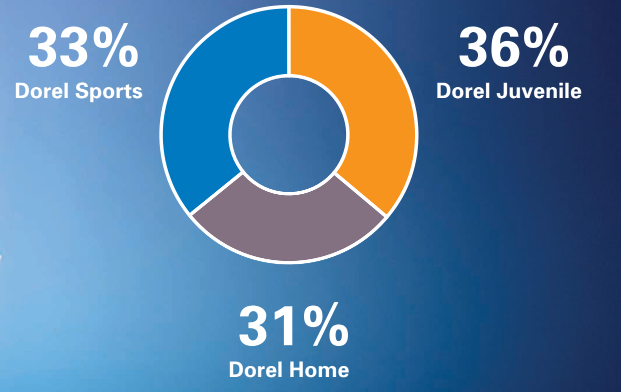
DOREL

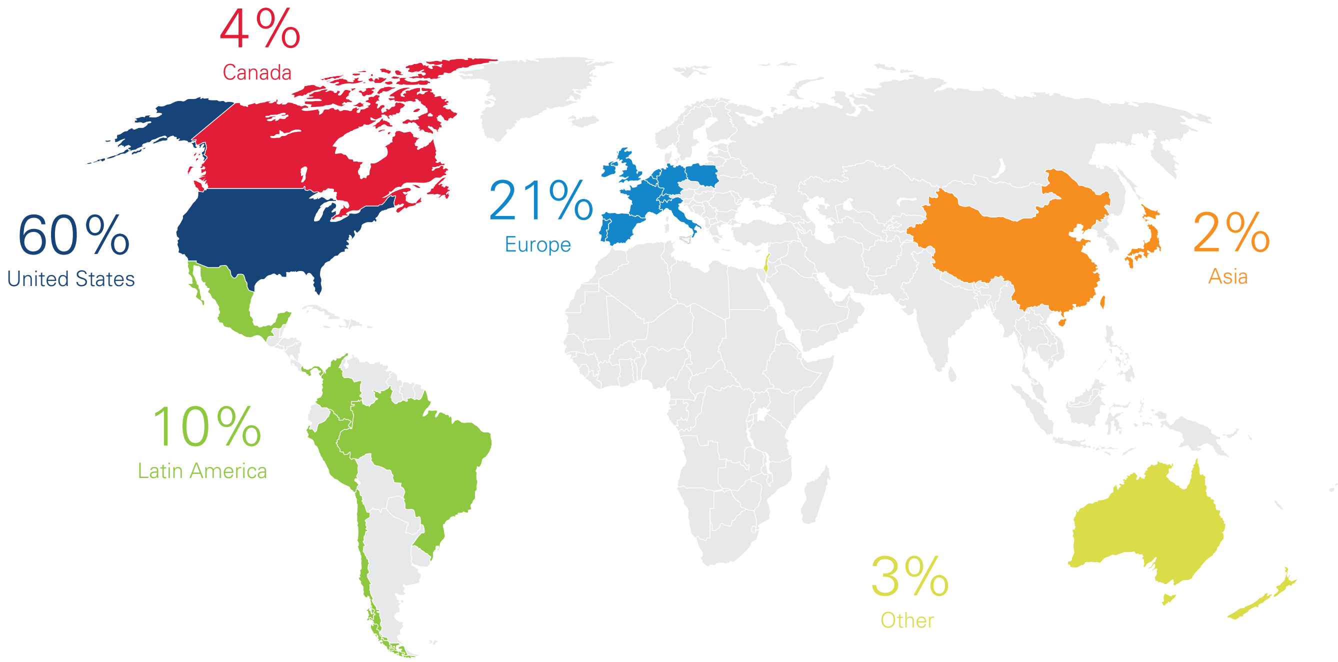
UPPING OUR GAME

2017 ANNUAL REPORT

2017 TOTAL REVENUE BY BUSINESS SEGMENT



2017 TOTAL REVENUE BY GEOGRAPHIC REGION



2017 HIGHLIGHTS

Company successfully re-negotiates credit facilities, allowing for better management of long-term capital needs. Interest costs expected to be reduced by approximately US$4.0M annually.

Dorel Home posts record quarter for revenue and operating profit, in Q1.

Dorel Home's online sales exceed 50% of revenue for first time, in Q2.

Dorel Juvenile launches revolutionary Maxi-Cosi AxissFix Air in Europe, the world's first child car seat with integrated airbags.

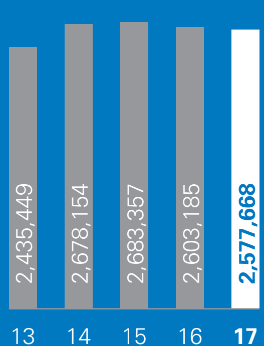
Nicolas Duran confirmed as new President & CEO of Dorel Juvenile. Nicolas had been acting as Interim President since November 2016.

FINANCIAL PERFORMANCE – 5 YEARS ADJUSTED[1]

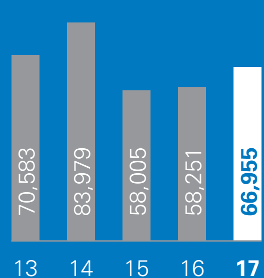
(In thousands of U.S. dollars, except per share amounts)

	2017	2016	2015	2014	2013
Revenue	**2,577,668**	2,603,185	2,683,357	2,678,154	2,435,449
Cost of sales	**1,965,657**	1,987,503	2,098,117	2,064,837	1,871,662
Gross profit	**612,011**	615,682	585,240	613,317	563,787
as percent of revenue	**23.7%**	23.7%	21.8%	22.9%	23.1%
Expenses	**492,566**	514,346	481,955	482,578	458,819
Operating profit	**119,445**	101,336	103,285	130,739	104,968
Income before income taxes	**86,672**	62,702	60,198	96,964	83,862
as percent of revenue	**3.4%**	2.4%	2.3%	3.6%	3.4%
Income taxes	**19,717**	4,451	2,193	12,985	13,279
Net income	**66,955**	58,251	58,005	83,979	70,583
as percent of revenue	**2.6%**	2.2%	2.2%	3.1%	2.9%
Earnings per share					
Basic	**2.07**	1.80	1.79	2.61	2.22
Diluted	**2.05**	1.79	1.78	2.59	2.19
Book value per share at end of year[2]	**33.67**	32.59	34.09	37.35	42.20

