorded in cost of sales</td>
<td>1,175</td>
<td>4,075</td>
</tr>
<tr>
<td>Total</td>
<td>4,892</td>
<td>15,432</td>
</tr>
</tbody>
</table>

* non-cash charges

As at December 30, 2014, the related restructuring plan provision totals $4,419 and consists of $3,490 of employee severance and termination benefits and $929 of other associated costs. A summary of the Company’s restructuring plan provision is included in Note 19.

b) Other costs

Relating to the transfer of the manufacturing of certain products of Dorel Juvenile entities from third party suppliers to the juvenile business of the Lerado Group, $10,807 of costs were incurred. More specifically, the transfer required new product designs and moulds resulting in the non-cash write-down of $4,550 of deferred development costs and of moulds for products that were abandoned as a result of the change in sourcing strategy. The remaining $6,257 in relation with this transfer represents employee severance and termination benefit for $1,119, customer programs and incentive offerings for $600, markdowns and relocation of inventory for $3,730 and other associated costs for $808. In addition, the Dorel Juvenile segment incurred $4,349 (2013 – $520) of acquisition-related costs.

In the Dorel Sports segment, the Company incurred $6,542 related to changes in the Cannondale Pro-Cycling team. The signature of a new agreement with Slipstream Sports LLC led to a non-cash charge write-off of the equity investment in the Brixia associated team of $3,396, as well as an additional $3,146 of funding shortfall in sponsorship income during the transition period. In addition, the Dorel Sports segment incurred $184 (2013 – $1,698) of acquisition-related costs.
NOTE 6 – RESTRUCTURING AND OTHER COSTS (continued)

b) Other costs (continued)

The other costs recognized consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

_Dorel Juvenile segment:

|                                                |              |
| Write-down of deferred development costs (Note 12) | 2,062*       |
| Employee severance and termination benefits      | 1,119*       |
| Other associated costs                            | 808*         |
| US car seat settlement (Note 19)                 |              | 6,000        |
| Acquisition-related costs                        | 4,349        | 520          |
| **Total**                                        | **8,338**    | **6,520**    |

_Dorel Sports segment:

|                                                |              |
| Brixia investment write-down and other costs related to team sponsorship | 6,542        |
| Acquisition-related costs                      | 184          | 1,698        |
| **Total**                                       | **6,726**    | **1,698**    |

Recorded as other costs                        | 15,064        | 8,218        |

_Dorel Juvenile segment:

|                                                |              |
| Customer programs and incentive offerings [in revenue] | 600*         |
| Write-down of moulds (Note 11) [in cost of sales]    | 2,488*       |
| Inventory markdowns and relocation of inventory costs [in cost of sales] | 3,730*       |
| **Recorded within gross profit**                   | **6,818**    |
| **Total**                                          | **21,882**   | **8,218**    |

* These items amount to $10,807 and are relating to costs due to the transfer of the manufacturing of certain products of Dorel Juvenile entities from third party suppliers to the juvenile business of the Lerado Group.

NOTE 7 – BUSINESS ACQUISITIONS

_Caloi_

On August 22, 2013, it was announced that the Company was acquiring a 70% interest in Caloi, a major Brazilian manufacturer of bicycles and bicycle equipment. Caloi’s portfolio encompasses a full range of bicycles, from high-performance to children’s models, including mountain bikes, urban, recreational and road bikes. Caloi’s products are distributed across Brazil through a variety of channels, from mass market to independent bicycle dealers. Caloi’s manufacturing facility in Manaus, Brazil assembles bikes for the Company’s brands, such as Cannondale, Schwinn, Mongoose and GT to serve the Brazilian and export markets.

As part of the acquisition, the Company entered into a forward purchase agreement with the non-controlling interest holder for the purchase of its 30% stake in Caloi for which the terms are described in Note 17. The determination of the fair value of the assets acquired, the liabilities assumed and the consideration transferred includes an estimate of the forward purchase agreement liability of $35,846 and is recorded as a financial liability within non-current written put option and forward purchase agreement liabilities.
NOTE 7 – BUSINESS ACQUISITIONS (continued)

Caloi (continued)
The acquisition has been accounted for using the acquisition method with the results of the operations of Caloi 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 Dorel Sports segment as reported in Note 32.

The following table summarizes the consideration transferred, the fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition:

<table>
<thead>
<tr>
<th>$</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,056</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>30,079</td>
</tr>
<tr>
<td>Inventories</td>
<td>41,508</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>489</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>18,855</td>
</tr>
<tr>
<td>Trademarks</td>
<td>61,669</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>15,858</td>
</tr>
<tr>
<td>Software licenses</td>
<td>1,107</td>
</tr>
<tr>
<td>Deferred development costs</td>
<td>207</td>
</tr>
<tr>
<td>Goodwill</td>
<td>32,597</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>262</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>8,560</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,208</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>213,455</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Bank indebtedness</td>
<td>41,034</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>24,252</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>302</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>5,828</td>
</tr>
<tr>
<td>Provisions</td>
<td>153</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>14,420</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>14,830</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>3,810</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>104,629</td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
<td>108,826</td>
</tr>
</tbody>
</table>

**Consideration:**

<table>
<thead>
<tr>
<th>$</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>72,980</td>
</tr>
<tr>
<td>Forward purchase agreement liability (Note 17)</td>
<td>35,846</td>
</tr>
<tr>
<td><strong>Total consideration</strong></td>
<td>108,826</td>
</tr>
</tbody>
</table>
NOTE 7 – BUSINESS ACQUISITIONS (continued)

Caloi (continued)
The fair value, as well as, the gross amount of the trade accounts receivable amount to $26,743 of which $207 was expected to be uncollectible as at the acquisition date and $241 was assumed for anticipated credits.

The goodwill of $32,597 includes a control premium as well as the Company’s ability to extend their reach into a market that has future growth potential and further solidifies its position as a global leader in the recreational industry.

Acquisition-related costs of $184 for the year ended December 30, 2014 (2013 – $1,698) have been excluded from the consideration transferred and have been recognized as an expense, within restructuring and other costs in the consolidated income statement and within the Dorel Sports segment’s operating profit.

Tiny Love
On January 16, 2014, the Company announced that it had purchased 100% of the shares of the juvenile business Tiny Love, a global, baby products and developmental toy company headquartered in Tel Aviv, Israel, with offices located in the U.S. and China. Tiny Love is recognized as an innovator in the developmental toy category, which comprises products like activity gyms, mobiles, light gear and toys designed specifically for babies and toddlers.

The acquisition has been accounted for using the acquisition method with the results of the operations of Tiny Love 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 Dorel Juvenile segment as reported in Note 32.

The following table summarizes the consideration transferred, the fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7,789</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3,213</td>
</tr>
<tr>
<td>Inventories</td>
<td>2,009</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>6</td>
</tr>
<tr>
<td>Income taxes receivable</td>
<td>751</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>146</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>441</td>
</tr>
<tr>
<td>Trademarks</td>
<td>23,200</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>22,900</td>
</tr>
<tr>
<td>Goodwill</td>
<td>19,336</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>79,791</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Bank indebtedness</td>
<td>1</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>12,727</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>9</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>11,231</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>23,968</td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
<td>55,823</td>
</tr>
<tr>
<td><strong>Consideration:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>55,823</td>
</tr>
</tbody>
</table>
NOTE 7 – BUSINESS ACQUISITIONS (continued)

Tiny Love (continued)
The fair value, as well as, the gross amount of the trade accounts receivable amounts to $2,698 of which $5 was expected to be uncollectible as at the acquisition date and $254 was assumed for anticipated credits.

The goodwill of $19,336 includes a control premium as well as the Company’s ability to extend their reach into markets that have future growth potential and further solidifies its position as a global leader in the juvenile industry.

Had this business combination been effected as at the beginning of the year, management estimates that the Company’s consolidated revenues and net income for the year ended December 30, 2014 would not be significantly different.

Acquisition-related costs of $201 for the year ended December 30, 2014 (2013 – $518) have been excluded from the consideration transferred and have been recognized as an expense within restructuring and other costs in the consolidated income statement and within the Dorel Juvenile segment’s operating profit.

Sombrio
On January 16, 2014, the Company acquired certain assets of Sombrio Freewear Company Ltd (“Sombrio”) for $744. Sombrio is the purveyor of leading design and manufactured high performance apparel, outerwear and street wear headquartered in Vancouver, Canada. The acquisition has been recorded under the acquisition method of accounting with the results of the acquired business being included in the accompanying consolidated financial statements since the date of acquisition. The fair value of the assets acquired and the consideration transferred includes an amount of $190 allocated to trademarks.

Infanti Brazil
On April 3, 2014, Dorel Juvenile Brazil acquired the rights to sell Infanti branded product in the Brazilian market place for a purchase price of $7,018 (BRL 16,000). This acquisition expanded the Company’s ownership of the Infanti brand, to which the Company already owns the rights in Chile, Bolivia, Peru, Argentina, Colombia, and most Central American and Caribbean countries. A balance of sale of $848 remains to be paid and is presented with the trade and other payables.

The acquisition has been recorded under the acquisition method of accounting with the results 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 Dorel Juvenile segment as reported in Note 32.

The following table summarizes the consideration transferred, the fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademarks</td>
<td>3,597</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>2,237</td>
</tr>
<tr>
<td>Goodwill</td>
<td>1,184</td>
</tr>
<tr>
<td>Assets acquired</td>
<td>7,018</td>
</tr>
<tr>
<td><strong>Consideration:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>5,965</td>
</tr>
<tr>
<td>Balance of sale</td>
<td>1,053</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,018</td>
</tr>
</tbody>
</table>
NOTE 7 – BUSINESS ACQUISITIONS (continued)

Infanti Brazil (continued)
The goodwill of $1,184 includes a control premium as well as the Company’s ability to extend their reach into markets that have future growth potential, provides the Company with increased usage of the Infanti brand in this new territory and further solidifies its position as a global leader in the juvenile industry.

Had this business combination been effected as at the beginning of the year, management estimates that the Company’s consolidated revenues and net income for the year ended December 30, 2014 would not be significantly different.

Acquisition-related costs of $87 for the year ended December 30, 2014 have been excluded from the consideration transferred and have been recognized as an expense within restructuring and other costs in the consolidated income statement and within the Dorel Juvenile segment’s operating profit.

Dorel Juvenile business of the Lerado Group
On November 3, 2014, the Company completed the acquisition of all of the outstanding shares of the juvenile business of Hong Kong-based Lerado Group, a juvenile product manufacturer in China specializing in the design and manufacture of a wide range of infant and juvenile products. The Lerado Group is composed of subsidiaries of Lerado Group (Holding) Company Limited, a publicly traded company listed on the Hong Kong Stock Exchange. The purchase price was established at HK$930,000 in cash ($119,931), subject to post-closing adjustments. As per the Share Purchase Agreement, the post-closing adjustments are based on the Net Asset Value at the acquisition date which has not yet been finalized. Once the actual Net Asset Value will be completed and compared with the Reference Net Asset Value as per the Share Purchase Agreement, the adjustment will be recorded as an element of the purchase price. The Company is presently in the process of establishing the fair value of the identifiable assets acquired, liabilities assumed and consideration transferred of the acquired business.

The acquisition has been accounted for using the acquisition method with the results of the operation of the Dorel Juvenile business of the Lerado Group being included in the accompanying consolidated financial statements since the date of acquisition. The goodwill is not expected to be deductible for tax purposes. The total goodwill amount is included in the Company’s Dorel Juvenile Segment as reported in Note 32.
NOTE 7 – BUSINESS ACQUISITIONS (continued)

Dorel Juvenile business of the Lerado Group (continued)

The following table summarizes the consideration transferred, the preliminary fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition.

<table>
<thead>
<tr>
<th>Assets</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>4,841</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>24,520</td>
</tr>
<tr>
<td>Inventories</td>
<td>25,905</td>
</tr>
<tr>
<td>Income taxes receivable</td>
<td>9</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>1,231</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>62,343</td>
</tr>
<tr>
<td>Land use rights</td>
<td>43,798</td>
</tr>
<tr>
<td>Goodwill</td>
<td>23,760</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>1,081</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>187,488</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>38,275</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>16,636</td>
</tr>
<tr>
<td>Net pension defined benefit obligations</td>
<td>2,005</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>10,641</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>67,557</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consideration:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>119,931</td>
</tr>
</tbody>
</table>

The fair values of the inventories, the property, plant and equipment, the land use rights, the other intangibles assets and contingencies have been determined on a provisional basis pending completion of the assessment of the estimated fair values and completion of the independent valuations.

The fair value, as well, as the gross amount of the trade accounts receivable amount to $20,818 of which $847 was expected to be uncollectible as at the acquisition date and $646 was assumed for anticipated credits.

The preliminary goodwill of $23,760 includes a control premium, expected synergies from vertical integration as well as the Company’s ability to extend their reach into a market that has future growth potential and further solidifies its position as a global leader in the juvenile industry.

From the date of acquisition, the Dorel Juvenile business of the Lerado Group has contributed $29,974 to the 2014 revenues and $1,320 to the 2014 net loss of the Company. Had this business combination been effected as at the beginning of the 2014 fiscal year, management estimates that the Company’s 2014 consolidated revenues would have been approximately $2,805,642 and the 2014 consolidated net loss for the year would have been approximately $26,026. The Company considers these ‘pro-forma’ figures to represent an initial approximate measure of the performance of the combined Company on an annualized basis and to provide an initial reference point for comparisons in future periods. In determining these amounts, management has assumed the fair value adjustments, determined provisionally, and the borrowing costs on the convertible debentures issued to finance this acquisition, would have been the same as if the acquisition would have occurred on December 31, 2013.
NOTE 7 – BUSINESS ACQUISITIONS (continued)

Dorel Juvenile business of the Lerado Group (continued)

 Acquisition-related costs of $4,036 for the year ended December 30, 2014 have been excluded from the consideration transferred and have been recognized as an expense for the current year, within restructuring and other costs in the consolidated income statement and within the Dorel Juvenile segment’s operating profit.

Intercycles

On December 17, 2014, Dorel Sports Chile acquired the assets of Intercycles, a Santiago-based bicycle retailer, for approximately $2,485. A balance of sale of $1,780 remains to be paid and is presented with the trade and other payables. The acquisition has been recorded under the acquisition method of accounting with the results of the acquired business being included in the accompanying consolidated financial statements since the date of acquisition. The fair value of the assets acquired and the consideration transferred includes an amount of $1,309 allocated to goodwill. The goodwill is not expected to be deductible for tax purposes. The total goodwill amount is included in the Company’s Dorel Sports Segment as reported in Note 32.

NOTE 8 – TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Trade accounts receivable</td>
<td>532,516</td>
</tr>
<tr>
<td>Allowance for anticipated credits</td>
<td>(65,376)</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(11,952)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>19,516</td>
</tr>
<tr>
<td></td>
<td>455,188</td>
</tr>
</tbody>
</table>

The Company’s exposure to credit and foreign exchange risks, and impairment losses related to trade and other receivables, are disclosed in Note 20.

NOTE 9 – INVENTORIES

Inventories consist of the following:

|                                | December 30, |
|                                | 2014         | 2013         |
| Raw materials                  | 112,026      | 114,682      |
| Work in process                | 10,503       | 4,181        |
| Finished goods                 | 510,493      | 436,704      |
|                                | 633,022      | 555,567      |

Inventories carried at net realizable value

|                                | 2014         | 2013         |
| Inventories carried at net realizable value | 64,720       | 65,965       |
NOTE 9 – INVENTORIES (continued)

During the year ended December 30, 2014, the Company recorded in cost of sales $7,939 (2013 – $10,587) of write-downs of inventory as a result of net realizable value being lower than cost (including amounts presented in Note 6) and $317 of inventory write-downs recognized in previous years were reversed (2013 – nil). The cost of inventories recognized as an expense and included in cost of sales for the year ended December 30, 2014 was $1,971,380 (2013 – $1,824,230).

