INNOVATIVE PRODUCTS FOR A GLOBAL MARKET

ANNUAL REPORT 2011

Baby Infanti Retail Store

Cannondale's SuperSix EVO Ultimate

2011 HIGHLIGHTS

- Dorel expands into key South American juvenile market with majority purchase of the Silfa Group and creates new division, Dorel Chile.
- Dorel Chile includes 52 *Baby Infanti* retail stores.
- Cannondale's SuperSix Evo Ultimate awarded top score in German trade magazine review of "best road bike in the world over the past 10 years".
- Cash flow from operating activities more than doubled year-over-year to US$162.5 million.

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FINANCIAL HIGHLIGHTS FROM 2007 TO 2011

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

	2011	2010	2009(1)	2008(1)	2007(1)
Revenues	**2,364,229**	2,312,986	2,140,114	2,181,880	1,813,672
Cost of sales***	**1,846,470**	1,778,938	1,634,570	1,670,481	1,375,418
Gross profit	**517,759**	534,048	505,544	511,399	438,254
as percent of revenues	**21.9%**	23.1%	23.6%	23.4%	24.2%
Expenses	**403,961**	392,407	377,093	378,660	317,117
Restructuring costs	**—**	—	104	726	14,509
Income before income taxes	**113,798**	141,641	128,347	132,013	106,628
as percent of revenues	**4.8%**	6.1%	6.0%	6.1%	5.9%
Income taxes	**9,205**	13,914	21,113	19,158	19,136
Net income	**104,593**	127,727	107,234	112,855	87,492
as percent of revenues	**4.4%**	5.5%	5.0%	5.2%	4.8%
Earnings per share					
Basic*	**3.22**	3.89	3.23	3.38	2.63
Diluted*	**3.21**	3.85	3.21	3.38	2.63
Book value per share					
at end of year**	**38.48**	35.87	33.64	30.38	28.08

(1) Financial information for 2007, 2008 and 2009 has been prepared in accordance with Canadian GAAP.
* Adjusted to account for the weighted daily average number of shares outstanding.
** Based on the number of shares outstanding at year end.
*** Since the fiscal year ended December 30 2009, the Company has applied CICA Handbook section 3031 Inventories and accordingly, depreciation expense related to manufacturing activities is included in cost of sales starting in 2008.

Revenues
(In thousands of U.S. dollars)

Year	Revenues
07	1,813,672
08	2,181,880
09	2,140,114
10	2,312,986
11	**2,364,229**

Net Income
(In thousands of U.S. dollars)

Year	Net Income
07	87,492
08	112,855
09	107,234
10	127,727
11	**104,593**

Earnings per Diluted Share (In U.S. dollars)

Year	Earnings per Diluted Share
07	2.63
08	3.38
09	3.21
10	3.85
11	**3.21**

MESSAGE TO SHAREHOLDERS

2011 Recreational/Leisure revenue and operating profit grew 11% and 17% respectively. Momentum is the key word, particularly with our Cannondale brand. Dealers and consumers alike have responded enthusiastically to Cannondale's product line, as reflected by the increase in market share and healthy operating profit gain in 2011.

To my fellow shareholders,

Dorel ended 2011 on an improved note, particularly in the Juvenile segment which benefited from a reversal of the previous months' downward trend. A combination of external and internal issues at our U.S. juvenile operations presented challenges we addressed. Our Recreational/Leisure segment performed well and this business remains solid in both the independent bicycle dealer (IBD) and mass market channels. Operating profit at Dorel Home Furnishings was down year-over-year, but it continued to be a solid generator of cash for the Company as it rebounded nicely during the fourth quarter.

Throughout 2011 considerable time was devoted to improving the situation at Dorel Juvenile Group (DJG) USA. Beyond our control were matters such as declining birth rates and fragile economies in most of the Company's markets. However, we also recognized that we had to do some things better.

Creating even more exciting juvenile products has been a priority. We are enhancing product development at DJG and maximizing the talent at the Dorel Technical Center for Child Safety in Columbus. This will complement our advances in car seat safety technology that make Dorel's car seats among the safest. A separate team is spear-heading the development and marketing of Quinny and Maxi-Cosi, our international brands. This effort is bringing results. On-going, strategic cost-cutting has also been effective in managing margins.

Despite adverse conditions, Dorel Europe executed well, outperforming the market. Notable success was achieved with Safety 1st mid-price-point products. New urban-driven items are being developed which are lighter, smaller and more conducive to big city use. We have also been aggressive in utilizing social media to economically promote our brands in the various geographies in which we operate.

There has been meaningful progress in our juvenile acquisition program in emerging markets, further positioning Dorel as a global leader in the juvenile industry. The purchase of a 70% interest in a group operating the

popular *Infanti* brand in Chile, Bolivia, Peru and Argentina extends our reach into South America, a market with great potential. The purchase also included the *Baby Infanti* chain of 52 specialty shops. Our involvement at the retail level may be new, but we are partnering with an excellent group which has maintained sustained growth for 10 years. The transaction has already been accretive to earnings.

In January we bought our long-time distributor in Poland and have created another new division, Dorel Polska. This will give the Polish team additional means to extend both brand and product category penetration in this key market of Eastern Europe. Poltrade has a leading position in the Polish car seat safety market. They also operate three retail outlets.

2011 Recreational/Leisure revenue and operating profit grew 11% and 17% respectively. Momentum is the key word, particularly with our Cannondale brand. Dealers and consumers alike have responded enthusiastically to Cannondale's product line, as reflected by the increase in market share and healthy operating profit gain in 2011. The road and mountain bike lines are very strong with reviews from media, and bikers are highly enthusiastic. The Cannondale name has become increasingly synonymous with product innovation. In February 2012, the Cannondale SuperSix Evo Ultimate was awarded the top score in a review by a prestigious German cycling trade magazine of 2000 bikes to determine the best road bike of the world over the past ten years. Sales of Cannondale and GT have grown steadily in Europe and Japan. Most of Cycling Sports Group's growth was outside North America which comprises over 50% of its revenue. Cannondale's electric bikes have done particularly well with sales doubling year-over-year.

Schwinn has profited from a considerable and strategic marketing spend. During a year of an uncertain retail environment, Schwinn made modest gains as we kept the brand in the forefront. For 2012, additional funds are being allocated to promote the Mongoose brand and underline its heritage as the original BMX brand.

SUGOI had a disappointing year but we are seeing the benefits of key management changes.

Home Furnishings picked up nicely toward the end of the year. Overall sales for all of the segment's divisions increased in the dot.com channel. Demand for the vast majority of our furniture products rebounded.

OUTLOOK

While working to resolve issues in Juvenile we will also continue to focus on the long term by broadening our market through acquisitions and growing our internet business. We expect South America to become an important contributor to earnings with the establishment of Dorel Chile and improvements in Brazil. The cost environment is still a concern and the prices of resin and freight are closely being monitored. We therefore remain cautious at this time about 2012.

We are confident that our strong bicycle business is sustainable and that the segment will continue to deliver growth. We will continue to invest in R&D and will promote our brands through new innovative marketing throughout the world.

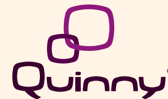
In Home Furnishings, we are cautiously optimistic as the year ended on a strong note and 2012 has started well. We generated strong cash flow in 2011, providing the funds to make the investments that will help Dorel grow in the years ahead. Our long term vision will help us in 2012 and we anticipate improved earnings from our operations.

On behalf of Senior Management, sincere thanks to our 5000 employees worldwide. They have consistently demonstrated their ability and willingness to adapt proactively to ever-changing market conditions. I extend appreciation to our Board, which has been an important source of counsel through the year and to our shareholders for their confidence and support.

Martin Schwartz
President and Chief Executive Officer

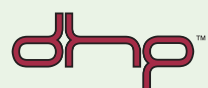
DOREL'S KEY BRANDS

JUVENILE



RECREATIONAL / LEISURE

HOME FURNISHINGS



MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011 and 2010 ("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.

Effective the first day of fiscal 2011, the Company adopted IFRS as the Company's basis of financial reporting, using December 31, 2009 as the transition date. Further information on the transition to IFRS and its impact on the Company's financial position, financial performance and cash flows is included in Note 29 to the Consolidated Financial Statements. Due to the transition to IFRS, except where otherwise noted, all comparative figures for 2010 that were previously reported in the Consolidated Financial Statements prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") have been restated to conform with IFRS.

Certain non-GAAP financial measures are included in the MD&A which do not have a standardized meaning prescribed by GAAP and therefore may be 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. This MD&A is current as at March 28, 2012.

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**.

CORPORATE OVERVIEW

The Company's head office is based in Montreal, Quebec, Canada. Established in 1962, the Company operates in twenty-two countries with sales made throughout the world and employs approximately 5,000 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; Juvenile, Recreational / Leisure and 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.

Strategy

Dorel is a world class juvenile products and bicycle company, as well as a North American furniture distributor that markets a wide assortment of furniture products. The Company's products are both domestically produced and imported. New product development, innovation and branding allow the Company to compete successfully in the three segments in which it operates. In the Juvenile segment, Dorel's powerfully branded products such as Quinny, Maxi-Cosi, Safety 1st, Infanti and Bébé Confort, have shown the way to safety, originality and fashion. Similarly, its highly popular brands such as Cannondale, Schwinn, GT, Mongoose and Iron Horse as well as SUGOI Apparel have made Dorel a principal player in the bicycle marketplace.

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 and hardware/home centres. Within the Juvenile segment, sales are also made to independent boutiques and juvenile specialty stores. In Recreational / Leisure, the Independent Bike Dealer ("IBD") network is a significant channel, along with sporting goods chains in North America.

In 2011, with its acquisition of the Silfa Group, Dorel now owns and operates 52 retail stores in Chile and Peru. In addition, in early 2012 Dorel acquired the assets of Poltrade, a Polish distributor and retailer of juvenile products with three retail locations in Poland. 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 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. While retailers carry out the bulk of the advertising of Dorel's products, all of the segments market, advertise and promote their products through the use of advertisements on-line and on Company owned websites, in specific magazines, multi-product brochures, and other media outlets.

In the case of Recreational / Leisure, event and team sponsorships are also an important marketing tool. As an example, the Cannondale brand co-sponsors the Liquigas-Cannondale Pro Cycling team with the team name appearing prominently on jerseys. There is also logo placement for Cannondale on the Liquigas-Cannondale team vehicles, website and team clothing. 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.

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 manufacturer 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 supplier 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 and in France, Bébé Confort is universally recognized and has superior brand awareness. In Chile, Peru, Bolivia and Argentina, the recently acquired Infanti brand is a leading brand in the Juvenile segment for lower to medium priced products.

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 $30 million per year on new product development.

OPERATING SEGMENTS

Juvenile

The Juvenile segment manufactures and imports products such as infant car seats, strollers, high chairs, toddler beds, playpens, swings, 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. Products are sold under Dorel's own brand names, as well as under licensed brands such as Walt Disney and Eddie Bauer. Sales are also made to customers under their own unique house brand names. The segment operates in North America, Europe, South America and Australia, and exports product to almost 100 countries around the world. In 2011, the Juvenile segment accounted for 42% of Dorel's revenues.

Dorel Juvenile Group ("DJG") USA's operations are headquartered in Columbus, Indiana, where North American manufacturing and car seat engineering is based, with facilities in Foxboro, Massachusetts and Ontario, California. With the exception of car seats, the majority of products are conceived, designed and developed at the Foxboro location. Car seat development is centralized at the Company's state-of-the-art Dorel Technical Center for Child Safety in Columbus. Dorel Distribution Canada ("DDC") is located 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 mass merchants, department stores and hardware/home centres, where consumers' priorities are design oriented, with a focus on safety and quality at reasonable prices. An emphasis on international brands and innovative product designs was initiated by DJG in 2011 with a focus on the medium to higher price points available at smaller boutiques and specialty stores. This North American collection, under both the Quinny and Maxi Cosi brand names, compete with smaller niche premium product juvenile companies, and in 2011 gained considerable market recognition. There are several juvenile products companies servicing the North American market with Dorel being among the three largest along with Graco (a part of the Newell Group of companies) and Evenflo Company Inc.

Dorel 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 and Switzerland. In early 2012, Dorel purchased 100% of the assets of its juvenile products distributor and retailer based in Poland, Poltrade, as it continues to expand its global footprint in the juvenile products industry. In Europe, products are principally marketed under the brand names Bébé Confort, Maxi-Cosi, Quinny, Baby Relax, Safety 1st 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 chains along with independent boutiques and specialty stores. Internet retailers have become an important distribution channel in Europe and have grown to become one of Dorel Europe's most important customers. Dorel is one of the largest juvenile products companies in Europe, competing with others such as Britax, Peg Perego, Chicco, Jane and Graco, as well as several smaller companies.

Within the past five years, Dorel has broadened its Juvenile segment from its traditional base in North America and Europe by acquiring majority interests in businesses in Australia and South America. In 2007, Dorel became the majority shareholder in IGC Dorel ("IGC") in Australia which manufactures and distributes its products under several local brands, the most prominent of which are Bertini and Mother's Choice. IGC has also introduced Dorel's North American and European brands in Australia and New Zealand, broadening their sales range. Sales are made to both large retailers and specialty stores.

In 2009, Dorel established Dorel Brazil and is the majority shareholder along with a local partner. Significant operations began in 2010 and Dorel Brazil manufactures car seats locally and imports other juvenile products, such as strollers. On November 30, 2011 a majority interest in the Silfa Group, owners and operators of the popular Infanti brand in Chile, Peru, Bolivia and Argentina was acquired. Infanti is the most popular juvenile products brand in South America, and enjoys a leading position in the market, catering to all price categories with a focus on opening to mid-price points. The Silfa Group operates over 50 retail locations, of which the majority are under the Baby Infanti banner.

Recreational / Leisure

The Recreational/Leisure segment's businesses participate in a marketplace that totals approximately $55 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 50% in the Asia-Pacific region, 22% in Europe, 12% 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 2011, the Recreational/Leisure segment accounted for 36% of Dorel's revenues.

In the US, mass merchants have captured a greater share of the market over the past 15 years and today account for over 70% 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 IBD's are much higher, reaching to over $10,000. This compares to the mass merchant channel where the average retail price is less than $100. 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 much 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 Bethel, Connecticut. There are also significant operations in Madison, Wisconsin and Vancouver, British Columbia. 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 Australia and Japan. 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. 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 the UK, Mongoose is a very successful IBD brand. 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.

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 2011, this segment accounted for 22% 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 and other accent furniture. Dorel Asia specializes in sourcing upholstery and a full range of finished goods from Asia for distribution throughout North America. Major distribution facilities are also located in California, Georgia and Quebec.

With 3% growth in 2011 sales, Dorel's Home Furnishings segment continued its fifth consecutive year of growth and once again is expected to outpace the furniture industry. 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. Dorel markets its products under generic retail house brands as well as under a range of branded products including; Ameriwood, Altra, System Build, Ridgewood, DHP, Dorel Fine Furniture, 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.

SIGNIFICANT EVENTS IN 2011

On March 31, 2011, the Company announced its intention to make a normal course issuer bid (NCIB). The Board of Directors of Dorel considers that the underlying value of Dorel 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 Dorel and its shareholders.

Under the NCIB, Dorel is entitled to repurchase for cancellation up to 700,000 Class B Subordinate Voting Shares over a twelve-month period commencing April 4, 2011 and ending April 3, 2012, representing 2.46% of Dorel's issued and outstanding Class B Subordinate Voting Shares as the time the 2011 NCIB was announced. The purchases by Dorel are being effected through the facilities of the Toronto Stock Exchange and are at the market price of the Class B Subordinate Voting Shares at the time of the purchase.

Under the policies of the Toronto Stock Exchange Dorel has the right to repurchase during any one trading day a maximum of 11,828 Class B Subordinate Voting Shares, representing 25% of the average daily trading volume. In addition, Dorel 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 Dorel, in accordance with the policies of the Toronto Stock Exchange.

On November 3, 2011, the Company announced that it was increasing the maximum allowable number of shares to be repurchased for cancellation under the above NCIB from 700,000 to 1,420,660. This represented 5% of Dorel's issued and outstanding Class B Subordinate Voting Shares at the time the NCIB was approved. The revised NCIB commenced on November 7, 2011 and ends on April 3, 2012.

Also, on November 3, 2011 the Company announced it had significantly increased the presence of its Juvenile segment in South America by signing share purchase agreements to acquire a 70% interest in an existing group of companies, known principally as the Silfa Group, who own and operate the popular Infanti brand in Chile, Bolivia, Peru and Argentina. The transaction was completed on November 30, 2011. With a history of success, 2010 sales of the Silfa Group were approximately $58 million and will be immediately accretive to earnings. With this investment, Dorel entered the juvenile retail business as the transaction included the Baby Infanti chain of 52 specialty shops, of which 40 are in Chile and 12 are in Peru.

Created in 2002, Infanti is the most popular juvenile products brand in South America and enjoys a leading position in the market. Its product line is comprised of a broad variety of items including car seats, strollers, travel systems, high chairs, play yards, safety products, accessories, pre-school items and toys. Infanti products cater to all price categories with a focus on opening to mid price points. In addition to the Infanti line, the Silfa Group also represents a number of other brands at the wholesale level, including Dorel's Maxi Cosi and Safety 1st. The Baby Infanti retail stores sell a number of Dorel brands as well as several other well known competitive labels. It is the intention to continue to develop the business on this current platform.

Though initially acquiring 70% of the Silfa Group, as part of the acquisition, the Company has entered into put and call agreements with the minority interest holder for the purchase of its 30% stake. The put and call agreements are considered to have been fully executed at the time of acquisition, resulting in the purchase by the Company of a further 30% interest in the Silfa Group. As a result, the Company has consolidated 100% of the Silfa Group at the time of acquisition. As part of this accounting treatment the Company recognizes a financial liability measured as the present value of the estimated future acquisition price of the remaining 30% stake. The year-end Consolidated Financial Statements include the results of the Silfa Group for the month of December 2011.

SUBSEQUENT EVENT

Subsequent to year end, on January 5, 2012 the Company announced that it had purchased 100% of the assets of juvenile products distributor and retailer Poltrade, based in Katowice, Poland. Dorel has an ongoing relationship with Poltrade as the distributor of juvenile products in Poland. Established in 1991, sales have grown strongly in recent years with 2012 sales expected to be approximately 7.5 million Euros. The Company has created a new division, Dorel Polska, and this will facilitate brand and product category penetration in the Eastern European market as it continues to expand its global footprint in the juvenile products industry.

OPERATING RESULTS

Note: all tabular figures are in thousands of US dollars except per share amounts

Following is a selected summary of Dorel's operating results on an annual and quarterly basis.

Selected Financial Information

	Operating Results for the Years ended December 30:					
	2011		**2010**		**2009[(1)]**	
	$	**% of revenues**	**$**	**% of revenues**	**$**	**% of revenues**
Total revenue	**2,364,229**	**100.0**	2,312,986	100.0	2,140,114	100.0
Net income	**104,593**	**4.4**	127,727	5.5	107,234	5.0
Cash dividends declared per share	**0.60**		0.58		0.50	
Earnings per share:						
Basic	**3.22**		3.89		3.23	
Diluted	**3.21**		3.85		3.21	

(1) Financial information for 2009 has been prepared in accordance with Canadian GAAP

	Operating Results for the Quarters Ended			
	31-Mar-11	**30-Jun-11**	**30-Sep-11**	**30-Dec-11**
	$	**$**	**$**	**$**
Total revenue	**607,783**	**619,010**	**575,828**	**561,608**
Net income	**31,164**	**22,993**	**23,074**	**27,362**
Earnings per share:				
Basic	**0.95**	**0.70**	**0.71**	**0.85**
Diluted	**0.94**	**0.70**	**0.71**	**0.85**

	Operating Results for the Quarters Ended			
	31-Mar-10	**30-Jun-10**	**30-Sep-10**	**30-Dec-10**
	$	**$**	**$**	**$**
Total revenue	596,313	607,695	569,455	539,523
Net income	38,206	32,925	30,649	25,947
Earnings per share:				
Basic	1.16	1.00	0.93	0.79
Diluted	1.15	0.99	0.92	0.79

INCOME STATEMENT – OVERVIEW

2011 versus 2010
Tabular Summaries

Variations in total revenue across the Company segments:

	Fourth Quarter				Year			
			Increase (decrease)				Increase (decrease)	
	2011	2010			**2011**	2010		
	$	$	$	%	**$**	$	$	%
Juvenile	**239,532**	236,204	3,328	1.4	**980,197**	1,030,209	(50,012)	(4.9)
Recreational / Leisure	**202,410**	205,892	(3,482)	(1.7)	**861,754**	774,987	86,767	11.2
Home Furnishings	**119,666**	97,427	22,239	22.8	**522,278**	507,790	14,488	2.9
Total Revenues	**561,608**	539,523	22,085	4.1	**2,364,229**	2,312,986	51,243	2.2

Principal changes in net income:

	4th Qtr	**Year-to-Date**
	$	**$**
Juvenile segment decrease	(4,536)	(42,619)
Recreational / Leisure segment increase	966	8,828
Home Furnishings segment increase (decrease)	2,923	(5,336)
Total segments operating profit decrease	(647)	(39,127)
Decrease (increase) in finance expenses	468	(2,732)
Decrease (increase) in income taxes	(9,663)	4,709
Gain on change of assumptions on contingent consideration and put option liabilities	11,019	12,105
Other	238	1,911
Total increase (decrease) in net income	1,415	(23,134)

As described in the Corporate Overview section, over the Company's history it has been aided in its ability 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. Similarly to the prior year, 2011 was a year characterized by reduced consumer discretionary spending at many of the Company's mass merchant customers.

Though the Company does have a more diverse customer base in Europe and within the Recreational/Leisure segment, the majority of the Company's sales are made to mass merchants. As a result, the challenges in the mass merchant channel did negatively impact earnings in 2011 as compared to the prior year. The vast majority of the decline in earnings was in the Juvenile segment. Overall Dorel was able to deliver revenue growth of just over 2% as strong increases in Recreational / Leisure more than offset declines in Juvenile. Home Furnishings also recorded sales gains of almost 3%. In addition, to sales issues in Juvenile, in 2011 input costs were generally higher than in the prior year and it was more difficult to pass these higher costs on to many customers as these retailers did not wish to discourage the spending levels of its shoppers.

For fiscal 2011, Dorel recorded revenues of $2,364 million an increase of 2.2% from 2010. If the impact of business acquisitions and year-over-year foreign exchange rate variations are excluded, sales were flat with the prior year. Sales improved by 11.2% in Recreational / Leisure and 2.9% in Home Furnishings. Partially offsetting this was a 4.9% decline in the Juvenile segment. Net income for the full year amounted to $104.6 million or $3.21 per fully diluted share, compared to 2010 net income of $127.7 million or $3.85 per diluted share.