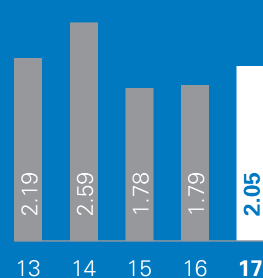
Revenue[1]
(In thousands of U.S. dollars)

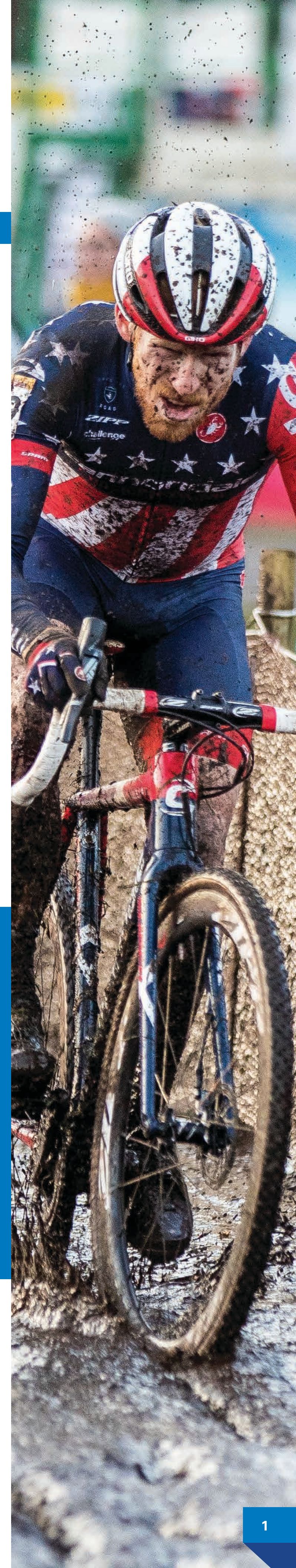


Net Income[1]
(In thousands of U.S. dollars)



Earnings per Diluted Share[1]
(In U.S. dollars)





(1) As a result of impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt, this 5 year financial performance table is presented on an adjusted basis except for book value per share amounts. For additional information regarding the specific items and non–GAAP financial measures, please refer to the section entitled "operating results: non-GAAP financial measures" in the MD&A for the quarters and the years ended December 30, 2017, 2016, 2015 and 2014.

(2) Based on the number of shares outstanding at year-end.

2018 PRODUCT HIGHLIGHTS

JUVENILE

1. Maxi-Cosi AxissFix Air

The world's first car seat with built-in airbags to ensure highest safety in forward facing mode.

2. Maxi-Cosi Zelia

The most intuitive, from-birth, 2-in-1, compact stroller. Transforms from seat to bassinet in a single movement. Baby can sleep on the go.

SPORTS

3. Cannondale Synapse

Cannondale's newest endurance road bike gives riders enhanced comfort, elevated performance and the capability to attack any road, anywhere.

4. Schwinn Circuit

Disc brakes provide secure stopping power and a comfortable fitness seat make this an ideal hybrid bike ready for gravel or trail riding.

HOME

5. Vaughn Collection

Update living room and bedroom with the Mid-Century Modern style. Unique tapered legs and shutter accents will give space a new retro-styled look. Available in walnut and gray oak finishes.

6. Dorel Living's triple bunkbed

Transitional design triple solid wood construction bunk bed. Floor bunk bed design optimizes space. Easily converts to a bunk bed and daybed, or three twin beds.

DEAR FELLOW SHAREHOLDER,

Several important projects were initiated last year which have set the stage for a better 2018. Juvenile's new President has made essential changes, and there is renewed enthusiasm with his team. We have developed the strongest product pipeline in years for both Dorel Juvenile and Dorel Sports, featuring exciting, innovative products. Many have been introduced and others will launch over the next 18 months. Dorel Home posted excellent results with record on-line sales and logistics excellence continuing to drive the segment.

All three Dorel business segments sell to Toys"R"Us which announced in March 2018 that they will be conducting an orderly wind-down of its U.S. business. In 2017, Toys"R"Us U.S. accounted for approximately 3% of Dorel's total revenue. Related to this, the Company recorded an additional bad debt expense of $3.8 million during the fourth quarter of 2017 and a first quarter 2018 impairment loss on trade and other receivables of $12.5 million. We will continue to carefully monitor the situation but a significant portion of Toys"R"Us sales has started to migrate to other distribution channels.

DOREL HOME

Dorel Home had an outstanding 2017 as the growing shift to on-line shopping again boosted the segment's e-commerce sales. Further records were achieved, with on-line sales accounting for over 50% of Dorel Home total revenue for the first time, far exceeding small reductions in the brick and mortar channel.

Dorel Home's growth is being driven by the flexibility e-commerce provides. The business has steadily increased and widened its platform of products, allowing it to move into higher price point items with higher margins. Relationships with on-line retailers further strengthened through the past year and this is being reflected in the positive growth pattern.

Dorel Home's drive to improve speed and efficiency of distribution is a constant focus so that consumers get their goods delivered as quickly as possible. And, being faster on-line creates more sales. To ensure this, additional investments are routinely being made in new equipment and in IT enhancements.