NOTE 10 – OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Other financial assets consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow hedges – Foreign exchange contracts</td>
<td>4,298</td>
<td>176</td>
</tr>
<tr>
<td>Cash flow hedges – Interest rate swaps</td>
<td>147</td>
<td>–</td>
</tr>
<tr>
<td>Held for trading – Foreign exchange contracts</td>
<td>1</td>
<td>55</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>424</td>
<td>620</td>
</tr>
</tbody>
</table>
| Current
| Non-current

Other financial liabilities consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow hedges – Foreign exchange contracts</td>
<td>929</td>
<td>3,005</td>
</tr>
<tr>
<td>Cash flow hedges – Interest rate swaps</td>
<td>688</td>
<td>226</td>
</tr>
<tr>
<td>Held for trading – Foreign exchange contracts</td>
<td>38</td>
<td>–</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>2,063</td>
<td>2,727</td>
</tr>
</tbody>
</table>
| Current
| Non-current

Information relating to foreign exchange contracts and interest rate swaps as well as the Company’s exposure to credit, foreign exchange and interest rate risks related to other financial assets and financial liabilities are disclosed in Note 20.
## NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

### (a) Cost

<table>
<thead>
<tr>
<th></th>
<th>Buildings and improvements</th>
<th>Machinery and equipment</th>
<th>Furniture and fixtures</th>
<th>Computer equipment</th>
<th>Leasehold improvements</th>
<th>Assets not in service</th>
<th>Assets under finance leases</th>
<th>Vehicles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land</td>
<td>Moulds</td>
<td>Leasehold Equipment</td>
<td>Moulds</td>
<td>Computer Equipment</td>
<td>Leasehold Improvements</td>
<td>Assets not in service</td>
<td>Assets under finance leases</td>
<td>Vehicles</td>
</tr>
<tr>
<td><strong>Balance as at</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 30, 2012</td>
<td>13,322</td>
<td>72,006</td>
<td>83,607</td>
<td>110,404</td>
<td>9,328</td>
<td>45,666</td>
<td>22,592</td>
<td>11,570</td>
<td>6,952</td>
</tr>
<tr>
<td>Additions</td>
<td>—</td>
<td>2,944</td>
<td>6,191</td>
<td>12,826</td>
<td>2,587</td>
<td>6,221</td>
<td>9,625</td>
<td>372</td>
<td>519</td>
</tr>
<tr>
<td>Disposals</td>
<td>—</td>
<td>(214)</td>
<td>(2,911)</td>
<td>(5,130)</td>
<td>(618)</td>
<td>(1,468)</td>
<td>(798)</td>
<td>(670)</td>
<td>(60)</td>
</tr>
<tr>
<td>Additions through acquisition of businesses</td>
<td>2,601</td>
<td>6,163</td>
<td>6,521</td>
<td>527</td>
<td>766</td>
<td>332</td>
<td>1,300</td>
<td>620</td>
<td>—</td>
</tr>
<tr>
<td>Transfer to inventory</td>
<td>—</td>
<td>—</td>
<td>(592)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes</td>
<td>473</td>
<td>713</td>
<td>281</td>
<td>1,108</td>
<td>46</td>
<td>35</td>
<td>(308)</td>
<td>(27)</td>
<td>502</td>
</tr>
<tr>
<td><strong>Balance as at</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 30, 2013</td>
<td>16,396</td>
<td>81,612</td>
<td>93,097</td>
<td>119,735</td>
<td>12,109</td>
<td>50,786</td>
<td>32,411</td>
<td>11,865</td>
<td>7,913</td>
</tr>
<tr>
<td>Additions</td>
<td>—</td>
<td>2,356</td>
<td>6,037</td>
<td>14,093</td>
<td>2,495</td>
<td>5,265</td>
<td>6,017</td>
<td>(2,148)</td>
<td>695</td>
</tr>
<tr>
<td>Disposals</td>
<td>(152)</td>
<td>(949)</td>
<td>(564)</td>
<td>(6,183)</td>
<td>(1,198)</td>
<td>(1,868)</td>
<td>(903)</td>
<td>(112)</td>
<td>(26)</td>
</tr>
<tr>
<td>Additions through acquisition of businesses (Note 7)</td>
<td>2,705</td>
<td>38,880</td>
<td>18,827</td>
<td>—</td>
<td>1,077</td>
<td>802</td>
<td>41</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Transfer to assets held for sale</td>
<td>(1,023)</td>
<td>(4,599)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes</td>
<td>(1,694)</td>
<td>(3,814)</td>
<td>(3,725)</td>
<td>(5,555)</td>
<td>(725)</td>
<td>(855)</td>
<td>(2,087)</td>
<td>(565)</td>
<td>(962)</td>
</tr>
<tr>
<td><strong>Balance as at</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 30, 2014</td>
<td>16,232</td>
<td>113,486</td>
<td>113,672</td>
<td>122,090</td>
<td>13,758</td>
<td>54,130</td>
<td>35,479</td>
<td>9,040</td>
<td>7,620</td>
</tr>
</tbody>
</table>
### (b) Accumulated depreciation and impairment losses

<table>
<thead>
<tr>
<th></th>
<th>Buildings and improvements</th>
<th>Machinery and equipment</th>
<th>Moulds</th>
<th>Furniture and fixtures</th>
<th>Computer equipment</th>
<th>Leasehold improvements</th>
<th>Assets not in service</th>
<th>Assets under finance leases</th>
<th>Vehicles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at December 30, 2012</strong></td>
<td>$21,400</td>
<td>$54,597</td>
<td>$87,946</td>
<td>$5,954</td>
<td>$32,922</td>
<td>$10,567</td>
<td>$5,851</td>
<td>$2,355</td>
<td>$221,592</td>
<td></td>
</tr>
<tr>
<td>Depreciation for the year</td>
<td>—</td>
<td>$2,322</td>
<td>$6,735</td>
<td>$12,473</td>
<td>$1,022</td>
<td>$5,359</td>
<td>$2,981</td>
<td>—</td>
<td>$31,956</td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>—</td>
<td>(203)</td>
<td>(3,023)</td>
<td>(5,128)</td>
<td>(478)</td>
<td>(1,380)</td>
<td>(785)</td>
<td>(47)</td>
<td>(11,227)</td>
<td></td>
</tr>
<tr>
<td>Impairment losses (Note 6)</td>
<td>—</td>
<td>$4,786</td>
<td>$672</td>
<td>$392</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes</td>
<td>—</td>
<td>$155</td>
<td>$111</td>
<td>$883</td>
<td>$21</td>
<td>$55</td>
<td>(61)</td>
<td>$152</td>
<td></td>
<td>$1,297</td>
</tr>
<tr>
<td><strong>Balance as at December 30, 2013</strong></td>
<td>$28,460</td>
<td>$58,420</td>
<td>$96,174</td>
<td>$6,519</td>
<td>$36,956</td>
<td>$12,702</td>
<td>$6,628</td>
<td>$2,545</td>
<td>$248,404</td>
<td></td>
</tr>
<tr>
<td>Depreciation for the year</td>
<td>—</td>
<td>$2,421</td>
<td>$6,047</td>
<td>$12,251</td>
<td>$2,334</td>
<td>$5,804</td>
<td>$3,785</td>
<td>$519</td>
<td>$33,646</td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>—</td>
<td>(391)</td>
<td>(621)</td>
<td>(5,915)</td>
<td>(840)</td>
<td>(1,803)</td>
<td>(845)</td>
<td>(20)</td>
<td>(10,925)</td>
<td></td>
</tr>
<tr>
<td>Accelerated depreciation (Note 6)</td>
<td>—</td>
<td>$1,015</td>
<td>$722</td>
<td></td>
<td></td>
<td></td>
<td>$671</td>
<td>—</td>
<td></td>
<td>$2,408</td>
</tr>
<tr>
<td>Impairment losses (Note 6)</td>
<td>—</td>
<td></td>
<td>$2,488*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to assets held for sale</td>
<td>—</td>
<td>(4,314)</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>—</td>
<td>(4,314)</td>
<td></td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes</td>
<td>—</td>
<td>(593)</td>
<td>(1,270)</td>
<td>(4,498)</td>
<td>(334)</td>
<td>(636)</td>
<td>(947)</td>
<td>(832)</td>
<td>(9,157)</td>
<td></td>
</tr>
<tr>
<td><strong>Balance as at December 30, 2014</strong></td>
<td>$26,598</td>
<td>$63,298</td>
<td>$100,500</td>
<td>$7,679</td>
<td>$40,321</td>
<td>$15,366</td>
<td>$6,295</td>
<td>$2,493</td>
<td>$262,550</td>
<td></td>
</tr>
</tbody>
</table>

* write-down of moulds as described in Note 6 is included within the depreciation and amortization caption in the consolidated statement of cash flow.
NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Accumulated depreciation and impairment losses (continued)

During the year ended December 30, 2014, the Company incurred accelerated depreciation costs due to the revision of the estimated useful lives of long-live assets of $2,408 and $2,488 of write-down of moulds for products that were abandoned as a result of the change in sourcing strategy (2013 – $4,786 of building write-down) relating to the restructuring and other costs described in Note 6. During the years ended December 30, 2014 and 2013, the Company did not incur any reversals of impairment losses.

Depreciation of property, plant and equipment is included in the consolidated income statements in the following captions:

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>In cost of sales*</td>
<td>23,589</td>
<td>21,602</td>
</tr>
<tr>
<td>In selling expenses</td>
<td>1,904</td>
<td>1,329</td>
</tr>
<tr>
<td>In general and administrative expenses</td>
<td>10,641</td>
<td>9,025</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,134</strong></td>
<td><strong>31,956</strong></td>
</tr>
</tbody>
</table>

* includes write-down of moulds as described in Note 6.

(c) Net book value

<table>
<thead>
<tr>
<th>Buildings and improvement</th>
<th>Machinery and equipment</th>
<th>Furniture and fixtures</th>
<th>Computer equipment</th>
<th>Leasehold improvements</th>
<th>Assets not in service</th>
<th>Assets under finance leases</th>
<th>Vehicles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$16,396</td>
<td>$53,152</td>
<td>$34,677</td>
<td>$23,561</td>
<td>$5,590</td>
<td>$19,709</td>
<td>$11,865</td>
<td>$1,285</td>
</tr>
<tr>
<td>Improvement</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Moulds</td>
<td>$23,561</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>$13,830</td>
<td>$5,590</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>$19,709</td>
<td>$11,865</td>
<td>$1,285</td>
<td>$1,234</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Assets not in service</td>
<td>$20,113</td>
<td>$9,040</td>
<td>$1,325</td>
<td>$1,443</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Assets under finance leases</td>
<td>$181,299</td>
<td>$1,234</td>
<td>$1,443</td>
<td>$226,893</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Balance as at December 30, 2013</td>
<td>$181,299</td>
<td>$1,234</td>
<td>$1,443</td>
<td>$226,893</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Balance as at December 30, 2014</td>
<td>$226,893</td>
<td>$1,443</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Net book value (continued)

Assets not in service consist of the following major categories:

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>78</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>2,456</td>
</tr>
<tr>
<td>Moulds</td>
<td>5,681</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td></td>
</tr>
<tr>
<td>Computer equipment</td>
<td>825</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,040</td>
</tr>
</tbody>
</table>

The net book value of assets under finance leases consists of the following major categories:

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>540</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>155</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>538</td>
</tr>
<tr>
<td>Vehicles</td>
<td>92</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,325</td>
</tr>
</tbody>
</table>
### NOTE 12 – INTANGIBLE ASSETS

#### (a) Cost

<table>
<thead>
<tr>
<th></th>
<th>Trademarks</th>
<th>Customer relationship</th>
<th>Supplier relationship</th>
<th>Patents</th>
<th>Non-compete agreement</th>
<th>Land use rights</th>
<th>Software licenses</th>
<th>Deferred development costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at December 30, 2012</strong></td>
<td>$293,200</td>
<td>$119,952</td>
<td>$1,500</td>
<td>$30,596</td>
<td>$707</td>
<td>—</td>
<td>$6,317</td>
<td>$94,680</td>
<td>$546,952</td>
</tr>
<tr>
<td><strong>Additions – internally developed</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>834</td>
<td>—</td>
<td>—</td>
<td>13</td>
<td>$14,956</td>
<td>$15,803</td>
</tr>
<tr>
<td><strong>Additions – externally acquired</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,124</td>
<td>—</td>
<td>—</td>
<td>253</td>
<td>2</td>
<td>$4,379</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(5,483)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(5,483)</td>
</tr>
<tr>
<td><strong>Addition through acquisition of businesses (Note 7)</strong></td>
<td>59,320</td>
<td>16,151</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$1,107</td>
<td>207</td>
<td>$76,785</td>
</tr>
<tr>
<td><strong>Finalization of the fair value of the assets acquired of Best Brands Group SA and Baby Universe SAS</strong></td>
<td>7</td>
<td>576</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>583</td>
</tr>
<tr>
<td><strong>Effect of foreign currency exchange rate changes</strong></td>
<td>2,576</td>
<td>1,102</td>
<td>—</td>
<td>365</td>
<td>14</td>
<td>—</td>
<td>56</td>
<td>$2,759</td>
<td>$6,872</td>
</tr>
<tr>
<td><strong>Balance as at December 30, 2013</strong></td>
<td>$355,103</td>
<td>$137,781</td>
<td>$1,500</td>
<td>$30,436</td>
<td>$721</td>
<td>—</td>
<td>$7,746</td>
<td>$112,604</td>
<td>$645,891</td>
</tr>
<tr>
<td><strong>Additions – internally developed</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,203</td>
<td>—</td>
<td>—</td>
<td>37</td>
<td>$17,986</td>
<td>$19,223</td>
</tr>
<tr>
<td><strong>Additions – externally acquired</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>319</td>
<td>—</td>
<td>—</td>
<td>2,916</td>
<td>—</td>
<td>$3,235</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(882)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(16)</td>
<td>(898)</td>
</tr>
<tr>
<td><strong>Addition through acquisition of businesses (Note 7)</strong></td>
<td>26,987</td>
<td>25,137</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>43,798</td>
<td>—</td>
<td>—</td>
<td>$95,922</td>
</tr>
<tr>
<td><strong>Finalization of the fair value of the assets acquired of Caloi (Note 7)</strong></td>
<td>2,349</td>
<td>(293)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,056</td>
</tr>
<tr>
<td><strong>Transfer between asset classes</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(4,821)</td>
<td>—</td>
<td>—</td>
<td>4,821</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Effect of foreign currency exchange rate changes</strong></td>
<td>(18,521)</td>
<td>(8,668)</td>
<td>—</td>
<td>(997)</td>
<td>(43)</td>
<td>(180)</td>
<td>(1,062)</td>
<td>(8,966)</td>
<td>(38,437)</td>
</tr>
<tr>
<td><strong>Balance as at December 30, 2014</strong></td>
<td>$365,918</td>
<td>$153,957</td>
<td>$1,500</td>
<td>$25,258</td>
<td>$678</td>
<td>$43,618</td>
<td>$14,458</td>
<td>$121,608</td>
<td>$726,995</td>
</tr>
</tbody>
</table>

For THE YEARS ENDED DECEMBER 30, 2014 and 2013
(All figures in thousands of U.S. dollars)
NOTE 12 – INTANGIBLE ASSETS (continued)

(b) Accumulated amortization and impairment losses

<table>
<thead>
<tr>
<th>Trademarks</th>
<th>Customer relationships</th>
<th>Supplier relationship</th>
<th>Patents</th>
<th>Non-compete agreement</th>
<th>Land use rights</th>
<th>Software licenses</th>
<th>Deferred development costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Balance as at December 30, 2012

| Amortization for the year | 35,188 | 675 | 18,822 | 574 | — | 1,225 | 67,411 | 123,895 |
| Disposals                | —      | 6,849 | 150 | 1,800 | 126 | — | 1,262 | 14,126 | 24,313 |
| Effect of foreign currency exchange rate changes | —      | 42,677 | 825 | 15,276 | 721 | — | 2,520 | 83,491 | 145,510 |
| Amortization for the year | 8,934 | 150 | 2,095 | — | 48 | 1,018 | 14,995 | 27,240 |
| Disposals                | —      | — | — | (882) | — | — | (16) | (898) |
| Impairment losses (Notes 6 and 13) | 43,146 | — | — | — | — | — | 2,062* | 45,208 |
| Effect of foreign currency exchange rate changes | — | (2,740) | — | (682) | (43) | — | (163) | (6,235) | (9,863) |
| Balance as at December 30, 2014 | 43,146 | 48,871 | 975 | 15,807 | 678 | 48 | 3,375 | 94,297 | 207,197 |

*write-down of deferred development costs as described in Note 6 is included within the depreciation and amortization in the consolidated statement of cash flow.

During the year ended December 30, 2014, the Company incurred impairment losses of $43,146 related to trademarks in the South of Europe (2013 – nil). In addition, $2,062 of deferred development costs were written-off for products that were abandoned as a result of a change in sourcing strategy (2013 – nil).

Amortization of intangible assets is included in the consolidated income statements in the following captions:

<p>|                                      | December 30, |</p>
<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included in cost of sales</td>
<td>48</td>
<td>—</td>
</tr>
<tr>
<td>Included in selling expenses</td>
<td>11,179</td>
<td>8,925</td>
</tr>
<tr>
<td>Included in general and administrative expenses</td>
<td>1,018</td>
<td>1,262</td>
</tr>
<tr>
<td>Included in research and development expenses</td>
<td>14,995</td>
<td>14,126</td>
</tr>
<tr>
<td>Included in restructuring and other costs (Note 6)*</td>
<td>2,062</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>29,302</td>
<td>24,313</td>
</tr>
</tbody>
</table>

* includes write-down of deferred development costs as described in Note 6.
NOTE 12 – INTANGIBLE ASSETS (continued)

(c) Net book value

<table>
<thead>
<tr>
<th>Trademarks</th>
<th>Customer relationships</th>
<th>Supplier relationship</th>
<th>Patents</th>
<th>Non-compete agreement</th>
<th>Land use rights</th>
<th>Software licenses</th>
<th>Deferred development costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Balance as at December 30, 2013</td>
<td>355,103</td>
<td>95,104</td>
<td>675</td>
<td>15,160</td>
<td>—</td>
<td>—</td>
<td>5,226</td>
<td>29,113</td>
</tr>
<tr>
<td>Balance as at December 30, 2014</td>
<td>322,772</td>
<td>105,086</td>
<td>525</td>
<td>9,451</td>
<td>—</td>
<td>43,570</td>
<td>11,083</td>
<td>27,311</td>
</tr>
</tbody>
</table>

NOTE 13 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

Goodwill and intangible assets with indefinite useful lives (trademarks) acquired through business combinations are allocated to CGUs or to groups of CGUs. For the purpose of impairment testing, this represents the lowest level within the Company at which the goodwill and trademarks are monitored for internal management purposes, which is not higher than the Company’s operating segments.

The aggregate carrying amount of goodwill and intangible assets with indefinite useful lives is allocated to each CGU as follows:

<table>
<thead>
<tr>
<th>Goodwill</th>
<th>Trademarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Dorel Juvenile – North America</td>
<td>66,826</td>
</tr>
<tr>
<td>Dorel Juvenile – Europe (1)</td>
<td>198,260</td>
</tr>
<tr>
<td>Dorel Juvenile – Latin America (2)</td>
<td>23,395</td>
</tr>
<tr>
<td>Dorel Juvenile – Brazil</td>
<td>1,016</td>
</tr>
<tr>
<td>Dorel Juvenile – Australia</td>
<td>—</td>
</tr>
<tr>
<td>Dorel Juvenile – Lerado Group (3)</td>
<td>21,806</td>
</tr>
<tr>
<td>Dorel Sports – Mass markets</td>
<td>134,819</td>
</tr>
<tr>
<td>Dorel Sports – Caloi (4)</td>
<td>30,008</td>
</tr>
<tr>
<td>Dorel Sports – Apparel and Footwear</td>
<td>9,237</td>
</tr>
<tr>
<td>Dorel Sports – Chile</td>
<td>1,333</td>
</tr>
<tr>
<td>Dorel Home Furnishings</td>
<td>31,172</td>
</tr>
<tr>
<td>Total</td>
<td>544,782</td>
</tr>
</tbody>
</table>

(1) For Dorel Juvenile – Europe, the CGU of the trademarks is at the South of Europe level.
(2) The carrying amounts of goodwill and trademarks for Dorel Juvenile – Latin America include the Silfa Group, Best Brands Group SA and Baby Universe SAS.
(3) The goodwill is based on the preliminary fair value of the assets acquired, the liabilities assumed and the consideration transferred of the Juvenile business of the Lerado Group (Note 7).
(4) The change in the carrying amount of goodwill and trademarks is due to the finalization of the fair value of the assets acquired, the liabilities assumed and the consideration transferred of Caloi and the effect of foreign exchange rate changes.
NOTE 13 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES (continued)

The continuity of goodwill by segment is presented in Note 32.