Gross margins in 2011 were 21.9% as compared to 23.1% recorded in the prior year. The principal reason for the decrease was the adverse effect of higher raw material costs that were mostly absorbed by the Company, as opposed to being passed on to the customer. This was most pronounced in North America in the Juvenile segment where costs for resin used in car seats and other plastic moulded items were much higher than the prior year.

Selling expenses increased from 2010 levels to $185.9 million versus $176.3 million in the prior year. As a percentage of revenues this is an increase of 30 basis points from 7.6% to 7.9%. The increase was due principally to more promotional activity in the Recreational / Leisure segment where revenues increased by over 11%. General and administrative expenses declined by $3.1 million in the year and represent 6.9% of revenues in 2011. This was a 30 basis point decline from 2010 levels.

2011 results include an income amount of $12.2 million which was recorded as an income in general and administrative expenses within the corporate results. This amount, which is non-taxable, was due to a change of assumptions on contingent consideration and put option liabilities related to certain past business acquisitions. In particular, the contingent consideration and put option liabilities with regards to Dorel Brazil, IGC (Australia) and Hot Wheels (CSG U.K.) have been reduced based on lower estimated future earnings now expected in the year of acquisition of the residual interest in these companies, when the financial liabilities will be resolved.

Research and development expenses in the year increased from the prior year by $2.4 million, or 8%. Total finance expenses in 2011 were $21.7 million versus $18.9 million in the prior year. The full year interest rate on its long-term borrowings was approximately 4.5%, an increase from 3.9% in 2010. The benefit of lower borrowings in 2011 was more than offset by the higher borrowing rate. Included in finance expenses was $2.2 million related to interest recorded on the Company's contingent consideration and put option liabilities related to certain of its business acquisitions. This compares to $2.6 million in 2010.

Income before income taxes was $113.8 million in 2011 versus $141.6 million in 2010, a decrease of $27.8 million or 19.7%. 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 2011 the Company's effective tax rate was 8.1% as compared to 9.8% in 2010. Net income for the full year amounted to $104.6 million or $3.21 per fully diluted share, compared to 2010 net income of $127.7 million or $3.85 per fully diluted share.

The components and variation in the Company's tax rate in 2011 versus 2010 is summarized below:

	December 30,			
	2011		**2010**	
	$	**%**	**$**	**%**
PROVISION FOR INCOME TAXES	**31,067**	**27.3**	41,500	29.3
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	**(6,220)**	**(5.5)**	(4,249)	(3.0)
Recognition of previously unrecognized tax losses or temporary differences	**(1,205)**	**(1.1)**	(16,652)	(11.7)
Non-recognition of tax benefits related to tax losses and temporary differences	**2,179**	**1.9**	765	0.5
Tax incentives [1]	**(6,785)**	**(5.9)**	—	—
Non-deductible stock options	**525**	**0.5**	837	0.6
Non-deductible (non-taxable) contingent consideration and put option liabilities	**(2,687)**	**(2.4)**	195	0.1
Other non-deductible (non-taxable) items	**(6,781)**	**(5.9)**	(8,297)	(5.9)
Effect of substantively enacted income tax rates changes	**492**	**0.4**	2,087	1.5
Effect of foreign exchange	**19**	**—**	(1,343)	(0.9)
Other – Net	**(1,399)**	**(1.2)**	(929)	(0.7)
	9,205	**8.1**	13,914	9.8

[1] During the year an income tax recovery of $6,785 was recorded due to the realization of a tax benefit in the Netherlands where the Juvenile segment's new product research and development (R&D) program qualified for the Dutch government's "Innovation Box" program. This program is intended to stimulate local R&D innovation and due to its successful qualification, the Company benefits from a lower tax rate for the current and several prior taxation years. The recovery of $6,785 was recorded as a current income tax receivable during the year.

FOURTH QUARTER 2011 VERSUS 2010

Overview

Revenues for the fourth quarter were $561.6 million compared to $539.5 million a year ago, an increase of 4.1%. After removing the effect of varying rates of exchange year-over-year, and the one month of sales of the acquired Silfa Group, organic revenue growth was 2.5%. The principal driver of the revenue increase was the Home Furnishings segment where sales increased by over 20% led by several imported furniture categories.

Gross margins in the fourth quarter of 2011 increased slightly to 22.6% from 22.5% in the prior year. Selling expenses decreased slightly to $45.1 million from $47.5 million in 2010. This was due principally to lower spending than in 2010 within Recreational / Leisure due to the timing of activity within the year. General and administrative expenses decreased by $4.1 million. However, included in this decline was an amount of $11.1 million due to change of assumptions on contingent consideration and put option liabilities related to certain past business acquisitions. Excluding this non-cash gain, general and administrative expenses increased by $7.0 million or 17.7%. This increase was principally due to higher product liability costs in the U.S. of $3.3 million, a goodwill write-off of $1.4 million and higher fixed costs in the Recreational / Leisure segment. Research and development ("R & D") expenses, principally in the Juvenile segment, increased by $1.4 million.

In the fourth quarter of 2011, finance expenses were $5.4 million, as compared to $5.9 million in 2010 as higher rates of interest partially offset lower borrowings. Income before income taxes was $31.3 million in 2011 versus $20.2 million in 2010, an increase of $11.1 million or 54.9%, due mainly to the gain on contingent consideration and put option liabilities as described above. In the quarter, income tax expense was $4.0 million or 12.6% of pre-tax income. This was in line with expectations. In the fourth quarter of 2010, an income tax recovery of $5.7 million was recorded. The main reason for the recovery in 2010 was the recognition of incremental tax benefits pertaining to the resolution of several prior years' estimated tax positions that was confirmed by the relevant tax authorities at that time. As a result, net income for the fourth quarter was $27.4 million, an increase from $25.9 million in 2010. Earnings per share for the quarter were $0.85 per fully diluted share, compared to $0.79 per fully diluted share in the fourth quarter the previous year.

Segment Results

	Fourth Quarters Ended December 30,				
	2011		2010		
	$	% of rev.	$	% of rev.	Change %
Juvenile					
Total revenue	**239,532**		236,204		1.4
Gross profit	**63,673**	**26.6**	63,202	26.8	0.7
Operating profit	**10,390**	**4.3**	14,926	6.3	(30.4)
Recreational / Leisure					
Total revenue	**202,410**		205,892		(1.7)
Gross profit	**46,410**	**22.9**	46,491	22.6	(0.2)
Operating profit	**11,604**	**5.7**	10,638	5.2	9.1
Home Furnishings					
Total revenue	**119,666**		97,427		22.8
Gross profit	**17,091**	**14.3**	11,845	12.2	44.3
Operating profit	**8,486**	**7.1**	5,563	5.7	52.5

The Juvenile segment revenue increase in the fourth quarter was 1.4%. However, excluding the impact of foreign exchange and the acquired sales of the Silfa Group, the organic revenue decline was approximately 2%. The decline was in most markets, the notable exception being in the US which increased sales in the fourth quarter by almost 10%, resulting in improved sales over both the fourth quarter of 2010 as well as the third quarter of 2011, as the retail environment began to stabilize. This increase more than offset revenue declines in Canada where certain customers experienced reduced sales at retail. In Europe, local currency sales decreased by approximately 5%, with sales in Southern Europe facing the greatest challenges. Upon conversion to U.S. dollars, European revenues declined by 6.1% due to the lower rate of exchange in the fourth quarter of 2011. Though representing less than 5% of total segment sales, Dorel Brazil's revenues declined in the quarter due to the reduced enforcement of local car seat usage regulations. The fourth quarter of 2011 includes one month of the Silfa Group results, and this acquisition was immediately accretive to earnings.

Juvenile gross margins were lower in the fourth quarter by 20 basis points at 26.6% versus 26.8% in the prior year. Most raw material costs remained higher than in the prior year and the product mix was less favourable than in 2010, but other cost savings were able to mostly offset these higher costs. Selling expenses were $22.5 million, consistent with $22.9 million in the prior year. General and administrative expenses increased to $22.6 million from $18.7 million in 2010. The main reasons were higher product liability costs of $1.3 million, professional fees and related costs of the Silfa Group acquisition of $1.0 million and the impairment of goodwill related to Dorel Brazil of $1.4 million. Research and development expenses increased by $1.5 million due to increased new product development activity in Europe and the timing of new product launches. As a result, operating profit declined by $4.5 million or 30.4% from the prior year.

Recreational / Leisure segment revenues declined in the fourth quarter of 2011 by $3.5 million, or 1.7%. The organic sales decline was also 1.7% as variations in rates of exchange of foreign currency relative to the U.S. dollar were insignificant. In the mass market channel, sales declined in the low single digits as in 2010, sales were supported by a successful Schwinn brand marketing campaign that was not repeated in 2011. In the IBD channel, sales were down less than 1% from last year as there was a shift of some orders from the fourth quarter of 2011, to the preceding third quarter.

Gross margins in the quarter improved in 2011 to 22.9%, consistent with 22.6% the year before. Selling expenses were $18.0 million in the current quarter versus $20.1 million in the prior year. The main reason was the Schwinn campaign in 2010. General and administrative expenses were $15.7 million in 2011, an increase from $14.7 million. The causes for the increase include higher personnel costs as well as costs related to a successful ERP implementation at three of the segment's operating units. Research and development expenses were consistent with the prior year and as a result, operating profit for the quarter improved to $11.6 million from $10.6 million in 2010.

The strategic decision to outsource the "custom manufacturing" part of the apparel business ("AFG") to a third party that was initiated in the third quarter of 2011 was completed and the fourth quarter includes approximately $1.0 million of related costs. One half of these costs were for employee severance and other legal obligations, with the remaining half being for overhead reductions and the write down of abandoned assets.

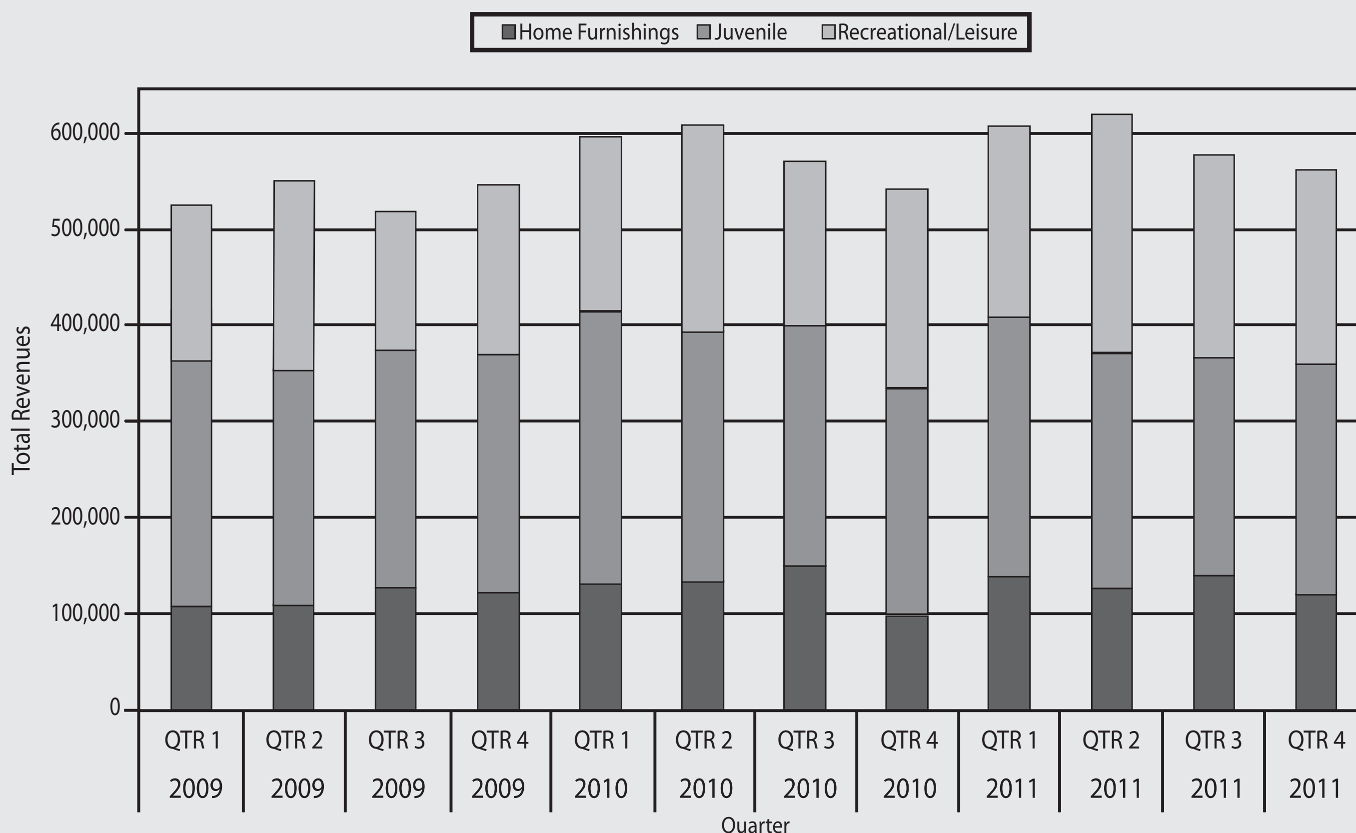
Home Furnishing revenues increased by 22.8% in the fourth quarter, as the comparative quarter of 2010 was affected by a slowdown at retail in furniture and as a result customer replenishment orders were reduced. The increase in 2011 was driven by higher sales of imported furniture items. Sales to Internet retailers were particularly strong. Gross margins improved due to lower freight rates and reduced warehousing costs made possible by significant inventory level reductions. Margins also improved as in the prior year's fourth quarter, fixed overhead absorption was reduced due to the lower sales volumes. As a result, 2011 gross margins were improved at 14.3%, a 210 basis point increase from 12.2%.

Selling expenses increased slightly, but as a percentage of revenues, declined by 50 basis points to 3.4%. General and administrative expenses for the quarter increased to $3.9 million, as compared to $1.8 million in 2010, however this can all be attributed to 2010 having unusually low product liability costs. Other expenses were consistent year-over-year, meaning operating profit improved to $8.5 million versus $5.6 million in 2010.

SEGMENT RESULTS

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.



Juvenile

	For the Years Ended December 30,					
	2011		2010		Change	
	$	% of rev.	$	% of rev.	$	%
Total revenue	**980,197**	**100.0**	1,030,209	100.0	(50,012)	(4.9)
Gross profit	**247,118**	**25.2**	281,412	27.3	(34,294)	(12.2)
Selling expenses	**83,129**	**8.5**	81,722	7.9	1,407	1.7
General and administrative expenses	**84,083**	**8.6**	79,461	7.7	4,622	5.8
Research and development expenses	**26,055**	**2.7**	23,759	2.3	2,296	9.7
Operating profit	**53,851**	**5.5**	96,470	9.4	(42,619)	(44.2)

Revenues in 2011 decreased from 2010 levels by $50.0 million or 4.9%. For the segment as a whole, the organic revenue decline was 8.5%, if the impact of foreign exchange and the Silfa Group acquisition in December 2011 is excluded. The majority of the revenue decline was in the U.S., which encountered a difficult retail environment across most product categories. The decision in late 2010 to exit the crib category as a result of recalls in the crib industry and new legislation banning drop-side cribs, proved to be the correct one as despite lower sales, profits on juvenile furniture improved in 2011. Europe experienced lower sales and in local currency the decline was 5%. Upon translation to US dollar this was 1% as a result of the weaker average US dollar throughout 2011. The weakness in Europe was in most markets, but was most acute in the Southern economies. Car seats and strollers remain Europe's core products. As for the quarter, sales in the segment's other markets were also down from the prior year.

The juvenile industry as a whole is being challenged by declining birth rates and fragile economies in most of the Company's markets. In addition, retailers continue to emphasize pricing as a competitive advantage, occasionally at the expense of features or fashion which in the past has been a competitive advantage for Dorel. This is especially the case in the U.S. where mass merchants are particularly sensitive to pricing. Despite the challenging year, the Company continues to believe that focusing on new product development and brand support remains the best strategy to combat this trend in the long term. In addition, Dorel is broadening its market through acquisitions such as the Silfa Group and Poltrade in Eastern Europe and focusing on markets like the specialist channel in the US and the fast growing internet retail channel.

Gross margins declined by 210 basis points from 2010 levels. The largest factors in the decline were a less favourable product mix in most divisions and lower margins in North America, where the majority of higher input costs, principally resin, have not been passed on to customers. Traditionally in weaker economies, commodity price declines allow for sustained profitability even in an environment of poor demand. However, 2011 experienced both higher costs and weakened demand, thus limiting the scope of price increases. Europe was also negatively impacted by higher costs, though the impact was less significant. Gross margins were also significantly lower in Brazil as demand for car seats dropped suddenly resulting in price discounting and a less profitable product mix.

Selling expenses in 2011 for the segment as a whole increased by $1.4 million, or 1.7%, from last year. As a percentage of revenues these costs were higher at 8.5% versus 7.9% in the prior year. The main cause was higher promotional spending in the US that is required to service specialty retailers and support higher end brands. General and administrative expenses were higher in 2011 at $84.1 million versus $79.5 million in the prior year. As for the quarter, the main reasons were an increase in product liability costs of $1.2 million, professional fees and related costs of the Silfa Group acquisition of $1.0 million and the write-off of goodwill in the amount of $1.4 million. In the US, product liability costs in the Juvenile segment in 2011 totalled $8.9 million versus $7.6 million in 2010. Research and development expenses increased by $2.3 million, mainly in Europe, as described in the fourth quarter analysis above. Therefore operating profit in 2011 was $53.9 million in 2011 versus $96.5 million in the prior year.

Recreational / Leisure

	For the Years Ended December 30,					
	2011		2010		Change	
	$	% of rev.	$	% of rev.	$	%
Total revenue	**861,754**	**100.0**	774,987	100.0	86,767	11.2
Gross profit	**205,052**	**23.8**	183,553	23.7	21,499	11.7
Selling expenses	**83,677**	**9.7**	75,768	9.8	7,909	10.4
General and administrative expenses	**57,083**	**6.6**	52,764	6.8	4,319	8.2
Research and development expenses	**3,635**	**0.4**	3,192	0.4	443	13.9
Operating profit	**60,657**	**7.0**	51,829	6.7	8,828	17.0

Recreational / Leisure revenues increased 11.2% to $861.8 million in 2011 compared to $775.0 million a year ago. The organic sales increase after removing the impact of foreign exchange was approximately 10%. The majority of the increase was due mainly to a sales improvement of over 25% in the IBD distribution channel, which is serviced by the Cycling Sports Group (CSG). This growth was driven by new products that were exceptionally well received by the market place. Sales also benefited from strong marketing, improvements in supply chain and distribution, and enhanced dealer support. Sales within CSG were up in all markets, with the most growth outside of North America, which make up over 50% of CSG sales.

Gross margins for the segment as a whole were consistent with the prior year at 23.8% versus 23.7% in 2010. The improvement was more significant at CSG, but cost challenges at Pacific Cycle (PCG) which services the mass market channel and more significantly the sports apparel division (AFG) offset most of these gains. Selling expenses increased over last year by $7.9 million or 10.4%. The reason for the increase was additional discretionary spending for promotion and other advertising at CSG. This was partially offset by a slightly lower spend at PCG. Despite the higher spending, as a percentage of revenues, selling expenses actually declined from 9.8% to 9.7%. General and administrative expenses increased by $4.3 million or 8.2%. As a percentage of revenues these costs declined by 20 basis points to 6.6% in 2011 from 6.8% in 2010.

Earnings for the year were hampered by a decline in profitability of approximately $3 million at the segment's apparel division (AFG). The decrease was due mainly to a write-down of excess inventory from prior model years and costs of $1.8 million, principally for employee severance, related to a strategic decision to outsource the "custom manufacturing" part of this business to a third party as opposed to manufacturing in-house. Upon completion of this transition, all apparel manufacturing will now be outsourced and the facilities at AFG's Vancouver head office will be used for administration, sales & marketing, new product development and warehousing. As a result, annual operating profit for the segment as a whole rose from $51.8 million in 2010 to $60.6 million in 2011, an improvement of $8.8 million or 17.0%.

Home Furnishings

	For the Years Ended December 30,					
	2011		2010		Change	
	$	% of rev.	$	% of rev.	$	%
Total revenue	**522,278**	**100.0**	507,790	100.0	14,488	2.9
Gross profit	**65,589**	**12.6**	69,083	13.6	(3,494)	(5.1)
Selling expenses	**16,934**	**3.2**	16,004	3.2	930	5.8
General and administrative expenses	**16,867**	**3.2**	15,593	3.1	1,274	8.2
Research and development expenses	**2,537**	**0.5**	2,899	0.6	(362)	(12.5)
Operating profit	**29,251**	**5.6**	34,587	6.8	(5,336)	(15.4)

For the year, Home Furnishings revenues increased by 2.9%, reaching $522.3 million up from $507.8 million in the prior year. Within the segment, the mix of sales did vary from the prior year. Sales at Cosco Home & Office decreased due to the decision to exit unprofitable product SKUs as it became strategically advantageous to no longer sell these items. More than offsetting this was strong sales growth of imported furniture, principally in the futon, mattress, bunk bed and upholstered item categories.

Gross margins in 2011 were 12.6% versus 13.6% recorded in the prior year. Similar to the Juvenile segment, cost increases on steel, textiles, as well as other inputs affected margins. This issue is compounded by the strength of the Canadian dollar which increased costs for two of the segment's plants that are based in Canada and ship the majority of their products to the United States. Product mix was also less favourable in 2011. The cumulative impact of these negative margin impacts accounts for the year over year decline in profit for the segment.