Maxi-Cosi
Zelia

Maxi-Cosi
AxissFix Air

DOREL JUVENILE

There is a fresh approach to Dorel's juvenile business incorporating a market-led business model and a simplified organizational structure that emphasizes the local consumer. The momentum is being manifested across all Dorel Juvenile operations as they are determined to once again become the reference point as the industry market leader.

We have an aggressive plan for 2018. The list of new products is substantial and covers all geographic markets, with an emphasis on our global brands, Maxi-Cosi, Quinny and Tiny Love. Our premium Maxi-Cosi and Quinny brands are accelerating the innovation process to further expand our portfolio offerings globally. We are already seeing the benefits of recent major product launches.

IMPRESSIVE NEW PRODUCTS

The revolutionary Maxi-Cosi AxissFix Air, the world's first child car seat featuring built-in airbags, was introduced last fall in several European countries and sets a new standard in forward-facing child car seats. In a collision, the integrated airbags reduce the forces on a child's head and neck by up to 55% compared to a standard child car seat. AxissFix Air is protected globally by several patents and is further evidence of how Dorel is consolidating its technology leadership and is committed to consistently increasing the safety of our children.

Part of our success in improving our product pipeline has been strategic out-sourcing to complement our in-house capabilities. An example is a new Maxi-Cosi Zelia stroller launched in October, with improved time-to-market -- just 12 months from concept to retail stores. It is the first time Dorel Juvenile has a globally compliant stroller, meeting the standards for North America, Europe, Australia, China and Brazil.

Other key launches include the Safety 1st RIVA travel system and the Maxi-Cosi Magellan car seat. Walmart will be backing the "RIVA" launch heavily as part of its "Made in the USA" objectives. Magellan is a flagship Maxi-Cosi car seat that we believe will firmly establish the brand in the premium car seat space in North America.

Infanti, Dorel's key regional Latin American brand, is celebrating its 15-year presence and success in more than 20 Latin American countries. Infanti plans to cover multiple categories and gradually expand its product lines for babies and toddlers. Dorel Juvenile is now the market leader in Brazil.

Our U.S. Columbus, Indiana factory was recognized by Walmart for U.S.-based manufacturing excellence. Walmart also awarded Supplier of the Year in Baby to Dorel Juvenile U.S.A. At our China factory, management remains focused on further operational, volume and pricing improvement opportunities. The key for success in China remains the development of a factory focused on critical product categories, primarily car seats and strollers.

Dorel Juvenile has made important progress in e-commerce, and each of its geographic markets is projecting growth through 2018. With the many new robust products, we are confident this will bring the needed growth.

While Dorel Juvenile Chile enjoys majority market share, a large retail footprint and the number one Infanti brand, the impact of slowing economies and the growing Internet sales channel are forcing it to adjust to new market realities. They will reduce their retail footprint to focus on the most profitable products and locations, and invest in e-commerce in Chile, Peru and eventually Colombia. To this end, we recorded a fourth quarter 19.9 million impairment loss on goodwill.

DOREL SPORTS

Dorel Sports and the global bicycle industry faced a challenging 2017, particularly in North America, but we are in better shape than most and expect to reap the benefits of the milestones achieved during the past several months. Despite lower revenue, primarily due to weak consumer demand caused by poor weather and retail disruptions in North America, Dorel Sports did an excellent job of increasing margins and maximizing operating expense, inventory and cash flow metrics.

While cost controls will continue to be a priority, there has been considerable product development investment in bicycles and electric ride-ons. New model year '18 bikes, such as the revitalized Cannondale Synapse Endurance road bike, resonated with the market, aided by right pricing and good distribution. There were several other introductions, including a new Cannondale Kids line, as well as new mountain and road models, all of which contributed to the considerable progress made during 2017's fourth quarter.

Dorel Sports has further upped its game and is ready to face 2018 with a stronger market position. The coming months will see the introduction of several exciting model year '19 bikes, expected to be enthusiastically received. Cannondale will launch a complete e-bike line in Europe in response to the growing popularity of e-bikes abroad. As well, a new category of interactive, battery-powered ride-ons has been developed to launch this fall, setting us apart from the competition.

The segment scored a major victory by securing the entire branded bicycle category at one of the largest sporting chains in the U.S. This is a significant new account and will begin benefiting us in the months ahead. Dorel Sports also expanded its share with two other large retailers, displacing a competitor at each.

Cannondale
Synapse

Cannondale Pro Cycling Team *had its highest-ever finish at the Tour de France with Second place overall.*

The Cycling Sports Group division made great progress in managing inventory levels which were the lowest in three years. Low margin closeout sales were dramatically reduced, avoiding the need to discount, a factor in past years. Our Cannondale Pro Cycling team had its highest-ever finish at the Tour de France with second place overall. A new sponsorship deal was signed at a reduced expense which will maintain strong visibility.

Pacific Cycle closed out the year with modest growth in revenue, despite a dip in the North American bike category. A new line of Mongoose scooters performed better than projected and parts & accessories also did well. Pacific Cycle's product remains vibrant and it was awarded numerous new placements in 2017. Schwinn remains among the top 5 recognized bicycle brands.

In Brazil, Caloi faced a challenging economic environment with on-going political uncertainty during the first half, but with more stabilized conditions during the second half, improved with a better mix of products. Launches included new Cannondale models, a Caloi Professional Line, and Caloi Standard line for Independent Bike Dealers, as well as a new opening price point bike for the mass channel.

OUTLOOK

While 2018 started with lower sales and earnings than initially anticipated, we expect improvements over last year. We're confident that much of the lost Toys"R"Us sales will be recovered commencing in the second half. At Dorel Home, we remain committed to further revenue growth and higher operating profit in 2018.

At Dorel Juvenile, the impact of the Toys"R"Us liquidation, reduced earnings in our Chilean business, and increased costs in China may dampen earnings in the short term. However, we are seeing e-commerce growth and point-of-sale increases in many of our markets, and our planned new product introductions have never been stronger. Therefore, we still expect revenue and adjusted operating profit improvement, in the second half.