On an annual basis, or more frequently if an impairment indicator is triggered, it is necessary to perform an impairment test of goodwill and trademarks. Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which goodwill is allocated and comparing it to the CGUs’ carrying amount. If the CGU to which the trademarks are allocated to are the same as for goodwill, then the same test is used to assess impairment of the goodwill and trademark. With the exception of Dorel Juvenile–Europe CGU, the CGU of the goodwill was the same as the CGU of the trademarks and therefore the recoverable amount served for both impairment tests.

During the fourth quarter of the years ended December 30, 2014 and 2013, the Company performed its annual impairment testing of goodwill and trademarks in accordance with the Company’s accounting policy described in Note 4.

During the fourth quarter of 2014, the Dorel Juvenile segment undertook a major initiative to improve its long-term profitability, secure its supply chain and broaden its global footprint by acquiring the juvenile business of the Lerado Group, an Asian based designer and manufacturer of juvenile products. This acquisition will allow Dorel to better service its existing customers and provide a base from which to expand its business in China and other parts of Asia. This important strategic orientation to a more vertically integrated business model, also included a re-assessment of its operations around the world. As a result, assumptions on projected earnings and cash flow growth were revised and future earnings are expected to come directly from its new Asian based facilities as opposed to mature markets in North America and Australia. This has resulted in goodwill impairment losses of $70,000 for Dorel Juvenile – North America CGU and $12,675 for Dorel Juvenile – Australia CGU recorded in the last quarter of 2014.

The Company also recorded an impairment of $43,146 for the Dorel Juvenile – South of Europe CGU all of which was allocated to the trademarks. This impairment loss results from reduced future profitability and cash flows on specific brands in the South of Europe. The Company has made a strategic decision to focus on the Maxi-Cosi and Quinny brands in this area of the European market and as a result, profits are being driven by these brands and away from the Bébé Confort, Monbebé, Babidéal and Baby Relax brands acquired as part of the 2003 Ampa France business acquisition.

With the exception of the above CGUs in 2014, the recoverable amounts of the other CGUs were higher than their carrying amount as at December 30, 2014 and 2013.

The valuation techniques, significant assumptions and sensitivity analysis applied in the goodwill and trademarks impairment tests are described below:

Valuation Techniques:

The Company did not make any changes since the prior year to the valuation methodology used to assess the recoverable amounts of its CGUs. The recoverable amount has been defined as the higher of the value in use and the fair value less costs to sell.

Value in use:

The income approach was used and this is based upon the value of the future cash flows that the CGU will generate going forward. The discounted cash flow method was used which involves projecting cash flows and converting them into a present value equivalent through the use of discounting. The discounting process uses a rate of return that represents the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates, terminal growth rate and discount rates.
NOTE 13 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES (continued)

Valuation Techniques (continued):

**Fair value less costs to sell:**
The market approach was used which assumes that companies operating in the same industry will share similar characteristics and that company fair values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate fair value. Under the market approach, fair value is calculated based on earnings before finance expenses, taxes, depreciation and amortization multiples (“EBITDA”), earnings before finance costs and taxes multiples (“EBIT”) and sales multiples of benchmark companies comparable to the businesses in each CGU. Data for the benchmark companies was obtained from publicly available information. If there is no binding sales agreement or active market for the asset, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU, such as the discounted cash flow models. This later model was used to determine the fair value less costs to sell of the Dorel Juvenile – North America CGU.

**Significant assumptions:**

**Weighting of Valuation Techniques:**
Given the volatility in capital markets and due to the fact that there are no comparable companies operating within the same industry of the respective CGU, the Company is weighting the results mainly on the income approach. The market approach is used to validate and ensure the value in use or fair value discounted cash flow model calculations are reasonable and consistent when compared to the market approach values. The selection and weighting of the fair value techniques requires judgment.

**Key assumptions used in value in use calculations:**
The value in use was determined by using discounted cash flow projections from financial budgets approved by senior management usually covering a period of five years.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model and the long-term growth rate used for extrapolation purposes.

The assumptions used were based on the Company’s internal budget and strategic plan. The Company projected revenue growth rates, operating margins, capital expenditures and working capital for a period of five years and applied a terminal long-term growth rate thereafter. In arriving at its forecasts, the Company considered past experience, economic trends such as GDP growth and inflation, as well as industry and market trends. The projections also took into account the expected impact from new product initiatives, customer retention and the maturity of the market in which each CGU operates.

The Company assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital (WACC) for comparable companies operating in similar industries as the applicable CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU.
NOTE 13 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES (continued)

Significant assumptions (continued):

The following table presents the basis used as the recoverable amount and the key assumptions used in calculating the recoverable amount:

<table>
<thead>
<tr>
<th>Basis used as recoverable amount</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dorel Juvenile – North America</td>
<td>Fair value</td>
<td>17.10</td>
<td>16.60</td>
<td>3.00</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Dorel Juvenile – Europe</td>
<td>Value in use</td>
<td>13.98</td>
<td>15.74</td>
<td>2.00</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Dorel Juvenile – South of Europe</td>
<td>Value in use</td>
<td>16.03</td>
<td>17.53</td>
<td>2.00</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Dorel Juvenile – Latin America</td>
<td>Value in use</td>
<td>19.13</td>
<td>19.32</td>
<td>4.84</td>
<td>5.10</td>
<td></td>
</tr>
<tr>
<td>Dorel Juvenile – Brazil</td>
<td>Value in use</td>
<td>23.59</td>
<td>16.32</td>
<td>5.00</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Dorel Juvenile – Australia</td>
<td>Value in use</td>
<td>16.55</td>
<td>16.32</td>
<td>3.00</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Dorel Sports – Mass markets</td>
<td>Value in use</td>
<td>14.34</td>
<td>14.85</td>
<td>3.00</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Dorel Sports – Independent bike dealers (IBD)</td>
<td>Value in use</td>
<td>16.01</td>
<td>14.56</td>
<td>3.00</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Dorel Sports – Caloi</td>
<td>Value in use</td>
<td>20.45</td>
<td>18.50</td>
<td>5.00</td>
<td>5.00</td>
<td></td>
</tr>
<tr>
<td>Dorel Sports – Apparel and Footwear</td>
<td>Value in use</td>
<td>15.18</td>
<td>15.73</td>
<td>3.00</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Dorel Home Furnishings</td>
<td>Value in use</td>
<td>19.14</td>
<td>20.41</td>
<td>2.00</td>
<td>2.00</td>
<td></td>
</tr>
</tbody>
</table>

(1) The key assumptions of Dorel Juvenile – Latin America include the Silfa Group, Best Brands Group SA and Baby Universe SAS.

As the assets and liabilities making up the CGU have not changed significantly since the acquisition, management considered the consideration paid as an estimation of the recoverable amount of the CGU as at December 30, 2014 for both the Dorel Juvenile – Lerado Group and Dorel Sports – Chile CGUs.

The assumptions used by the Company in the future cash flow discounting model provided are classified as Level 3 in the fair value hierarchy, signifying that they are not based on observable market data. The Company performed the below sensitivity analysis to changes in assumptions for the basis used in the calculations of the recoverable amount of each CGU.
NOTE 13 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES (continued)

Significant assumptions (continued):

**Sensitivity to changes in assumptions for the basis of the calculation of recoverable amounts:**

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the values of the recoverable amount calculation would have the following effects for the year ended December 30, 2014, assuming that all other variables remained constant:

<table>
<thead>
<tr>
<th></th>
<th>Increase in basis points of pre-tax discount rate that would result in carrying value equal to recoverable amount</th>
<th>Decrease in basis points of terminal long-term growth rate that would result in carrying value equal to recoverable amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dorel Juvenile – North America (1)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dorel Juvenile – Europe</td>
<td>269</td>
<td>370</td>
</tr>
<tr>
<td>Dorel Juvenile – South of Europe (1)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dorel Juvenile – Latin America (2)</td>
<td>138</td>
<td>153</td>
</tr>
<tr>
<td>Dorel Juvenile – Brazil</td>
<td>145</td>
<td>309</td>
</tr>
<tr>
<td>Dorel Juvenile – Australia (1)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dorel Sports – Mass markets</td>
<td>426</td>
<td>701</td>
</tr>
<tr>
<td>Dorel Sports – Independent bike dealers (IBD)</td>
<td>74</td>
<td>158</td>
</tr>
<tr>
<td>Dorel Sports – Caloi</td>
<td>51</td>
<td>87</td>
</tr>
<tr>
<td>Dorel Sports – Apparel and Footwear</td>
<td>374</td>
<td>683</td>
</tr>
<tr>
<td>Dorel Home Furnishings</td>
<td>479</td>
<td>922</td>
</tr>
</tbody>
</table>

(1) No sensitivity tests were performed for these CGUs since impairment losses were recorded as a result of the latest impairment tests performed during the fourth quarter.

(2) The sensitivity analysis of Dorel Juvenile – Latin America include the Silfa Group, Best Brands Group SA and Baby Universe SAS.

NOTE 14 – OTHER ASSETS

Other assets consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs relating to revolving credit facility (1)</td>
<td>1,217</td>
<td>1,071</td>
</tr>
<tr>
<td>Other</td>
<td>4,181</td>
<td>4,989</td>
</tr>
<tr>
<td></td>
<td>5,398</td>
<td>6,060</td>
</tr>
</tbody>
</table>

(1) The amortization of financing costs related to the revolving credit facility included in finance expenses is $607 (2013 – $317).
NOTE 15 – BANK INDEBTEDNESS

The average interest rates on the outstanding borrowings as at December 30, 2014 and 2013 were 11.49% and 9.42% respectively. As at December 30, 2014, the Company had available bank lines of credit amounting to approximately $157,460 (2013 – $167,937) of which $27,053 (2013 – $72,546) have been used.

NOTE 16 – TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Trade creditors and accruals</td>
<td>428,728</td>
</tr>
<tr>
<td>Salaries payable</td>
<td>42,864</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>16,307</td>
</tr>
<tr>
<td>Balance of sale (Note 7)</td>
<td>2,628</td>
</tr>
<tr>
<td></td>
<td>490,527</td>
</tr>
</tbody>
</table>

The Company’s exposure to liquidity and foreign exchange risks related to trade and other payables is disclosed in Note 20.

NOTE 17 – WRITTEN PUT OPTION AND FORWARD PURCHASE AGREEMENT LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Written put option and forward purchase agreement liabilities</td>
<td>44,640</td>
</tr>
<tr>
<td>Current</td>
<td>—</td>
</tr>
<tr>
<td>Non-current</td>
<td>44,640</td>
</tr>
</tbody>
</table>

Written put option and forward purchase agreement liabilities are valued at fair value using Level 3 inputs in the fair value hierarchy. The fair value represents the present value of the exercise price of the put option or the forward and is measured by applying the income approach using the probability-weighted expected payment of the exit price and is based on discounted cash flows. Unobservable inputs within the fair value measurement include the exit price and the expected payment date for the written put options. The exit price is based on a formulaic variable price which is mainly a function of the earnings levels in future periods and requires assumptions about revenue growth rates, operating margins and the expected payment date of the exit price for the written put options. The Company assumes a discount rate in order to calculate the present value of the expected payment of the exit price which represents the cost of borrowing of the specific period for the cash flows. If the future earnings levels in future periods would increase (decrease), the estimated fair value of the written put option and forward purchase agreement liabilities would increase (decrease).

In addition, the Company entered into call agreements with the non-controlling interests for the purchase of their stake in the relevant entity. Under the terms of these agreements, upon the occurrence of certain triggering events, the Company has an option to buy the non-controlling interest (the call option) for the same variable exit price as the written put option and forward purchase agreements.
NOTE 17 – WRITTEN PUT OPTION AND FORWARD PURCHASE AGREEMENT LIABILITIES (continued)

A summary of the written put option and forward purchase agreements and certain assumptions to fair value the financial liabilities are presented below, each represent a 30% interest held by the non-controlling shareholders:

<table>
<thead>
<tr>
<th></th>
<th>Dorel Sports Chile SA</th>
<th>Companhia Dorel Brasil Produtos Infantis (Dorel Juvenile Brazil)</th>
<th>Silfa Group</th>
<th>Best Brands Group SA and Baby Universe SAS</th>
<th>Caloi</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
<td>2014</td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>Note 3</td>
<td>Note 3</td>
<td>Note 3</td>
<td>Note 3</td>
<td>Note 3</td>
<td>Note 3</td>
</tr>
<tr>
<td>7.5% each</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>in April</td>
<td>in April</td>
<td>in April</td>
<td>in April</td>
<td>in April</td>
<td></td>
</tr>
<tr>
<td>Expected payment date</td>
<td>in</td>
<td>2019</td>
<td>and 20%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>or contractual maturity (1)</td>
<td>in April</td>
<td>in April</td>
<td>in April</td>
<td>in April</td>
<td>in April</td>
</tr>
<tr>
<td>2019</td>
<td>—</td>
<td>2020</td>
<td>2018 (2)</td>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>2020</td>
<td>—</td>
<td>—</td>
<td>2018 (2)</td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Discount rate used to determine the fair value of the exit price</td>
<td>4.1%</td>
<td>—</td>
<td>12.2%</td>
<td>3.8%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Mechanism that has created a financial liability option</td>
<td>Writ-</td>
<td>—</td>
<td>Writ-</td>
<td>Forward</td>
<td>Forward</td>
</tr>
<tr>
<td></td>
<td>ten</td>
<td>—</td>
<td>ten</td>
<td>Purchase</td>
<td>Purchase</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>Writ-</td>
<td>ten</td>
<td>Agreement</td>
<td>Agreement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ten</td>
<td>Agreement</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td>Balance of the financial liability, end of year</td>
<td>$2,904</td>
<td>$—</td>
<td>$3,168</td>
<td>$21,485</td>
<td>$30,286</td>
</tr>
<tr>
<td>Remeasurement of the fair value of the financial liability is recognized in:</td>
<td>Other equity</td>
<td>—</td>
<td>Other equity</td>
<td>Finance Expenses</td>
<td>Finance Expenses</td>
</tr>
</tbody>
</table>

(1) Represents the expected payment dates for the written put options and the contractual maturity for the forward purchase agreements.
(2) Effective January 1, 2015, the terms of the shareholders agreements were amended changing the mechanism creating the financial liabilities from forward purchase agreements to written put option agreements. Therefore, from January 1, 2015, the remeasurement of the fair value of the financial liabilities will be recorded within other equity.
NOTE 17 – WRITTEN PUT OPTION AND FORWARD PURCHASE AGREEMENT LIABILITIES (continued)

Table providing information with regards to the remeasurement of the fair value of the written put option and forward purchase agreement liabilities for the years ended December 30, 2014 and 2013:

<table>
<thead>
<tr>
<th>Written Put Option Liabilities</th>
<th></th>
<th>Forward Purchase Agreement Liabilities</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>3,168</td>
<td>3,033</td>
<td>89,402</td>
<td>39,900</td>
<td>92,570</td>
</tr>
<tr>
<td>Addition through acquisition of businesses (Note 7)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>52,433</td>
<td>—</td>
</tr>
<tr>
<td>Addition through incorporation of a business</td>
<td>2,876</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,876</td>
</tr>
<tr>
<td>Change due to finalization of the fair value of the net assets acquired of Caloi</td>
<td>—</td>
<td>—</td>
<td>(16,587)</td>
<td>—</td>
<td>(16,587)</td>
</tr>
<tr>
<td>Remeasurement of the fair value [unrealized]</td>
<td>28</td>
<td>41</td>
<td>(25,702)</td>
<td>(2,482)</td>
<td>(25,674)</td>
</tr>
<tr>
<td>Repayments</td>
<td>(1,600)</td>
<td>—</td>
<td>—</td>
<td>(1,995)</td>
<td>(1,600)</td>
</tr>
<tr>
<td>Transfer balance to other equity upon repayment</td>
<td>(1,227)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,227)</td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes recognized in other comprehensive income</td>
<td>(341)</td>
<td>94</td>
<td>(5,377)</td>
<td>1,546</td>
<td>(5,718)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>2,904</td>
<td>3,168</td>
<td>41,736</td>
<td>89,402</td>
<td>44,640</td>
</tr>
</tbody>
</table>
## NOTE 18 – LONG-TERM DEBT

### Non-current liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Guaranteed Notes</td>
<td>115,788</td>
<td>—</td>
</tr>
<tr>
<td>Convertible debentures</td>
<td>112,227</td>
<td>—</td>
</tr>
<tr>
<td>Revolving bank loans</td>
<td>220,852</td>
<td>12,907</td>
</tr>
<tr>
<td>Non-convertible unsecured debentures</td>
<td>37,351</td>
<td>—</td>
</tr>
<tr>
<td>Borrowings</td>
<td>3,640</td>
<td>—</td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>330</td>
<td>276</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>490,188</strong></td>
<td><strong>13,183</strong></td>
</tr>
</tbody>
</table>

### Current liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Guaranteed Notes</td>
<td>57,500</td>
<td>186,406</td>
</tr>
<tr>
<td>Revolving bank loans</td>
<td>2,271</td>
<td>157,602</td>
</tr>
<tr>
<td>Borrowings</td>
<td>2,395</td>
<td>—</td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>390</td>
<td>366</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62,556</strong></td>
<td><strong>344,374</strong></td>
</tr>
</tbody>
</table>

The terms and conditions of outstanding loans are as follows:

### Series “A” Senior Guaranteed Notes
- Current: April 6, 2015
- Nominal interest rate: 4.74%
- Face value: 50,000
- Carrying amount: 50,000

### Series “B” Senior Guaranteed Notes
- Nominal interest rate: 5.64%
- Face value: 124,000
- Carrying amount: 123,288

### Convertible debentures
- Nominal interest rate: 5.50%
- Face value: 120,000
- Carrying amount: 112,227
NOTE 18 – LONG-TERM DEBT (continued)

<table>
<thead>
<tr>
<th>Currency</th>
<th>Nominal Interest rate</th>
<th>Maturity Date</th>
<th>Face value</th>
<th>Carrying amount</th>
<th>Face value</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/ Euro/ CAD</td>
<td>LIBOR, Euribor, Canadian or U.S. bank rates plus a margin</td>
<td>July 1, 2017</td>
<td>217,821</td>
<td>217,821</td>
<td>151,206</td>
<td>151,206</td>
</tr>
<tr>
<td>BRL</td>
<td>floating CDI (Inter-Bank Certificate of Deposit) rate plus a margin</td>
<td>various dates through March 3, 2019</td>
<td>5,302</td>
<td>5,302</td>
<td>19,303</td>
<td>19,303</td>
</tr>
<tr>
<td>BRL</td>
<td>floating CDI (Inter-Bank Certificate of Deposit) rate</td>
<td>April 3, 2017</td>
<td>6,035</td>
<td>6,035</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

- Obligations under finance leases: 720
- Total outstanding loans: 561,505
- Current portion: (62,556)

(1) Interest and principal payments are guaranteed by certain subsidiaries.
(2) Effective May 27, 2014, the Company amended the terms of its $360,000 revolving bank loans in order to extend the maturity from July 1, 2016 to July 1, 2017.
NOTE 18 – LONG-TERM DEBT (continued)

<table>
<thead>
<tr>
<th>Convertible debentures</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from issuance</td>
<td>120,000</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>(5,338)</td>
</tr>
<tr>
<td>Net proceeds</td>
<td>114,662</td>
</tr>
<tr>
<td>Amount classified as equity (net of transactions costs of $129)</td>
<td>(2,764)</td>
</tr>
<tr>
<td>Accreted interest</td>
<td>329</td>
</tr>
<tr>
<td>Carrying amount of liability as at December 30, 2014</td>
<td>112,227</td>
</tr>
</tbody>
</table>

In October 2014, the Company completed a public offering (the “Offering”) of $120,000 principal amount of extendible convertible unsecured subordinated debentures (the “convertible debentures”). The Offering was made through a syndicate of underwriters. The aggregate net proceeds were used to fund the acquisition of the juvenile business of the Lerado Group which was completed on November 3, 2014.