Selling expenses for the year were consistent at 3.2% of revenues in both years. General and administrative expenses increased by $1.3 million to $16.9 million in 2011, from $15.6 million the year before. As a percentage of revenues these costs increased from 3.1% to 3.2%. The principal reason for the increase was the unusually low product liability expense in 2010, which for the year increased by $1.5 million in 2011. Research and development expenses were slightly lower year-over-year at $2.5 million in 2011 versus $2.9 million in 2010. As such, operating profit for the year was $29.3 million compared to $34.6 million in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Statement of Financial Position

	Selected Statement of Financial Position Data as at:		
	December 30, 2011 $	**December 30, 2010 $**	**December 31, 2009 $**
Total assets	**2,096,569**	2,052,691	1,967,108
Long-term Liabilities, excluding current portion:			
Long-term debt	**298,160**	319,281	27,075
Provisions	**1,876**	1,780	1,726
Other financial liabilities	**33,141**	31,253	22,112
Other long-term liabilities	**5,340**	2,966	1,301
Other:			
Current portion of long-term debt and bank indebtedness	**37,409**	41,182	324,495

There were few significant changes in the year in the Company's Statement of Financial Position. Goodwill and Intangible assets did increase, reflecting the acquisition of the Silfa Group in the year. The following table summarizes the preliminary fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition:

	$
Assets	
Trade and other receivables	13,552
Inventories	17,254
Income taxes receivable	310
Prepaid expenses	626
Property, plant and equipment	3,615
Trademarks	12,419
Customer relationships	10,726
Goodwill	22,212
Deferred tax assets	535
Other assets	8
	81,257
Liabilities	
Bank indebtedness	198
Trade and other payables	13,193
Income taxes payable	42
Current portion of long-term debt	141
Long-term debt	37
Deferred tax liabilities	4,459
	18,070
Net assets acquired	63,187

Certain of the Company's working capital ratios are:

	As at December 30,	
	2011	**2010**
Debt to equity	**0.27**	0.31
# of Days in receivables	**62**	56
# of Days in inventory	**87**	106

As at the 2010 year-end, the Company had experienced a significant increase in inventory levels as sales fell short of expectations in the fourth quarter of 2010 and inventories rose above normal levels to $510.1 million as at December 30, 2010. As has been stated in the past, the Company estimates the appropriate level of inventory to support the business to be from $450 million to $470 million and had set this expectation for the second half of 2011. As a result of management's focus on right sizing inventory levels, the balance as at December 30, 2011 was $442.4 million. The number of days in inventory is reflective of this effort to reduce inventory to more acceptable levels.

The increase in the number of days in receivables is due to the fact that the sales reduction near the end of the year in the U.S. in 2010 was significant. The value of 62 days as at December 30, 2011 is more representative of what should be considered a normal ratio. Management continually examines methods of minimizing the use of working capital and maximizing cash flow for the Company. Other than the items described above, there were no significant variations year-over-year in the Company's statement of financial position.

Cash Flow

For the year, cash flow provided by operating activities was $162.5 million compared to $78.9 million recorded in 2010, an increase of $83.6 million. This was despite lower year-over-year after-tax earnings of $23.1 million and was due to improved working capital management. It should be noted that 2011 income included a non-cash gain of $12.2 million on change of assumptions on contingent consideration and put option liabilities. The principal items of this improved working capital management were:

	Source (use) of cash		
	2011 **$**	**2010** **$**	**Change** **$**
Inventories	**81,433**	(111,821)	193,254
Trade and other payables	**(12,114)**	32,713	(44,827)
Trade and other receivables	**(37,683)**	(14,696)	(22,987)
Total	**31,636**	(93,804)	125,440

Free cash flow, a non-GAAP financial measure, was $77.4 million in 2011 versus negative $10.3 in 2010, detailed as follows:

	2011 **$**	**2010** **$**	**Change** **$**
Cash provided by operating activities	**162,477**	78,899	83,578
Less:			
Dividends paid	**(19,485)**	(18,895)	(590)
Shares repurchased	**(17,399)**	(17,277)	(122)
Additions to property, plant & equipment - net	**(27,331)**	(35,465)	8,134
Additions to intangible assets	**(20,825)**	(17,543)	(3,282)
Free cashflow [(1)]	**77,437**	**(10,281)**	**87,718**

(1) "Free cash flow" is a non-GAAP financial measure and is defined as cash provided by operating activities less dividends paid, shares repurchased, additions to property, plant & equipment and intangible assets.

Cash used in additions to property, plant & equipment and intangible assets was $48.2 million in 2011, down slightly from $53.0 million recorded in 2010 as the prior year included several major initiatives, mainly in the Juvenile segment. In 2011, $36.3 million was used in reference to new business acquisition versus only $0.2 million in 2010. In 2011 the Company disbursed $2.4 million in relation to one of the contingent consideration and put option liabilities set-up up on one of its business acquisitions. As a result, the Company's net debt position, defined as long-term debt and bank indebtedness less cash on hand, decreased from 2010 levels by $38.9 million. As of December 30, 2011, Dorel was compliant with all covenant requirements and expects to be so going forward.

CONTRACTUAL OBLIGATIONS

The following is a table of a summary of the contractual obligations of the Company as of December 30, 2011:

Contractual Obligations	**Total** $	**less than 1 year** $	**1 - 3 years** $	**4 - 5 years** $	**After 5 years** $
Long-term debt repayments	315,439	17,279	124,677	80,573	92,910
Interest payments [(1)]	56,937	13,835	23,015	11,704	8,383
Net operating lease commitments	125,442	37,432	44,395	21,442	22,173
Contingent consideration and put option liabilities	41,259	11,662	2,876	26,721	—
Capital expenditures	5,547	5,456	91	—	—
Minimum payments under licensing agreements	6,930	6,151	779	—	—
Total contractual obligations	551,554	91,815	195,833	140,440	123,466

[(1)] Interest payments on the Company's revolving bank loans are calculated using the interest rate in effect for the year ended December 30, 2011 and assume no debt reduction until due date in July 2014, at which point it is assumed the loan would be paid in full. Interest payments on the Company's notes are as specified in the related note agreements.

The Company does not have significant contractual commitments beyond those reflected in the consolidated balance sheet, the commitments listed in Note 22 to the Consolidated Financial Statements or those listed in the table above.

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 at least $35.0 million over the course of 2012 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 18 of the Consolidated Financial Statements, an amount of $35.3 million pertains to the Company's pension and post-retirement benefit plans. In 2012, contributions expected to be made for funded plans and benefits expected to be paid for unfunded plans under these plans will amount to approximately $3.7 million.

Provisions consist of:	$
Employee compensation consisting of bonuses based on, length of service and profit sharing	1,699
Other provisions due in more than one year	177
	1,876

Other financial liabilities consist of:	$
Contingent consideration and put option liabilities	29,598
Government mandated employee savings plans in Europe	2,599
Cash flow hedges – Interest rate swaps	944
	33,141

Other long-term liabilities consist of:	$
Governmental assistance related to plant expansion	1,351
Long-term sales tax payable	1,247
Other liabilities due in more than one year	2,742
	5,340

The contingent consideration and put option liabilities included in non-current other financial liabilities pertain to certain of the Company's recent business acquisitions. In the case of the Company's Brazilian and Silfa Group subsidiaries where the Company holds less than 100% of the shares, the Company has entered into agreements with the minority 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.

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 commercial and standby letters of credit. The Company's off-balance sheet arrangements are described in Notes 22 and 23 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.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to interest rate fluctuations, related primarily to its revolving long-term bank loans, for which amounts drawn are subject to LIBOR, Euribor, Canadian or U.S. base rates in effect at the time of borrowing, plus a margin. The Company manages its interest rate exposure and enters into swap agreements consisting in 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, 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 and overdrafts commonly used by Dorel's entities are in the currency of the borrowing entity and therefore carry no exchange-rate risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to exchange-rate risk. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of each of Dorel's entities at the rates of exchange at each financial position date, the impact of which is reported as a foreign exchange gain and loss in the 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 in respect of 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 16 of the Consolidated Financial Statements.

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, liabilities, revenues and expenses, and related disclosure of contingent assets and contingent liabilities. A complete list of all relevant accounting policies is listed in Note 3 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 indefinite life intangible assets: 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.

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. 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 actual amount of that impairment. Dorel assesses the uncertainty of these estimates by making sensitivity analyses.

Property, plant and equipment and intangible assets with finite useful lives: Property, plant and equipment and intangible assets with finite useful lives are required to be tested for impairment when indicators of impairment exist. Management must use judgment in determining whether these indicators are in existence at the reporting date. They are tested for impairment by comparing the asset's carrying value 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 asset or CGU are required. Differences in estimates could affect whether an asset or CGU is in fact impaired and the dollar amount of that impairment.

Property, plant and equipment and intangible assets with finite useful lives are depreciated or amortized over their useful life. Management estimates useful lives based on the expected period of benefit to be provided by the assets. Useful lives could be materially different than what has been estimated.

Product liability: The Company insures itself to mitigate its product liability exposure. The estimated product liability exposure requires the use of judgment and is calculated by an independent actuary based on historical sales volumes, past claims history and management and actuarial assumptions. The estimated exposure includes incidents that have occurred, as well as incidents anticipated to occur on units sold prior to 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.

Pension and post retirement benefit plans: The costs of pension and other post-retirement benefits are calculated based on assumptions determined by management to estimate the future benefit obligations and performance of plan assets, with the assistance of independent actuarial firms and consultants. Management's assumptions include expected investment performance, compensation increase, the retirement ages of employees, mortality rates, health-care costs, inflation, discount rates and other relevant factors. Annually, the Company evaluates the significant assumptions to be used to value its pension and post retirement plans assets and liabilities based on current market conditions and expectations of future costs. The Company consults with an actuary regarding these assumptions at least on an annual basis.

Income taxes: The Company follows the asset and 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 financial assets and liabilities for financial reporting purposes and their corresponding tax values using the enacted or substantively enacted income tax rate, which will 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. The Company'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. Provisions for customer incentives and provisions for sales and return allowances are made at the time of product shipment. 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 the Company's estimate.

Allowance for doubtful accounts: The Company is required to make an assessment of whether trade receivables are collectible from customers. 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.

Product warranties: 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 warranty, the nature of 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.

Contingent consideration and put option liabilities: Contingent consideration and put option liabilities, resulting from business combinations, are valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration and put option liabilities meet the definition of a derivative and thus financial liability, it is subsequently re-measured to fair value at each reporting date with the fluctuation going to general and administrative expenses. The determination of the fair value is based on discounted cash flows. Included in the key assumptions, the probability of meeting the performance targets is taken into consideration. The increase in the provision due to the passage of time is recognized as finance expenses.

Leases: Management is required to determine whether the Company is party to an operating or finance lease entering into a leasing arrangement. Management must use judgment in determining whether all the risks and rewards of ownership have passed to the Company. Management's considerations are, but not limited to, transfer of ownership at the end of the arrangement, the economic life of the asset as compared to the lease term, and the present value of future minimum lease payments as compared to the fair value of the asset at inception.

IFRS

On February 13, 2008, the Accounting Standards Board of Canada confirmed the date of the changeover from Canadian GAAP to International Financial Reporting Standards. Canadian publicly accountable enterprises must adapt IFRS to their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption allowed. The Company has chosen for an early adoption of IFRS and these are the first annual IFRS financial statements issued for the year ended December 30, 2011 and include the comparative period of 2010, restated for IFRS.

In the Company's MD&A for the year ended December 30, 2010, it was stated that the Company had identified and calculated the impact of the differences between IFRS and Canadian GAAP on its opening balance sheet and that there was no expected material impact on the Company's 2010 financial reporting results based on the information collected to date. Detailed information was also provided in the report within the 2010 year-end MD&A. Upon finalization of the Company's 2010 financial statements as prepared under IFRS, it has been concluded that the required changes were not material. Please refer to Note 29 of the Consolidated Financial Statements for a summary of the differences between the financial statements previously prepared under Canadian GAAP and to those prepared under IFRS as at December 31, 2009 and for the year ended December 30, 2010.

FUTURE ACCOUNTING CHANGES

IAS 19 – Employee benefits

In June 2011, amendments to IAS 19, *Employee Benefits*, were issued. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income, eliminating the previous options that were available, and enhances the guidance concerning the measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. Retrospective application of this standard will be effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 9 – Financial Instruments

This standard is issued but not yet effective at the date of issuance of the Company's Consolidated Financial Statements. The standard will be effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

As part of the project 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. 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 entity's business model and the contractual cash flow characteristics of the financial asset;
- Eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

The Company is currently assessing what the impact of adopting this standard will be on its consolidated financial statements.

MARKET RISKS AND UNCERTAINTIES

General Economic Conditions

Challenging economic conditions that were experienced in 2010, for the most part, continued into 2011 in most of the Company’s markets. Unemployment continued to have a negative impact on consumers’ buying habits. Dorel was not immune to these conditions, although the nature of many of the Company’s products, and the customers to which Dorel’s products are sold, protected the Company to a certain extent. Now in its 50th year, the Company has experienced several economic downturns and its products have proven to be ones that consumers continue to purchase. In 2011 the poor economic environment was coupled with rising commodity prices and other input costs. This negatively impacted earnings as retailers were hesitant to accept price increases, and this did lower margins, most significantly in the Juvenile segment.

In the Juvenile segment, the Company believes that demand generally remains steady as child safety is a constant priority and parents require products that fill that need. However, in 2011, 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 affects demand.

In Recreational / Leisure, the Company believes that recent consumer trends that consider health and environmental concerns also help buffer this segment against possible declines in overall consumer spending. 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 Home Furnishings, Dorel concentrates exclusively on value priced items and sells the majority of its products through the mass merchant 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 even further or unemployment rise significantly, 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 and futon covers, hardware, buckles and harnesses, and futon frames. 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 continued to increase in 2011, however at a slower pace than 2010. Resin prices remained high for most of 2011 in both the US and Europe before moderating towards year-end. Given the current level of oil pricing, further increases in resin prices are possible in 2012. Particleboard prices in North America increased moderately in 2011 and a significant change is not expected.

The Company’s suppliers of components and finished goods experienced input cost increases in 2011. Although the majority of increases were moderate, rubber and cotton pricing escalated to record levels. These costs moderated as the year progressed. The Chinese currency (“RMB”) appreciated approximately 5% in 2011 and labour costs in China continue to increase.

Container freight costs were moderately lower in 2011 relative to 2010. Current expectations are for stable container pricing in 2012 as supply is projected to be greater than demand.

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 affect on the Company going forward.

Foreign Currency Fluctuations

Dorel uses the US dollar as its presentation 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, Brazil, Chile, Peru, Japan and Australia. Translational risk occurs upon conversion of non-US functional currency divisions' results to the US dollar for presentation purposes. As Dorel's European, Brazilian, Chilean, Peruvian, Japanese and Australian operations are the only significant subsidiaries that do not use the US dollar as their functional currency, translational risk is limited to only those operations. The two major functional currencies in Europe are the Euro and Pound Sterling.

Dorel's European, Brazilian, Chilean, Peruvian, Japanese 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 Recreational / Leisure 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 three years. They are similar to the Juvenile segment in that portions of its purchases are in US dollars, while its revenues are not. Dorel's Canadian operations within 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 Distribution Canada's operations that import US dollar denominated goods and sells to Canadian customers.

As a result, over the past two years, the weakening of the US dollar against these various currencies has had an overall impact that was not material year-over-year as these various impacts have generally offset one another. However, these offsetting impacts occur in different segments, meaning the negative impact of a weaker US dollar occurs in the Home Furnishings segment while the positive impact occurs mainly in the Juvenile and Recreational / Leisure segments.

Where advantageous, 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 16 to the Consolidated Financial Statements. While the Canadian and European operations help offset the possible negative impact of changes in the US dollar, a significant change in the value of the US dollar would affect future earnings.

Concentration of Revenues

For the year ended December 30, 2011, one customer accounted for over 10% of the Company's revenues, at 29.6% of Dorel's total revenue. In 2010, this customer accounted for 31.0% 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 in North America and Europe. The balance of Dorel's sales are made mostly to specialty juvenile stores in Europe and independent bike dealers in both the United States and Europe. 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, 2011, one customer accounted for 16.0% of the Company's total trade accounts receivable balance. This same customer accounted for 13.7% of the Company's total trade accounts receivable balance in 2010. Based on past experience, the Company believes that no allowance is necessary in respect of trade accounts receivable not past due and past due 0-30 days which represent 87.1% of total gross trade accounts receivable (2010 – 88.6%).

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.

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 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 relationship and supplier relationship intangible assets recognized includes significant assumptions in reference to customer attrition rates and useful lives. Should current market conditions adversely effect 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. During the 2011 fiscal year, the Company experienced a significant decline in its share price and its corresponding market capitalization. For most of the third and fourth quarters of fiscal 2011, the Company's market capitalization value was significantly below the recorded net book value in its consolidated statement of financial position. 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, 2011 by the market price of the Company's total shares as at October 31, 2011. 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 value of the Company's CGUs and its market capitalization:

- The Company's stock has relatively low trading volume;
- The decline in the Company's share price during 2011 is not directly correlated to a change in the overall operating performance of the Company; and
- 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 $32.18 and a low of $21.46. 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 continue to 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.

OTHER INFORMATION

The designation, number and amount of each class and series of its shares outstanding as of March 28, 2012 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:

Class A		Class B		Total
Number	$ ('000)	Number	$ ('000)	$ ('000)
4,229,510	1,792	27,720,602	173,698	175,490

Outstanding stock options and Deferred Share Unit items are disclosed in Note 20 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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

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 disclosure controls and procedures for the Company, that disclosure controls and procedures 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 disclosure controls and procedures, and that their conclusions about the effectiveness of those disclosure controls and procedures 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 disclosure controls and procedures as at December 30, 2011 and have concluded that those disclosure controls and procedures 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

National Instrument 52-109 also requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal controls over financial reporting 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 internal control over financial reporting.

During 2011, management evaluated the Company's internal controls over financial reporting 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 to evaluate the effectiveness of internal controls over financial reporting, which is 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 internal controls over financial reporting as at December 30, 2011 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.

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. 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. Refer, in particular, to the section of this MD&A entitled Market Risks and Uncertainties for a discussion of certain assumptions the Company has made in preparing any 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 subject to dividends being declared by the Board of Directors, there can be no certainty that Dorel Industries Inc.'s 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 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.

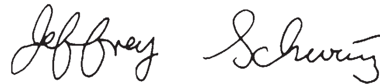
Except as otherwise indicated, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. The Company therefore cannot describe the expected impact in a meaningful way or in the same way the Company presents known risks affecting the business.

MANAGEMENT'S REPORT

Dorel Industries Inc.'s Annual Report for the year ended December 30, 2011, and the consolidated financial statements included herein, were prepared by the Company's Management and approved by the Board of Directors. The Audit Committee of the Board is responsible for reviewing the consolidated financial statements in detail and for ensuring that the Company's internal control systems, management policies and accounting practices are adhered to.

The consolidated financial statements contained in this Annual Report have been prepared in accordance with the accounting policies which are enunciated in said report and which Management believes to be appropriate for the activities of the Company. The external auditors appointed by the Company's shareholders, KPMG, LLP have audited these financial statements and their report appears below. All information given in this Annual Report is consistent with the financial statements included herein.

Martin Schwartz
President and Chief Executive Office



Jeffrey Schwartz
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, 2011, December 30, 2010 and December 31, 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 30, 2011 and December 30, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 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 an 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 the auditors` 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, the auditor considers 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 opinions.

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, 2011, December 30, 2010 and December 31, 2009 and its consolidated financial performance and its consolidated cash flows for the years ended December 30, 2011 and December 30, 2010 in accordance with International Financial Reporting Standards.

Chartered Accountants
Montreal, Canada
March 28, 2012

*CA Auditor permit no 14044

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, 2011, DECEMBER 30, 2010, and DECEMBER 31, 2009
(All figures in thousands of U.S. dollars)

	As at December 30, 2011	**As at December 30, 2010**	**As at December 31, 2009**
	$	**$**	**$**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Notes 16 and 26)	**29,764**	15,748	19,847
Trade and other receivables (Notes 5 and 16)	**403,664**	356,507	348,579
Inventories (Note 6)	**442,409**	510,068	399,866
Other financial assets (Notes 7 and 16)	**9,867**	2,554	1,411
Income taxes receivable	**17,811**	14,096	16,264
Prepaid expenses	**21,858**	17,823	17,358
	925,373	916,796	803,325
NON-CURRENT ASSETS			
Property, plant and equipment (Note 8)	**158,363**	158,752	154,261
Intangible assets (Notes 9 and 10)	**411,171**	396,354	401,831
Goodwill (Note 10)	**568,849**	554,528	569,824
Other financial assets (Notes 7 and 16)	**—**	—	1,476
Deferred tax assets (Note 24)	**31,096**	24,046	35,723
Other assets (Note 11)	**1,717**	2,215	668
	1,171,196	1,135,895	1,163,783
	2,096,569	2,052,691	1,967,108

See accompanying notes.

AS AT DECEMBER 30, 2011, DECEMBER 30, 2010, and DECEMBER 31, 2009

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

	As at December 30, 2011 $	As at December 30, 2010 $	As at December 31, 2009 $
LIABILITIES			
CURRENT LIABILITIES			
Bank indebtedness (Notes 12 and 16)	**20,130**	30,515	1,987
Trade and other payables (Notes 13 and 16)	**323,552**	323,588	291,932
Other financial liabilities (Notes 7 and 16)	**13,065**	4,203	1,185
Income taxes payable	**2,315**	13,154	27,257
Long-term debt (Notes 14 and 16)	**17,279**	10,667	322,508
Provisions (Note 15)	**37,096**	43,232	46,482
	413,437	425,359	691,351
NON-CURRENT LIABILITIES			
Long-term debt (Notes 14 and 16)	**298,160**	319,281	27,075
Pension & post-retirement benefit obligations (Note 18)	**35,258**	32,056	28,622
Deferred tax liabilities (Note 24)	**79,702**	68,145	92,083
Provisions (Note 15)	**1,876**	1,780	1,726
Other financial liabilities (Notes 7 and 16)	**33,141**	31,253	22,112
Other long-term liabilities	**5,340**	2,966	1,301
	453,477	455,481	172,919
EQUITY			
SHARE CAPITAL (Note 19)	**174,782**	178,816	174,816
CONTRIBUTED SURPLUS (Notes 19 and 20)	**26,445**	23,776	20,311
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 19)	**58,842**	66,938	97,735
RETAINED EARNINGS	**969,586**	902,321	809,976
	1,229,655	1,171,851	1,102,838
	2,096,569	2,052,691	1,967,108

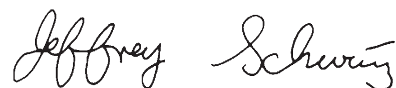
COMMITMENTS AND GUARANTEES (Note 22)

CONTINGENCIES (Note 23)

See accompanying notes.