At Dorel Sports, the hangover effect of the Toys"R"Us liquidation should dissipate in the second half and our upcoming new products are expected to drive improved sales and adjusted operating profit.

Our employees worldwide have contributed to the progress achieved. On behalf of all shareholders and Management, my sincere thanks. My gratitude as well to our Board of Directors for their consistent counsel. It is a true team effort that makes us what we are.

Martin Schwartz
President & Chief Executive Officer

DOREL INDUSTRIES INC.

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 years ended December 30, 2017 and 2016 ("the Consolidated Financial Statements"), as well as with the notes to the Consolidated Financial Statements. All financial information contained in this MD&A and in the Company's Consolidated Financial Statements are in US dollars, unless indicated otherwise, and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"), using the US dollar as the reporting currency.

The audited annual Consolidated Financial Statements and this MD&A were reviewed by the Company's Audit Committee and were approved and authorized for issuance by its Board of Directors. This MD&A is current as at March 21, 2018.

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

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

1. CORPORATE OVERVIEW

The Company's head office is based in Westmount, Québec, Canada. Established in 1962, the Company operates in twenty-five countries with sales made throughout the world and employs approximately 10,000 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: Dorel Home, Dorel Juvenile and Dorel Sports. The Company's growth over the years has resulted from both increasing sales of existing businesses and by acquiring businesses that management believes add value to the Company.

a) Strategy

Dorel is a global organization, operating three distinct businesses in juvenile products, bicycles and home products. Dorel's strength lies in the diversity, innovation and quality of its products as well as the superiority of its brands. Dorel Juvenile's powerfully branded products include global brands Safety 1st, Quinny, Maxi-Cosi and Tiny Love, complemented by regional brands such as Cosco, Bébé Confort, Infanti, Voyage and Mother's Choice. Dorel Sports brands include Cannondale, Schwinn, GT, Mongoose, Caloi, Roadmaster, Iron Horse and SUGOI. Dorel Home, with its comprehensive e-commerce platform, markets a wide assortment of domestically produced and imported furniture.

Within each of the three segments, there are several operating divisions or subsidiaries. Each segment has its own President & CEO and is operated independently by a separate group of managers. Senior management of the Company coordinates the businesses of all three 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 and Internet retailers. The retail chains include mass merchant discount chains, department stores, club format outlets and hardware/home centers while the Internet retailers consist of both mass merchant sites such as Walmart.com and pure Internet retailers such as Amazon. Within Dorel Juvenile, sales are also made to independent boutiques and juvenile specialty stores. In Dorel Sports, the Independent Bike Dealers ("IBD") network is a significant channel, along with sporting goods chains. Dorel also owns and operates approximately 110 retail stores in Chile and Peru, as well as several factory outlet retail locations in Europe and Australia.

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 employ their own sales forces.

All of the three segments market, advertise and promote their products through the use of advertisements on-line, via social media and on Company-owned websites, in specific magazines, multi-product brochures, and other media outlets. The Company's major retail customers also advertise Dorel's products, principally through circulars and brochures. For Dorel Sports, various sponsorships are provided to teams and individual athletes to promote the Cannondale, Caloi, GT and Mongoose brands.

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

Dorel is a designer and manufacturer of a wide range of products, as well as an importer of finished goods, the majority of the latter from overseas suppliers. As such, the Company relies on its suppliers for both finished goods and raw materials and has always prided itself on establishing successful long-term relationships both domestically and overseas. The Company has established a workforce of over 150 people in mainland China and Taiwan whose role is to ensure the highest standard of quality of its products and to guarantee that the flow of product is not interrupted. The 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. In most of Dorel's Latin American markets, Infanti is a leading brand in Dorel Juvenile for lower to medium priced products, and the Caloi brand is one of the largest bicycle brands in the market.

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 centers. Over the past five years, Dorel has spent on average over $38.7 million per year on new product development.

b) Operating segments

Dorel Home

Dorel Home participates in the approximately $105 billion North American furniture and mattress industry. Dorel ranks in the top five 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 Dorel's North American manufacturing locations as well as from several distribution facilities. In 2017, the Dorel Home segment accounted for 31% of Dorel's revenue.

Dorel Home consists of four operating divisions. They are Ameriwood Home ("Ameriwood"), Cosco Home & Office ("Cosco"), Dorel Home Products ("DHP") and Dorel Asia ("Dorel Living"). 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, Savannah, Georgia, Dowagiac, Michigan, and Cornwall, Ontario. Ameriwood also has an import division, Altra Furniture ("Altra"). Altra 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 consist of folding furniture, step stools, hand trucks, specialty ladders and outdoor furniture. DHP, located in Montréal, Québec, manufactures futons and baby mattresses and imports futons, bunk beds, mattresses and other accent furniture. Dorel Living specializes in sourcing upholstery and a full range of wooden goods from Asia including children's furniture and accessories such as toddler beds and cribs for distribution throughout North America. Major distribution facilities are also located in Québec, California and Georgia.

With its continued expansion into on-line sales in 2017, Dorel Home grew revenue by over 7%, recording its highest year in sales to date. Dorel Home 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 centers, Internet retailers and office and electronic superstores. On-line sales represent a significant portion of Dorel Home revenue and Dorel Home has made many investments in this channel. Dorel Home 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, Dorel Living, Signature Sleep, Baby Relax and Cosco. Dorel Home has many competitors including Sauder Manufacturing and Whalen Furniture in the RTA category, Meco in the folding furniture category, Tricam in step stools, Werner in ladders and Zinus in mattresses.