The convertible debentures are direct, subordinated, unsecured obligations of the Company and are ranking equally with one another and with all other existing and future unsecured indebtedness of the Company other than the Series “A” Senior Guaranteed Notes, the Series “B” Senior Guaranteed Notes and the $360,000 revolving bank loans.

The convertible debentures are convertible at any time at the holder’s option into the Company’s Class “B” Subordinate Voting Shares at a conversion price of $46.75 per share. This represents a conversion rate of 21.3904 Class “B” Subordinate Voting Shares per $1 principal amount of Debentures. Upon conversion, holders will be entitled to receive accrued and unpaid interest.

The convertible debentures may be redeemed by the Company, subject to specified conditions and notice, on or after November 30, 2017 and prior to November 30, 2018, in whole or in part from time to time, at a redemption price equal to their principal amount plus accrued and unpaid interest, provided the simple average of the daily volume-weighted average trading price of the Company’s Class “B” Subordinate Voting Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125% of the conversion price. On or after November 30, 2018 and prior to the maturity date, the Company may, at its option, redeem the convertible debentures, in whole or in part, from time to time at the par value plus accrued and unpaid interest.

As the convertible debentures are convertible into the Company’s Class “B” Subordinate Voting Shares, they have been accounted for as a compound financial instrument with a liability component and a separate equity component. The liability component was initially recognized at the fair value of similar debentures which do not have an equity conversion option using level 2 inputs of the fair value hierarchy. The initial amount of the liability component was determined by discounting the face value of the convertible debentures using a rate of interest prevailing at the date the convertible debentures were issued for instruments of similar terms and risks. The residual amount of the gross proceeds was allocated to the equity component. The determination of the accounting treatment and the valuation of the liability component required the use of estimates and judgment. Financing costs related to the issuance of the convertible debentures were prorated between the liability and equity components. Subsequently, the liability component is accounted for at amortized cost and is accreted, using the effective interest method, up to the face value of the convertible debentures during the period they are outstanding. Interest expense on the convertible debentures is composed of the interest calculated on the face value of the convertible debentures and a non-cash notional interest representing the accretion of the carrying value of the convertible debentures. The equity component is not remeasured.
NOTE 18 – LONG-TERM DEBT (continued)

Loan Covenants
As of December 30, 2014, the Company was compliant with all its borrowing covenant requirements and as a result the related debts are classified as long-term. As at December 30, 2013, the Company was in breach with one of its covenants. As a result of this breach, the Company reclassified the long-term portion of the related debts to the current portion of long-term debt since as at December 30, 2013, the Company had not obtained from the associated lenders the amendment to its debt agreements for this covenant. During the three months ended March 31, 2014, the Company amended certain financial covenants related to its debt agreements.

For more information about the Company’s exposure to interest rate and liquidity risks, see Note 20.

NOTE 19 – PROVISIONS

<table>
<thead>
<tr>
<th>Product liability</th>
<th>Warranty provision</th>
<th>Employee compensation</th>
<th>Restructuring</th>
<th>Other provisions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at December 30, 2013</td>
<td>$24,747</td>
<td>$10,667</td>
<td>$1,823</td>
<td>$4,991</td>
<td>$4,335</td>
</tr>
<tr>
<td>Arising during the year</td>
<td>$5,296</td>
<td>$12,438</td>
<td>$272</td>
<td>$2,801*</td>
<td>$6,911</td>
</tr>
<tr>
<td>Utilized</td>
<td>$(10,214)</td>
<td>$(12,011)</td>
<td>$(248)</td>
<td>$(3,280)</td>
<td>$(6,752)</td>
</tr>
<tr>
<td>Unused amounts reversed</td>
<td>$(111)</td>
<td>$(320)</td>
<td>$(11)</td>
<td>—</td>
<td>$(1,219)</td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes</td>
<td>$(5)</td>
<td>$(120)</td>
<td>$(228)</td>
<td>$(93)</td>
<td>$(177)</td>
</tr>
<tr>
<td>Balance as at December 30, 2014</td>
<td>$19,713</td>
<td>$10,654</td>
<td>$1,608</td>
<td>$4,419</td>
<td>$3,098</td>
</tr>
<tr>
<td>Current 2014</td>
<td>$19,713</td>
<td>$10,654</td>
<td>—</td>
<td>$4,419</td>
<td>$2,941</td>
</tr>
<tr>
<td>Non-current 2014</td>
<td>—</td>
<td>—</td>
<td>$1,608</td>
<td>—</td>
<td>$157</td>
</tr>
<tr>
<td></td>
<td>$19,713</td>
<td>$10,654</td>
<td>$1,608</td>
<td>$4,419</td>
<td>$3,098</td>
</tr>
<tr>
<td>Current 2013</td>
<td>$24,747</td>
<td>$10,667</td>
<td>—</td>
<td>$4,991</td>
<td>$4,165</td>
</tr>
<tr>
<td>Non-current 2013</td>
<td>—</td>
<td>—</td>
<td>$1,823</td>
<td>—</td>
<td>$170</td>
</tr>
<tr>
<td></td>
<td>$24,747</td>
<td>$10,667</td>
<td>$1,823</td>
<td>$4,991</td>
<td>$4,335</td>
</tr>
</tbody>
</table>

* Refer to Note 6
NOTE 19 – PROVISIONS (continued)

Product liability

The recorded liability represents the Company's total estimated exposure related to current and future product liability incidents. Given the nature of the risks, it is not possible to estimate when any eventual liabilities may have to be settled, thus the amount has been presented as current.

During the year ended December 30, 2013, an amount of $6,000 was recorded in restructuring and other costs relating to a US car seat case settlement.

Warranty provision

A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. It is expected that most of these costs will be incurred in the next financial year, thus the amount has been presented as current.

Employee compensation

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

Restructuring provision

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. See Note 6 for information pertaining to the current year restructuring activities.

Other provisions

Other provisions are mainly constituted by litigation provisions and various damage claims having occurred during the period but not covered by insurance companies.

Litigation provisions have been set up to cover tax, legal and administrative proceedings that arise in the ordinary course of business. These provisions concern numerous cases not material individually. Reversal of such provisions refers to cases resolved in favour of the Company. The timing of cash outflows of litigation provisions is uncertain as it depends upon the outcome of the proceedings. These provisions are therefore not discounted because their present value would not represent meaningful information. Management does not believe it is possible to make assumptions on the evolution of the cases beyond the statement of financial position date.
### NOTE 20 – 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 statements of financial position, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying amount</td>
<td>Fair value</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held for trading financial assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Loans and receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>47,101</td>
<td>47,101</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>455,188</td>
<td>455,188</td>
</tr>
<tr>
<td>Other receivables</td>
<td>19,516</td>
<td>19,516</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>424</td>
<td>424</td>
</tr>
<tr>
<td>Derivatives designated as cash flow hedges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>4,298</td>
<td>4,298</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>147</td>
<td>147</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held for trading financial liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>Other financial liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank indebtedness</td>
<td>27,053</td>
<td>27,053</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>490,527</td>
<td>490,527</td>
</tr>
<tr>
<td>Long-term debt – bearing interest at variable rates</td>
<td>266,509</td>
<td>266,509</td>
</tr>
<tr>
<td>Long-term debt – bearing interest at fixed rates</td>
<td>286,235</td>
<td>296,190</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>2,063</td>
<td>2,063</td>
</tr>
<tr>
<td>Financial liabilities measured at fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Written put option and forward purchase agreement liabilities</td>
<td>44,640</td>
<td>44,640</td>
</tr>
<tr>
<td>Derivatives designated as cash flow hedges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>929</td>
<td>929</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>688</td>
<td>688</td>
</tr>
</tbody>
</table>

(1) Presented in other financial assets in the statement of financial position.
(2) Presented in other financial liabilities in the statement of financial position.
NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Financial instruments – carrying values and fair values (continued)

Fair value disclosure
The Company has determined that the fair value of its current financial assets and liabilities approximates their respective carrying amounts as at the statement of financial position 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 using level 2 inputs in the fair value hierarchy 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.

Fair value measurement
The following table provides information about financial assets and liabilities measured at fair value in the statement of financial position and categorized by level of the fair value hierarchy as at December 30, 2014:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
</tr>
<tr>
<td>Held for trading assets:</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>1</td>
</tr>
<tr>
<td>Derivatives designated as cash flow hedges:</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>4,298</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>147</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Held for trading liabilities:</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>38</td>
</tr>
<tr>
<td>Financial liabilities measured at fair value:</td>
<td></td>
</tr>
<tr>
<td>Written put option and forward purchase agreement liabilities (Note 17)</td>
<td>44,640</td>
</tr>
<tr>
<td>Derivatives designated as cash flow hedges:</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>929</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>688</td>
</tr>
</tbody>
</table>

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing the fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Should any of the inputs to these models or changes in assumptions about these factors occur, this could affect the reported fair value of financial instruments.

The fair value of foreign exchange contracts is measured using a generally accepted valuation technique which is the discounted value of the difference between the contract’s value at maturity based on the foreign exchange rate set out in the contract and the contract’s value at maturity based on the foreign exchange rate that the counterparty would use if it were to renegotiate the same contract at today’s date under the same conditions. The Company’s or the counterparty’s credit risk is also taken into consideration in determining fair value.
NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Financial instruments – carrying values and fair values (continued)

**Fair value measurement (continued)**

The fair value of interest rate swaps is measured using a generally accepted valuation technique which is the discounted value of the difference between the value of the swap based on variable interest rates (estimated using the yield curve for anticipated interest rates) and the value of the swap based on the swap's fixed interest rate. The counterparty's credit risk is also taken into consideration in determining fair value.

**Foreign exchange gains (losses)**

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains (losses) relating to financial assets and liabilities, excluding foreign exchange contracts</td>
<td>$4,871</td>
<td>$1,835</td>
</tr>
<tr>
<td>Gains (losses) relating to foreign exchange contracts, including amounts realized on contract maturity and changes in fair value of open positions for the foreign exchange contracts for which the Company does not apply hedge accounting</td>
<td>($372)</td>
<td>$1,280</td>
</tr>
<tr>
<td>Foreign exchange gains (losses) relating to financial instruments</td>
<td>($5,243)</td>
<td>$3,115</td>
</tr>
<tr>
<td>Other foreign exchange gains (losses)</td>
<td>($37)</td>
<td>—</td>
</tr>
<tr>
<td>Foreign exchange gains (losses)</td>
<td>($5,280)</td>
<td>$3,115</td>
</tr>
</tbody>
</table>

Foreign exchange gains (losses) are included in the consolidated income statements in the following captions:

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included in cost of sales</td>
<td>($7,273)</td>
<td>($652)</td>
</tr>
<tr>
<td>Included in general and administrative expenses</td>
<td>($1,066)</td>
<td>($922)</td>
</tr>
<tr>
<td>Included in research and development expenses</td>
<td>($185)</td>
<td>—</td>
</tr>
<tr>
<td>Included in finance expenses</td>
<td>$3,244</td>
<td>$4,689</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>($5,280)</td>
<td>$3,115</td>
</tr>
</tbody>
</table>

Management of risks arising from financial instruments

In the normal course of business, the Company is subject to various risks relating to foreign exchange, interest rate, credit and liquidity. 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.
Management of risks arising from financial instruments (continued)

Foreign Exchange Risk
The Company’s main source of foreign exchange rate risk resides in sales and purchases of goods denominated in currencies other than the functional currency of each of the Company’s entities. For the Company’s transactions denominated in currencies other than the functional currency of each of the Company’s entities, fluctuations in the respective exchange rates relative to the functional currency of each of the Company’s entities will create volatility in the Company’s cash flows and in the reported amounts in its consolidated income statement. The Company’s financial debt mainly consists of long-term debts issued in U.S. dollars for which no foreign currency hedging is required. Short-term lines of credit and overdrafts and most long-term debts commonly used by the Company’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 the Company’s entities at the rates of exchange at each financial position date, the impact of which is reported as a foreign exchange gain and loss in the consolidated income statement. In order to mitigate the foreign exchange risks, from time to time, the Company uses various derivative financial instruments such as options, futures and forward contracts to hedge against adverse fluctuations in currency rates.

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. The Company 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 as at December 30, 2014 and 2013, being the year end balances of financial assets and liabilities denominated in currencies other than the functional currency of each of the Company’s entities, as well as the amount of revenue and operating expenses during the years ended December 30, 2014 and 2013 that were denominated in foreign currencies other than the functional currency of each of the Company’s entities. The tables below do not consider the effect of foreign exchange contracts. Amounts are presented in the equivalent US$.

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
<th>CAD</th>
<th>Euro</th>
<th>JPY</th>
<th>CHF</th>
<th>AUD</th>
<th>ILS</th>
<th>TWD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 30, 2014</td>
<td>1,363</td>
<td>1,397</td>
<td>177</td>
<td>(733)</td>
<td>679</td>
<td></td>
<td>756</td>
<td>3</td>
</tr>
<tr>
<td><strong>Trade and other receivables</strong></td>
<td>6,723</td>
<td>20,370</td>
<td>2,807</td>
<td>13</td>
<td>997</td>
<td></td>
<td>830</td>
<td>1,610</td>
</tr>
<tr>
<td><strong>Trade and other payables</strong></td>
<td>(55,315)</td>
<td>(20,108)</td>
<td>(1,394)</td>
<td>(2,878)</td>
<td>(215)</td>
<td></td>
<td>(751)</td>
<td>(101)</td>
</tr>
<tr>
<td><strong>Inter-company loans</strong></td>
<td>(7,486)</td>
<td>51</td>
<td>(1,363)</td>
<td>(1,626)</td>
<td>—</td>
<td>3,440</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Statement of financial position exposure excluding financial derivatives</strong></td>
<td>(54,715)</td>
<td>1,710</td>
<td>227</td>
<td>(5,224)</td>
<td>1,461</td>
<td>3,440</td>
<td>835</td>
<td>1,512</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
<th>CAD</th>
<th>Euro</th>
<th>JPY</th>
<th>CHF</th>
<th>AUD</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 30, 2013</td>
<td>2,053</td>
<td>1,014</td>
<td>229</td>
<td>3</td>
<td>163</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trade and other receivables</strong></td>
<td>5,509</td>
<td>18,565</td>
<td>1,683</td>
<td>1,321</td>
<td>1,608</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td><strong>Trade and other payables</strong></td>
<td>(51,355)</td>
<td>(14,172)</td>
<td>(6,754)</td>
<td>(2,648)</td>
<td>(251)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inter-company loans</strong></td>
<td>(5,708)</td>
<td></td>
<td>(1,640)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Statement of financial position exposure excluding financial derivatives</strong></td>
<td>(49,501)</td>
<td>5,407</td>
<td>(6,482)</td>
<td>(1,324)</td>
<td>1,520</td>
<td></td>
<td>4,303</td>
</tr>
</tbody>
</table>
NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Foreign Exchange Risk (continued)