ON BEHALF OF THE BOARD

DIRECTOR



DIRECTOR

CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2011 and DECEMBER 30, 2010
(All figures in thousands of U.S. dollars, except per share amounts)

	2011 $	2010 $
Sales	**2,352,250**	2,301,393
Licensing and commission income	**11,979**	11,593
TOTAL REVENUE	**2,364,229**	2,312,986
Cost of sales	**1,846,470**	1,778,938
GROSS PROFIT	**517,759**	534,048
Selling expenses	**185,868**	176,292
General and administrative expenses	**164,207**	167,338
Research and development expenses	**32,227**	29,850
OPERATING PROFIT	**135,457**	160,568
Finance expenses (Note 27)	**21,659**	18,927
INCOME BEFORE INCOME TAXES	**113,798**	141,641
Income taxes (Note 24)		
Current	**7,237**	21,090
Deferred	**1,968**	(7,176)
	9,205	13,914
NET INCOME	**104,593**	127,727
EARNINGS PER SHARE (Note 25)		
Basic	**3.22**	3.89
Diluted	**3.21**	3.85

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 30, 2011 and DECEMBER 30, 2010
(All figures in thousands of U.S. dollars, except per share amounts)

	2011 $	2010 $
NET INCOME	**104,593**	127,727
OTHER COMPREHENSIVE INCOME (LOSS):		
Cumulative translation account		
Net change in unrealized foreign currency gains (losses) on translation of net investments in foreign operations, net of tax of nil	**(15,210)**	(28,870)
Net changes in cash flow hedges:		
Net change in unrealized gains (losses) on derivatives designated as cash flow hedges	**3,866**	(4,415)
Reclassification to income	**1,027**	968
Reclassification to the related non-financial asset	**4,826**	(320)
Deferred income taxes	**(2,605)**	1,840
	7,114	(1,927)
Defined benefit plans:		
Actuarial gains (losses) on defined benefit plans	**(8,158)**	(3,613)
Deferred income taxes	**3,234**	1,301
	(4,924)	(2,312)
TOTAL OTHER COMPREHENSIVE LOSS	**(13,020)**	(33,109)
TOTAL COMPREHENSIVE INCOME	**91,573**	94,618

See accompanying notes.

FOR THE YEARS ENDED DECEMBER 30, 2011 and 2010
(All figures in thousands of U.S. dollars)

	Attributable to equity holders of the Company					
	Share Capital $	Contributed Surplus $	Cumulative Translation Account* $	Cash Flow Hedges* $	Retained Earnings $	Total Equity $
Balance as at December 31, 2009	174,816	20,311	96,840	895	809,976	1,102,838
Total comprehensive income (loss)	—	—	(28,870)	(1,927)	127,727	96,930
Defined benefit plans actuarial gains and losses, net of tax (Note 18)	—	—	—	—	(2,312)	(2,312)
Issued under stock option plan (Note 19)	5,755	—	—	—	—	5,755
Reclassification from contributed surplus due to exercise of stock options (Note 19)	1,402	(1,402)	—	—	—	—
Repurchase and cancellation of shares (Note 19)	(3,157)	—	—	—	—	(3,157)
Premium paid on share repurchase (Note 19)	—	—	—	—	(14,120)	(14,120)
Share - based payments (Note 20)	—	4,812	—	—	—	4,812
Dividends on common shares (Note 19)	—	—	—	—	(18,895)	(18,895)
Dividends on deferred share units (Note 20)	—	55	—	—	(55)	—
Balance as at December 30, 2010	178,816	23,776	67,970	(1,032)	902,321	1,171,851
Total comprehensive income (loss)	—	—	(15,210)	7,114	104,593	96,497
Defined benefit plans actuarial gains and losses, net of tax (Note 18)	—	—	—	—	(4,924)	(4,924)
Issued under sock option plan (Note 19)	429	—	—	—	—	429
Reclassification from contributed surplus due to exercise of stock options (Note 19)	89	(89)	—	—	—	—
Repurchase and cancellation of shares (Note 19)	(4,552)	—	—	—	—	(4,552)
Premium paid on share repurchase (Note 19)	—	—	—	—	(12,847)	(12,847)
Share - based payments (Note 20)	—	2,686	—	—	—	2,686
Dividends on common shares (Note 19)	—	—	—	—	(19,485)	(19,485)
Dividends on deferred share units (Note 20)	—	72	—	—	(72)	—
Balance as at December 30, 2011	174,782	26,445	52,760	6,082	969,586	1,229,655

*Accumulated other comprehensive income

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 30, 2011 and DECEMBER 30, 2010
(All figures in thousands of U.S. dollars)

	2011 $	2010 $
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net Income	**104,593**	127,727
Items not involving cash:		
Depreciation and amortization (Notes 8 and 9)	**53,865**	51,186
Amortization of deferred financing costs (Note 27)	**532**	324
Impairment losses of goodwill (Note 10)	**1,372**	—
Accretion expense on contingent consideration and put option liabilities (Notes 7 and 27)	**2,209**	2,571
Change of assumptions on contingent consideration and put option liabilities (Note 7)	**(12,217)**	(112)
Unrealized (gains) losses due to foreign exchange exposure on contingent consideration and put option liabilities (Note 7)	**(808)**	467
Other finance expenses (Note 27)	**18,919**	16,032
Income taxes expense (Note 24)	**9,205**	13,914
Share-based payments (Note 20)	**2,467**	4,475
Pension and post-retirement defined benefit plans (Note 18)	**(1,473)**	2,939
Loss on disposal of property, plant and equipment	**854**	1,070
	179,518	220,593
Net changes in non-cash balances related to operations (Note 26)	**22,544**	(97,135)
Income taxes paid	**(28,181)**	(33,329)
Income taxes received	**7,136**	3,524
Interest paid	**(18,540)**	(14,754)
CASH PROVIDED BY OPERATING ACTIVITIES	**162,477**	78,899
FINANCING ACTIVITIES		
Bank indebtedness	**(9,777)**	28,472
Increase of long-term debt	**—**	200,000
Repayments of long-term debt	**(14,855)**	(220,491)
Repayments of contingent consideration and put option liabilities (Note 7)	**(2,431)**	—
Financing costs	**(22)**	(1,968)
Share repurchase (Note 19)	**(17,399)**	(17,277)
Issuance of share capital (Note 19)	**429**	5,755
Dividends on common shares (Note 19)	**(19,485)**	(18,895)
CASH USED IN FINANCING ACTIVITIES	**(63,540)**	(24,404)
INVESTING ACTIVITIES		
Acquisition of business (Notes 4 and 26)	**(36,319)**	(220)
Additions to property, plant and equipment (Notes 8 and 26)	**(27,975)**	(35,465)
Disposals of property, plant and equipment (Note 8)	**644**	—
Additions to intangible assets (Notes 9 and 26)	**(20,825)**	(17,543)
CASH USED IN INVESTING ACTIVITIES	**(84,475)**	(53,228)
Effect of exchange rate changes on cash and cash equivalents	**(446)**	(5,366)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**14,016**	(4,099)
Cash and cash equivalents, beginning of year	**15,748**	19,847
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 26)	**29,764**	15,748

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 Juvenile, Recreational/Leisure and Home Furnishings segments. The principal markets for the Company's products are the United States, Canada and Europe. The principal activities of the Company are described in Note 28. 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 – BASIS OF PREPARATION AND MEASUREMENT

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS") as adopted by the Accounting Standards Board of Canada, 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 has been rounded to the nearest thousand. These are the Company's first consolidated annual financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied and with the accounting policies the Company has adopted. These accounting policies are based on the IFRS and International Financial Reporting Interpretations Committee ("IFRIC") that are applicable at this time. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 29, which includes a reconciliation of equity and the income statement for the comparative period and a reconciliation of equity at the date of transition reported under Canadian Generally Accepted Accounting Principles ("GAAP") to those reported for that period and at the date of transition under IFRS.

The consolidated financial statements have been prepared on a historical basis except for derivative financial instruments, contingent consideration and put option liabilities, liabilities for share-based compensation arrangements and defined benefit plan assets that have been measured at fair value. The defined pension and post-retirement obligations are measured as the net total of plan assets plus unrecognized past service costs less the discounted present value of the defined benefit obligations. Product liability is measured at its discounted present value. The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements of all periods presented, including the presentation of the opening consolidated statement of financial position as at December 31, 2009 except for certain mandatory exceptions and optional exemptions taken pursuant to IFRS 1 as described in Note 29.

These consolidated financial statements were authorized by the Company's Board of Directors for issue on March 26, 2012.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 30, 2011. 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. 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 unrealised 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 carrying values of property, plant and equipment (see Note 8), goodwill and intangibles with indefinite lives (see Note 10), intangible assets (see Note 9), fair value measurement of financial instruments (see Note 16), fair value measurement of share-based payments (see Note 20), fair value measurement of contingent consideration and put option liabilities (see Note 7), valuation allowances for trade receivables (see Notes 5 and 16) and inventories (see Note 6), provisions, including product liability, accrual of product warranties, liabilities for potential litigation claims and settlements (see Note 15), assets and obligations related to employee pension and post-retirement benefits (see Note 18), 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 24), and the allocation of the purchase price of acquired businesses (see Note 4). Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

NOTE 3 – 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 expectation of future events that are believed to be reasonable under the circumstances. The most critical judgments in applying 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.

Property, plant and equipment and intangible assets with finite useful lives:

Property, plant and equipment and intangible assets with finite useful lives are required to be tested for impairment when indicators of impairment exist. Management must use judgment in determining whether these indicators are in existence at the reporting date. Property, plant and equipment and intangible assets with finite useful lives are tested for impairment by comparing the asset's carrying value to the recoverable amount. The recoverable amount is defined as the higher of fair value less costs to sell, and value in use of the related CGU. 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 asset or CGU are required. Differences in estimates could affect whether an asset or CGU are in fact impaired and the dollar amount of that impairment.

Property, plant and equipment and intangible assets with finite useful lives are depreciated or amortized over their useful life. Management estimates useful lives based on the expected period of benefit to be provided by the assets. Useful lives could be materially different than what has been estimated.

Provisions and contingent liabilities:

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. A contingent liability is recognized if any one of the three criteria above is met and the probable outflow is not considered to be remote. 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.

Employee benefits:

Defined benefit plans require significant actuarial assumptions by management to estimate the future benefit obligations and performance of plan assets. Management assumptions include expected investment performance, compensation, the retirement ages of employees, mortality rates, health-care costs, inflation, discount rates and other relevant factors. The Company consults with an actuary regarding these assumptions at least on an annual basis. Due to the long-term nature of these benefit programs, these estimates are subject to significant uncertainty and actual results can differ greatly from the Company's recorded obligations.

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. The Company'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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Judgments (continued)

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 estimations 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 the Company's estimates.

Allowance for doubtful accounts:

The Company is required to make an assessment of whether trade receivables are collectible from customers. 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.

Leases:

Management is required to determine whether the Company is party to an operating or finance lease entering into a leasing arrangement. Management must use judgment in determining whether all the risks and rewards of ownership have passed to the Company. Management's considerations are, but not limited to, transfer of ownership at the end of the arrangement, the economic life of the asset as compared to the lease term, and the present value of future minimum lease payments as compared to the fair value of the asset at inception.

The other items subject to judgment are detailed in the corresponding disclosures.

d) Revenue Recognition

Sales are recognized at the fair value of the consideration received or receivable upon shipment of product and when the risks and rewards of ownership have been transferred to the customer. The Company records estimated reductions to revenue for customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. Provisions for customer incentives and 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 net amount of 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. Inventory costs also include the costs directly related to the conversion of materials to finished goods, such as direct labour, and an allocation of fixed and variable production overheads, including manufacturing depreciation expense. The allocation of fixed production overheads 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.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. 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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and capitalized borrowing costs.

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:

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

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.

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. Depreciation of assets not in service begins when they are ready for their intended use.

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.

h) Borrowing Costs

Borrowing costs 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. 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. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Residual value, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. 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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Intangible Assets (continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently if an impairment indicator is triggered, either individually or at the cash generating unit 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.

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

Supplier Relationship

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

Patents

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

Non-Compete Agreement

Non-compete agreement acquired as part of a business acquisition is amortized on a straight-line basis over a period of four years being the period of time the non-compete agreement is in place.

Software Licences

Software licences are amortized on a straight-line basis over its 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 they meet specific criteria:

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Business Combinations and Related Goodwill

Acquisitions on or after December 31, 2009

Business acquisitions are accounted for using the acquisition method. 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 businesses acquired, the difference is recognized in the consolidated income statement. 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.

Any contingent consideration and put option liabilities are recognized at fair value at the acquisition date. Subsequent changes in fair value of contingent consideration and put option liabilities classified as a financial liability are recognized in the consolidated statement of income. Restructuring, transaction costs and other direct costs of a business combination are not considered part of the purchase price allocation. Instead, such costs are expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

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 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) 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. Where 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. 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. 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 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 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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 10.

l) Assets Held for Sale

Assets held for sale are reflected 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 included in other assets on the consolidated statement of financial position. 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.

m) 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.

n) Foreign Currency

The assets and liabilities of foreign operations, whose functional currency is other than 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 such that 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. On the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests 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 profit or loss.

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 which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative translation account and reclassified from equity to profit or loss on disposal of the net investment.

Income and expenses in foreign currencies are translated to the respective functional currency of the subsidiary 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 are translated at historical rates.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Company mainly comprise cash and cash equivalents, foreign exchange contracts and interest rate swaps with a positive fair value, and trade and other receivables. Financial liabilities of the Company mainly comprise foreign exchange contracts and interest rate swaps with a negative fair value, bank indebtedness, trade and other payables, long-term debt and other financial liabilities.

All financial instruments, including derivatives, are included 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 are deducted from the financial liability and are amortized using the effective interest rate method over the expected life of the related liability.

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.

Financial assets

Financial assets are classified 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 as derivatives designated as hedging instruments in an effective hedge. Financial assets are initially and subsequently measured at fair value with the exception of loans and receivables and investments 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 each reporting date at fair value depend on their initial classification. Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. 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.

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 has 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 assets 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.

Financial assets are derecognized when the Company’s rights to 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

Financial liabilities are classified into one of the following categories: fair value through profit or loss, other financial liabilities, or as 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. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. 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.

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial Instruments (continued)

Classification and fair value measurements

The Company has classified its cash and cash equivalents 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.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels 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 or indirectly 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.

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 fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

p) Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recorded as either assets or liabilities and are measured at their fair value unless exempted from derivative treatment as a normal purchase or sale. Certain derivatives embedded in other contracts must also be separated from the main contract and measured at fair value. All changes in the fair value of derivatives are recognized in income unless specific hedge criteria are met, which requires that a company formally document, designate and assess the effectiveness of transactions for which hedge accounting is applied. Derivatives that qualify as hedging instruments must be designated as either a "cash flow hedge", when the hedge 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. 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 within a cash flow hedge is recognized in income 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 future changes in value of the derivative are recognized in income prospectively. When the hedged item settles, amounts recognized in the cash flow hedge reserve are reclassified to the same 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. 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. 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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Derivative Financial Instruments and Hedge Accounting (continued)

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 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 measures the effectiveness of hedging relationships at inception and on an on-going basis.

q) Pension Plans and Post-Retirement Benefits

Pension 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 obligation in respect of defined benefits is calculated separately for each plan. Defined benefit obligations are actuarially calculated by a qualified actuary at the statement of financial position date. The actuarial valuations are determined based on management's best estimate of the discount rate, the expected long-term rate of return on plan assets, 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 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. Benefits are also given to employees through defined contribution plans administered by the Federal and Quebec (or local) governments. The Company's contributions to these plans are recognized on an accrual basis.

Unrecognized past service costs and the fair value of plan assets are deducted from the defined benefit obligation to arrive at the net obligation. Plan assets are measured at fair value 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 to the extent that the associated benefits are fully vested. Unvested past service costs are recognized in operating income on a straight-line basis over the vesting period of the associated benefits. Actuarial gains or losses on post-employment defined benefit plans 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;
- interest on the actuarial present value of accrued pension benefits less expected earnings on pension fund assets;
- unvested past service costs and amendments amortized on a straight-line basis over the vesting period of the associated benefits;
- vested past service costs; and
- gains or losses on settlements or curtailments.

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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Pension Plans and Post-Retirement Benefits (continued)

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 pension cost.

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

r) 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 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.

The Company follows the asset and 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 financial assets and liabilities for financial reporting purposes and their corresponding tax values using the enacted or substantively enacted income tax rate, which will 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.

The Company's income tax expense is based on tax rules and regulations that are subject to the use of judgment for their interpretation and require estimates and assumptions that may be challenged by taxation authorities. The Company's estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as 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.

s) Share-Based Payments

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 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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Share-Based Payments (continued)

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. The amount corresponds to its directors' fees and fees for attending meetings of the Board of Directors or committees.

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. The amount corresponds to the portion of salary or bonus elected to be paid in the form of deferred share units.

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

t) 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.

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 units 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.

Product Warranties

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 warranty, the nature of 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.

u) Contingent Consideration and Put Option Liabilities

Contingent consideration and put option liabilities, resulting from business combination, are valued at fair value at the acquisition date as part of the business combination. Where a contingent consideration and put option liabilities meet the definition of a derivative and thus financial liability, it is subsequently re-measured to fair value at each reporting date with the fluctuation going to general and administrative expenses. The determination of the fair value is based on discounted cash flows. Included in the key assumptions, the probability of meeting performance targets is taken into consideration. The increase in the liability due to the passage of time is recognized as finance expenses.

v) Guarantees

In the normal course of business, the Company enters into various agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract that contingently requires the Company to make payments to a third party based on (i) changes in an underlying interest rate, foreign exchange rate, index of prices or rates, or other variables, including the occurrence or non-occurrence of a specified event (such as a scheduled payment under a contract), that is related to an asset, a liability or an equity security of the guaranteed party, (ii) failure of another party to perform under an obligating agreement, or (iii) failure of another party to pay its indebtedness when due. The stand-by portion of the guarantees is initially measured at fair value. The contingent portion of the guarantee is recorded when the Company considers it probable that a payment relating to the guarantee has to be made to the other party of the contract or agreement. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Future Accounting Changes

IAS 19 – Employee benefits

In June 2011, amendments to IAS 19, Employee Benefits, were issued. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income, eliminating the previous options that were available, and enhances the guidance concerning the measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. Retrospective application of this standard will be effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 9 – Financial Instruments

This standard is issued but not yet effective at the date of issuance of the Company's consolidated financial statements. The standard will be effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

As part of the project 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. 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 entity's business model and the contractual cash flow characteristics of the financial asset;
- Eliminates the existing categories: held to maturity, available for sales, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

The Company is currently assessing what the impact of adopting this standard will be on its consolidated financial statements.

NOTE 4 – BUSINESS ACQUISITION

On November 30, 2011 the Company acquired a 70% interest in a group of companies, known principally as the Silfa Group, who own and operate the popular Infanti brand in Chile, Bolivia, Peru, and Argentina. The investment also includes a retail chain of 52 Baby Infanti stores, of which 40 are in Chile and 12 are in Peru.

The estimated aggregate purchase price of $63,187 is based on a closing working capital which amount has not yet been finalized. When the working capital will be finalized, any change to it will be recorded as an adjustment to the purchase price which will impact goodwill. The adjustment to the working capital is expected to be finalized within twelve months. In addition, as part of the acquisition agreements, the Company entered into put and call agreements with the minority interest holder for its 30% stake in the Silfa Group for which the terms are described in Note 7. The preliminary allocation of this purchase price includes an estimate of the put option liability of $26,868 and is recorded as a financial liability within non-current financial liabilities.

The acquisition has been accounted for using the acquisition method with the results of operations of the Silfa Group 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 Juvenile segment as reported in Note 28.

NOTE 4 – BUSINESS ACQUISITION (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:

	$
Assets	
Trade and other receivables	13,552
Inventories	17,254
Income taxes receivable	310
Prepaid expenses	626
Property, plant and equipment	3,615
Trademarks	12,419
Customer relationships	10,726
Goodwill	22,212
Deferred tax assets	535
Other assets	8
	81,257
Liabilities	
Bank indebtedness	198
Trade and other payables	13,193
Income taxes payable	42
Current portion of long-term debt	141
Long-term debt	37
Deferred tax liabilities	4,459
	18,070
Net assets acquired	63,187

	$
Consideration:	
Cash	36,319
Put option liability (Note 7)	26,868
	63,187

The fair values of the trademarks, the customer relationships and the put option liability have been determined on a provisional basis pending completion of an independent valuation.

The fair value as well as the gross amount of the trade accounts receivables amount to $13,690 of which $317 was expected to be uncollectible at the acquisition date and $300 was assumed for anticipated credits.

The preliminary goodwill of $22,212 includes a control premium as well as their ability to extend their reach into a market that has future growth potential, provides the Company with another important brand in these new territories and further solidifies its position as a global leader in the juvenile industry.

From the date of acquisition, the Silfa Group has contributed $9,575 to the revenues and $833 to the net income of the Company. Had this business combination been effected as at the beginning of the year, management estimates that the Company's consolidated revenues would have been approximately $2,419,657 and the consolidated net income for the year would have been approximately $108,629. 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, which arose on the date of acquisition, would have been the same as if the acquisition would have occurred on December 31, 2010.

Acquisition related costs amount to $1,008 have been excluded from the consideration transferred and have been recognized as an expense in the current year, within the general and administrative expenses line item in the consolidated income statement.

NOTE 5 – TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	December 30,		December 31,
	2011	**2010**	**2009**
	$	**$**	**$**
Trade accounts receivable	**452,534**	408,163	394,735
Allowance for anticipated credits	**(54,186)**	(56,869)	(53,298)
Allowance for doubtful accounts	**(10,347)**	(10,364)	(13,554)
	388,001	340,930	327,883
Other receivables	**15,663**	15,577	20,696
	403,664	356,507	348,579

The Company's exposure to credit and foreign exchange risks, and impairment losses related to trade and other receivables, is disclosed in Note 16.

NOTE 6 – INVENTORIES

Inventories consist of the following:

	December 30,		December 31,
	2011	**2010**	**2009**
	$	**$**	**$**
Raw materials	**88,763**	101,544	77,994
Work in process	**6,147**	10,812	6,290
Finished goods	**347,499**	397,712	315,582
	442,409	510,068	399,866
Inventories carried at net realizable value	**57,387**	69,804	59,864

During the year ended December 30, 2011, the Company recorded in cost of sales $11,124 (2010 – $14,209) of write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed. The cost of inventories recognized as an expense and included in cost of sales for the year ended December 30, 2011 was $1,797,363 (2010 – $1,706,517).

NOTE 7 – OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Other financial assets consist of the following:

	December 30,		December 31,
	2011	**2010**	**2009**
	$	**$**	**$**
Held for trading – Foreign exchange contracts	**—**	—	533
Cash flow hedges – Foreign exchange contracts	**9,867**	2,554	878
Cash flow hedges – Interest rate swaps	**—**	—	1,476
	9,867	2,554	2,887
Current	**9,867**	2,554	1,411
Non-current	**—**	—	1,476

NOTE 7 – OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Other financial liabilities consist of the following:

	December 30,		December 31,
	2011	2010	2009
	$	$	$
Held for trading – Foreign exchange contracts	**—**	—	395
Cash flow hedges – Foreign exchange contracts	**529**	3,298	—
Cash flow hedges – Interest rate swaps	**1,819**	1,456	790
Other financial liabilities – Contingent consideration and put option liabilities	**41,259**	28,002	18,895
Other financial liabilities	**2,599**	2,700	3,217
	46,206	35,456	23,297
Current	**13,065**	4,203	1,185
Non-current	**33,141**	31,253	22,112

Information relating to foreign exchange contracts and interest rate swaps is also included in Note 16.