Dorel Juvenile

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

The Safety 1st, Quinny, Maxi-Cosi and Tiny Love brands are sold globally in most of Dorel Juvenile's markets. Other brands such as Cosco, Bébé Confort, Infanti, Voyage and Mother's Choice are strong regional brands and Dorel Juvenile is able to address all price points with its range of brands and products. In addition, sales are made under licensed brands such as Disney, principally in North America. Sales are also made to customers under their own unique house brand names. Dorel Juvenile has divisions in North America, Europe, Latin America, China, Israel, Australia and New Zealand. In total, Dorel Juvenile sells product to over 115 countries around the world. In 2017, the Dorel Juvenile segment accounted for 36% of Dorel's revenue.

Dorel Juvenile USA's operations are headquartered in Foxboro, Massachusetts. With the exception of car seats, the majority of its products are conceived, designed and developed at the Foxboro location. Manufacturing and warehousing operations are based in Columbus, Indiana where car seat development is centralized at the Company's state-of-the-art Dorel Technical Center for Child Safety. Additional West Coast warehousing is based in Ontario, California. Dorel Juvenile Canada is based in Toronto, Ontario and sells to customers throughout Canada. The principal brand names sold in North America are Cosco, Safety 1st, Maxi-Cosi and Quinny.

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

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

In Europe, Dorel sells juvenile products primarily across the mid-level to high-end price points. With Dorel's well-recognized brand names and superior designs and product quality, the majority of European sales are made to large European juvenile product retail chains, Internet retailers, independent boutiques and specialty stores. Dorel is one of the leading juvenile products companies in Europe, competing with others such as Britax, Chicco, Avent and Cybex (a subsidiary of Goodbaby International Holdings Limited), as well as several smaller companies.

In Latin America, Dorel Juvenile has operating locations in the majority of markets. Dorel Juvenile Brazil manufactures car seats locally and imports other juvenile products, such as strollers. Brands sold in Brazil include local brands Infanti and Voyage as well as Dorel's international brands such as Safety 1st, Maxi-Cosi and Quinny. Dorel Juvenile Chile has operations in Chile and Peru and sells to customers based in Bolivia and Argentina. The principal brand sold by Dorel Juvenile Chile is Infanti, which is one of the most popular juvenile products brands in Latin America, and enjoys a leading position in the market as it caters to all price categories with a focus on opening to mid-price points. Dorel Juvenile Chile operates approximately 105 retail locations in Chile and Peru of which the majority are under the Baby Infanti banner and sell multiple ranges of juvenile products, including non-Dorel owned brands. Dorel Juvenile Colombia operates in Colombia and in Panama, which sells goods into several countries in Central America and the Caribbean. Dorel Juvenile Mexico was created in 2014 and serves that market by selling Dorel's global brands.

In Asia, Dorel serves the Chinese market through its Dorel Juvenile China domestic operation based in Shanghai and sells mostly the Maxi-Cosi and Safety 1st brands. Dorel Juvenile China's factory headquarters are in Zhongshan and comprises two manufacturing facilities that supply all Dorel divisions, as well as third-party customers outside of China. Dorel Juvenile Australia assembles and/or distributes its products under both global brands and local brand Mother's Choice and serves Australia, the greater East Asian market and New Zealand. Sales are made to both large retailers and specialty stores. Tiny Love is headquartered in Tel Aviv, Israel and is recognized as an innovator in the developmental toy category, which comprises products such as activity gyms, mobiles, light gear and toys designed specifically for babies and toddlers. As one of Dorel's global brands, Tiny Love sells products in more than 50 countries worldwide, both through Dorel subsidiaries and via a worldwide distributor network.

Dorel Sports

Dorel Sports participates in a worldwide marketplace that totals approximately $46 billion in retail sales annually. This includes bicycles, bicycling and running apparel, children's electric ride-ons, jogging strollers, electric bikes and bicycle trailers, as well as related parts and accessories. The breakdown of bicycle industry sales around the world is approximately 64% in the Asia-Pacific region, 20% in Europe and 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 2017, the Dorel Sports segment accounted for 33% of Dorel's revenue.

In the United States, mass merchants have captured a greater share of the market over the past 20 years and today account for approximately 74% of unit sales. Despite the growth of the mass merchant channel, the IBD channel remains an important retail outlet in North America, Europe and other parts of the world. IBD retailers specialize in higher-end bicycles and deliver a level of service to their customers that the mass merchants cannot provide. Retail prices in the IBDs are much higher, reaching approximately $10,000 per unit. This compares to the mass merchant channel where the highest prices are between $200 and $300 per unit. The sporting goods and outdoor specialty retailer chains sell bicycles in the mid-price range; in the United States these channels account for approximately 9% 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 are found in IBDs and some sporting goods chains, while the other brands can be purchased at mass market retailers. Consumer purchasing patterns are generally influenced by economic conditions, weather and seasonality. The Company's principal competitors include Huffy, Dynacraft, Kent, Trek, Giant, Specialized, Santa Cruz, Scott and Raleigh. In Europe, the market is significantly more fragmented as there is additional competition from much smaller companies that are popular in different regions.

Dorel Sports' worldwide headquarters is in Wilton, Connecticut. There are also significant operations in Madison, Wisconsin, Vancouver, British Columbia, as well as São Paulo, Brazil. In addition, distribution centers are located in California, Georgia and Illinois. European operations are headquartered in Oldenzaal, Netherlands with operations in Switzerland and the United Kingdom. Globally, there are sales and distribution companies based in Japan and Chile. In Australia, sales are made through a third-party distributor. There is a sourcing operation based in Taiwan established to oversee Dorel Sports' 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 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, accessories and apparel. The Caloi division sells to both IBD and mass merchant channels. The Pacific Cycle 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 Kid Trax as well as certain licenses.

In Europe and elsewhere around the world, certain bicycle brands are sold across these distribution channels. As an example, in Russia, GT is a successful brand in the sporting goods channel, whereas in the Czech Republic this same brand is sold in the IBD channel. Sales of sports apparel and related products are made by CSG through the IBDs, various sporting goods chains and specialty running stores.