<table>
<thead>
<tr>
<th>December 30, 2014</th>
<th>USD</th>
<th>CAD</th>
<th>Euro</th>
<th>JPY</th>
<th>CHF</th>
<th>AUD</th>
<th>ILS</th>
<th>TWD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>26,913</td>
<td>95,630</td>
<td>6,504</td>
<td>253</td>
<td>9,885</td>
<td>1,062</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Expenses</td>
<td>333,369</td>
<td>94,769</td>
<td>67,468</td>
<td>20,576</td>
<td>2,003</td>
<td>2,875</td>
<td>4,815</td>
<td>504</td>
</tr>
<tr>
<td>Net exposure</td>
<td>(306,456)</td>
<td>861</td>
<td>(60,964)</td>
<td>(20,323)</td>
<td>7,882</td>
<td>(1,813)</td>
<td>(4,815)</td>
<td>(504)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 30, 2013</th>
<th>USD</th>
<th>CAD</th>
<th>Euro</th>
<th>JPY</th>
<th>CHF</th>
<th>AUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>20,307</td>
<td>102,358</td>
<td>8,183</td>
<td>495</td>
<td>7,048</td>
<td>529</td>
</tr>
<tr>
<td>Expenses</td>
<td>307,666</td>
<td>109,027</td>
<td>54,273</td>
<td>12,048</td>
<td>2,547</td>
<td>805</td>
</tr>
<tr>
<td>Net exposure</td>
<td>(287,359)</td>
<td>(6,669)</td>
<td>(46,090)</td>
<td>(11,553)</td>
<td>4,501</td>
<td>(276)</td>
</tr>
</tbody>
</table>

The following table summarizes the Company’s derivative financial instruments relating to commitments to buy and sell foreign currencies through futures and forward foreign exchange contracts:

<table>
<thead>
<tr>
<th>Foreign exchange contracts</th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currencies (sold/bought)</td>
<td>Average rate (1)</td>
<td>Average rate (1)</td>
</tr>
<tr>
<td></td>
<td>Notional amount (2)</td>
<td>Notional amount (2)</td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>Fair value</td>
</tr>
<tr>
<td>Forwards</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>EUR/USD</td>
<td>0.7199</td>
<td>0.7397</td>
</tr>
<tr>
<td></td>
<td>26,138</td>
<td>121,535</td>
</tr>
<tr>
<td>GBP/EUR</td>
<td>0.8097</td>
<td>0.8329</td>
</tr>
<tr>
<td></td>
<td>18,333</td>
<td>15,879</td>
</tr>
<tr>
<td>AUD/USD</td>
<td>1.0870</td>
<td>1.0749</td>
</tr>
<tr>
<td></td>
<td>260</td>
<td>3,225</td>
</tr>
<tr>
<td>GBP/USD</td>
<td>0.5939</td>
<td>0.6174</td>
</tr>
<tr>
<td></td>
<td>7,725</td>
<td>25,918</td>
</tr>
<tr>
<td>BRL/USD</td>
<td>2.6708</td>
<td>2.3020</td>
</tr>
<tr>
<td></td>
<td>1,559</td>
<td>2,069</td>
</tr>
<tr>
<td>BRL/EUR</td>
<td>3.2874</td>
<td>3.1842</td>
</tr>
<tr>
<td></td>
<td>373</td>
<td>437</td>
</tr>
<tr>
<td>CLP/USD</td>
<td>583.5657</td>
<td>3.6687</td>
</tr>
<tr>
<td></td>
<td>2,400</td>
<td>3,958</td>
</tr>
<tr>
<td>ILS/USD</td>
<td>1.013742</td>
<td>275</td>
</tr>
<tr>
<td></td>
<td>1,794</td>
<td>275</td>
</tr>
<tr>
<td>Total</td>
<td>3,333</td>
<td>(2,774)</td>
</tr>
</tbody>
</table>

(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, 2014 and 2013 were used to translate amounts in foreign currencies.
Management of risks arising from financial instruments (continued)

Foreign Exchange Risk (continued)

The following outlines the main exchange rates applied in the preparation of the consolidated financial statements:

<table>
<thead>
<tr>
<th>Source of variability from changes in foreign exchange rates</th>
<th>December 30, 2014</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>CAD</td>
<td>Euro</td>
<td>JPY</td>
<td>CHF</td>
<td>AUD</td>
<td>ILS</td>
<td>TWD</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Financial instruments, including foreign exchange contracts for which the Company does not apply hedge accounting

Revenues and expenses

Increase (decrease) on pre-tax income

Increase (decrease) on other comprehensive income

December 30, 2013

Source of variability from changes in foreign exchange rates

<table>
<thead>
<tr>
<th>Source of variability from changes in foreign exchange rates</th>
<th>USD</th>
<th>CAD</th>
<th>Euro</th>
<th>JPY</th>
<th>CHF</th>
<th>AUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial instruments, including foreign exchange contracts for which the Company does not apply hedge accounting</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Revenues and expenses

Increase (decrease) on pre-tax income

Increase (decrease) on other comprehensive income

Based on the Company’s foreign currency exposures noted above and the foreign exchange contracts in effect in 2014 and 2013, varying the above foreign exchange rates to reflect a 5 percent weakening of the currencies, other than the functional currency of each of the Company’s entities, would have the following effects during the years ended December 30, 2014 and 2013, assuming that all other variables remained constant:
NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Foreign Exchange Risk (continued)
An assumed 5 percent strengthening of the currencies, other than the functional currency of each of the Company’s entities, during the years ended December 30, 2014 and 2013, would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest Rate Risk
The Company is exposed to interest rate fluctuations, related primarily to its revolving long-term bank loans and non-convertible debentures, for which amounts drawn are subject to LIBOR, Euribor, Canadian, U.S. bank rates or a floating CDI (Inter-Bank Certificate of Deposit) rate in effect at the time of borrowing, plus a margin. The Company manages its interest rate exposure and enters into swap agreements consisting of exchanging variable rates for fixed rates for an extended period of time. All other long-term debts have fixed interest rates and are therefore not exposed to cash flow interest rate risk.

During the year, the Company decided to use interest rate swap agreements to lock-in a portion of its debt cost and reduce its exposure to the variability of interest rates by exchanging variable rate payments for fixed rate payments and entered into new interest rate swap agreements to replace the agreements that had matured on March 23, 2014. The Company has designated its interest rate swaps as cash flow hedges for which it uses hedge accounting.

The maturity analysis associated with the interest rate swap agreements used to manage interest risk associated with long-term debt is as follows:

<table>
<thead>
<tr>
<th>Fixed Rate (Percentage)</th>
<th>Notional amount</th>
<th>Maturity</th>
<th>Fair value December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Interest rate swap agreements</td>
<td>1.75</td>
<td>50,000</td>
<td>March 26, 2019</td>
</tr>
</tbody>
</table>

The fair value of the derivatives designated as cash flow hedges are as follows:

<table>
<thead>
<tr>
<th>Derivatives designated as cash flow hedges:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swaps included in non-current other financial assets</td>
<td>147</td>
<td>—</td>
</tr>
<tr>
<td>Interest rate swaps included in current other financial liabilities</td>
<td>(688)</td>
<td>(226)</td>
</tr>
<tr>
<td>Total</td>
<td>(541)</td>
<td>(226)</td>
</tr>
</tbody>
</table>
NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Interest Rate Risk (continued)
Based on the currently outstanding long-term debts bearing interest at variable rates and interest rate swaps as at December 30, 2014 and 2013, if interest rates had changed by 50 basis points, assuming that all other variables had remained the same, the impact would have the following effects:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5% increase</td>
<td>0.5% decrease</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease)</td>
<td>$1,333</td>
<td>$1,333</td>
</tr>
<tr>
<td>on pre-tax income</td>
<td>($1,333)</td>
<td>($853)</td>
</tr>
<tr>
<td>due to long-term debts bearing interest at variable rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease)</td>
<td>371</td>
<td>(383)</td>
</tr>
<tr>
<td>on other comprehensive income due to interest rate swaps</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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, foreign exchange contracts and interest rate swaps resulting from defaults by counterparties. The Company enters into financial instruments with a variety of creditworthy parties. When entering into foreign exchange contracts and interest rate swaps, 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 other than trade and other receivables.

The maximum credit risk to which the Company is exposed as at December 30, 2014 and 2013, represents the carrying value of cash equivalents and trade and other receivables as well as the fair value of foreign exchange contracts and interest rate swaps with positive fair values.

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 trade accounts receivable is insured against possible losses. In 2014, sales to a major customer represented 25.9% of total revenue (2013 – 27.9%). As at December 30, 2014, one customer accounted for 16.0% of the Company’s total trade accounts receivable balance (2013 – 13.8%).

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 financial position 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 general and administrative expenses.
NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Credit Risk (continued)

The Company’s exposure to credit risk for trade accounts receivable by geographic area and type of customer was as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Canada</td>
<td>35,250</td>
</tr>
<tr>
<td>United States</td>
<td>206,556</td>
</tr>
<tr>
<td>Europe</td>
<td>123,846</td>
</tr>
<tr>
<td>Latin America</td>
<td>55,752</td>
</tr>
<tr>
<td>Other countries</td>
<td>33,784</td>
</tr>
<tr>
<td></td>
<td><strong>455,188</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Mass-market retailers</td>
<td>234,848</td>
</tr>
<tr>
<td>Specialty/independent stores</td>
<td>220,340</td>
</tr>
<tr>
<td></td>
<td><strong>455,188</strong></td>
</tr>
</tbody>
</table>

Pursuant to their respective terms, trade accounts receivable are aged as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Not past due</td>
<td>339,292</td>
</tr>
<tr>
<td>Past due 0-30 days</td>
<td>74,863</td>
</tr>
<tr>
<td>Past due 31-60 days</td>
<td>19,260</td>
</tr>
<tr>
<td>Past due 61-90 days</td>
<td>8,661</td>
</tr>
<tr>
<td>Past due over 90 days</td>
<td>25,064</td>
</tr>
<tr>
<td>Trade accounts receivable</td>
<td><strong>467,140</strong></td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(11,952)</td>
</tr>
<tr>
<td></td>
<td><strong>455,188</strong></td>
</tr>
</tbody>
</table>

Based on past experience, the Company believes that no significant allowance for doubtful accounts is necessary in respect of trade accounts receivable not past due and past due 0-30 days which represent 91.0% of total gross trade accounts receivable (2013 – 89.6%). This balance includes the amounts owed by the Company’s most significant customers and relates to customers that have a good payment history with the Company.
NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Credit Risk (continued)
The movement in the allowance for doubtful accounts with respect to trade accounts receivable was as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, at beginning of year</td>
<td>$11,495</td>
<td>$9,788</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>$3,118</td>
<td>$4,913</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncollectible accounts written-off</td>
<td>$(2,866)</td>
<td>$(3,460)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assumed through acquisition of businesses (Note 7)</td>
<td>$852</td>
<td>$207</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes</td>
<td>$(647)</td>
<td>$47</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, at end of year</td>
<td>$11,952</td>
<td>$11,495</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 Management” (Note 21). 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 not in the ordinary course of business, including acquisitions or other major investments or divestitures. Management believes that future cash flows from operations and availability under existing/renegotiated banking arrangements will be adequate to support the Company’s financial liabilities.

The following table summarizes the contractual maturities of financial liabilities of the Company as at December 30, 2014, excluding future interest payments but including accrued interest:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Less than 1 year</th>
<th>1-3 years</th>
<th>4-5 years</th>
<th>After 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank indebtedness</td>
<td>$27,053</td>
<td>$27,053</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Long-term debt – revolving bank loans</td>
<td>$223,123</td>
<td>$2,271</td>
<td>$220,852</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other long-term debt</td>
<td>$338,382</td>
<td>$60,285</td>
<td>$72,013</td>
<td>$182,784</td>
<td>$23,300</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>$490,527</td>
<td>$490,527</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>$967</td>
<td>$967</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>$688</td>
<td>$688</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Written put option and forward purchase agreement liabilities</td>
<td>$44,640</td>
<td>—</td>
<td>$22,977</td>
<td>$21,663</td>
<td>—</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>$2,063</td>
<td>—</td>
<td>$928</td>
<td>$635</td>
<td>$500</td>
</tr>
<tr>
<td>Total</td>
<td>$1,127,443</td>
<td>$581,791</td>
<td>$316,770</td>
<td>$205,082</td>
<td>$23,800</td>
</tr>
</tbody>
</table>

The Company’s only derivative financial liabilities as at December 30, 2014 and 2013 were foreign exchange contracts and interest rate swaps, for which notional amounts, maturities, average exchange rates and the carrying and fair values are disclosed under “Foreign Exchange Risk” and “Interest Rate Risk”.

NOTE 21 – CAPITAL MANAGEMENT

The Company’s objectives in managing capital are 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 structure is composed of net debt and shareholders’ equity. Net debt consists of interest-bearing debt (excluding convertible debentures) less cash and cash equivalents.

The Company manages its capital structure in light of changes in economic conditions and the requirements of the ratio required to be adhered to for bank covenant purposes. 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 earnings before finance costs, income taxes, depreciation and amortization, share-based compensation, impairment losses, restructuring and other costs (“adjusted EBITDA”). This ratio is calculated as follows: indebtedness / adjusted EBITDA and it represents the ratio required for bank covenants and it must be kept below a certain threshold so as not to be in breach. Indebtedness is equal to the aggregate of bank indebtedness, face value of long-term debt (excluding convertible debentures and including obligations under finance leases), guarantees (including all letters of credit and standby letters of credit) and written put option and forward purchase agreement liabilities based on current earnings level. Adjusted EBITDA is based on the last four quarters ending on the same date as the statement of financial position date used to compute the indebtedness but including retroactively the results of operations of the acquired businesses. The indebtedness to adjusted EBITDA as at December 30, 2014 and 2013 were as follows:

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank indebtedness</td>
<td>$27,053</td>
<td>$72,546</td>
</tr>
<tr>
<td>Face value of long-term debt [excluding convertible debentures] (Note 18)</td>
<td>$441,505</td>
<td>$358,151</td>
</tr>
<tr>
<td>Balance of sale (Note 16)</td>
<td>$2,628</td>
<td>—</td>
</tr>
<tr>
<td>Guarantees (Note 26 (d))</td>
<td>$25,314</td>
<td>$24,655</td>
</tr>
<tr>
<td>Written put option and forward purchase agreement liabilities(1)</td>
<td>$27,637</td>
<td>$44,557</td>
</tr>
<tr>
<td><strong>Indebtedness</strong></td>
<td><strong>524,137</strong></td>
<td><strong>499,909</strong></td>
</tr>
</tbody>
</table>

(1) Based on current earnings level

<table>
<thead>
<tr>
<th>For the trailing four quarters ended December 30, (2)</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$(20,444)</td>
<td>$59,078</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>$7,914</td>
<td>$22,947</td>
</tr>
<tr>
<td>Income taxes expense (recovery)</td>
<td>$(8,371)</td>
<td>$2,692</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$72,440</td>
<td>$57,453</td>
</tr>
<tr>
<td>Impairment losses of goodwill and trademarks (Note 13)</td>
<td>$125,821</td>
<td>—</td>
</tr>
<tr>
<td>Restructuring and other costs (Note 6)</td>
<td>$22,224</td>
<td>$23,650</td>
</tr>
<tr>
<td>Stock option plan expense (Note 24)</td>
<td>$277</td>
<td>$921</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td><strong>199,861</strong></td>
<td><strong>166,741</strong></td>
</tr>
<tr>
<td><strong>Indebtedness to adjusted EBITDA ratio</strong></td>
<td><strong>2.62:1</strong></td>
<td><strong>3.0:1</strong></td>
</tr>
</tbody>
</table>

(2) Includes retroactively the results of the operations of the acquired businesses
NOTE 21 – CAPITAL MANAGEMENT (continued)

In 2014, the Company’s approach to capital management changed. For the purpose of the calculation of the ratio indebtedness / adjusted EBITDA, the written put option and forward purchase agreement liabilities are now based on current earnings level as opposed to the fair value, which is a function of earnings levels in future periods, and is reflected in the consolidated financial statements.

Under the unsecured notes, non-convertible unsecured debentures and the $360,000 revolving credit facility, the Company is subject to certain covenants, including maintaining certain financial ratios. As of December 30, 2014, the Company was compliant with all its borrowing covenant requirements and as a result the related debts are classified as long-term. As at December 30, 2013, the Company was in breach with one of its covenants as mentioned in Note 18 for which the Company received an amendment subsequent to the 2013 year-end. As a result of this breach, related to the 2013 figures, the Company reclassified the long-term portion of the related debts to the current portion of long-term debt since as at December 30, 2013, the Company had not obtained from the associated lenders the amendment to its debt agreements for this covenant.

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS

The Company’s subsidiaries maintain defined benefit plans and defined contribution plans for their employees.

The plans provide benefits based on a defined benefit amount and length of service. 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 plans where future salary levels do not affect the amount of employee future benefits and the projected benefit method for the plans where future salaries or cost escalation affect the amount of employee future benefits.