IGC (Australia) Pty Ltd (IGC)

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

(i) The put and call agreement is considered to have been fully executed at the time of acquisition, resulting in the purchase by the Company of a further 45% interest in IGC. As a result, the Company has consolidated 100% of IGC at the inception of this agreement.

(ii) When the contingency is re-valued until the put or call option is exercised, the value of the exit price is determined and recorded as a financial liability and changes in fair value are recognized in the consolidated income statement in general and administrative expenses. The financial liability amounts to $7,819 as at December 30, 2011 (2010 – $11,609; 2009 – $12,715) and is presented in other financial liabilities and an income amount of $4,844 has been recorded in general and administrative expenses (2010 – $4,024 of income). The fair value of the put option liability was calculated by applying the income approach using the probability-weighted expected contingent consideration and a discount rate of 5.6%.

Hot Wheels and Circle Bikes

As part of the acquisition agreement, additional consideration is contingent upon a formulaic variable price based mainly on future earnings results of the acquired business up to the year ended December 30, 2012. The estimated contingent consideration is recorded as a financial liability within other financial liabilities. For each subsequent year until the contingent consideration is resolved in 2012, the adjustment to the financial liability is recorded in the consolidated income statement in general and administrative expenses. The financial liability amounts to $3,843 as at December 30, 2011 (2010 – $7,060; 2009 – $2,572). During 2011, an income amount of $1,086 has been recorded in general and administrative expenses (2010 – $776 of income). In addition, $2,431 was repaid in 2011 as a portion of the contingent consideration was resolved during the year.

The fair value of the contingent consideration was calculated by applying the income approach using the probability-weighted expected contingent consideration and a discount rate of 3.6%.

NOTE 7 – OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Companhia Dorel Brasil Produtos Infantis (Dorel Brazil)

As part of the shareholder agreement, the Company entered into a put and call agreement with the minority interest holder for the purchase of its 30% stake in Dorel Brazil. Under the terms of this agreement, if specified earnings objectives were not met at the end of each subsequent year until the option is exercised, the Company has an option to buy this 30% minority interest (the call option) at a formulaic variable price based mainly on earnings levels in future periods (the “exit price”). Similarly, the holder of the minority interest has an option to sell his 30% stake in Dorel Brazil following the fiscal year ending in 2013 (the put option) for the same variable exit price. The agreement does not include a specified minimum amount of put option liability. Under the liability method of accounting, the put and call agreement is reflected in the consolidated financial statements as follows:

(i) The put and call agreement is considered to have been fully executed at the time the shareholders’ agreement was put in place, resulting in the purchase by the Company of a further 30% interest in Dorel Brazil. As a result, the Company has consolidated 100% of Dorel Brazil at the inception of this agreement.

(ii) When the contingency is re-valued until the put or call option is exercised, the value of the exit price is determined and recorded as a financial liability and changes in fair value are recognized in the consolidated income statement in general and administrative expenses. The financial liability amounts to $2,876 as at December 30, 2011 (2010 – $9,333; 2009 – $3,608) and is presented in other financial liabilities and an income amount of $6,287 has been recorded in general and administrative expenses (2010 – $4,688 of expense). The fair value of the put option liability was calculated by applying the income approach using the probability-weighted expected contingent consideration and a discount rate of approximately 11%.

Silfa Group

As part of the acquisition, the Company entered into put and call agreements with the minority interest holder for the purchase of its 30% stake in the Silfa Group. Under the terms of these agreements, upon the occurrence of certain triggering events, the Company has an option to buy this 30% minority interest (the call option) at a formulaic variable price based mainly on earnings levels in future periods (the “exit price”). Similarly, the holder of the minority interest has an option to sell their 30% stake in the Silfa Group upon the occurrence of certain triggering events (the put option) for the same variable exit price. In addition, following December 31, 2015, the Company will exercise its call option and the minority interest will exercise its put option for the same variable exit price. The agreements do not include a specified minimum amount of put option liability. Under the liability method of accounting, the put and call agreement is reflected in the consolidated financial statements as follows:

The put and call agreements are considered to have been fully executed at the time of acquisition, resulting in the purchase by the Company of a further 30% interest in the Silfa Group. As a result, the Company has consolidated 100% of the Silfa Group at the time of the acquisition and has preliminary recognized a financial liability of $26,868 (Note 4) measured at the present value of the exercise price of the put option with a corresponding adjustment to goodwill. Until the purchase price of the assets acquired and the liabilities assumed is completed, the adjustment to this financial liability will be reflected as an adjustment to goodwill. The financial liability amounts to $26,721 as at December 30, 2011 (2010 – nil). The fair value of the preliminary put option liability was calculated by applying the income approach using the probability-weighted expected contingent consideration and a discount rate of 5.4%.

The Company’s exposure to credit, foreign exchange and interest rate risks related to other financial assets and financial liabilities is disclosed in Note 16.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

(a) Cost

	Land $	Buildings and improve-ments $	Machinery and equipment $	Moulds $	Furniture and fixtures $	Computer equipment $	Leasehold improve-ments $	Assets not in service $	Assets under finance leases $	Vehicles $	Total $
Balance as at December 31, 2009	14,483	70,536	72,276	101,302	8,003	35,360	9,962	7,888	5,427	1,789	327,026
Additions	12	2,481	7,314	8,280	1,666	3,599	5,572	6,459	962	515	36,860
Disposals	—	(377)	(1,846)	(3,596)	(164)	(388)	—	—	(146)	(33)	(6,550)
Additions through acquisition of business	—	—	10	—	14	76	—	—	—	55	155
Transfers from assets not in service to intangible assets	—	—	—	—	—	—	—	(1,230)	—	—	(1,230)
Foreign exchange	(979)	(983)	(84)	(1,749)	(377)	(47)	(198)	(66)	(585)	383	(4,685)
Balance as at December 30, 2010	13,516	71,657	77,670	104,237	9,142	38,600	15,336	13,051	5,658	2,709	351,576
Additions	—	676	7,152	15,985	309	6,454	2,489	(6,092)	601	323	27,897
Disposals	(32)	(537)	(3,263)	(8,432)	(1,417)	(2,604)	(1,201)	—	—	(204)	(17,690)
Additions through acquisition of business (Note 4)	—	87	646	—	48	116	2,135	—	546	37	3,615
Foreign exchange	(322)	(543)	(637)	(1,670)	(34)	(256)	(96)	41	(206)	188	(3,535)
Balance as at December 30, 2011	13,162	71,340	81,568	110,120	8,048	42,310	18,663	7,000	6,599	3,053	361,863

(b) Depreciation and impairment

	Land $	Buildings and improve-ments $	Machinery and equipment $	Moulds $	Furniture and fixtures $	Computer equipment $	Leasehold improve-ments $	Assets not in service $	Assets under finance leases $	Vehicles $	Total $
Balance as at December 31, 2009	—	15,471	44,304	71,829	5,731	23,633	6,409	—	4,210	1,178	172,765
Depreciation for the year	—	2,046	5,164	12,938	943	4,512	1,260	—	628	326	27,817
Disposals	—	(377)	(889)	(3,394)	(139)	(339)	—	—	(69)	(24)	(5,231)
Foreign exchange	—	284	(617)	(1,122)	(469)	(242)	(167)	—	(379)	185	(2,527)
Balance as at December 30, 2010	—	17,424	47,962	80,251	6,066	27,564	7,502	—	4,390	1,665	192,824
Depreciation for the year	—	2,141	5,244	13,214	763	4,466	1,835	—	791	384	28,838
Disposals	—	(245)	(2,810)	(8,238)	(1,326)	(2,283)	(1,086)	—	(9)	(195)	(16,192)
Foreign exchange	—	(87)	(305)	(1,242)	(354)	104	(114)	—	(182)	210	(1,970)
Balance as at December 30, 2011	—	19,233	50,091	83,985	5,149	29,851	8,137	—	4,990	2,064	203,500

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Depreciation and impairment (continued)

During the years ended December 30, 2011 and 2010, the Company did not account for any impairment losses and reversals of impairment losses.

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

	December 30,	
	2011	**2010**
	$	**$**
Included in cost of sales	**20,214**	19,812
Included in selling expenses	**75**	—
Included in general and administrative expenses	**8,549**	8,005
	28,838	27,817

(c) Net book value

	Land	Buildings and improve-ments	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leasehold improve-ments	Assets not in service	Assets under finance leases	Vehicles	Total
	$	$	$	$	$	$	$	$	$	$	$
Balance as at December 31, 2009	14,483	55,065	27,972	29,473	2,272	11,727	3,553	7,888	1,217	611	154,261
Balance as at December 30, 2010	13,516	54,233	29,708	23,986	3,076	11,036	7,834	13,051	1,268	1,044	158,752
Balance as at December 30, 2011	13,162	52,107	31,477	26,135	2,899	12,459	10,526	7,000	1,609	989	158,363

Assets not in service consist of the following major categories:

	December 30,		December 31,
	2011	**2010**	**2009**
	$	**$**	**$**
Buildings and improvements	**11**	83	313
Machinery and equipment	**786**	2,297	1,586
Moulds	**4,399**	8,909	4,099
Computer equipment	**1,804**	1,762	1,890
	7,000	13,051	7,888

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

	December 30,		December 31,
	2011	**2010**	**2009**
	$	**$**	**$**
Buildings and improvements	**240**	—	—
Machinery and equipment	**449**	305	462
Computer equipment	**901**	963	755
Vehicles	**19**	—	—
	1,609	1,268	1,217

NOTE 9 – INTANGIBLE ASSETS

(a) Cost

	Trademarks	Customer relationships	Supplier relation-ship	Patents	Non-compete agreement	Software licenses	Deferred development costs	Total
	$	$	$	$	$	$	$	$
Balance as at December 31, 2009	280,723	98,147	1,500	24,775	—	754	60,543	466,442
Additions – internally developed	—	—	—	—	—	—	16,545	16,545
Additions – externally acquired	—	—	—	1,347	—	—	—	1,347
Disposals	—	—	—	(216)	—	—	(8,117)	(8,333)
Transfer from assets not in service to intangible assets	—	—	—	—	—	1,230	—	1,230
Finalization of the purchase price allocation of Hot Wheels and Circle Bikes	766	5,941	—	—	694	—	—	7,401
Foreign exchange	(5,253)	(2,778)	—	63	(15)	(7)	(3,388)	(11,378)
Balance as at December 30, 2010	276,236	101,310	1,500	25,969	679	1,977	65,583	473,254
Additions – internally developed	—	—	—	1,008	—	4	16,115	17,127
Additions – externally acquired	—	—	—	353	—	3,229	—	3,582
Disposals	—	—	—	(159)	—	—	(734)	(893)
Addition through acquisition of business (Note 4)	12,419	10,726	—	—	—	—	—	23,145
Foreign exchange	(2,610)	(1,268)	—	(221)	(3)	(10)	(1,921)	(6,033)
Balance as at December 30, 2011	286,045	110,768	1,500	26,950	676	5,200	79,043	510,182

(b) Amortization and impairment

	Trademarks	Customer relationships	Supplier relation-ship	Patents	Non-compete agreement	Software licenses	Deferred development costs	Total
	$	$	$	$	$	$	$	$
Balance as at December 31, 2009	—	19,826	225	14,962	—	75	29,523	64,611
Amortization for the year	—	5,098	150	1,515	215	167	16,224	23,369
Disposals	—	—	—	(216)	—	—	(8,117)	(8,333)
Foreign exchange	—	(718)	—	(196)	(3)	—	(1,830)	(2,747)
Balance as at December 30, 2010	—	24,206	375	16,065	212	242	35,800	76,900
Amortization for the year	—	5,111	150	1,516	174	253	17,823	25,027
Disposals	—	—	—	(159)	—	—	(734)	(893)
Foreign exchange	—	(495)	—	(159)	(6)	(2)	(1,361)	(2,023)
Balance as at December 30, 2011	—	28,822	525	17,263	380	493	51,528	99,011

During the years ended December 30, 2011 and 2010, there were no impairment of intangible assets.

NOTE 9 – INTANGIBLE ASSETS (continued)

(b) Amortization and impairment (continued)

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

	December 30,	
	2011	**2010**
	$	**$**
Included in selling expenses	**6,951**	6,978
Included in general and administrative expenses	**253**	167
Included in research and development expenses	**17,823**	16,224
	25,027	23,369

(c) Net book value

	Trademarks	Customer relationships	Supplier relation-ship	Patents	Non-compete agreement	Software licenses	Deferred development costs	Total
	$	$	$	$	$	$	$	$
Balance as at December 31, 2009	280,723	78,321	1,275	9,813	—	679	31,020	401,831
Balance as at December 30, 2010	276,236	77,104	1,125	9,904	467	1,735	29,783	396,354
Balance as at December 30, 2011	286,045	81,946	975	9,687	296	4,707	27,515	411,171

NOTE 10 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES 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:

	Goodwill			Trademarks		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
	$	**$**	**$**	**$**	**$**	**$**
Juvenile – North America	**134,337**	134,337	134,337	**—**	—	—
Juvenile – Europe	**194,475**	200,751	214,878	**78,658**	81,198	86,912
Juvenile – Other countries [(1)]	**37,861**	17,248	15,903	**16,241**	3,889	3,411
Recreational and Leisure – Mass markets	**138,738**	141,536	145,456	**130,800**	130,800	130,800
Recreational and Leisure – Independent bike dealers (IBD)	**23,029**	20,247	18,841	**53,246**	53,249	52,500
Recreational and Leisure – Apparel and Footwear	**9,237**	9,237	9,237	**7,100**	7,100	7,100
Home Furnishings	**31,172**	31,172	31,172	**—**	—	—
Total	**568,849**	554,528	569,824	**286,045**	276,236	280,723

[(1)] The carrying amounts of goodwill and trademarks are allocated to the following CGUs: IGC Australia, Dorel Brazil and the Silfa Group.

NOTE 10 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES (continued)

The continuity of goodwill by segment is presented in Note 28.

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 trademark is allocated to is the same as for goodwill, then the same test is used to assess impairment of the goodwill and trademark. With the exception of the 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, 2011, 2010 and 2009 the Company performed its annual impairment testing of goodwill and trademarks in accordance with the Company's accounting policy described in Note 3. An impairment loss of $1,372 was identified for the Dorel Brazil CGU and accordingly, the entire amount of recorded goodwill was written off for the year ended December 30, 2011. This impairment loss was caused by revenues that declined due to the reduced enforcement of local car seat usage and as a result, demand dropped, resulting in price discounting and a less profitable product mix.

With the exception of the Dorel Brazil CGU in 2011, for each CGU, the recoverable amounts of the CGU were higher than their carrying amount as at December 31 2009, December 30, 2010 and December 30, 2011.

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

<u>Valuation Techniques:</u>

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 and discount rates.

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 EBITDA multiples, EBIT multiples and sales multiples of benchmark companies comparable to the businesses in each CGU. Data for the benchmark companies was obtained from publicly available information.

<u>Significant assumptions:</u>

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 calculation is reasonable and is 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 ranging from four to 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.

NOTE 10 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES (continued)

Significant assumptions (continued):

Key assumptions used in value in use calculations (continued):

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 usually four 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.

The key assumptions used in calculating the value in use, by CGU, were as follows:

	Pre-tax Discount Rate		Terminal Growth Rate	
	2011	**2010**	**2011**	**2010**
	%	%	%	%
Juvenile – North America	**20.81**	20.20	**3.00**	3.00
Juvenile – Europe	**18.93**	18.25	**3.00**	2.00
Juvenile – Other countries [(1)]	**21.42–26.33**	22.62–27.29	**3.00–4.90**	3.00–5.00
Recreational and Leisure – Mass markets	**17.36**	15.85	**3.00**	3.00
Recreational and Leisure – Independent bike dealers (IBD)	**18.36**	16.05	**3.00**	3.00
Recreational and Leisure – Apparel and Footwear	**20.38**	19.09	**3.00**	3.00
Home Furnishings	**23.50**	20.97	**2.00**	2.00

[(1)] The key assumptions relates to the following CGUs: IGC Australia, Dorel Brazil and the Silfa Group

Sensitivity to changes in assumptions for value in use calculations:

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Based on the values in use as per the discounted cash flows in 2011, varying the assumptions would have the following effects for the year ended December 30, 2011, assuming that all other variables remained constant:

	Increase in basis points of pre-tax discount rate that would result in carrying value equal to recoverable amount	Decrease in basis points of terminal long-term growth rate that would result in carrying value equal to recoverable amount
	[BPS]	[BPS]
Juvenile – North America	73	90
Juvenile – Europe	157	180
Juvenile – Other countries [(1)]	0–88	0–50
Recreational and Leisure – Mass markets	94	130
Recreational and Leisure – Independent bike dealers (IBD)	34	50
Recreational and Leisure – Apparel and Footwear	64	60
Home Furnishings	330	445

[(1)] The sensitivity analysis relates to IGC Australia and the Silfa Group only given the recorded goodwill of Dorel Brazil CGU was written off entirely.

NOTE 11 – OTHER ASSETS

Other assets consist of the following:

	December 30,		December 31,
	2011	**2010**	**2009**
	$	**$**	**$**
Costs relating to revolving credit facility [1]	**1,112**	1,622	51
Assets held for sale	**—**	—	46
Other	**605**	593	571
	1,717	2,215	668

[1] The amortization of financing costs related to the revolving credit facility included in interest on long-term debt expense is $525 (2010 – $289).

NOTE 12 – BANK INDEBTEDNESS

The average interest rates on the outstanding borrowings as at December 30, 2011 and 2010 were 4.74% and 4.44% respectively. As at December 30, 2011, the Company had available bank lines of credit amounting to approximately $79,401 (2010 – $97,962; 2009 – $40,581) of which $20,130 (2010 – $30,515; 2009 – $1,987) have been used.

NOTE 13 – TRADE AND OTHER PAYABLES

	December 30,		December 31,
	2011	**2010**	**2009**
	$	**$**	**$**
Trade creditors and accruals	**284,542**	277,401	249,225
Salaries payable	**28,369**	34,287	31,398
Balance of sale	**—**	—	220
Other accrued liabilities	**10,641**	11,900	11,089
	323,552	323,588	291,932

The Company's exposure to liquidity risks related to trade and other payables is disclosed in Note 16.

NOTE 14 – LONG-TERM DEBT

	December 30,		December 31,
	2011 $	2010 $	2009 $
SERIES "A" SENIOR GUARANTEED NOTES [1]			
Bearing interest at 4.24 % per annum to be repaid on April 6, 2015	50,000	50,000	—
Series "B" Senior Guaranteed Notes [1]			
Bearing interest at 5.14 % per annum with principal repayments as follows: 2 annual instalments of $13,000 ending in April 2014 1 annual instalment of $7,500 ending in April 2015 5 annual instalments of $23,300 ending in April 2020	150,000	150,000	—
Series "A" Senior Guaranteed Notes [1]			
Bearing interest at 6.80% per annum with principal repayments as follows: 1 final instalment of $16,500 in July 2012	16,500	26,500	36,500
Series "B" Senior Guaranteed Notes [1]			
Bearing interest at 5.63 % per annum repaid in February 2010	—	—	55,000
Revolving Bank Loans			
Bearing interest at various rates per annum, averaging 3.41% (2010 – 2.35%; 2009 – 2.2%) based on LIBOR, Euribor, Canadian or U.S. bank rates, total availability of $300,000, (2010 – $300,000; 2009 – $475,000) due to mature in July 2014. This agreement also includes an accordion feature allowing the Company to have access to an additional amount of $200,000 (2010 – $200,000; 2009 – $50,000) on a revolving basis. [2]	98,250	102,712	257,000
Obligations under finance leases	1,325	1,379	1,155
Less unamortized financing costs [3]	(636)	(643)	(72)
	315,439	329,948	349,583
Current portion	(17,279)	(10,667)	(322,508)
	298,160	319,281	27,075

[1] Interest and principal payments are guaranteed by certain subsidiaries.

[2] Effective July 15, 2011, the Company amended its revolving bank loans in order to extend the maturity from July 1, 2013 to July 1, 2014. There were no other changes to the revolving bank loans.

[3] The amortization of financing costs related to the long-term debt included in interest on long-term debt expense is $7 (2010 – $35).

NOTE 14 – LONG-TERM DEBT (continued)

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

Fiscal Year Ending	Amount $
2012	17,279
2013	13,315
2014	111,362
2015	57,346
2016	23,227
Thereafter	92,910
	315,439

For more information about the Company's exposure to interest rate and liquidity risks, see Note 16.

NOTE 15 – PROVISIONS

	Product liability $	Warranty provision $	Employee compensation $	Restruc-turing $	Other provisions $	Total $
Balance as at December 31, 2009	25,785	16,068	1,548	516	4,291	48,208
Balance as at December 30, 2010	24,422	14,910	1,603	437	3,640	45,012
Arising during the year	3,402	8,434	247	4	4,755	16,842
Utilized	(6,916)	(10,152)	(100)	(307)	(3,320)	(20,795)
Unused amounts reversed	(305)	(574)	—	—	(1,048)	(1,927)
Foreign exchange	—	(77)	(51)	11	(43)	(160)
Balance as at December 30, 2011	20,603	12,541	1,699	145	3,984	38,972
Current 2011	20,603	12,541	—	145	3,807	37,096
Non-current 2011	—	—	1,699	—	177	1,876
	20,603	12,541	1,699	145	3,984	38,972
Current 2010	24,422	14,910	—	437	3,463	43,232
Non-current 2010	—	—	1,603	—	177	1,780
	24,422	14,910	1,603	437	3,640	45,012
Current 2009	25,785	16,068	—	516	4,113	46,482
Non-current 2009	—	—	1,548	—	178	1,726
	25,785	16,068	1,548	516	4,291	48,208

NOTE 15 – 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.

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.