CSG's principal apparel brand is SUGOI and its major competitors are Castelli, Pearl Izumi, Bontrager, Rapha and Assos, among others, as well as certain of the bicycle brands.

2. SIGNIFICANT EVENTS IN 2017

During the fourth quarter of 2017, due to lower commodity prices, political uncertainties and changes in consumer behaviour which had a negative impact on the economy in Chile and Peru coupled with stagnant growth expected in Colombia and Panama, Dorel Juvenile revised its assumptions on projected earnings and cash flow growth which resulted in a goodwill impairment loss of $19.9 million at Dorel Juvenile – Latin America Cash Generating Unit ("CGU") as set out in the "Operating results" section.

On March 15, 2018, Toys"R"Us, Inc. ("Toys"R"Us"), one of Dorel's customers, announced that it had filed a motion seeking Bankruptcy Court approval to begin the process of conducting an orderly wind-down of its U.S. business and liquidation of inventory in all of its U.S. stores. The Company assessed whether an additional impairment loss on the trade accounts receivable from this customer should be recorded in its consolidated financial statements for the quarter and for the year ended December 30, 2017. The Company has determined that an amount of $7.6 million of trade accounts receivable from this customer as at December 30, 2017 is at risk of collection. Accordingly, the Company has recorded a bad debt expense of $3.8 million within general and administrative expenses in its consolidated financial statements for the quarter and year ended December 30, 2017 with respect to these trade accounts receivable from Toys"R"Us U.S., of which $0.7 million is within Dorel Juvenile and $3.1 million is within Dorel Sports. This amount represents management's current best estimate of potential losses arising from non-payment based on limited information available to date; the actual loss incurred may differ from this amount. The maximum credit risk to which the Company is exposed as at December 30, 2017 represents the total value of the trade accounts receivable.

Revenue recorded from sales to Toys"R"Us U.S. business during the first quarter of 2018, up until March 21, 2018, amounts to $13.4 million. As at March 21, 2018, in total, the Company has trade accounts receivable from Toys"R"Us U.S. amounting to $17.2 million (net of allowance for anticipated credits and allowance for doubtful accounts including the bad debt expense referred to above but excluding any bad debt allowance on 2018 sales). This represents $2.8 million within Dorel Home, $5.2 million within Dorel Juvenile and $9.2 million within Dorel Sports. The Company will continue to carefully monitor the Toys"R"Us situation as it unfolds, and will revise its estimated bad debt allowance for the 2017 sales and record any required allowance for the 2018 sales accordingly in its consolidated financial statements for the first quarter of 2018.

3. OPERATING RESULTS

(All tabular figures are in thousands of US dollars, except per share amounts)

a) Non-GAAP financial measures

As a result of impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt incurred in 2017 and 2016, the Company is including in this MD&A the following non-GAAP financial measures: "adjusted cost of sales", "adjusted gross profit", "adjusted operating profit (loss)", "adjusted finance expenses", "adjusted income before income taxes", "adjusted income taxes expense (recovery)", "adjusted tax rate", "adjusted net income", "adjusted earnings per basic and diluted share" and "adjusted diluted weighted average number of shares outstanding". The Company believes that this results in a more meaningful comparison of its core business performance between the periods presented. These non-GAAP financial measures do not have a standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. Contained within this MD&A are reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP.

Free cash flow is also a non-GAAP financial measure and is defined as cash provided by operating activities less dividends paid, shares repurchased, net additions to property, plant and equipment and to intangible assets including net proceeds from disposals of assets held for sale. The Company considers free cash flow to be an important indicator of the financial strength and performance of its business, because it shows how much cash is available after capital expenditures to repay debt and to reinvest in its business, to pursue business acquisitions, and/or to redistribute to its shareholders. Dorel believes this measure is commonly used by investors and analysts when valuing a business and its underlying assets.

b) Impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt

Reconciliation of non-GAAP financial measures

	Fourth Quarters Ended December 30,									
	2017					2016				
	Reported	**% of revenue**	**Impairment losses, restructuring and other costs**	**Adjusted**	**% of revenue**	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
	$	**%**	**$**	**$**	**%**	$	%	$	$	%
TOTAL REVENUE	**677,052**	**100.0**	**–**	**677,052**	**100.0**	648,749	100.0	–	648,749	100.0
Cost of sales	**515,604**	**76.2**	**438**	**516,042**	**76.2**	499,808	77.0	(2,419)	497,389	76.7
GROSS PROFIT	**161,448**	**23.8**	**(438)**	**161,010**	**23.8**	148,941	23.0	2,419	151,360	23.3
Selling expenses	**58,929**	**8.7**	**–**	**58,929**	**8.7**	57,730	8.9	–	57,730	8.9
General and administrative expenses	**64,350**	**9.5**	**–**	**64,350**	**9.5**	69,219	10.7	–	69,219	10.7
Research and development expenses	**8,039**	**1.2**	**–**	**8,039**	**1.2**	14,463	2.2	–	14,463	2.2
Restructuring and other costs	**4,138**	**0.6**	**(4,138)**	**–**	**–**	12,887	2.0	(12,887)	–	–
Impairment loss on goodwill	**19,929**	**2.9**	**(19,929)**	**–**	**–**	–	–	–	–	–
OPERATING PROFIT (LOSS)	**6,063**	**0.9**	**23,629**	**29,692**	**4.4**	(5,358)	(0.8)	15,306	9,948	1.5
Finance expenses	**8,222**	**1.2**	**–**	**8,222**	**1.2**	11,766	1.8	(2,840)	8,926	1.3
INCOME (LOSS) BEFORE INCOME TAXES	**(2,159)**	**(0.3)**	**23,629**	**21,470**	**3.2**	(17,124)	(2.6)	18,146	1,022	0.2
Income taxes expense (recovery)	**3,975**	**0.6**	**227**	**4,202**	**0.6**	(11,557)	(1.7)	4,839	(6,718)	(1.0)
Tax rate	***(184.1)%***			***19.6%***		*67.5%*			*(657.3)%*	
NET INCOME (LOSS)	**(6,134)**	**(0.9)**	**23,402**	**17,268**	**2.6**	(5,567)	(0.9)	13,307	7,740	1.2
EARNINGS (LOSS) PER SHARE										
Basic	**(0.19)**		**0.72**	**0.53**		(0.17)		0.41	0.24	
Diluted	**(0.19)**		**0.72**	**0.53**		(0.17)		0.41	0.24	
SHARES OUTSTANDING										
Basic – weighted average	**32,426,326**			**32,426,326**		32,373,809			32,373,809	
Diluted – weighted average	**32,426,326**			**32,706,760**		32,373,809			32,630,255	