Information regarding the Company’s defined benefit pension and post-retirement benefit plans are as follows:

<table>
<thead>
<tr>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pension benefits</td>
</tr>
<tr>
<td>Present value of the defined benefit obligations under wholly or partially funded plans:</td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>58,711</td>
</tr>
<tr>
<td>Current service cost</td>
<td>1,817</td>
</tr>
<tr>
<td>Interest cost</td>
<td>2,536</td>
</tr>
<tr>
<td>Participant contributions</td>
<td>438</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(2,080)</td>
</tr>
<tr>
<td>Past service costs</td>
<td>(1,094)</td>
</tr>
<tr>
<td>Assumed through acquisition of businesses (Note 7)</td>
<td>2,282</td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes</td>
<td>(3,088)</td>
</tr>
<tr>
<td>Remeasurement (gains) losses recognized in other comprehensive income</td>
<td>12,063</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>71,585</td>
</tr>
</tbody>
</table>
## NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pension benefits</td>
<td>Post-retirement benefits</td>
</tr>
<tr>
<td>Plan assets:</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Fair value, beginning of year</td>
<td>40,937</td>
<td>—</td>
</tr>
<tr>
<td>Interest income on plan assets</td>
<td>1,894</td>
<td>—</td>
</tr>
<tr>
<td>Remeasurement gains (losses) recognized in other comprehensive income</td>
<td>2,879</td>
<td>—</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>1,964</td>
<td>918</td>
</tr>
<tr>
<td>Participant contributions</td>
<td>438</td>
<td>—</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(2,080)</td>
<td>(918)</td>
</tr>
<tr>
<td>Addition through acquisition of businesses (Note 7)</td>
<td>277</td>
<td>—</td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes</td>
<td>(1,745)</td>
<td>—</td>
</tr>
<tr>
<td>Additional charges</td>
<td>(203)</td>
<td>—</td>
</tr>
<tr>
<td>Fair value, end of year</td>
<td>44,361</td>
<td>—</td>
</tr>
<tr>
<td>Net liability arising from defined benefit obligations</td>
<td>(27,224)</td>
<td>(18,904)</td>
</tr>
</tbody>
</table>

The amounts included in the consolidated statements of financial position arising from the Company’s obligation in respect of its defined benefit plans is as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pension benefits</td>
<td>Post-retirement benefits</td>
</tr>
<tr>
<td>Present value of defined benefit obligations</td>
<td>71,585</td>
<td>18,904</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>44,361</td>
<td>—</td>
</tr>
<tr>
<td>Net liability arising from defined benefit obligation</td>
<td>(27,224)</td>
<td>(18,904)</td>
</tr>
</tbody>
</table>

Remeasurements of the net defined benefit liabilities recorded during the year:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pension benefits</td>
<td>Post-retirement benefits</td>
</tr>
<tr>
<td>Remeasurement gains (losses) recognized in other comprehensive income:</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Return on plan assets (excluding amounts included in net interest expense)</td>
<td>2,879</td>
<td>—</td>
</tr>
<tr>
<td>Actuarial gains and losses arising from changes in demographic assumptions</td>
<td>(2,011)</td>
<td>(2,039)</td>
</tr>
<tr>
<td>Actuarial gains and losses arising from changes in financial assumptions</td>
<td>(10,782)</td>
<td>(2,523)</td>
</tr>
<tr>
<td>Actuarial gains and losses arising from experience adjustments</td>
<td>730</td>
<td>(357)</td>
</tr>
<tr>
<td>(9,184)</td>
<td>(4,919)</td>
<td>5,806</td>
</tr>
</tbody>
</table>
## NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

### Remeasurement gains (losses) accumulated in other comprehensive income:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>(4,008)</td>
<td>(9,686)</td>
</tr>
<tr>
<td>Recognized during the year in other comprehensive income</td>
<td>(9,184)</td>
<td>5,806</td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes</td>
<td>82</td>
<td>—</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>(13,110)</td>
<td>(4,008)</td>
</tr>
</tbody>
</table>

### Net retirement costs for the defined benefit plans included in profit or loss comprise the following:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>1,817</td>
<td>1,542</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>642</td>
<td>807</td>
</tr>
<tr>
<td>Past service costs</td>
<td>(1,094)</td>
<td>(110)</td>
</tr>
<tr>
<td>Additional charges</td>
<td>203</td>
<td>201</td>
</tr>
<tr>
<td>Net retirement expense for the year</td>
<td>1,568</td>
<td>2,440</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>4,773</td>
<td>823</td>
</tr>
</tbody>
</table>

The pension and post-retirement expense is recorded within general and administrative expenses whereas the production-related portion thereof is recognized within cost of sales.

Under the Company’s defined contribution plans, total expense was $2,440 (2013 – $2,176) and is recorded within the appropriate headings of expenses by function. Total cash payments for employee future benefits for 2014, 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 $5,322 (2013 – $5,157).

### Actuarial assumptions and sensitivity analysis

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

<table>
<thead>
<tr>
<th></th>
<th>Pension benefits</th>
<th>Post-retirement benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>3.39%</td>
<td>3.95%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>1.84%</td>
<td>n/a</td>
</tr>
</tbody>
</table>
NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Actuarial assumptions and sensitivity analysis (continued)

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

<table>
<thead>
<tr>
<th></th>
<th>Pension benefits</th>
<th>Post-retirement benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Discount rate</td>
<td>4.42%</td>
<td>3.81%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>2.23%</td>
<td>2.28%</td>
</tr>
<tr>
<td>Post retirement mortality at age 65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for current pensioners (male)</td>
<td>20.0 years</td>
<td>19.9 years</td>
</tr>
<tr>
<td>for current pensioners (female)</td>
<td>23.0 years</td>
<td>21.0 years</td>
</tr>
<tr>
<td>Post-retirement mortality at age 65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for current pensioners aged 45 (male)</td>
<td>21.5 years</td>
<td>20.8 years</td>
</tr>
<tr>
<td>for current pensioners aged 45 (female)</td>
<td>24.4 years</td>
<td>21.9 years</td>
</tr>
</tbody>
</table>

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 30, 2014 and 2013 by the amounts shown below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate (0.25% movement)</td>
<td>(2,892)</td>
<td>3,089</td>
<td>(686)</td>
<td>728</td>
</tr>
<tr>
<td>Rate of compensation increase (0.5% movement)</td>
<td>778</td>
<td>(747)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Increase</th>
<th>Decrease</th>
<th>Increase</th>
<th>Decrease</th>
<th>Increase</th>
<th>Decrease</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>(0.25%)</td>
<td></td>
<td>(0.25%)</td>
<td></td>
<td>(2,892)</td>
<td>3,089</td>
<td>(686)</td>
<td>728</td>
</tr>
<tr>
<td>Rate of compensation increase (0.5% movement)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>778</td>
<td>(747)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>
NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Actuarial assumptions and sensitivity analysis (continued)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the net periodic cost as for the year ended December 30, 2014 and 2013 by the amounts shown below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase</td>
<td>Decrease</td>
<td>Increase</td>
<td>Decrease</td>
</tr>
<tr>
<td>Discount rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.25% movement)</td>
<td>(159)</td>
<td>174</td>
<td>(2)</td>
<td>2</td>
</tr>
<tr>
<td>Rate of compensation increase (0.5% movement)</td>
<td>107</td>
<td>(106)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

The assumed health care cost trend used for measurement of the accumulated post-retirement benefit obligation is 8% in 2014, decreasing gradually to 5% in 2018 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 as at December 30, 2014:

<table>
<thead>
<tr>
<th></th>
<th>1 Percentage Point 2014</th>
<th>1 Percentage Point 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase</td>
<td>Decrease</td>
</tr>
<tr>
<td>Effect on total of service and interest cost</td>
<td>173</td>
<td>(142)</td>
</tr>
<tr>
<td>Effect on post-retirement benefit obligation</td>
<td>3,267</td>
<td>(2,649)</td>
</tr>
</tbody>
</table>

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The measurement date used for plan assets and pension benefits and the measurement date used for post-retirement benefits was December 30 for both 2014 and 2013. The most recent actuarial valuations for the pension plans and post-retirement benefit plans are dated January 1st, 2014. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1st, 2014, and the next required valuation will be as of January 1st, 2015.
NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Actuarial assumptions and sensitivity analysis (continued)

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Debt securities</td>
<td>39</td>
<td>40</td>
</tr>
<tr>
<td>Other</td>
<td>34</td>
<td>28</td>
</tr>
<tr>
<td>Equity securities</td>
<td>23</td>
<td>27</td>
</tr>
<tr>
<td>Cash</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

The Company expects $1,990 in contributions to be paid to the funded defined benefit plans and $710 in benefits to be paid for the unfunded plans in 2015.

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, 2014 was $12,360 (2013 – $12,088) under this self-insured benefit program.

NOTE 23 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

The share capital of the Company is as follows:

Authorized

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

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.
NOTE 23 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

The share capital of the Company is as follows: (continued)

Details of the issued and outstanding shares are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th></th>
<th>December 30, 2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Amount</td>
<td>Number</td>
<td>Amount</td>
</tr>
<tr>
<td>Class “A” Multiple Voting Shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>4,195,135</td>
<td>1,771</td>
<td>4,221,210</td>
<td>1,787</td>
</tr>
<tr>
<td>Converted from Class “A” to Class “B” (1)</td>
<td>—</td>
<td>—</td>
<td>(26,075)</td>
<td>(16)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>4,195,135</td>
<td>1,771</td>
<td>4,195,135</td>
<td>1,771</td>
</tr>
</tbody>
</table>

Class “B” Subordinate Voting Shares

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th></th>
<th>December 30, 2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Amount</td>
<td>Number</td>
<td>Amount</td>
</tr>
<tr>
<td>Class “B” Subordinate Voting Shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>27,718,003</td>
<td>188,687</td>
<td>27,410,127</td>
<td>179,069</td>
</tr>
<tr>
<td>Converted from Class “A” to Class “B” (1)</td>
<td>—</td>
<td>—</td>
<td>26,075</td>
<td>16</td>
</tr>
<tr>
<td>Issued under stock option plan (2)</td>
<td>396,000</td>
<td>7,281</td>
<td>281,625</td>
<td>7,605</td>
</tr>
<tr>
<td>Reclassification from contributed surplus due to exercise of stock options</td>
<td>—</td>
<td>1,924</td>
<td>—</td>
<td>1,838</td>
</tr>
<tr>
<td>Reclassification from contributed surplus due to settlement of deferred share units</td>
<td>10,266</td>
<td>264</td>
<td>10,176</td>
<td>227</td>
</tr>
<tr>
<td>Repurchase and cancellation of shares (3)</td>
<td>—</td>
<td>—</td>
<td>(10,000)</td>
<td>(68)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>28,124,269</td>
<td>198,156</td>
<td>27,718,003</td>
<td>188,687</td>
</tr>
</tbody>
</table>

TOTAL SHARE CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th></th>
<th>December 30, 2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>199,927</td>
<td></td>
<td>190,458</td>
<td></td>
</tr>
</tbody>
</table>

(1) During the year ended December 30, 2013, the Company converted 26,075 Class “A” Multiple Voting Shares into Class “B” Subordinate Voting Shares at an average rate of $0.63 per share.

(2) During the year ended December 30, 2014, the Company realized tax benefits amounting to $40 (2013 – $865) as a result of stock option transactions. The benefit has been credited to share capital and is therefore not reflected in the current income tax provision.

(3) On May 12, 2014, the Company announced that it had decided to implement a new normal course issuer bid (the “2014 NCIB”). As approved by the TSX, under the 2014 NCIB, the Company is entitled to repurchase for cancellation up to 500,000 Class “B” Subordinate Voting Shares during the period of May 14, 2014 to May 13, 2015, or until such earlier time as the bid is completed or terminated at the option of the Company. Any shares the Company purchases under the 2014 NCIB will be purchased on the open market plus brokerage fees through the facilities of the TSX at the prevailing market price at the time of the transaction. Shares acquired under the 2014 NCIB will be cancelled. In accordance with the 2014 NCIB, the Company did not repurchase any Class “B” Subordinate Voting Shares during the year ended December 30, 2014.

During the year ended December 30, 2013, in accordance with its previous normal course issuer bid which ended on May 1, 2014, the Company repurchased a total of 10,000 Class “B” Subordinate Voting Shares for a cash consideration of $321. The excess of the shares' repurchase value over their carrying amount of $253 was charged to retained earnings as share repurchase premiums.

Nature and purpose of other components of equity

Contributed Surplus

The contributed surplus account is used to recognize the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration. Refer to Note 24 for further details of these plans.
NOTE 23 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

Nature and purpose of other components of equity (continued)

Other Comprehensive Income (OCI)

Cumulative Translation Account
The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of monetary assets or liabilities that hedge the Company’s net investment in foreign operations.

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

Defined Benefit Plans
The defined benefit plans account comprises the remeasurements of the net pension and post-retirement defined benefit liabilities.

Other Equity
The other equity account comprises the amount allocated to the equity component of the convertible debentures issued by the Company in October 2014 (see Note 18) and the remeasurement of the present value of the written put option liabilities.

Dividends paid and proposed

The following dividends were declared and paid by the Company:

<table>
<thead>
<tr>
<th>Dividend Description</th>
<th>December 30, 2014</th>
<th>December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.20 per share on the outstanding Class “A” Multiple Voting Shares, Class “B” Subordinate Voting Shares and Deferred Share Units</td>
<td>38,651</td>
<td>38,185</td>
</tr>
</tbody>
</table>

After the respective reporting date a dividend of $0.30 per share (2013 – $0.30 per share) was proposed by the Board of Directors. This dividend has not been recognized as a liability as at December 30.

NOTE 24 – SHARE-BASED PAYMENTS

Stock option plan

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 were granted. Of the 6,000,000 Class “B” Subordinate Voting Shares initially reserved for issuance, 4,588,000 were available for issuance under the share option plans as at December 30, 2014. Options granted vest according to a graded schedule of 25% per year commencing a day after the end of the first year, and options outstanding expire no later than the year 2018. All options are to be settled by physical delivery of shares.
NOTE 24 – SHARE-BASED PAYMENTS (continued)

Stock option plan (continued)

The changes in outstanding stock options are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>Weighted Average Exercise Price</th>
<th>Options</th>
<th>December 30, 2013</th>
<th>Weighted Average Exercise Price</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options</td>
<td>$</td>
<td></td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Options outstanding, beginning of year</td>
<td>589,750</td>
<td>23.37</td>
<td>777,250</td>
<td>23.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted (1)</td>
<td>—</td>
<td>—</td>
<td>114,000</td>
<td>36.49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised (2)</td>
<td>(396,000)</td>
<td>18.36</td>
<td>(281,625)</td>
<td>24.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(51,750)</td>
<td>33.64</td>
<td>(19,875)</td>
<td>27.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Options outstanding, end of year</td>
<td>142,000</td>
<td>28.60</td>
<td>589,750</td>
<td>23.37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total exercisable, end of year</td>
<td>45,500</td>
<td>28.37</td>
<td>401,000</td>
<td>19.23</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) The weighted average fair value of the options granted during the year ended December 30, 2013 was $7.79.
(2) The weighted average share price at the date of exercise for the stock options exercised in 2014 was $34.53 (2013 – $38.86).

A summary of options outstanding as at December 30, 2014 is as follows:

<table>
<thead>
<tr>
<th>Range of Exercise Prices</th>
<th>Total Outstanding</th>
<th>Weighted Average Exercise Price</th>
<th>Weighted Average Remaining Contractual Life</th>
<th>Total Exercisable</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>Options</td>
<td>$</td>
<td>(in years)</td>
<td>Options</td>
<td>$</td>
</tr>
<tr>
<td>22.28-28.48</td>
<td>50,000</td>
<td>22.85</td>
<td>2.25</td>
<td>17,500</td>
<td>22.69</td>
</tr>
<tr>
<td>30.51-35.30</td>
<td>92,000</td>
<td>31.73</td>
<td>3.45</td>
<td>28,000</td>
<td>31.93</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------------</td>
<td>---------------------------------</td>
<td>------------------------------------------</td>
<td>-------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>142,000</td>
<td>28.60</td>
<td>3.03</td>
<td>45,500</td>
<td>28.37</td>
<td></td>
</tr>
</tbody>
</table>

Total compensation cost recognized in income for employee stock options for the year amounts to $277 (2013 – $921), and was credited to contributed surplus.

The compensation cost recognized in income was 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:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>n/a</td>
<td>1.57%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>n/a</td>
<td>1.68%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>n/a</td>
<td>28.71%</td>
</tr>
<tr>
<td>Expected life</td>
<td>n/a</td>
<td>4.21 years</td>
</tr>
</tbody>
</table>
NOTE 24 – SHARE-BASED PAYMENTS (continued)

Stock option plan (continued)

The weighted average fair value of options granted during the year ended December 30, 2013 was $7.79.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Directors’ 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 their director’s fees and fees for attending meetings of the Board of Directors or committees thereof paid in the form of deferred share units (“DSUs”). A plan participant may also receive dividend equivalents paid in the form of DSUs.

The number of DSUs received by a director is determined by dividing the amount of the remuneration to be paid in the form of DSUs 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. The Award Date is the last day of each quarter of the Company’s fiscal year in the case of fees forfeited and the date on which the dividends are payable in the case of dividends. The fair market value of the Company’s Class “B” Subordinate Voting Shares is equal to their average closing trading price during the five trading days preceding the Award Date. Upon termination of a director’s service, a director may receive, at the discretion of the Board of Directors, either:

(a) cash equal to the number of DSUs 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 DSUs in the director’s account; or
(c) a combination of cash and Class “B” Subordinate Voting Shares

Of the 175,000 DSUs authorized for issuance under the plan, 45,095 were available for issuance under the DSU plan as at December 30, 2014.

The changes in outstanding DSUs are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 30, 2014</th>
<th>Number of DSUs</th>
<th>Contributed Surplus Amount</th>
<th>December 30, 2013</th>
<th>Number of DSUs</th>
<th>Contributed Surplus Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSUs outstanding, beginning of year</td>
<td>116,160</td>
<td>3,433</td>
<td></td>
<td>105,427</td>
<td>2,953</td>
<td></td>
</tr>
<tr>
<td>Issued for fees forfeited</td>
<td>14,185</td>
<td>486</td>
<td></td>
<td>15,208</td>
<td>568</td>
<td></td>
</tr>
<tr>
<td>Issued for dividend equivalents</td>
<td>4,237</td>
<td>142</td>
<td></td>
<td>3,519</td>
<td>127</td>
<td></td>
</tr>
<tr>
<td>Settlement of deferred share units (1)</td>
<td>(4,677)</td>
<td>(131)</td>
<td></td>
<td>(7,994)</td>
<td>(215)</td>
<td></td>
</tr>
<tr>
<td>DSUs outstanding, end of year</td>
<td>129,905</td>
<td>3,930</td>
<td></td>
<td>116,160</td>
<td>3,433</td>
<td></td>
</tr>
</tbody>
</table>

(1) During the year ended December 30, 2014, 4,677 DSUs (2013 – 7,994) were settled for which $131 (2013 – $215) was debited to contributed surplus and $122 (2013 – $194) credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.
NOTE 24 – SHARE-BASED PAYMENTS (continued)

Executive Deferred Share Unit Plan

The Company has an Executive Deferred Share Unit Plan (the “EDSU Plan”) under which executive officers of the Company may elect annually to have a portion of their annual salary and bonus paid in the form of deferred share units (“DSUs”). The EDSU Plan will assist the executive officers in attaining prescribed levels of ownership of the Company’s shares. A plan participant may also receive dividend equivalents paid in the form of DSUs. The number of DSUs received by an executive officer is determined by dividing the amount of the salary and bonus to be paid in the form of DSUs 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. The Award Date is the last business day of each month of the Company’s fiscal year in the case of salary, the date on which the bonus is, or would otherwise be, paid to the participant in the case of bonus and the date on which the dividends are payable in the case of dividends. The fair market value of the Company’s Class “B” Subordinate Voting Shares is equal to their weighted average trading price during the five trading days preceding the Award Date.