Employee compensation

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

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 16 – 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:

	December 30, 2011		December 30, 2010		December 31, 2009	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets						
Held for trading financial assets:						
Foreign exchange contracts	**—**	**—**	—	—	533	533
Loans and receivables:						
Cash and cash equivalents	**29,764**	**29,764**	15,748	15,748	19,847	19,847
Trade receivables	**388,001**	**388,001**	340,930	340,930	327,883	327,883
Other receivables	**15,663**	**15,663**	15,577	15,577	20,696	20,696
Derivatives designated as cash flow hedges:						
Interest rate swaps	**—**	**—**	—	—	1,476	1,476
Foreign exchange contracts	**9,867**	**9,867**	2,554	2,554	878	878
Financial liabilities						
Held for trading financial liabilities:						
Foreign exchange contracts	**—**	**—**	—	—	395	395
Other financial liabilities:						
Bank indebtedness	**20,130**	**20,130**	30,515	30,515	1,987	1,987
Trade and other payables	**323,552**	**323,552**	323,588	323,588	291,932	291,932
Long-term debt – bearing interest at variable rates:						
Revolving bank loans	**98,250**	**98,250**	102,712	102,712	257,000	257,000
Long-term debt – bearing interest at fixed rates	**217,189**	**228,332**	227,236	227,480	92,583	95,536
Other financial liabilities	**43,858**	**43,858**	30,702	30,702	22,112	22,112
Derivatives designated as cash flow hedges:						
Foreign exchange contracts	**529**	**529**	3,298	3,298	—	—
Interest rate swaps	**1,819**	**1,819**	1,456	1,456	790	790

The Company has determined that the fair value of its short-term 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 based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity. As at December 30, 2011 and 2010 and as at December 31, 2009, the fair value of the other financial liabilities are comparable to their carrying value since the majority of the amount is recorded based on discounted future cash outflows (see Note 7 for further details). The fair value of the foreign exchange contracts and the interest rate swaps were measured using Level 2 inputs in the fair value hierarchy. The contingent consideration and put option liabilities were measured using Level 3 inputs in the fair value hierarchy.

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 16 – FINANCIAL INSTRUMENTS (continued)

Financial instruments – carrying values and fair values (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)

	December 30,	
	2011 **$**	**2010** **$**
Gains (losses) relating to financial assets and liabilities, excluding foreign exchange contracts	**1,887**	(5,339)
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	**(722)**	3,325
Foreign exchange gains (losses) relating to financial instruments	**1,165**	(2,014)
Other foreign exchange gains (losses)	**(162)**	55
Foreign exchange gains (losses)	**1,003**	(1,959)

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

	December 30,	
	2011 **$**	**2010** **$**
Included in cost of sales	**305**	(3,029)
Included in general and administrative expenses	**698**	1,070
	1,003	(1,959)

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.

Foreign Exchange Risk

In order to mitigate the foreign exchange risks, the Company uses from time to time various derivative financial instruments such as options, futures and forward contracts to hedge against adverse fluctuations in currency 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 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 notes issued in U.S. dollars, for which no foreign currency hedging is required. Short-term lines of credit and overdrafts 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.

NOTE 16 – FINANCIAL INSTRUMENTS (continued)

Foreign Exchange Risk (continued)

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, 2011 and 2010 and December 31, 2009, being the period end balances of financial and monetary 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 periods ended December 30, 2011 and 2010 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.

	December 30, 2011					
	USD	**CAD**	**Euro**	**JPY**	**CHF**	**AUD**
	$	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	**1,098**	**1,238**	**242**	**(703)**	**(50)**	**—**
Trade and other receivables	**2,686**	**24,622**	**1,573**	**774**	**2,276**	**—**
Trade and other payables	**(37,596)**	**(11,261)**	**(668)**	**(4,857)**	**(1,140)**	**(75)**
Inter-company loans	**(13,992)**	**—**	**(4,104)**	**—**	**—**	**9,807**
Statement of financial position exposure excluding financial derivatives	**(47,804)**	**14,599**	**(2,957)**	**(4,786)**	**1,086**	**9,732**

	December 30, 2010				
	USD	**CAD**	**Euro**	**GBP**	**AUD**
	$	**$**	**$**	**$**	**$**
Cash and cash equivalents	375	468	362	1,375	—
Trade and other receivables	823	27,857	2,189	347	2,625
Trade and other payables	(27,850)	(16,283)	(7,122)	(6)	(142)
Inter-company loans	2,943	27	(468)	—	11,776
Statement of financial position exposure excluding financial derivatives	(23,709)	12,069	(5,039)	1,716	14,259

	December 31, 2009				
	USD	**CAD**	**Euro**	**GBP**	**AUD**
	$	**$**	**$**	**$**	**$**
Cash and cash equivalents	887	1,016	253	—	—
Trade and other receivables	1,909	20,471	1,748	2,450	4,369
Trade and other payables	(29,917)	(18,138)	(6,460)	(400)	—
Inter-company loans	—	—	—	—	8,817
Statement of financial position exposure excluding financial derivatives	(27,121)	3,349	(4,459)	2,050	13,186

NOTE 16 – FINANCIAL INSTRUMENTS (continued)

Foreign Exchange Risk (continued)

	December 30, 2011					
	USD $	CAD $	Euro $	JPY $	CHF $	AUD $
Revenue	**14,921**	**120,504**	**11,260**	**1,999**	**7,858**	**97**
Expenses	**257,954**	**124,057**	**25,623**	**10,436**	**3,089**	**219**
Net exposure	**(243,033)**	**(3,553)**	**(14,363)**	**(8,437)**	**4,769**	**(122)**

	December 30, 2010				
	USD $	CAD $	Euro $	GBP $	AUD $
Revenue	11,541	126,413	13,322	2,206	1,759
Expenses	232,111	130,144	38,891	75	823
Net exposure	(220,570)	(3,731)	(25,569)	2,131	936

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:

	December 30, 2011			December 30, 2010			December 31, 2009		
Foreign exchange contracts Currencies (sold/bought)	Average rate (1)	Notional amount (2) $	Fair value $	Average rate (1)	Notional amount (2) $	Fair value $	Average rate (1)	Notional amount (2) $	Fair value $
Futures									
USD/CAD	**0.9879**	**23,000**	**(173)**	0.9440	5,000	302	0.9375	15,000	275
Forwards									
EUR/USD	**0.6951**	**102,500**	**9,867**	0.7581	110,360	(1,578)	0.6806	30,400	1,122
GBP/USD	**—**	**—**	**—**	0.6244	10,250	282	0.6131	2,500	25
GBP/EUR	**0.8535**	**20,236**	**(356)**	0.8485	20,086	250	—	—	—
NZD/AUD	**—**	**—**	**—**	—	—	—	0.5174	34	(13)
Options									
EUR/USD	**—**	**—**	**—**	—	—	—	0.71341	3,300	(393)
Total			**9,338**			(744)			1,016

(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, 2011 and 2010 and December 31, 2009 were used to translate amounts in foreign currencies.

NOTE 16 – FINANCIAL INSTRUMENTS (continued)

Foreign Exchange Risk (continued)

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

	2011 Year-to-date average rate	**Reporting date rate December 30, 2011**
CAD TO USD	**1.0108**	**0.9833**
EURO TO USD	**1.3904**	**1.2972**
GBP TO USD	**1.6031**	**1.5535**
AUD TO USD	**1.0314**	**1.0250**

	2010 Year-to-date average rate	**Reporting date rate December 30, 2010**
CAD TO USD	0.9708	1.0054
EURO TO USD	1.3247	1.3390
GBP TO USD	1.5451	1.5598
AUD TO USD	0.9179	1.0235

	Reporting date rate December 31, 2009
CAD TO USD	0.9555
EURO TO USD	1.4333
GBP TO USD	1.6166
AUD TO USD	0.8977

Based on the Company's foreign currency exposures noted above and the foreign exchange contracts in effect in 2011 and 2010, 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, 2011 and 2010, assuming that all other variables remained constant:

	December 30, 2011					
Source of variability from changes in foreign exchange rates	**USD $**	**CAD $**	**Euro $**	**JPY $**	**CHF $**	**AUD $**
Financial instruments, including foreign exchange contracts for which the Company does not apply hedge accounting	**2,138**	**773**	**235**	**(187)**	**(65)**	**509**
Revenues and expenses	**11,499**	**(136)**	**2,467**	**114**	**(281)**	**(6)**
Increase (decrease) on pre-tax income	**13,637**	**637**	**2,702**	**(73)**	**(346)**	**503**
Increase (decrease) on other comprehensive income	**(3,678)**	**(823)**	**(742)**	**—**	**—**	**—**

NOTE 16 – FINANCIAL INSTRUMENTS (continued)

Foreign Exchange Risk (continued)

	December 30, 2010				
Source of variability from changes in foreign exchange rates	**USD $**	**CAD $**	**Euro $**	**GBP $**	**AUD $**
Financial instruments, including foreign exchange contracts for which the Company does not apply hedge accounting	1,159	635	309	95	758
Revenues and expenses	11,196	(164)	2,555	(112)	122
Increase (decrease) on pre-tax income	12,355	471	2,864	(17)	880
Increase (decrease) on other comprehensive income	(4,268)	(176)	(720)	—	—

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, 2011 and 2010, 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, for which amounts drawn are subject to LIBOR, Euribor, Canadian or U.S. bank rates 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.

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

				Fair value		
				December 30,		December 31,
	Fixed Rate %	**Notional amount $**	**Maturity**	**2011 $**	**2010 $**	**2009 $**
Interest rate swap agreements	2.21	50,000	March 23, 2014	**(1,819)**	(1,456)	686

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

	December 30,		December 31,
	2011 $	**2010 $**	**2009 $**
Derivatives designated as cash flow hedges:			
Interest rate swaps included in non-current other financial assets	**—**	—	1,476
Interest rate swaps included in current other financial liabilities	**(875)**	(906)	(790)
Interest rate swaps included in non-current other financial liabilities	**(944)**	(550)	—
	(1,819)	(1,456)	686

NOTE 16 – FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk (continued)

Based on the currently outstanding interest-bearing revolving long-term bank loans and interest rate swaps as at December 30, 2011 and 2010, 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:

	2011		**2010**	
	0.5% increase $	**0.5% decrease $**	**0.5% increase $**	**0.5% decrease $**
Increase (decrease) on pre-tax income due to revolving bank loans	**(491)**	**491**	(514)	514
Increase (decrease) on other comprehensive income due to interest rate swaps	**193**	**(198)**	276	(283)

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, 2011 and 2010, represents the carrying value of cash equivalents and trade accounts receivable 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 2011, sales to a major customer represented 29.6% of total revenue (2010 – 31.0%). As at December 30, 2011, one customer accounted for 16.0% of the Company's total trade accounts receivable balance (2010 – 13.7%; 2009 – 17.9%).

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 the general and administrative expenses.

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

	December 30, 2011 $	**December 30, 2010 $**	**December 31, 2009 $**
Canada	**34,655**	31,667	28,618
United States	**186,293**	161,029	158,502
Europe	**127,503**	123,815	119,815
Other countries	**39,550**	24,419	20,948
	388,001	340,930	327,883

NOTE 16 – FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

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

	December 30, 2011 $	December 30, 2010 $	December 31, 2009 $
Mass-market retailers	**189,888**	148,388	148,460
Specialty/independent stores	**198,113**	192,542	179,423
	388,001	340,930	327,883

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

	December 30, 2011 $	December 30, 2010 $	December 31, 2009 $
Not past due	**286,163**	252,873	247,567
Past due 0-30 days	**60,805**	58,495	54,128
Past due 31-60 days	**19,182**	15,338	9,858
Past due 61-90 days	**11,146**	9,292	11,470
Past due over 90 days	**21,052**	15,296	18,414
Trade accounts receivable	**398,348**	351,294	341,437
Less allowance for doubtful accounts	**(10,347)**	(10,364)	(13,554)
	388,001	340,930	327,883

Based on past experience, the Company believes that no allowance is necessary in respect of trade accounts receivable not past due and past due 0-30 days which represent 87.1% of total gross trade accounts receivable (2010 – 88.6%; 2009 – 88.4%). 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.

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

	December 30, 2011 $	December 30, 2010 $
Balance at beginning of year	**10,364**	13,554
Bad debt expense	**2,519**	2,049
Uncollectible accounts written-off	**(2,689)**	(5,012)
Assumed through acquisition of business (Note 4)	**317**	—
Foreign exchange	**(164)**	(227)
Balance at end of year	**10,347**	10,364

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 17). 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.

NOTE 16 – FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (continued)

The Company has committed revolving bank loans for a maximum of $300,000 due to mature in July 2014. This agreement also includes an accordion feature allowing the Company to have access to an additional amount of $200,000 on a revolving basis. The revolving bank loans bear interest at LIBOR, Euribor, Canadian or U.S. bank rates plus a margin and the effective interest rate for the year ended December 30, 2011, was 3.41% (2010 – 2.35%). 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 of December 30, 2011, excluding future interest payments but including accrued interest:

	Total $	less than 1 year $	1 - 3 years $	4 - 5 years $	After 5 years $
Bank indebtedness	20,130	20,130	—	—	—
Long-term debt – revolving bank loans	98,250	—	98,250	—	—
Other long-term debt	217,189	17,279	26,427	80,573	92,910
Trade and other payables	323,552	323,552	—	—	—
Foreign exchange contracts	529	529	—	—	—
Interest rate swaps	1,819	875	944	—	—
Other financial liabilities	43,858	11,661	4,545	27,652	—
Total	705,327	374,026	130,166	108,225	92,910

The Company's only derivative financial liabilities as at December 30, 2011 and 2010 and December 31, 2009 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 17 – CAPITAL MANAGEMENT

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

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

The Company monitors its capital structure using the ratio of indebtedness to earnings before interest, taxes, depreciation and amortization, share-based compensation, restructuring costs and unusual items ("adjusted EBITDA"), which it aims to maintain at less than 3.0:1. The terms of the unsecured notes and the revolving credit facility permit the Company to exceed this limit under certain circumstances. This ratio is calculated as follows: indebtedness/ adjusted EBITDA. Indebtedness is equal to the aggregate of bank indebtedness, long-term debt (including obligations under capital leases), guarantees (including all letters of credit and standby letters of credit), contingent consideration and put option liabilities. 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. The indebtedness to adjusted EBITDA as at December 30, 2011 and 2010 were as follows:

	December 30,	
	2011 $	2010 $
Bank indebtedness	**20,130**	30,515
Current portion of long-term debt	**17,279**	10,667
Long-term debt	**298,160**	319,281
Guarantees	**16,761**	12,386
Contingent consideration and put option liabilities (Note 7)	**41,259**	28,002
Indebtedness	**393,589**	400,851

NOTE 17 – CAPITAL MANAGEMENT (continued)

	For the trailing four quarters ended December 30, [1]	
	2011	**2010**
	$	**$**
Net income	**108,629**	127,727
Finance costs	**22,208**	18,927
Income taxes expense	**9,529**	13,914
Depreciation and amortization	**55,416**	51,186
Impairment losses of goodwill	**1,372**	—
Stock option plan expense (Note 20)	**1,923**	4,074
Adjusted EBITDA	**199,077**	215,828
Indebtedness to adjusted EBITDA ratio	**1.98:1**	1.86:1

[1] Includes retroactively the results of the operations of the acquired businesses

There were no changes in the Company's approach to capital management during the periods. Under the unsecured notes and revolving credit facility, the Company is subject to certain covenants, including maintaining certain financial ratios. During the years ended December 30, 2011 and 2010 and December 31, 2009, the Company was in compliance with these covenants.

NOTE 18 – PENSION & POST-RETIREMENT BENEFIT PLANS

Pension Benefits

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.

NOTE 18 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Pension Benefits (continued)

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

	December 30,	
	2011	**2010**
	$	**$**
Accrued benefit obligations under wholly or partially funded plans:		
Balance, beginning of year	**48,917**	43,347
Current service cost	**1,926**	1,592
Interest cost	**2,618**	2,478
Participant contributions	**338**	334
Benefits paid	**(2,245)**	(1,927)
Past service costs vested	**4**	—
Past service costs not vested	**(76)**	—
Foreign exchange	**(474)**	(859)
Actuarial (gains) losses in other comprehensive income	**4,373**	3,964
Restructuring giving rise to curtailments	**—**	(12)
Balance, end of year	**55,381**	48,917
Plan assets:		
Fair value, beginning of year	**31,575**	28,208
Expected return on plan assets	**2,404**	2,276
Actuarial gains (losses) in other comprehensive income	**(3,366)**	1,262
Employer contributions	**2,749**	1,878
Participant contributions	**338**	334
Benefits paid	**(2,245)**	(1,927)
Foreign exchange	**(149)**	(286)
Additional charges	**(157)**	(170)
Fair value, end of year	**31,149**	31,575
Funded status - plan deficit	**(24,232)**	(17,342)
Unrecognized past service costs not vested	**(76)**	—
Net amount recognized	**(24,308)**	(17,342)

	December 30,	
	2011	**2010**
	$	**$**
Actuarial gains (losses) of defined benefit pension plans recognized in other comprehensive income:		
Experience adjustments on accrued benefit obligations	**703**	831
Change of assumptions on accrued benefit obligations	**(5,076)**	(4,795)
Experience adjustments on plan assets	**(2,793)**	(27)
Change of assumptions on plan assets	**(573)**	1,289
	(7,739)	(2,702)

	December 30,	
	2011	**2010**
	$	**$**
Actuarial gains (losses) recognized in retained earnings:		
Balance, beginning of year	**(2,717)**	—
Recognized during the year in other comprehensive income	**(7,739)**	(2,702)
Foreign exchange	**(30)**	(15)
Balance, end of year	**(10,486)**	(2,717)

NOTE 18 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Pension Benefits (continued)

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

	December 30,	
	2011 **$**	**2010** **$**
Current service cost	**1,926**	1,592
Interest cost	**2,618**	2,478
Expected return on plan assets	**(2,404)**	(2,276)
Past service costs vested	**4**	—
Additional charges	**157**	171
Effect of curtailments	**—**	(12)
Net pension costs	**2,301**	1,953
Actual return on plan assets	**(962)**	3,649

The pension 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 $2,071 (2010 – $1,828) and is recorded within the appropriate headings of expenses by function. Total cash payments for employee future benefits for 2011, 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 $5,199 (2010 – $4,358).

Post-Retirement Benefits

One of the Company's subsidiaries maintains a defined benefit post-retirement benefit plan for substantially all its employees. The plan provides health care and life insurance benefits for retired employees. These benefits are unfunded.

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

	December 30,	
	2011 **$**	**2010** **$**
Accrued benefit obligations:		
Balance, beginning of year	**14,714**	13,482
Current service cost	**129**	193
Interest cost	**536**	795
Benefits paid	**(379)**	(652)
Actuarial (gains) losses in other comprehensive income	**389**	896
Effect of curtailment	**(4,439)**	—
Balance, end of year	**10,950**	14,714
Plan assets:		
Employer contributions	**379**	652
Benefits paid	**(379)**	(652)
Fair value, end of year	**—**	—
Funded status-plan deficit and net amount recognized	**(10,950)**	(14,714)

NOTE 18 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Post-Retirement Benefits (continued)

	December 30,	
	2011	**2010**
	$	**$**
Actuarial gains (losses) of post-retirement benefit plan recognized in other comprehensive income:		
Experience adjustments on accrued benefit obligations	**—**	—
Change of assumptions on accrued benefit obligations	**(389)**	(896)
	(389)	(896)

	December 30,	
	2011	**2010**
	$	**$**
Actuarial gains (losses) recognized in retained earnings:		
Balance, beginning of year	**(896)**	—
Recognized during the year in other comprehensive income	**(389)**	(896)
Balance, end of year	**(1,285)**	(896)

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

	December 30,	
	2011	**2010**
	$	**$**
Current service cost	**129**	193
Interest cost	**536**	795
Effect of curtailment	**(4,439)**	—
Net pension costs	**(3,774)**	988

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

Assumptions

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

	Pension Benefits		Post-Retirement Benefits	
	2011	**2010**	**2011**	**2010**
	%	%	%	%
Discount rate	**4.51**	5.23	**4.40**	5.60
Rate of compensation increase	**2.28**	2.22	**n/a**	n/a

NOTE 18 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Assumptions (continued)

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

	Pension Benefits		Post-Retirement Benefits	
	2011	**2010**	**2011**	**2010**
	%	%	%	%
Discount rate	**5.23**	5.78	**5.60**	6.00
Expected long-term return on plan assets	**7.45**	8.04	**n/a**	n/a
Rate of compensation increase	**2.22**	2.06	**n/a**	n/a
Post retirement mortality at age 65 for current pensioners (male)	**19.0 years**	20.1 years	**16.8 years**	16.8 years
Post retirement mortality at age 65 for current pensioners (female)	**21.6 years**	22.6 years	**19.6 years**	19.6 years
Post retirement mortality at age 65 for current pensioners aged 45 (male)	**19.7 years**	20.9 years	**16.8 years**	16.8 years
Post-retirement mortality at age 65 for current pensioners aged 45 (female)	**22.0 years**	23.8 years	**19.6 years**	19.6 years

The measurement date used for plan assets and pension benefits and the measurement date used for post-retirement benefits was December 30 for both 2011 and 2010. The most recent actuarial valuations for the pension plans and post-retirement benefit plans are dated January 1st, 2011. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1st, 2011, and the next required valuation will be as of January 1st, 2012.

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. These are reflected in the principal assumptions above.

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

	2011	**2010**
	%	%
Equity securities	**50**	53
Debt securities	**31**	30
Other	**17**	17
Cash	**2**	—

The assumed health care cost trend used for measurement of the accumulated post-retirement benefit obligation is 9.0% in 2011, decreasing gradually to 5.0% in 2017 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:

	1 Percentage Point Increase	**1 Percentage Point Decrease**
	$	**$**
Effect on total of service and interest cost	148	(152)
Effect on post-retirement benefit obligation	1,648	(1,343)

The Company expects $2,936 in contributions to be paid to the funded defined benefit plans and $760 in benefits to be paid for the unfunded plans in 2012.

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, 2011 was $11,206 (2010 – $11,833) under this self-insured benefit program.

NOTE 19 – 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.

Details of the issued and outstanding shares are as follows:

	December 30,			
	2011		2010	
	Number	Amount $	Number	Amount $
Class "A" Multiple Voting Shares				
Balance, beginning and end of year	**4,229,510**	**1,792**	4,229,510	1,792
Class "B" Subordinate Voting Shares				
Balance, beginning of year	**28,435,577**	**177,024**	28,739,802	173,024
Issued under stock option plan [(1)]	**19,250**	**429**	214,375	5,755
Reclassification from contributed surplus due to exercise of stock options	**—**	**89**	—	1,402
Repurchase and cancellation of shares [(2)]	**(730,650)**	**(4,552)**	(518,600)	(3,157)
Balance, end of year	**27,724,177**	**172,990**	28,435,577	177,024
TOTAL SHARE CAPITAL		**174,782**		178,816

[(1)] During the year, the Company realized tax benefits amounting to $44 (2010 — $302) as a result of stock option transactions. The benefit has been credited to share capital and was not reflected in the current income tax provision.