The principal changes in net income (loss) from 2016 to 2017 are summarized as follows:

	Fourth Quarters Ended December 30,		
	Change		
	Reported	**Impairment losses, restructuring and other costs**	**Adjusted**
	$	**$**	**$**
Dorel Home increase	**7,295**	**–**	**7,295**
Dorel Juvenile increase	**2,954**	**13,872**	**16,826**
Dorel Sports increase (decrease)	**1,580**	**(5,549)**	**(3,969)**
OPERATING PROFIT INCREASE	**11,829**	**8,323**	**20,152**
Decrease in finance expenses other than the remeasurement of forward purchase agreement liabilities	**704**	**–**	**704**
Decrease in remeasurement of forward purchase agreement liabilities	**2,840**	**(2,840)**	**–**
(Increase) in corporate expenses	**(408)**	**–**	**(408)**
(Increase) in income taxes expense	**(15,532)**	**4,612**	**(10,920)**
NET LOSS (INCREASE) AND ADJUSTED NET INCOME INCREASE	**(567)**	**10,095**	**9,528**

The causes of these variations are discussed as part of the consolidated operating review.

Reconciliation of non-GAAP financial measures:

	Years Ended December 30,									
	2017					2016				
	Reported	**% of revenue**	**Impairment losses, restructuring and other costs**	**Adjusted**	**% of revenue**	Reported	% of revenue	Impairment losses, restructuring and other costs	Adjusted	% of revenue
	$	**%**	**$**	**$**	**%**	$	%	$	$	%
TOTAL REVENUE	**2,577,668**	**100.0**	**–**	**2,577,668**	**100.0**	2,603,185	100.0	–	2,603,185	100.0
Cost of sales	**1,965,917**	**76.3**	**(260)**	**1,965,657**	**76.3**	1,992,624	76.5	(5,121)	1,987,503	76.3
GROSS PROFIT	**611,751**	**23.7**	**260**	**612,011**	**23.7**	610,561	23.5	5,121	615,682	23.7
Selling expenses	**233,106**	**9.0**	**–**	**233,106**	**9.0**	230,623	8.9	–	230,623	8.9
General and administrative expenses	**228,395**	**8.9**	**–**	**228,395**	**8.9**	244,631	9.4	–	244,631	9.4
Research and development expenses	**31,065**	**1.2**	**–**	**31,065**	**1.2**	39,092	1.5	–	39,092	1.5
Restructuring and other costs	**11,814**	**0.4**	**(11,814)**	**–**	**–**	19,560	0.8	(19,560)	–	–
Impairment losses on goodwill and intangible assets	**19,929**	**0.8**	**(19,929)**	**–**	**–**	55,341	2.1	(55,341)	–	–
OPERATING PROFIT	**87,442**	**3.4**	**32,003**	**119,445**	**4.6**	21,314	0.8	80,022	101,336	3.9
Finance expenses	**43,248**	**1.7**	**(10,475)**	**32,773**	**1.2**	42,899	1.6	(4,265)	38,634	1.5
INCOME (LOSS) BEFORE INCOME TAXES	**44,194**	**1.7**	**42,478**	**86,672**	**3.4**	(21,585)	(0.8)	84,287	62,702	2.4
Income taxes expense (recovery)	**16,753**	**0.6**	**2,964**	**19,717**	**0.8**	(9,974)	(0.4)	14,425	4,451	0.2
Tax rate	***37.9%***			***22.7%***		*46.2%*			*7.1%*	
NET INCOME (LOSS)	**27,441**	**1.1**	**39,514**	**66,955**	**2.6**	(11,611)	(0.4)	69,862	58,251	2.2
EARNINGS (LOSS) PER SHARE										
Basic	**0.85**		**1.22**	**2.07**		(0.36)		2.16	1.80	
Diluted	**0.84**		**1.21**	**2.05**		(0.36)		2.15	1.79	
SHARES OUTSTANDING										
Basic – weighted average	**32,409,551**			**32,409,551**		32,352,953			32,352,953	
Diluted – weighted average	**32,665,713**			**32,665,713**		32,352,953			32,584,489	

The principal changes in net income (loss) from 2016 to 2017 are summarized as follows:

	Years Ended December 30,		
	Change		
	Reported	**Impairment losses, restructuring and other costs**	**Adjusted**
	$	**$**	**$**
Dorel Home increase	**13,901**	**–**	**13,901**
Dorel Juvenile (decrease) increase	**(4,154)**	**17,308**	**13,154**
Dorel Sports increase (decrease)	**55,693**	**(65,327)**	**(9,634)**
OPERATING PROFIT INCREASE	**65,440**	**(48,019)**	**17,421**
Decrease in finance expenses other than the remeasurement of forward purchase agreement liabilities and the loss on early extinguishment of long-term debt	**5,861**	**–**	**5,861**
Decrease in remeasurement of forward purchase agreement liabilities	**3,989**	**(3,989)**	**–**
Loss on early extinguishment of long-term debt	**(10,199)**	**10,199**	**–**
Decrease in corporate expenses	**688**	**–**	**688**
(Increase) in income taxes expense	**(26,727)**	**11,461**	**(15,266)**
NET INCOME INCREASE	**39,052**	**(30,348)**	**8,704**

The causes of these variations are discussed as part of the consolidated operating review.