Upon termination of an executive officer’s service, an executive officer may receive, at the discretion of the Board of Directors, either:

(a) cash equal to the number of DSUs credited to the executive officer’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 executive officer; or
(b) the number of Class “B” Subordinate Voting Shares equal to the number of DSUs in the executive officer’s account; or
(c) a combination of cash and Class “B” Subordinate Voting Shares.

Of the 750,000 DSUs authorized for issuance under the plan, 697,871 were available for issuance under the EDSU Plan as at December 30, 2014.

The changes in outstanding DSUs are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of DSUs</td>
<td>$58,286</td>
<td>55,320</td>
</tr>
<tr>
<td>Contributed Surplus</td>
<td>1,555</td>
<td>1,316</td>
</tr>
<tr>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DSUs outstanding,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>beginning of year</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Issued for bonus paid</td>
<td>4,265</td>
<td>7,370</td>
</tr>
<tr>
<td>and salary paid</td>
<td>144</td>
<td>305</td>
</tr>
<tr>
<td>Issued for dividend</td>
<td>1,713</td>
<td>1,858</td>
</tr>
<tr>
<td>equivalents</td>
<td>56</td>
<td>66</td>
</tr>
<tr>
<td>Settlement of deferred</td>
<td>(12,135)</td>
<td>(6,262)</td>
</tr>
<tr>
<td>share units (1)</td>
<td>(353)</td>
<td>(132)</td>
</tr>
<tr>
<td>DSUs outstanding,</td>
<td>52,129</td>
<td>58,286</td>
</tr>
<tr>
<td>end of year</td>
<td>1,402</td>
<td>1,555</td>
</tr>
</tbody>
</table>

(1) During the year ended December 30, 2014, 12,135 DSUs (2013 – 6,262) were settled for which $353 (2013 – $132) was debited to contributed surplus and $142 (2013 – $33) credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

Share Appreciation Rights (cash-settled)

In 2014, the Company implemented a share appreciation rights (SARs) plan for senior executives and certain key employees that entitle them to a cash payment based on the increase in the share price of the Company’s Class “B” Subordinate Voting Shares from the grant date to the vesting date. The vesting date share price is calculated using the weighted average trading price during the five trading days commencing two business days after the day the Company issues a press release announcing its financial results for its most recently-completed fiscal year. The SARs vest based on service conditions and are not subject to performance conditions.
NOTE 24 – SHARE-BASED PAYMENTS (continued)

Share Appreciation Rights (cash-settled) (continued)

On June 25, 2014, the Company granted 359,516 SARs (2013 – nil). The SARs granted on June 25, 2014, vest according to a grading schedule of 10% the first year, 20% the second year, 30% the third year and 40% the fourth year. The weighted average share price at the date the SARs were granted on June 25, 2014 was $36.35. As at December 30, 2014, none of the outstanding SARs were vested.

The changes in outstanding number of SARs are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>SARs outstanding, beginnning of year</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>359,516</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(10,492)</td>
</tr>
<tr>
<td>SARs outstanding, end of year</td>
<td>349,024</td>
</tr>
</tbody>
</table>

The employee benefits expense included in general and administrative expenses for SARs for the year ended December 30, 2014 amounts to $456 (2013 – nil) for which as at December 30, 2014 $54 were recognized in trade and other payables and $383 in other long-term liabilities, based on a share price of $35.14.

The employee benefits expense is computed using the fair value of the SARs as at the reporting date as calculated using the Black-Scholes pricing model. The following weighted average assumptions were used to estimate the fair values of the SARs on December 30, 2014:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>1.06%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>3.41%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>26.01%</td>
</tr>
<tr>
<td>Expected life</td>
<td>2.25 years</td>
</tr>
</tbody>
</table>

The weighted average fair value of the SARs outstanding on December 30, 2014 was $4.78 (2013 – nil).

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SAR’s is indicative of future trends, which may not necessarily be the actual outcome.

Performance Share Units (cash-settled)

In 2014, the Company implemented a performance share unit (PSUs) plan for senior executives and certain key employees that entitle them to a cash payment. The PSUs vest based on non-market performance conditions. The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional financial performance is achieved. Upon settlement of the vested PSUs, the cash payment will be equal to the number of PSUs multiplied by the fair market value of the Company’s Class “B” Subordinate Voting Shares calculated using the weighted average trading price during the five trading days commencing two business days after the day the Company issues a press release announcing its financial results for its most recently-completed fiscal year. A plan participant may also receive dividend equivalents paid in the form of PSUs. The number of PSUs received for dividend equivalents is determined by dividing the amount of the dividend to be paid on payment date by the fair market value of the Company’s Class “B” Subordinate Voting Shares on that day. The fair market value of the Company’s Class “B” Subordinate Voting Shares is equal to their weighted average trading price during the five trading days preceding the date on which the dividends are payable.
NOTE 24 – SHARE-BASED PAYMENTS (continued)

Performance Share Units (cash-settled) (continued)

On June 25, 2014, the Company granted 105,056 PSUs (2013 – nil). The PSUs granted on June 25, 2014, vest according to a grading schedule of 20% at the end of the first year, 30% at the end of the second year and 50% at the end of the third year and have performance vesting conditions. As at December 30, 2014, none of the outstanding PSUs were vested and the weighted average remaining contractual life was 1.55 years.

The changes in outstanding number of PSUs are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>PSUs outstanding, beginning of year</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>105,056</td>
</tr>
<tr>
<td>Granted for dividend equivalents</td>
<td>1,903</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(4,689)</td>
</tr>
<tr>
<td>PSUs outstanding, end of year</td>
<td>102,270</td>
</tr>
</tbody>
</table>

The employee benefits expense included in general and administrative expenses for PSUs for the year ended December 30, 2014 amounts to $1,016 (2013 – nil) for which recognized amounts as at December 30, 2014 of $550 (2013 – nil) are included in trade and other payables and $403 (2013 – nil) in other long-term liabilities, based on a share price of $35.14.

NOTE 25 – RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Company

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>6,753</td>
</tr>
<tr>
<td>Social security costs</td>
<td>436</td>
</tr>
<tr>
<td>Contributions to defined contribution plans</td>
<td>7</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>575</td>
</tr>
<tr>
<td></td>
<td>7,771</td>
</tr>
</tbody>
</table>

The amounts disclosed in the table are the amounts recognized as an expense during the year related to key management personnel.
NOTE 26 – 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 2029. These leases have renewal options included in the contracts of various terms. Rent expense was $57,563 and $51,785 in 2014 and 2013, respectively. Future minimum lease payments exclusive of additional charges, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>46,026</td>
<td>40,935</td>
</tr>
<tr>
<td>Between 1 and 5 years</td>
<td>108,520</td>
<td>97,012</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>35,587</td>
<td>33,445</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>190,133</strong></td>
<td><strong>171,392</strong></td>
</tr>
</tbody>
</table>

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 $7,909 due in fiscal 2015 and $7,148 due in fiscal 2016 and 2017 combined and $2,546 due in fiscal 2018.

c) As at December 30, 2014, the Company has capital expenditure commitments of approximately $3,872 and a commitment for expenditures related to marketing of approximately $22,500 with equal payments to be made between fiscal 2015, 2016 and 2017 inclusively.

d) In the normal course of business, 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, 2014 standby letters of credit outstanding totalled $25,314. 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.

NOTE 27 – CONTINGENCIES

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 middle of the range 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 virtually certain 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.
NOTE 28 – INCOME TAXES

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

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>%</th>
<th>2013</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (loss) before income taxes</td>
<td>$29,929</td>
<td>—</td>
<td>$62,653</td>
<td>—</td>
</tr>
<tr>
<td>PROVISION FOR INCOME TAXES (1)</td>
<td>$(7,871)</td>
<td>26.3</td>
<td>$16,434</td>
<td>26.2</td>
</tr>
<tr>
<td>ADD (DEDUCT) EFFECT OF:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference in statutory tax rates of foreign subsidiaries</td>
<td>$(19,963)</td>
<td>66.7</td>
<td>$(9,150)</td>
<td>(14.6)</td>
</tr>
<tr>
<td>Non-recognition of tax benefits related to tax losses and temporary differences</td>
<td>6,801</td>
<td>(22.7)</td>
<td>6,437</td>
<td>10.3</td>
</tr>
<tr>
<td>Tax incentives</td>
<td>(2,808)</td>
<td>9.4</td>
<td>(3,044)</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Non-deductible (non-taxable) forward purchase agreement liabilities</td>
<td>(6,408)</td>
<td>21.4</td>
<td>142</td>
<td>0.2</td>
</tr>
<tr>
<td>Non-deductible impairment of goodwill</td>
<td>30,847</td>
<td>(103.1)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Permanent differences</td>
<td>(7,452)</td>
<td>24.9</td>
<td>(5,486)</td>
<td>(8.8)</td>
</tr>
<tr>
<td>Effect of foreign exchange, change in tax rates and other – net</td>
<td>(1,806)</td>
<td>6.0</td>
<td>(349)</td>
<td>(0.5)</td>
</tr>
<tr>
<td></td>
<td>$(8,660)</td>
<td>28.9</td>
<td>4,984</td>
<td>8.0</td>
</tr>
</tbody>
</table>

(1) The applicable statutory tax rates are 26.3% for the year ended December 30, 2014 (2013 – 26.2%). The Company’s applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

The detail of income taxes expense (recovery) for the years ended December 30, 2014 and 2013 are:

<table>
<thead>
<tr>
<th>Consolidated income statements:</th>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Income taxes expense (recovery)</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>$11,688</td>
<td>15,680</td>
</tr>
<tr>
<td>Deferred</td>
<td>$(20,348)</td>
<td>$(10,696)</td>
</tr>
<tr>
<td></td>
<td>$(8,660)</td>
<td>4,984</td>
</tr>
</tbody>
</table>

The components of deferred income tax expense for the years ended December 30, 2014 and 2013 are:

<table>
<thead>
<tr>
<th>Consolidated income statements:</th>
<th></th>
<th>December 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Deferred income tax expense</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Origination and reversal of temporary differences</td>
<td>$(20,348)</td>
<td>$(10,696)</td>
</tr>
</tbody>
</table>
NOTE 28 – INCOME TAXES (continued)

The deferred tax assets and liabilities in the consolidated statements of financial position are as follows:

<p>| December 30, |</p>
<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>$31,009</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>$89,199</td>
</tr>
<tr>
<td>(58,190)</td>
<td>(62,815)</td>
</tr>
</tbody>
</table>

The details of changes of deferred income taxes are as follows for the year ended December 30, 2014:

<table>
<thead>
<tr>
<th></th>
<th>Balance as at December 30, 2013</th>
<th>Recognized in net income</th>
<th>Recognized in other comprehensive income</th>
<th>Recognized in other equity</th>
<th>Acquisition of businesses (Note 7)</th>
<th>Others (1)</th>
<th>Balance as at December 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and operating tax losses carried forward</td>
<td>30,316</td>
<td>(475)</td>
<td>—</td>
<td>—</td>
<td>1,610</td>
<td>(4,361)</td>
<td>27,090</td>
</tr>
<tr>
<td>Pension &amp; post-retirement benefit obligations</td>
<td>11,009</td>
<td>(343)</td>
<td>5,504</td>
<td>—</td>
<td>149</td>
<td>(319)</td>
<td>16,000</td>
</tr>
<tr>
<td>Other financial liabilities and other liabilities</td>
<td>906</td>
<td>431</td>
<td>(1,559)</td>
<td>—</td>
<td>—</td>
<td>9</td>
<td>(213)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>—</td>
<td>(1,362)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(22)</td>
<td>(1,384)</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>11,730</td>
<td>4,136</td>
<td>—</td>
<td>—</td>
<td>876</td>
<td>(1,198)</td>
<td>15,544</td>
</tr>
<tr>
<td>Inventories</td>
<td>14,424</td>
<td>3,656</td>
<td>—</td>
<td>—</td>
<td>1,614</td>
<td>(90)</td>
<td>19,604</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>20,836</td>
<td>(1,904)</td>
<td>—</td>
<td>—</td>
<td>768</td>
<td>(220)</td>
<td>19,480</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(21,413)</td>
<td>2,062</td>
<td>—</td>
<td>—</td>
<td>(2,860)</td>
<td>1,679</td>
<td>(20,532)</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>(98,043)</td>
<td>16,847</td>
<td>—</td>
<td>—</td>
<td>(20,761)</td>
<td>5,245</td>
<td>(96,712)</td>
</tr>
<tr>
<td>Goodwill</td>
<td>(33,529)</td>
<td>(3,722)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>18</td>
<td>(37,233)</td>
</tr>
<tr>
<td>Other equity</td>
<td>—</td>
<td>—</td>
<td>(727)</td>
<td>—</td>
<td>—</td>
<td>(727)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange and other</td>
<td>949</td>
<td>1,022</td>
<td>—</td>
<td>—</td>
<td>(2,187)</td>
<td>1,109</td>
<td>893</td>
</tr>
<tr>
<td>(62,815)</td>
<td>20,348</td>
<td>3,945</td>
<td>(727)</td>
<td>(20,791)</td>
<td>1,850</td>
<td>(58,190)</td>
<td></td>
</tr>
</tbody>
</table>

(1) Others mainly comprise foreign currency exchange rate changes, adjustments related to the finalization of the fair value of the assets acquired, the liabilities assumed and the consideration transferred of Caloi and an adjustment related to a reduction of losses carried forward against other long-term liabilities in a foreign jurisdiction.
NOTE 28 – INCOME TAXES (continued)

The details of changes of deferred income taxes are as follows for the year ended December 30, 2013:

<table>
<thead>
<tr>
<th></th>
<th>Balance as at December 30, 2012</th>
<th>Recognized in net income</th>
<th>Recognized in other comprehensive income</th>
<th>Acquisition of businesses (Note 7)</th>
<th>Others (1)</th>
<th>Balance as at December 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and operating tax losses carried forward</td>
<td>$21,259</td>
<td>$1,522</td>
<td>$6,557</td>
<td>$978</td>
<td>$30,316</td>
<td></td>
</tr>
<tr>
<td>Pension &amp; post-retirement benefit obligations</td>
<td>$12,524</td>
<td>$36</td>
<td>$(1,636)</td>
<td>$85</td>
<td>$11,009</td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities and other liabilities</td>
<td>$1,442</td>
<td>$(518)</td>
<td>$(103)</td>
<td>$51</td>
<td>$34</td>
<td>$906</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>$10,863</td>
<td>$(269)</td>
<td>$(1,062)</td>
<td>$74</td>
<td>$11,730</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>$13,517</td>
<td>$1,359</td>
<td>$(288)</td>
<td>$(164)</td>
<td>$14,424</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>$15,131</td>
<td>$4,783</td>
<td>$(905)</td>
<td>$17</td>
<td>$20,836</td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>$(22,339)</td>
<td>$3,583</td>
<td>$(1,733)</td>
<td>$(924)</td>
<td>$(21,413)</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>$(87,542)</td>
<td>$2,632</td>
<td>$(12,512)</td>
<td>$(621)</td>
<td>$(98,043)</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>$(29,699)</td>
<td>$(3,775)</td>
<td>$17</td>
<td>$(55)</td>
<td>$(33,529)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange and other</td>
<td>$(523)</td>
<td>$1,343</td>
<td>$27</td>
<td>$102</td>
<td>$949</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$(65,367)</td>
<td>$10,696</td>
<td>$(5,931)</td>
<td>$(474)</td>
<td>$(62,815)</td>
<td></td>
</tr>
</tbody>
</table>

(1) Others mainly comprise foreign currency exchange rate changes.

Net deferred tax assets of $26,982 were recognized as at December 30, 2014 (2013 – $22,215) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income or projections for future taxable income, management believes it is probable that the Company will realize the benefits of its operating tax losses carry forward.

As at December 30, 2014, the net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $98,833 (2013 – $58,333). These net operating losses carried forward will expire starting in 2016 onwards. In addition, as at December 30, 2014, the Company has $4,677 of net capital losses carried forward for which deferred tax assets have not been recognized (2013 – $4,129). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains. The unrecognized deferred tax assets related to capital and operating tax losses carried forward amounted to $22,750 as at December 30, 2014 (2013 – $16,175).

The Company has not recognized deferred tax liabilities 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. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to corporation and/or withholding taxes. Taxable temporary differences for which deferred tax liabilities were not recognized amount to approximately $335,000 (2013 – $409,000).

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.
NOTE 29 – EARNINGS (LOSS) PER SHARE

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

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted daily average number of Class “A” Multiple and Class “B” Subordinate Voting Shares</td>
<td>32,213,733</td>
<td>31,828,510</td>
</tr>
<tr>
<td>Dilutive effect of stock options</td>
<td>—</td>
<td>194,224</td>
</tr>
<tr>
<td>Dilutive effect of deferred share units</td>
<td>—</td>
<td>167,598</td>
</tr>
<tr>
<td>Weighted average number of diluted shares</td>
<td>32,213,733</td>
<td>32,190,332</td>
</tr>
<tr>
<td>Number of anti-dilutive stock options and deferred share units excluded from fully diluted earnings per share calculation</td>
<td>324,034</td>
<td>143,000</td>
</tr>
</tbody>
</table>

As at December 30, 2014, stock options, deferred share units and convertible debentures were excluded from the calculation of diluted earnings per share as these debentures were deemed to be anti-dilutive.