[(2)] During 2011, in accordance with its previous normal course issuer bid (NCIB) which ended on March 31, 2011, the Company repurchased 31,750 Class "B" Subordinate Voting Shares for a cash consideration of $969. The excess of the shares' repurchase value over their carrying amount of $771 was charged to retained earnings as share repurchase premiums.

In March 2011, the Company filed a notice with the Toronto Stock Exchange (TSX) to make a NCIB to repurchase for cancellation outstanding Class "B" Subordinate Voting Shares on the open market. As approved by the TSX, the Company is authorized since November 3, 2011 to purchase up to 1,420,660 (previously up to 700,000) Class "B" Subordinate Voting Shares during the period of April 4, 2011 to April 3, 2012, or until such earlier time as the bid is completed or terminated at the option of the Company. Any shares the Company purchases under this bid 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 this bid will be cancelled. In accordance with this normal course issuer bid, the Company repurchased during the year, a total of 698,900 Class "B" Subordinate Voting Shares for a cash consideration of $16,430. The excess of the shares' repurchase value over their carrying amount of $12,076 was charged to retained earnings as share repurchase premiums.

During 2010, in accordance with a previous NCIB which ended on March 31, 2010, the Company repurchased 45,100 Class "B" Subordinate Voting Shares for a cash consideration of $1,400. In accordance with another NCIB which ended on March 31, 2011, the Company repurchased during the year ended December 31, 2010 a total of 473,500 Class "B" Subordinate Voting Shares for a cash consideration of $15,877. The excess of the shares' repurchase value over their carrying amount of $14,120 was charged to retained earnings as share repurchase premiums.

NOTE 19 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

Nature and purpose of other components of equity

Contributed Surplus

The contributed surplus 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 20 for further details of these plans.

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 comprise 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 comprise the actuarial gains or losses on defined benefit plans.

Dividends paid and proposed

The following dividends were declared and paid by the Company:

	December 30,	
	2011 **$**	**2010** **$**
$0.60 per share on the outstanding Class "A" Multiple Voting Shares, Class "B" Subordinate Voting Shares and Deferred Share Units (2010 – $0.575 per share)	**19,485**	18,895

After the respective reporting dates a dividend of $0.15 per share (2010 – $0.125 per share) was proposed by the directors. This dividend has not been recognized as a liability as at December 30.

NOTE 20 – 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 are granted. Of the 6,000,000 Class "B" Subordinate Voting Shares initially reserved for issuance, 3,604,750 were available for issuance under the share option plans as at December 30, 2011. 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 2016. All options are to be settled by physical delivery of shares.

NOTE 20 – SHARE-BASED PAYMENTS (continued)

Stock option plan (continued)

The changes in outstanding stock options are as follows:

	December 30,			
	2011		2010	
	Options	Weighted Average Exercise Price $	Options	Weighted Average Exercise Price $
Options outstanding, beginning of year	**2,216,750**	**26.71**	2,539,000	26.27
Granted	**10,000**	**29.67**	88,500	34.80
Exercised [1]	**(19,250)**	**20.03**	(214,375)	25.46
Expired	**—**	**—**	(125,000)	34.49
Forfeited	**(50,875)**	**28.46**	(71,375)	26.50
Options outstanding, end of year	**2,156,625**	**26.54**	2,216,750	26.71
Total exercisable, end of year	**1,564,375**	**28.26**	1,001,375	29.31

[1] The weighted average share price at the date of exercise for the stock options exercised in 2011 was $29.33 (2010 – $34.54).

A summary of options outstanding as at December 30, 2011 is as follows:

	Total Outstanding			Total Exercisable	
Range of Exercise Prices	Options	Weighted Average Exercise Price $	Weighted Average Remaining Contractual Life	Options	Weighted Average Exercise Price $
$16.52 - $22.37	843,750	19.15	2.25	372,250	19.17
$28.76 - $36.58	1,312,875	31.29	0.86	1,192,125	31.10
	2,156,625	26.54	1.40	1,564,375	28.26

Total compensation cost recognized in income for employee stock options for the year amounts to $1,923 (2010 – $4,074), 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:

	2011	2010
	%	%
Risk-free interest rate	**2.44**	2.58
Dividend yield	**1.99**	1.66
Expected volatility	**38.16**	39.12
Expected life	**4.34 years**	4.43 years

The weighted average fair value of options granted during the year was $8.57 (2010 – $10.78).

NOTE 20 – SHARE-BASED PAYMENTS (continued)

Stock option plan (continued)

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 his or her director's fees and fees for attending meetings of the Board of Directors or committees thereof paid in the form of deferred share units ("DSU's"). A plan participant may also receive dividend equivalents paid in the form of DSU's. The number of DSU's received by a director is determined by dividing the amount of the remuneration to be paid in the form of DSU's on that date or dividends to be paid on payment date (the "Award Dates") by the fair market value of the Company's Class "B" Subordinate Voting Shares on the Award Date. 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 DSU's credited to the director's account multiplied by the fair market value of the Class "B" Subordinate Voting Shares on the date a notice of redemption is filed by the director; or

(b) the number of Class "B" Subordinate Voting Shares equal to the number of DSU's in the director's account; or

(c) a combination of cash and Class "B" Subordinate Voting Shares.

Of the 175,000 DSU's authorized for issuance under the plan, 87,504 were available for issuance under the DSU plan as at December 30, 2011. During the year, 18,063 additional DSU's were issued (2010 – 10,613) and $485 (2010 – $345) was expensed and credited to contributed surplus. An additional 1,692 DSU's were issued (2010 – 1,067) for dividend equivalents and $45 (2010 – $35) was charged to retained earnings and credited to contributed surplus. As at December 30, 2011, 87,496 (2010 – 67,741) DSU's are outstanding with related contributed surplus amounting to $2,410 (2010 – $1,880).

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 his or her annual salary and bonus paid in the form of deferred share units ("DSU's"). 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 DSU's. The number of DSU's received by an executive officer is determined by dividing the amount of the salary and bonus to be paid in the form of DSU's on that date or dividends to be paid on payment date (the "Award Dates") by the fair market value of the Company's Class "B" Subordinate Voting Shares on the Award Date. 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 DSU's 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 DSU's in the executive officer's account; or

(c) a combination of cash and Class "B" Subordinate Voting Shares.

Of the 750,000 DSU's authorized for issuance under the plan, 701,209 were available for issuance under the EDSU Plan as at December 30, 2011. During the year, 9,094 (2010 – 11,834) DSU's were issued for bonus paid and salary paid and a total amount of $278 (2010 – $393) was credited to contributed surplus reserve. An additional 1,019 (2010 – 612) DSU's were issued for dividend equivalents and $27 (2010 – $20) was charged to retained earnings and credited to contributed surplus. As at December 30, 2011, 48,791 DSU's are outstanding with related contributed surplus amounting to $1,129 (2010 – $824).

NOTE 21 – RELATED PARTY TRANSACTIONS

In the normal course of business, the subsidiaries within the Company purchase and sell goods and services to various other subsidiaries. These transactions are generally conducted with agreed upon terms. The Company controls all of its subsidiaries. Intercompany transactions are fully eliminated on consolidation.

The Company does not have any other related party relationship for material amounts, whether involving control or not.

Compensation of key management personnel of the Company

	December 30,	
	2011	**2010**
	$	**$**
Wages and salaries	**6,750**	8,591
Social security costs	**365**	374
Contributions to defined contribution plans	**8**	7
Share-based payments	**627**	1,909
	7,750	10,881

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

NOTE 22 – COMMITMENTS AND GUARANTEES

a) The Company has entered into long-term operating lease agreements for buildings and equipment that expire at various dates through the year 2028. These leases have renewal options included in the contracts of various terms. Rent expense was $44,510 and $37,779 in 2011 and 2010, respectively. Future minimum lease payments exclusive of additional charges, are as follows:

	2011	**2010**	**2009**
	$	**$**	**$**
Less than 1 year	**37,432**	32,430	28,675
Between 1 and 5 years	**65,837**	67,465	72,166
More than 5 years	**22,173**	27,053	22,476
	125,442	126,948	123,317

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 $6,151 due in fiscal 2012 and $779 due in fiscal 2013 and 2014 combined.

c) As at December 30, 2011, the Company has capital expenditure commitments of approximately $5,547 and commercial letters of credit outstanding totalling $247.

d) In the normal course of business, the Company enters into agreements that may contain features which meet the definition of a guarantee:

- The Company granted irrevocable standby letters of credit issued by highly rated financial institutions to various third parties to indemnify them in the event the Company does not perform its contractual obligations, such as payment of product liability claims, lease and licensing agreements, duties and workers compensation claims. As at December 30, 2011, standby letters of credit outstanding totalled $16,451. As many of these guarantees will not be drawn upon, these amounts are not indicative of future cash requirements. No material loss is anticipated by reason of such agreements and guarantees and no amounts have been accrued in the Company's consolidated financial statements with respect to these guarantees. The Company has determined that the fair value of the non-contingent obligations requiring performance under the guarantees in the event that specified events or conditions occur approximate the cost of obtaining the letters of credit.

NOTE 22 – COMMITMENTS AND GUARANTEES (continued)

- The Company has provided a financing provider the right, upon customer default on payment to this financing provider, to sell back certain new products to the Company at predetermined prices. The maximum exposure with respect to this guarantee as at December 30, 2011 is $62. Should the Company be required to act under such agreement, it is expected that no material loss would result after consideration of possible resell recoveries. Historically, the Company has not made any payments under such vendor financing agreement and the estimated exposure has been accrued in the Company's consolidated financial statements with respect to this guarantee.

NOTE 23 – CONTINGENCIES

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

The Company is currently a party to various claims and legal proceedings. If management believes that a loss arising from these matters is probable and can reasonably be estimated, that amount of the loss is recorded, or the 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 likely to be realized. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations.

NOTE 24 – INCOME TAXES

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

	December 30,			
	2011		2010	
	$	%	$	%
Income before income taxes	**113,798**	**—**	141,641	—
PROVISION FOR INCOME TAXES [1]	**31,067**	**27.3**	41,500	29.3
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	**(6,220)**	**(5.5)**	(4,249)	(3.0)
Recognition of previously unrecognized tax losses or temporary differences	**(1,205)**	**(1.1)**	(16,652)	(11.7)
Non-recognition of tax benefits related to tax losses and temporary differences	**2,179**	**1.9**	765	0.5
Tax incentives [2]	**(6,785)**	**(5.9)**	—	—
Non-deductible stock options	**525**	**0.5**	837	0.6
Non-deductible (non-taxable) contingent consideration and put option liabilities	**(2,687)**	**(2.4)**	195	0.1
Other non-deductible (non-taxable) items	**(6,781)**	**(5.9)**	(8,297)	(5.9)
Effect of substantively enacted income tax rates changes	**492**	**0.4**	2,087	1.5
Effect of foreign exchange	**19**	**—**	(1,343)	(0.9)
Other – Net	**(1,399)**	**(1.2)**	(929)	(0.7)
	9,205	**8.1**	13,914	9.8

(1) The applicable statutory tax rates are 27.3% for the year ended December 31, 2011 (2010 – 29.3%). The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates. The decrease is mainly due to the reduction of the Federal income tax rate applicable to the Company for the year ended December 30, 2011 from 18% to 16.5%.

(2) During the year an income tax recovery of $6,785 was recorded due to the realization of a tax benefit in the Netherlands where the Juvenile segment's new product research and development (R&D) program qualified for the Dutch government's "Innovation Box" program. This program is intended to stimulate local R&D innovation and due to its successful qualification, the Company benefits from a lower tax rate for the current and several prior taxation years. The recovery of $6,785 was recorded as a current income tax receivable during the year.

NOTE 24 – INCOME TAXES (continued)

The detail of income tax expenses for the years ended December 30, 2011 and 2010 are:

	December 30,	
	2011	2010
Consolidated income statements:	$	$
Income tax expenses		
Current	**7,237**	21,090
Deferred	**1,968**	(7,176)
	9,205	13,914

The components of deferred income tax expenses for the years ended December 30, 2011 and 2010 are:

	December 30,	
	2011	2010
Consolidated income statements:	$	$
Deferred income tax expenses		
Origination and reversal of temporary differences	**502**	6,624
Recognition of previously unrecognized tax losses or temporary differences	**(1,205)**	(16,652)
Non-recognition of tax benefits related to tax losses and temporary differences	**2,179**	765
Effect of substantively enacted income tax rates changes	**492**	2,087
	1,968	(7,176)

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 30,		December 31,
	2011	2010	2009
	$	$	$
Capital and operating tax losses carried forward	**40,353**	28,716	26,185
Deferral of partnership loss (gain)	**1,469**	823	(406)
Employee pensions and post-retirement	**12,247**	11,500	10,305
Other financial liabilities and other liabilities	**115**	215	243
Trade and other receivables	**7,605**	9,488	6,178
Inventories	**14,017**	14,520	11,407
Accrued expenses	**17,800**	20,637	20,328
Stock options	**169**	359	14
Derivatives	**(1,363)**	797	(915)
Property, plant and equipment	**(24,847)**	(20,903)	(23,172)
Intangible assets	**(84,229)**	(82,367)	(83,437)
Goodwill	**(27,357)**	(22,979)	(20,514)
Prepaid expenses	**(117)**	(116)	(64)
Foreign exchange and other	**779**	(1,722)	(202)
	(43,359)	(41,032)	(54,050)
Unrecognized deferred tax assets	**(5,247)**	(3,067)	(2,310)
	(48,606)	(44,099)	(56,360)

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

	December 30,		December 31,
	2011	2010	2009
	$	$	$
Deferred tax assets	**31,096**	24,046	35,723
Deferred tax liabilities	**79,702**	68,145	92,083
	(48,606)	(44,099)	(56,360)

NOTE 24 – INCOME TAXES (continued)

The details of changes of deferred income taxes are as follows for the year ended December 30, 2011

	Balance as at December 30, 2010 $	Recognized in net Income $	Recognized in other comprehensive income $	Acquisition of business (Note 4) $	Others[1] $	Balance as at December 30, 2011 $
Capital and operating tax losses carried forward	28,716	12,217	—	—	(580)	**40,353**
Deferral of partnership loss	823	646	—	—	—	**1,469**
Employee pensions and post-retirement	11,500	(2,389)	3,234	—	(98)	**12,247**
Other financial liabilities and other liabilities	215	(102)	—	—	2	**115**
Trade and other receivables	9,488	(1,890)	—	—	7	**7,605**
Inventories	14,520	(579)	—	102	(26)	**14,017**
Accrued expenses	20,637	(3,062)	—	298	(73)	**17,800**
Stock options	359	(190)	—	—	—	**169**
Derivatives	797	471	(2,605)	—	(26)	**(1,363)**
Property, plant and equipment	(20,903)	(3,796)	—	(382)	234	**(24,847)**
Intangible assets	(82,367)	1,020	—	(4,062)	1,180	**(84,229)**
Goodwill	(22,979)	(4,378)	—	—	—	**(27,357)**
Prepaid expenses	(116)	(1)	—	—	—	**(117)**
Foreign exchange and other	(1,722)	2,245	—	120	136	**779**
	(41,032)	212	629	(3,924)	756	**(43,359)**
Unrecognized deferred tax assets	(3,067)	(2,180)	—	—	—	**(5,247)**
	(44,099)	(1,968)	629	(3,924)	756	**(48,606)**

[1] Others mainly comprise foreign exchange rate effects.

As at December 30, 2011, the net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $15,532 (2010 – $6,640). These net operating losses carried forward and deductible temporary differences will expire in 2031.

In addition, as at December 30, 2011, the Company has $4,828 of net capital losses carried forward for which deferred tax assets have not been recognized (2010 – $4,654). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

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 $372,000.

NOTE 25 – EARNINGS PER SHARE

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

	December 30,	
	2011	**2010**
Weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares	**32,456,275**	32,855,191
Dilutive effect of stock options	**147,746**	344,468
Dilutive effect of deferred share units	**17,562**	18,608
Weighted average number of diluted shares	**32,621,583**	33,218,267
Number of anti-dilutive stock options and deferred share units excluded from fully diluted earnings per share calculation	**1,344,820**	1,141,800

NOTE 26 – STATEMENT OF CASH FLOWS

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

	December 30,	
	2011	**2010**
	$	**$**
Trade and other receivables	**(37,683)**	(14,696)
Inventories	**81,433**	(111,821)
Prepaid expenses	**(4,134)**	(743)
Trade and other payables	**(12,114)**	32,713
Pension and post-retirement benefit obligations	**(3,082)**	(2,530)
Provisions, other financial long-term liabilities and other long-term liabilities	**(1,876)**	(58)
Total	**22,544**	(97,135)

Details of business acquisitions:

	December 30,	
	2011	**2010**
	$	**$**
Acquisition of business (Note 4)	**(63,187)**	—
Balance of sale / Contingent consideration and put option liabilities (paid) (Note 4)	**26,868**	(220)
	(36,319)	(220)

The components of cash and cash equivalents are:

	December 30,		December 31,
	2011	**2010**	**2009**
	$	**$**	**$**
Cash	**29,691**	15,673	17,525
Short-term investments	**73**	75	2,322
Cash and cash equivalents	**29,764**	15,748	19,847

NOTE 26 – STATEMENT OF CASH FLOWS (continued)

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

	December 30,	
	2011 **$**	**2010** **$**
Acquisition of property, plant and equipment financed by trade and other payables	**2,402**	2,480
Acquisition of intangible assets financed by trade and other payables	**363**	479

NOTE 27 – FINANCE EXPENSES AND OTHER INFORMATION

a) Finance expenses

Finance expenses consist of the following:

	December 30,	
	2011 **$**	**2010** **$**
Interest on long-term debt – including effect of cash flow hedge related to the interest rate swaps	**17,650**	15,563
Accretion expense on contingent consideration and put option liabilities	**2,209**	2,571
Other interest	**1,800**	793
	21,659	18,927

b) Employee benefits expense

	December 30,	
	2011 **$**	**2010** **$**
Wages and salaries	**241,218**	248,054
Social security costs	**55,432**	43,333
Contributions to defined contribution plans (Note 18)	**2,071**	1,828
Expenses related to defined benefit plans (Note 18)	**2,301**	1,953
Expenses related to post-retirement benefits plan (Note 18)	**(3,774)**	988
Share-based payments (Note 20)	**2,686**	4,812
	299,934	300,968

NOTE 28 – SEGMENTED INFORMATION

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

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

The accounting policies used to prepare the information by business segment are the same as those used to prepare the consolidated financial statements of the Company as described in Note 3.

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, intangible assets and Goodwill	
	2011 $	2010 $	2011 $	2010 $
Canada	**262,311**	261,632	**68,471**	70,007
United States	**1,295,514**	1,322,030	**476,180**	476,767
Europe	**652,103**	607,807	**517,608**	519,327
Other countries	**154,301**	121,517	**76,124**	43,533
Total	**2,364,229**	2,312,986	**1,138,383**	1,109,634

NOTE 28 – SEGMENTED INFORMATION (continued)

Industry Segments

	December 30,							
	Total		Juvenile		Recreational / Leisure		Home Furnishings	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Total Revenue	**2,364,229**	2,312,986	**980,197**	1,030,209	**861,754**	774,987	**522,278**	507,790
Cost of sales	**1,846,470**	1,778,938	**733,079**	748,797	**656,702**	591,434	**456,689**	438,707
Gross profit	**517,759**	534,048	**247,118**	281,412	**205,052**	183,553	**65,589**	69,083
Selling expenses	**183,740**	173,494	**83,129**	81,722	**83,677**	75,768	**16,934**	16,004
General and administrative expenses	**158,033**	147,818	**84,083**	79,461	**57,083**	52,764	**16,867**	15,593
Research and development expenses	**32,227**	29,850	**26,055**	23,759	**3,635**	3,192	**2,537**	2,899
Operating profit	**143,759**	182,886	**53,851**	96,470	**60,657**	51,829	**29,251**	34,587
Finance expenses	**21,659**	18,927						
Corporate expenses	**8,302**	22,318						
Income taxes	**9,205**	13,914						
Net income	**104,593**	127,727						
Total Assets	**2,058,670**	2,031,718	**1,047,793**	1,023,877	**792,000**	777,236	**218,877**	230,605
Total Liabilities	**476,585**	481,156	**266,114**	295,616	**156,128**	129,358	**54,343**	56,182
Additions to property, plant and equipment	**27,259**	35,263	**18,370**	24,966	**5,613**	7,189	**3,276**	3,108
Additions to intangible assets	**20,825**	17,543	**17,415**	17,302	**3,018**	(138)	**392**	379
Impairment losses of goodwill included in operating profit	**1,372**	—	**1,372**	—	**—**	—	**—**	—
Depreciation and amortization included in operating profit	**53,683**	51,022	**40,376**	36,361	**8,251**	9,465	**5,056**	5,196

Total Assets

	December 30,	
	2011 $	2010 $
Total assets for reportable segments	**2,058,670**	2,031,718
Corporate assets	**37,899**	20,973
Total Assets	**2,096,569**	2,052,691

NOTE 28 – SEGMENTED INFORMATION (continued)

Total Liabilities

	December 30, 2011 $	December 30, 2010 $
Total liabilities for reportable segments	**476,585**	481,156
Corporate liabilities	**390,329**	399,684
Total Liabilities	**866,914**	880,840

Goodwill

The continuity of goodwill by industry segment is as follows:

	December 30,							
	Total		Juvenile		Recreational / Leisure		Home Furnishings	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Balance, beginning of year	**554,528**	569,824	**352,336**	365,118	**171,020**	173,534	**31,172**	31,172
Additions [1] (Note 4)	**22,212**	(7,378)	**22,212**	—	**—**	(7,378)	**—**	—
Impairment losses of goodwill	**(1,372)**	—	**(1,372)**	—	**—**	—	**—**	—
Contingent consideration and put option liabilities [1] (Note 7)	**—**	4,366	**—**	(558)	**—**	4,924	**—**	—
Foreign exchange	**(6,519)**	(12,284)	**(6,503)**	(12,224)	**(16)**	(60)	**—**	—
Balance, end of year	**568,849**	554,528	**366,673**	352,336	**171,004**	171,020	**31,172**	31,172

[1] The 2010 adjustment relates to the finalization of the purchase price allocation of Hot Wheels and Circle Bikes which resulted in a reallocation from goodwill to intangible assets.

Concentration of Credit Risk

Sales to the Company's major customer as described in Note 16 were concentrated as follows:

	Canada		United States		Foreign	
	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
Juvenile	**0.9**	0.9	**5.3**	7.3	**0.2**	0.1
Recreational/Leisure	**0.2**	0.1	**10.2**	8.8	**—**	—
Home Furnishings	**3.7**	4.0	**8.6**	9.4	**—**	0.4

NOTE 29 – TRANSITION TO IFRS

As described in Note 2, the Company early adopted IFRS which were adopted by the Accounting Standards Board of Canada. The consolidated financial statements, for the year ended December 30, 2011, are the first annual consolidated financial statements the Company has prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements, the comparative information presented in these consolidated financial statements for the year ended December 30, 2010 and in the preparation of an opening IFRS statement of financial position as at December 31, 2009 (the Company's date of transition).

On the adoption of IFRS, the Company is required to determine its IFRS accounting policies and apply these retrospectively to determine its opening statement of financial position under IFRS. However, *IFRS 1 First-time Adoption* ("FTA") of *International Financial Reporting Standards*, allows a number of exemptions and prescribes mandatory exceptions to this general principle upon adoption of IFRS at the date of transition, December 31, 2009. The exemptions applicable to the Company are described below.

- **Business Combinations**
  The Company has elected not to apply retrospectively the provisions of *IFRS 3 Business Combinations* to business combinations that occurred prior to December 31, 2009. At the date of transition, the carrying amount of goodwill in the Canadian GAAP statement of financial position as at December 30, 2009 has accordingly been brought forward without any adjustment relating to business combinations.

- **Employee Benefits**
  The Company has elected to recognize on the transition date all cumulative unamortized actuarial gains and losses for all pension and post-retirement defined benefit plans which were previously deferred under Canadian GAAP in its opening retained earnings. Also, the Company elected to prospectively disclose required benefit plans amounts under IAS 19 *Employee Benefits* as the amounts are determined for each accounting period from December 31, 2009 instead of the current annual period and previous four annual periods.

- **Estimates**
  Estimates made in accordance with IFRS at the transition date, and in the comparative period of the first annual IFRS financial statements, shall remain consistent with those determined under Canadian GAAP with adjustments made only to reflect any differences in accounting policies. Under IFRS 1, the use of hindsight is not permitted to adjust estimates made in the past under Canadian GAAP that were based on the information that was available at the time the estimate was determined. Any additional estimates that are required under IFRS, that were not required under Canadian GAAP, are based on the information and conditions that exist at the transition date and in the comparative period of the first audited annual IFRS financial statements.

- **Hedge Accounting**
  The designation of a hedging relationship cannot be made retrospectively. In order for a hedging relationship to qualify for hedge accounting at the transition date, the relationship must have been fully designated and documented as effective at the transaction date in accordance with Canadian GAAP, and that designation and documentation must be updated in accordance with IAS 39 at the transition date to IFRS. The Company's hedging relationships were fully documented and designated at the transaction dates under Canadian GAAP and satisfied the hedge accounting criteria under IFRS at the transition date.

- **Designation of financial assets and financial liabilities**
  The Company elected to re-designate cash and cash equivalents from the held-for-trading category to loans and receivables.

In preparing its consolidated financial statements, the Company has adjusted amounts reported previously in its consolidated financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position as at December 31, 2009 and its previously published consolidated financial statements for the year ended December 30, 2010 is set out in the following tables and notes that accompany the tables.

NOTE 29 – TRANSITION TO IFRS (continued)

Reconciliation of equity as at December 31, 2009 (date of transition)

	Notes	Canadian GAAP December 31, 2009 $	FTA reclassi-fications $	FTA adjustments $	IFRS December 31, 2009 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		19,847	—	—	19,847
Trade and other receivables	G	349,990	(1,411)	—	348,579
Inventories		399,866	—	—	399,866
Other financial assets	G	—	1,411	—	1,411
Income taxes receivable		16,264	—	—	16,264
Prepaid expenses		17,358	—	—	17,358
Deferred tax assets	G	38,042	(38,042)	—	—
		841,367	(38,042)	—	803,325
NON-CURRENT ASSETS					
Property, plant and equipment	B	153,279	—	982	154,261
Intangible assets		401,831	—	—	401,831
Goodwill	E	569,824	—	—	569,824
Other financial assets	G	—	1,476	—	1,476
Deferred tax assets	A,D,F,G	—	33,108	2,615	35,723
Other assets	A,G	35,879	(26,821)	(8,390)	668
		1,160,813	7,763	(4,793)	1,163,783
TOTAL ASSETS		2,002,180	(30,279)	(4,793)	1,967,108
LIABILITIES					
CURRENT LIABILITIES					
Bank indebtedness		1,987	—	—	1,987
Trade and other payables	G	339,294	(47,362)	—	291,932
Other financial liabilities	G	—	1,185	—	1,185
Income taxes payable	F	26,970	—	287	27,257
Deferred tax liabilities	G	85	(85)	—	—
Long-term debt	G	122,508	200,000	—	322,508
Provisions	D,G	—	46,177	305	46,482
		490,844	199,915	592	691,351
NON-CURRENT LIABILITIES					
Long-term debt	G	227,075	(200,000)	—	27,075
Pension and post-retirement benefit obligations	A	20,939	—	7,683	28,622
Deferred tax liabilities	A,B,E,F,G	128,984	(30,194)	(6,707)	92,083
Provisions	G	—	1,726	—	1,726
Other financial liabilities	G	—	22,112	—	22,112
Other long-term liabilities	G	25,139	(23,838)	—	1,301
		402,137	(230,194)	976	172,919
EQUITY					
SHARE CAPITAL		174,816	—	—	174,816
CONTRIBUTED SURPLUS		20,311	—	—	20,311
ACCUMULATED OTHER COMPREHENSIVE INCOME	A,C,E	95,365	—	2,370	97,735
RETAINED EARNINGS		818,707	—	(8,731)	809,976
		1,109,199	—	(6,361)	1,102,838
TOTAL LIABILITIES AND EQUITY		2,002,180	(30,279)	(4,793)	1,967,108

NOTE 29 – TRANSITION TO IFRS (continued)

Reconciliation of equity as at December 30, 2010

	Notes	Canadian GAAP December 30, 2010 $	FTA reclassi-fications $	FTA adjustments $	IFRS December 30, 2010 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		15,748	—	—	15,748
Trade and other receivables	G	359,061	(2,554)	—	356,507
Inventories		510,068	—	—	510,068
Other financial assets	G	—	2,554	—	2,554
Income taxes receivable		14,096	—	—	14,096
Prepaid expenses		17,823	—	—	17,823
Deferred tax assets	G	42,444	(42,444)	—	—
		959,240	(42,444)	—	916,796
NON-CURRENT ASSETS					
Property, plant and equipment	B	157,865	—	887	158,752
Intangible assets		396,354	—	—	396,354
Goodwill	E	554,386	—	142	554,528
Deferred tax assets	A,D,F,G	—	19,120	4,926	24,046
Other assets	A,G	28,115	(18,320)	(7,580)	2,215
		1,136,720	800	(1,625)	1,135,895
TOTAL ASSETS		2,095,960	(41,644)	(1,625)	2,052,691
LIABILITIES					
CURRENT LIABILITIES					
Bank indebtedness		30,515	—	—	30,515
Trade and other payables	G	370,222	(46,634)	—	323,588
Other financial liabilities	G	—	4,203	—	4,203
Income taxes payable	F	12,755	—	399	13,154
Deferred tax liabilities	G	1,252	(1,252)	—	—
Long-term debt		10,667	—	—	10,667
Provisions	D,G	—	42,431	801	43,232
		425,411	(1,252)	1,200	425,359
NON-CURRENT LIABILITIES					
Long-term debt		319,281	—	—	319,281
Pension and post-retirement benefit obligations	A	21,538	—	10,518	32,056
Deferred tax liabilities	A,B,E,F,G	113,249	(40,392)	(4,712)	68,145
Provisions	G	—	1,780	—	1,780
Other financial liabilities	G	—	31,253	—	31,253
Other long-term liabilities	G	35,999	(33,033)	—	2,966
		490,067	(40,392)	5,806	455,481
EQUITY					
SHARE CAPITAL		178,816	—	—	178,816
CONTRIBUTED SURPLUS		23,776	—	—	23,776
ACCUMULATED OTHER COMPREHENSIVE INCOME	A,C,E	64,400	—	2,538	66,938
RETAINED EARNINGS		913,490	—	(11,169)	902,321
		1,180,482	—	(8,631)	1,171,851
TOTAL LIABILITIES AND EQUITY		2,095,960	(41,644)	(1,625)	2,052,691

NOTE 29 – TRANSITION TO IFRS (continued)

Reconciliation of the consolidated income statement for the year ended December 30, 2010

	Notes	Canadian GAAP December 30, 2010 $	FTA reclassi-fications $	FTA adjustments $	IFRS December 30, 2010 $
Sales		2,301,393	—	—	2,301,393
Licensing and commission income		11,593	—	—	11,593
TOTAL REVENUE		2,312,986	—	—	2,312,986
Cost of sales	A,B	1,780,204	—	(1,266)	1,778,938
GROSS PROFIT		532,782	—	1,266	534,048
Selling, general and administrative expenses	G	328,138	(328,138)	—	—
Selling expenses	G	—	176,292	—	176,292
General and administrative expenses	A,D,E,G	—	166,995	343	167,338
Depreciation and amortization	G	31,373	(31,373)	—	—
Research and development expenses	G	13,626	16,224	—	29,850
OPERATING PROFIT		159,645	—	923	160,568
Finance expenses		18,927	—	—	18,927
INCOME BEFORE INCOME TAXES		140,718	—	923	141,641
Income taxes expense	A,B,D,E,F	12,865	—	1,049	13,914
NET INCOME		127,853	—	(126)	127,727
EARNINGS PER SHARE					
Basic		3.89	—	—	3.89
Diluted		3.85	—	—	3.85

Notes to the reconciliation of equity and the consolidated income statement

A. *Employee benefits*

For the transition from Canadian GAAP to IFRS, the Company has elected to apply the exemption of IFRS 1 where all the cumulative actuarial gains and losses at the date of transition have been recognized immediately in retained earnings. Under Canadian GAAP, the Company expensed unamortized actuarial gains and losses over the estimated average service life of active employees remaining in the plans.

In addition, under IFRS, all unrecognized past service costs that were vested were recognized in retained earnings at the date of transition whereas under Canadian GAAP past service costs were deferred and amortized on a straight-line basis over the remaining service period of active employees at the date of the employee benefit plan amendments.

The impact arising from the change is summarized as follows:

Consolidated statement of financial position:

Increase (Decrease)	December 30, 2010 $	December 31, 2009 $
Deferred tax assets	1,062	770
Other assets	(7,580)	(8,390)
Pension and post-retirement benefit obligations	10,518	7,683
Deferred tax liabilities	(6,032)	(5,657)
Accumulated other comprehensive income	135	—
Retained earnings	(11,139)	(9,646)

NOTE 29 – TRANSITION TO IFRS (continued)

Notes to the reconciliation of equity and the consolidated income statement (continued)

A. *Employee benefits (continued)*

Consolidated income statement:

Increase (Decrease)	Year Ended December 30, 2010 $
Cost of sales	(1,361)
General and administrative expenses	(41)
Income taxes expense	583
Net income	819

B. *Impairment of assets*

At the transition date, the Company reviewed its tangible and intangible assets with definite useful lives to determine whether there were any indications that these assets were impaired or whether there were any indications that the previously recognized impairments losses may no longer exist or may have decreased. Under Canadian GAAP, no such reversal of impairment is allowed. The Company also completed its required impairment testing of goodwill and non-amortizable intangible assets. The methodology used to assess the impairment is described in Note 3. The application of IFRS on the transition date resulted in the identification of indications that the previously recognized impairment losses have decreased. There was no impairment loss required to be recorded on the transition date.

The impact arising from the change is summarized as follows:

Consolidated statement of financial position:

Increase (Decrease)	December 30, 2010 $	December 31, 2009 $
Property, plant and equipment	887	982
Deferred tax liabilities	329	330
Retained earnings	558	652

Consolidated income statement:

Increase (Decrease)	Year Ended December 30, 2010 $
Cost of sales	95
Income taxes expense	(1)
Net loss	(94)

C. *Foreign exchange*

The Company has retroactively analyzed all instances where it has recognized cumulative translation adjustment (“CTA”) in the consolidated income statement resulting from an intercompany loan reimbursement that did not resulted in the loss of control of its subsidiaries. Under IFRS, the reimbursement of an intercompany loan considered as a permanent investment (between companies with different functional currencies) does not necessarily trigger the recycling of a portion of the CTA in the income statements.

NOTE 29 – TRANSITION TO IFRS (continued)

Notes to the reconciliation of equity and the consolidated income statement (continued)

C. *Foreign exchange (continued)*

The impact arising from the change is summarized as follows:

Consolidated statement of financial position:

Increase (Decrease)	December 30, 2010 $	December 31, 2009 $
Retained earnings	(2,370)	(2,370)
Accumulated other comprehensive income	2,370	2,370

D. *Provisions*

There are differences in terminology, recognition requirements and basis of measurement in the guidance related to the recognition of provisions under IFRS as compared to Canadian GAAP. Accordingly, an adjustment related to the recognition requirements was recognized on transition.

The impact arising from the change is summarized as follows:

Consolidated statement of financial position:

Increase (Decrease)	December 30, 2010 $	December 31, 2009 $
Deferred tax assets	313	119
Provisions	801	305
Retained earnings	(488)	(186)

Consolidated income statement:

Increase (Decrease)	Year Ended December 30, 2010 $
General and administrative expenses	496
Income taxes expense	(194)
Net loss	(302)

E. *Contingent consideration and put option liabilities*

The Company elected not to restate any business combinations that occurred prior to December 31, 2009. As the best estimates of the amounts required to settle the contingent consideration and put option liabilities under Canadian GAAP were consistent with the fair value of the obligations under IFRS, there was no adjustment required at the transition date to opening retained earnings or goodwill. Subsequent to the transition date, at each reporting date, the contingent consideration and put option liabilities are re-measured at fair value through the consolidated income statement within general and administrative expenses in accordance with IAS 39 as opposed to Canadian GAAP that required changes in measurement of contingent consideration and put option liabilities to be adjusted through the purchase consideration.

NOTE 29 – TRANSITION TO IFRS (continued)

Notes to the reconciliation of equity and the consolidated income statement (continued)

E. *Contingent consideration and put option liabilities (continued)*

The impact arising from the change is summarized as follows:

Consolidated statement of financial position:

Increase (Decrease)	December 30, 2010 $	December 31, 2009 $
Goodwill	142	—
Deferred tax liabilities	214	—
Accumulated other comprehensive income	33	—
Retained earnings	(105)	—

Consolidated income statement:

Increase (Decrease)	Year Ended December 30, 2010 $
General and administrative expenses	(112)
Income taxes expense	217
Net loss	(105)

F. *Income taxes*

Unlike IFRS, under Canadian GAAP a deferred tax asset or liability is not recognized for a temporary difference arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of non-monetary assets and liabilities of foreign operations. The Company has calculated an opening adjustment as at December 31, 2009 to decrease deferred tax liabilities and increase retained earnings by $2,514. In June 2010, the Company elected to change its functional currency for tax purposes in order to be the same as the one used in the preparation of its financial statements for which an income of $2,514 was recognized in the Canadian GAAP results for the year ended December 30, 2010. Due to the transition from Canadian GAAP to IFRS, the $2,514 adjustment for the year ended December 30, 2010 was reversed in the income statement of 2010 since it was recognized as an adjustment as at the transition date.

There was no impact to the consolidated statement of financial position as at December 30, 2010 as the functional currency for both tax and accounting purposes was consistent under IFRS and Canadian GAAP.

The impact arising from this change is summarized as follows:

Consolidated statement of financial position:

Increase (Decrease)	December 30, 2010 $	December 31, 2009 $
Deferred tax liabilities	—	(2,514)
Retained earnings	—	2,514

Consolidated income statement:

Increase (Decrease)	Year Ended December 30, 2010 $
Income taxes expense	2,514
Net loss	(2,514)

NOTE 29 – TRANSITION TO IFRS (continued)

Notes to the reconciliation of equity and the consolidated income statement (continued)

F. *Income taxes (continued)*

Under IFRS, a deferred tax asset is recorded for deductible share-based payments based on the intrinsic value of the option at the statement of financial position date, being the difference between the share price and the exercise price at the reporting date of the vested share options. This deferred tax asset is adjusted every period to reflect the tax deduction that the Company would receive based on the current market price of the shares. Under Canadian GAAP, a deferred tax asset was recognized based on the vested portion of the share options fair value.

The impact arising from this change is summarized as follows:

Consolidated statement of financial position:

Increase (Decrease)	December 30, 2010 $	December 31, 2009 $
Deferred tax liabilities	777	1,134
Retained earnings	(777)	(1,134)

Consolidated income statement:

Increase (Decrease)	Year Ended December 30, 2010 $
Income taxes expense	(357)
Net income	357

Under IFRS, the difference between the new tax basis and the carrying value in the consolidated financial statements of assets transferred between a consolidated group are recognized as deferred tax assets at the buyer's tax rate. Canadian GAAP requires that taxes paid by the seller on intercompany profits are to be deferred and prohibits the recognition of a deferred tax asset for the difference resulting from the difference between the tax base and the carrying value on the consolidated financial statements.

The impact arising from this change is summarized as follows:

Consolidated statement of financial position:

Increase (Decrease)	December 30, 2010 $	December 31, 2009 $
Deferred tax assets	3,551	1,726
Income tax payable	399	287
Retained earnings	3,152	1,439

Consolidated income statement:

Increase (Decrease)	Year Ended December 30, 2010 $
Income taxes expense	(1,713)
Net income	1,713

The tax effect of changes in temporary differences resulting from the various IFRS FTA adjustments were calculated using the Company's income taxes accounting policies as described in Note 3.

NOTE 29 – TRANSITION TO IFRS (continued)

Notes to the reconciliation of equity and the consolidated income statement (continued)

G. *Reclassifications*

Certain comparative figures have been reclassified on the consolidated statements of financial position and on the consolidated income statement to conform to the new presentation under IFRS. The most significant reclassifications on the consolidated statement of financial position related to a portion of long-term debt being classified as a current liability as the issuance of the Senior Guaranteed Notes was effective after the statement of financial position date, deferred taxes being classified as a non-current asset or liability and the presentation of provisions as a separate caption on the statement of financial position. The most significant reclassifications on the consolidated income statement relate to selling, general and administrative expenses being allocated to selling expenses and general and administrative expenses in order for the consolidated income statement to conform with a presentation by function of expense.

H. *Consolidated statement of comprehensive income*

The transition from Canadian GAAP to IFRS has not had a material impact on the consolidated statement of comprehensive income except for the inclusion of actuarial gains (losses) on the defined benefit plans and the related deferred income taxes implications.

I. *Consolidated statement of cash flows*

The transition from Canadian GAAP to IFRS has not had a material impact on the consolidated statement of cash flows except for the inclusion of income taxes paid, income taxes received and interest paid, in cash provided by operating activities in the consolidated statement of cash flows.

NOTE 30 – EVENT AFTER THE REPORTING DATE

On January 5, 2012 the Company announced that it had purchased the assets of juvenile products distributor and retailer Poltrade, based in Katowice, Poland for approximately $3,200 (2,500 Euro). The aggregate purchase price is based on a closing working capital which has not yet been finalized. When the working capital amount is finalized, any change will be recorded as an adjustment to the purchase price. The Company created a new subsidiary, Dorel Polska, to facilitate both brand and product category penetration in this key market in Eastern European as it continues to expand its global footprint in the juvenile products industry. The Company has an ongoing relationship with the acquiree as the distributor of juvenile products in Poland. The Company is presently in the process of allocating the cost of this purchase to the net assets acquired.

BOARD OF DIRECTORS

Martin Schwartz
President and Chief Executive Officer
Martin Schwartz is a co-founder of Ridgewood Industries Ltd., which was merged with Dorel Industries Inc. and several other associated companies to create the Company. Martin has been President and CEO of the Company 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, Jeffrey's title was changed to Executive Vice President, CFO and Secretary.

Jeff Segel
Executive Vice-President, Sales & Marketing
Jeff Segel is a co-founder of Ridgewood Industries Ltd. Jeff held the position of Vice-President, Sales & Marketing from 1987 to 2003. In 2003, Jeff's title changed to Executive Vice-President, Sales & Marketing.

Alan Schwartz
Executive Vice-President, Operations
Alan Schwartz is a co-founder of Ridgewood Industries Ltd. Alan held the position of Vice-President, Operations from 1989 to 2003. In 2003, Alan's title was changed to Executive Vice-President, Operations.

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. In addition to the Company, 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.* is Chairman and a Director of Dundee Corporation since November 2001, prior to which he was Vice-Chairman of Hasbro Inc., a position he held until May 2002. Mr. Gordon has 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. In addition to the Company and Dundee, Mr. Gordon also serves as a director on the boards of Transcontinental Inc., Fibrek Inc. and Pethealth Inc. Mr. Gordon is the chair of the Human Resources and Corporate Governance Committee.

Dian Cohen** is a well known economist and commentator, author of several books on economic policy and recipient of the Order of Canada. In addition to the Company, Ms. Cohen serves on the board of Norbord Inc. Until 2011, Ms. Cohen was a director on the board of Brookfield Renewable Power Fund.

Alain Benedetti, FCA*** 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 Imperial Tobacco Canada Limited and as a Governor of Dynamic Mutual Funds. 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 early 2005.

Richard Markee, has been Chairman of The Vitamin Shoppe, a publicly traded retail chain, since September 2009. Prior to that Mr. Markee was Retail Operating Partner at Irving Place Capital, a position he held since November 2006. During the same period he has also served on the Board of Directors of The Vitamin Shoppe. From 1990 until 2006, Mr. Markee held various executive positions at Toys "R" Us, Inc, including Vice Chairman of Toys "R" Us, where he was responsible for the growth and expansion of Babies "R" Us. He was also Chairman of Toys "R" Us, Japan. Prior to joining the Toys "R" Us organization, Mr. Markee was a Vice President of Target Stores. In addition to the Company, Mr. Markee is a director of Collective Brands Inc. Mr. Markee is a graduate of the University of Wisconsin.

Rupert Duchesne is the Group Chief Executive and Director of Aimia (Groupe Aeroplan Inc.), the international loyalty-management company that owns and operates the Aeroplan program in Canada, the Nectar program in the UK & Italy, Air Miles Middle East (60% owned), as well as Carlson Marketing Worldwide. Aimia is listed on the TSX. Mr. Duchesne previously held a number of senior officer positions at Air Canada from 1996, and prior to that was involved in strategy and investment consulting. 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 UK.

* Members 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

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