NOTE 30 – SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in balances related to operations are as follows:

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>(14,740)</td>
<td>15,384</td>
</tr>
<tr>
<td>Inventories</td>
<td>(74,305)</td>
<td>(18,900)</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>886</td>
<td>3,060</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>506</td>
<td>(5,803)</td>
</tr>
<tr>
<td>Other assets</td>
<td>665</td>
<td>(3,095)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>68,683</td>
<td>14,337</td>
</tr>
<tr>
<td>Net pension and post-retirement defined benefit liabilities</td>
<td>(3,622)</td>
<td>(3,025)</td>
</tr>
<tr>
<td>Provisions, other financial liabilities and other long-term liabilities</td>
<td>(11,232)</td>
<td>6,976</td>
</tr>
<tr>
<td>Total</td>
<td>(33,159)</td>
<td>8,934</td>
</tr>
</tbody>
</table>

Details of business acquisitions:

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Acquisition of businesses (Note 7)</td>
<td>(186,001)</td>
<td>(72,980)</td>
</tr>
<tr>
<td>Cash acquired</td>
<td>12,630</td>
<td>1,056</td>
</tr>
<tr>
<td>Balance of sale payable</td>
<td>2,820</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>(170,551)</td>
<td>(71,924)</td>
</tr>
</tbody>
</table>
NOTE 30 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

The components of cash and cash equivalents are:

<table>
<thead>
<tr>
<th>December 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Cash</td>
<td>$40,677</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>6,424</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>47,101</td>
</tr>
</tbody>
</table>

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 statements of cash flows exclude the following non-cash transactions:

<table>
<thead>
<tr>
<th>December 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Acquisition of property, plant and equipment financed by trade and other payables</td>
<td>$2,003</td>
</tr>
<tr>
<td>Acquisition of intangible assets financed by trade and other payables</td>
<td>512</td>
</tr>
</tbody>
</table>

NOTE 31 – FINANCE EXPENSES AND OTHER INFORMATION

a) Finance expenses

Finance expenses consist of the following:

<table>
<thead>
<tr>
<th>December 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Restated (Note 3)</td>
<td>$25,063</td>
</tr>
<tr>
<td>Interest on long-term debt – including effect of cash flow hedge related to the interest rate swaps and the accreted interest related to long-term debt bearing interest at fixed rates</td>
<td>25,063</td>
</tr>
<tr>
<td>Remeasurement of forward purchase agreement liabilities (Notes 3 and 17)</td>
<td>(25,702)</td>
</tr>
<tr>
<td>Amortization of deferred financing costs</td>
<td>607</td>
</tr>
<tr>
<td>Other interest</td>
<td>8,105</td>
</tr>
<tr>
<td></td>
<td>8,073</td>
</tr>
</tbody>
</table>
NOTE 31 – FINANCE EXPENSES AND OTHER INFORMATION (continued)

b) Employee benefits expense

<table>
<thead>
<tr>
<th></th>
<th>December 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
<td></td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>$292,014</td>
<td>$260,190</td>
<td></td>
</tr>
<tr>
<td>Social security costs</td>
<td>$69,801</td>
<td>$61,246</td>
<td></td>
</tr>
<tr>
<td>Contributions to defined</td>
<td>$2,440</td>
<td>$2,176</td>
<td></td>
</tr>
<tr>
<td>contribution plans (Note 22)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses related to defined</td>
<td>$1,568</td>
<td>$2,440</td>
<td></td>
</tr>
<tr>
<td>benefit plans (Note 22)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses related to post-</td>
<td>$976</td>
<td>$799</td>
<td></td>
</tr>
<tr>
<td>retirement benefits plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Note 22)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based payments (Note</td>
<td>$2,235</td>
<td>$1,489</td>
<td></td>
</tr>
<tr>
<td>24)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$369,034</td>
<td>$328,340</td>
<td></td>
</tr>
</tbody>
</table>

NOTE 32 – SEGMENTED INFORMATION

The Company's significant business segments are based on three distinctive lines of activities which include:

- Dorel Juvenile Segment: Engaged in the design, sourcing, manufacturing, distribution and retail of children’s furniture and accessories which include infant car seats, strollers, high chairs, toddler beds, cribs and infant health and safety aids.
- Dorel Sports Segment: Engaged in the design, sourcing, manufacturing and distribution of recreational and leisure products and accessories which include bicycles, jogging strollers, scooters and other recreational products.
- Dorel 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 4.

The above reportable segments are the Company’s strategic business units which are based on their products and are managed separately.

The Company evaluates financial performance based on measures of income from segmented operations before finance expenses and income taxes. The allocation of revenues to each geographic area is based on where the selling company is located.

Geographic Segments – Origin

|                                | December 30, |       |       |
|                                |              | Total Revenue | Property, plant and equipment, and goodwill |
|                                |              | 2014 | 2013 | 2014 | 2013 |
|                                |              | $    | $    | $    | $    |
| Canada                         | $238,776     | $248,657 | $64,609 | $64,702 |
| United States                  | $1,346,967   | $1,255,348 | $399,264 | $473,632 |
| Europe                         | $654,389     | $618,606 | $454,091 | $542,146 |
| Latin America                  | $272,125     | $203,224 | $183,551 | $216,326 |
| Other countries                | $165,297     | $109,614 | $189,958 | $21,958 |
| Total                          | $2,677,554   | $2,435,449 | $1,291,473 | $1,318,764 |
### Industry Segments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>2,677,554</td>
<td>2,435,449</td>
<td>1,070,513</td>
<td>992,882</td>
<td>1,053,183</td>
<td>918,744</td>
<td>553,858</td>
<td>523,823</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>2,072,230</td>
<td>1,875,737</td>
<td>779,135</td>
<td>711,259</td>
<td>806,451</td>
<td>706,859</td>
<td>486,644</td>
<td>457,619</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>605,324</td>
<td>559,712</td>
<td>291,378</td>
<td>281,623</td>
<td>246,732</td>
<td>211,885</td>
<td>67,214</td>
<td>66,204</td>
</tr>
<tr>
<td><strong>Selling expenses</strong></td>
<td>232,843</td>
<td>229,274</td>
<td>117,959</td>
<td>110,721</td>
<td>98,631</td>
<td>102,581</td>
<td>16,253</td>
<td>15,972</td>
</tr>
<tr>
<td><strong>General and administrative expenses</strong></td>
<td>190,883</td>
<td>172,908</td>
<td>93,069</td>
<td>84,264</td>
<td>74,720</td>
<td>68,054</td>
<td>23,094</td>
<td>20,590</td>
</tr>
<tr>
<td><strong>Research and development expenses</strong></td>
<td>36,111</td>
<td>32,905</td>
<td>25,229</td>
<td>22,960</td>
<td>7,049</td>
<td>6,295</td>
<td>3,833</td>
<td>3,650</td>
</tr>
<tr>
<td><strong>Restructuring and other costs (Note 6)</strong></td>
<td>18,781</td>
<td>19,575</td>
<td>8,338</td>
<td>6,520</td>
<td>10,443</td>
<td>13,055</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Impairment losses on goodwill and trademarks (Note 13)</strong></td>
<td>125,821</td>
<td>—</td>
<td>125,821</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td>885</td>
<td>105,050</td>
<td>(79,038)</td>
<td>57,158</td>
<td>55,889</td>
<td>21,900</td>
<td>24,034</td>
<td>25,992</td>
</tr>
<tr>
<td><strong>Finance expenses</strong></td>
<td>8,073</td>
<td>18,665</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corporate expenses</strong></td>
<td>22,741</td>
<td>23,732</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td>(8,660)</td>
<td>4,984</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>(21,269)</td>
<td>57,669</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>2,478,061</td>
<td>2,397,726</td>
<td>1,187,118</td>
<td>1,105,109</td>
<td>1,039,824</td>
<td>1,029,781</td>
<td>251,119</td>
<td>262,836</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>685,481</td>
<td>558,416</td>
<td>342,762</td>
<td>273,754</td>
<td>255,560</td>
<td>207,461</td>
<td>87,159</td>
<td>77,201</td>
</tr>
<tr>
<td><strong>Additions to property, plant and equipment</strong></td>
<td>34,852</td>
<td>41,943</td>
<td>20,782</td>
<td>22,246</td>
<td>10,027</td>
<td>16,362$</td>
<td>4,043</td>
<td>3,335</td>
</tr>
<tr>
<td><strong>Additions to intangible assets</strong></td>
<td>22,240</td>
<td>20,182</td>
<td>22,080</td>
<td>20,106</td>
<td>160</td>
<td>76</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Depreciation and amortization included in operating profit (loss)</strong></td>
<td>65,261</td>
<td>56,096</td>
<td>46,407</td>
<td>40,026</td>
<td>14,596</td>
<td>11,857</td>
<td>4,258</td>
<td>4,213</td>
</tr>
</tbody>
</table>
### NOTE 32 – SEGMENTED INFORMATION (continued)

#### Total Assets

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total assets for reportable segments</td>
<td>2,478,061</td>
<td>2,397,726</td>
</tr>
<tr>
<td>Corporate assets</td>
<td>51,898</td>
<td>42,237</td>
</tr>
<tr>
<td>Total Assets</td>
<td>2,529,959</td>
<td>2,439,963</td>
</tr>
</tbody>
</table>

#### Total Liabilities

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total liabilities for reportable segments</td>
<td>685,481</td>
<td>558,416</td>
</tr>
<tr>
<td>Corporate liabilities</td>
<td>637,494</td>
<td>534,787</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>1,322,975</td>
<td>1,093,203</td>
</tr>
</tbody>
</table>

#### Goodwill

The continuity of goodwill by industry segment is as follows:

<table>
<thead>
<tr>
<th>December 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Dorel Juvenile</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>637,084</td>
<td>578,352</td>
</tr>
<tr>
<td>Additions (1)</td>
<td>27,285</td>
<td>51,127</td>
</tr>
<tr>
<td>Impairment losses of goodwill (Note 13)</td>
<td>(82,675)</td>
<td>—</td>
</tr>
<tr>
<td>Effect of foreign currency exchange rate changes</td>
<td>(36,912)</td>
<td>7,605</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>544,782</td>
<td>637,084</td>
</tr>
</tbody>
</table>

(1) The 2013 additions relate to the finalization of the fair value of the assets acquired, the liabilities assumed and the consideration transferred of Best Brands and Baby Universe and to the preliminary fair value of the assets acquired, the liabilities assumed and the consideration transferred of Caloi. The 2014 additions relate to the finalization of the fair value of the assets acquired, the liabilities assumed and the consideration transferred of Caloi, the fair value of the assets acquired, the liabilities assumed and the consideration transferred of Tiny Love, Infanti Brazil and Intercycles and to the preliminary fair value of the assets acquired, the liabilities assumed and the consideration transferred of the Juvenile business of the Lerado Group.
### Concentration of Credit Risk

Sales to the Company’s major customer as described in Note 20 were concentrated as follows:

<table>
<thead>
<tr>
<th></th>
<th>Canada</th>
<th>United States</th>
<th>Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>Dorel Juvenile</td>
<td>0.7</td>
<td>0.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Dorel Sports</td>
<td>—</td>
<td>0.2</td>
<td>8.4</td>
</tr>
<tr>
<td>Dorel Home Furnishings</td>
<td>2.7</td>
<td>3.0</td>
<td>9.5</td>
</tr>
</tbody>
</table>
BOARD OF DIRECTORS

Martin Schwartz
President and Chief Executive Officer
Martin Schwartz is a co-founder of Ridgewood Industries Ltd., which was merged with several associated companies to create the Company, which subsequently went public in 1987. Originally Executive Vice President of the Company, Mr. Schwartz has held the position of President and Chief Executive Officer since 1992.

Jeffrey Schwartz
Executive Vice-President, Chief Financial Officer and Secretary
Jeffrey Schwartz, previously Vice-President of the Juvenile Division of the Company, was the Company’s Vice-President, Finance from 1989 to 2003. In 2003, his title was changed to Executive Vice-President, Chief Financial Officer and Secretary. Mr. Schwartz is a graduate of McGill University in Montreal, Quebec, in the field of business administration.

Alan Schwartz
Executive Vice-President, Operations
Alan Schwartz is a co-founder of Ridgewood Industries Ltd. Mr. Schwartz held the position of Vice President, Operations of the Company from 1989 to 2003. In 2003, Mr. Schwartz’s title was changed to Executive Vice President, Operations.

Jeff Segel
Executive Vice-President, Sales & Marketing
Jeff Segel is a co-founder of Ridgewood Industries Ltd. Mr. Segel held the position of Vice President, Sales and Marketing of the Company from 1987 to 2003. In 2003, Mr. Segel’s title was changed to Executive Vice-President, Sales and Marketing.

Maurice Tousson* is the President and Chief Executive Officer of CDREM Group Inc., a chain of retail stores known as Centre du Rasoir or Personal Edge, a position he has held since January 2000. Mr. Tousson has held executive positions at well-known Canadian specialty stores, including Chateau Stores of Canada, Consumers Distributing and Sports Experts, with responsibilities for operations, finance, marketing and corporate development. Mr. Tousson currently sits on the Board of Directors of several privately-held companies. Mr. Tousson holds an MBA degree from Long Island University in New York.

Harold P. “Sonny” Gordon, Q.C.** became in 2014 the Vice Chairman of the Board of Directors of Dundee Corporation where he was previously its Chairman since November 2001. Mr. Gordon also serves as Chairman of the Board of Directors and a member of the executive committee and the compensation committee of Dundee Energy Limited. Mr. Gordon previously worked as a special assistant to a Minister of the Government of Canada, and was a managing partner of Stikeman Elliott LLP during his 28 year career as a practicing lawyer.

Dian Cohen** is the founder and president of DC Productions Limited, an economic communications consulting firm specializing in the analysis and dissemination of strategic financial, business, and economic information. Dian is a political economist by training, a well-known broadcaster and author, recipient of the Order of Canada, and other honours and awards for the excellence of her economic communications skills. Dian was former National Business Editor of CTV. She is Chair of the Advisory Council of Sionna Asset Managers, and the founding organizer of the Massawippi Valley Health Centre.

Alain Benedetti, FCPA, FCA, ICD.D*** is the retired Vice Chairman of Ernst & Young LLP where he worked for 34 years, most recently as the Canadian area managing partner, overseeing all Canadian operations. Prior thereto, he was the managing partner for eastern Canada and the Montreal office. Mr. Benedetti has extensive experience with both public and private companies and currently serves on the Board of Directors of Russel Metals Inc. and Discovery Air Inc. A former Chair of the Canadian Institute of Chartered Accountants, Mr. Benedetti has served on the Audit Committee of the Company since 2004 and has been its chairperson since 2005.

Rupert Duchesne*** is the Group Chief Executive and Director of Aimia Inc. (TSX:AIM), the international loyalty-management company that owns and operates the Aeroplan program in Canada, the Nectar program in the United Kingdom and Italy, Air Miles Middle East (60% owned), and which provides proprietary loyalty and data analytic services to clients in 20 countries. Mr. Duchesne previously held a number of senior officer positions at Air Canada from 1996, and prior thereto was involved in strategy and investment consulting. He is currently a Director of Mattamy Homes. He was previously a Director of Alliance Atlantis Communications International Inc. Mr. Duchesne holds an MBA degree from Manchester Business School and a B.Sc. (Hons) degree from Leeds University in the United Kingdom.

* Member of the Audit Committee and the Human Resources and Corporate Governance Committee
** Member of the Human Resources and Corporate Governance Committee
*** Member of the Audit Committee
OPERATING LOCATIONS
OPERATING LOCATIONS

SPORTS
Peter Woods
Group President & CEO
Sports Segment

Cycling Sports Group (CSG)
(Head Office)
1 Cannondale Way
Wilton, Connecticut 06897
United States
Tel: (203) 749-7000

172 Friendship Village Road,
Bedford, Pennsylvania 15522-6600
United States
Tel: (814) 623-9073

Cycling Sports Group Europe B.V.
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7575 DB, Oldenzaal
Netherlands
Tel: +31 541 589 898

Cycling Sports Group UK
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Poole – Dorset
United Kingdom BH12 4NU
Tel: +44 1202 732288

Cannondale Sports Unlimited Pty Ltd.
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Victoria, 3020
Australia
Tel: +61 3 8311 5300

Cannondale Japan KK
Namba Sumiso Building 9F,
1-4-19, Minamihorie,
Nishi-ku, Osaka 550-0015
Japan
Tel: +81 (0) 6 6110 9390

Cannondale Sports Group GmbH
Taiwan Branch
435-1 Hou Chung Road
Taichung 40682
Taiwan
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Apparel Footwear Group (AFG)
Ian Domaas, Vice-President Operations

4084 McConnell Court
Burnaby, British Columbia
Canada V5A 3N7
Tel: (604) 875-0887

Pacific Cycle Group (PCG)
Robert Kmoch, President
(Head Office)
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Madison, Wisconsin 53711
United States
Tel: (608) 268-2468

4730 East Radio Tower Lane
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Oney, Illinois 62450-4743
United States
Tel: (618) 393-2991

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Vacaville, California 95688-8712
United States
Tel: (707) 452-1500

9282 Pittsburgh Avenue
Rancho Cucamonga
California 91730-5516
United States
Tel: (909) 481-5613

Caloi
Eduardo Musa, President
(Head Office)
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11.857 - 150 andar
04578-00
Saõ Paulo, SP Brazil
Tel: +55 11 55 03 09 00

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HOME FURNISHINGS
Norman Braunstein
Group President & CEO
Home Furnishings Segment

Ameriwood Industries/
Altra Furniture
Rick Jackson, President & CEO
(Head Office)
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Wright City, Missouri 63390
United States
Tel: (636) 745-3351

458 Second Avenue
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Tel: (419) 447-7448

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Tel: (636) 745-3351

Dorel Home Products
Ira Goldstein, President

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Tel: (514) 323-1247

Cosco Home & Office
Troy Franks, President

2525 State Street
Columbus, Indiana 47201
United States
Tel: (812) 372-0141

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Jenny Chang, Vice-President
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201 West Commerce Street, 9th Floor
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United States
Tel: (336) 889-9130
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Martin Schwartz  
President and Chief Executive Officer

Alan Schwartz  
Executive Vice-President, Operations

Jeff Segel  
Executive Vice-President, Sales and Marketing

Jeffrey Schwartz  
Executive Vice-President, Chief Financial Officer and Secretary

Frank Rana  
Vice-President, Finance and Assistant-Secretary

Ed Wyse  
Vice-President, Global Procurement

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Stock Exchange Listing  
Share Symbols  
TSX – DII.B; DII.A

Annual and Special Meeting of Shareholders  
Thursday, May 28, 2015, at 10 am  
Centre Mont-Royal  
Salon International I & II  
2200 Mansfield Street  
Montreal, QC H3A 3R8

Designed and Written by  
MaisonBrison Communications