The detail of impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt recorded are presented below:

	Fourth Quarters Ended December 30,		Years Ended December 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Write-down of long-lived assets	**–**	–	**368**	–
Inventory markdowns (reversals)	**(239)**	979	**242**	3,557
Accelerated depreciation	**–**	57	**–**	57
Other associated costs	**–**	619	**–**	619
Recorded within gross profit	**(239)**	1,655	**610**	4,233
Employee severance and termination benefits	**3,880**	3,524	**8,098**	7,955
Accelerated depreciation	**62**	1,065	**62**	1,903
Write-down of long-lived assets	**1,854**	8,353	**1,854**	8,777
Net losses from the remeasurement and disposals of assets held for sale	**9**	107	**631**	190
Curtailment gain on net pension defined benefit liabilities	**(1,908)**	(891)	**(1,908)**	(891)
Other associated costs	**241**	430	**3,077**	586
Recorded within a separate line in the consolidated income statements	**4,138**	12,588	**11,814**	18,520
Total restructuring costs	**3,899**	14,243	**12,424**	22,753
Other costs recorded within gross profit	**(199)**	764	**(350)**	888
Acquisition-related costs	**–**	–	**–**	729
Other costs	**–**	299	**–**	311
Recorded within a separate line in the consolidated income statements	**–**	299	**–**	1,040
Total other costs	**(199)**	1,063	**(350)**	1,928
Total restructuring and other costs	**3,700**	15,306	**12,074**	24,681
Impairment losses on goodwill and intangible assets	**19,929**	–	**19,929**	55,341
Loss on remeasurement of forward purchase agreement liabilities	**–**	2,840	**276**	4,265
Loss on early extinguishment of long-term debt	**–**	–	**10,199**	–
Total impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt before income taxes (1)	**23,629**	18,146	**42,478**	84,287
Total impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt after income taxes	**23,402**	13,307	**39,514**	69,862
Total impact on diluted earnings (loss) per share	**(0.72)**	(0.41)	**(1.21)**	(2.15)
(1) Includes non-cash amounts of:	**19,707**	12,510	**22,871**	73,199

Impairment losses on goodwill and intangible assets

During the fourth quarter ended December 30, 2017, lower commodity prices, political uncertainties and changes in consumer behaviour in Chile and Peru which had a negative impact on their economy, coupled with stagnant growth expected in Colombia and Panama gave rise to the revision of assumptions on projected earnings and cash flow growth for Dorel Juvenile – Latin America CGU. As a result, a goodwill impairment loss of $19.9 million was recorded.

During the second quarter ended June 30, 2016, difficult market and highly competitive conditions in the IBD channel and the reality of challenging foreign exchange rates gave rise to the revision of assumptions on projected earnings and cash flow growth for Dorel Sports – IBD CGU. As a result, a goodwill impairment loss of $36.9 million and an impairment charge of $18.4 million related to customer relationships were recorded.

Restructuring costs

Dorel Juvenile segment

For the fourth quarter of 2017, Dorel Juvenile segment recorded restructuring costs of $4.1 million under its plan. These initiatives are expected to generate profitable sales growth by improving agility with a more market-focused approach to reduce costs and better react to trends in the juvenile industry. The $4.1 million expenses incurred during the quarter included $3.5 million of employee severance and termination benefits, $1.9 million of non-cash curtailment gain on net pension defined benefit liabilities, $1.9 million of non-cash charges related to the write-down of long-lived assets, $0.3 million of other associated costs and $0.3 million of non-cash inventory markdowns. The $0.3 million of other associated costs are related to the exit of certain licensed third-party brands used in North America in order to allow for additional energy and financial resources to be dedicated to Dorel owned brands.

For the year ended December 30, 2017, Dorel Juvenile segment recorded restructuring costs of $11.9 million including $2.2 million of non-cash charges related to the write-down of long-lived assets, $1.2 million of non-cash inventory markdowns, $7.2 million of employee severance and termination benefits, $0.6 million of non-cash net losses from the remeasurement and disposals of assets held for sale in China, $1.9 million of non-cash curtailment gain on net pension defined benefit liabilities and $2.6 million of other associated costs related to the exit of certain licensed third-party brands as mentioned above.

This restructuring plan will continue into 2018. Total costs related to these restructuring initiatives are estimated at $37.9 million, including $13.3 million of non-cash charges related to the write-down of long-lived assets and net losses from the remeasurement and disposals of assets held for sale, $2.4 million of non-cash inventory markdowns, $3.1 million of curtailment gain on net pension defined benefit liabilities, $20.7 million of employee severance and termination benefits and $4.6 million of other associated costs. Of the $37.9 million, $10.3 million was recorded in 2015, $13.8 million was recorded in 2016 and $11.9 million was recorded in 2017. The estimate of future charges of $1.9 million consist of reductions in people costs mainly related to further streamlining of the China-based manufacturing and additional headcount reduction opportunities overall.

Dorel Sports segment

During the fourth quarter of 2017, Dorel Sports segment recorded a reversal of restructuring costs of $0.2 million which included reversals of $0.5 million of non-cash inventory markdowns and $0.1 million of other associated costs, offset by $0.4 million of employee severance and termination benefits. For the year ended December 30, 2017, Dorel Sports segment recorded restructuring costs of $0.4 million which included a reversal of $1.0 million of non-cash inventory markdowns offset by $0.9 million of employee severance and termination benefits and $0.5 million of other associated costs. The other associated costs incurred in 2017 are mainly related to the exit of the Cannondale Sports retail outlets.

Dorel Sports segment began its restructuring activities in the fourth quarter of 2016 in order to simplify and focus its business to support and grow earnings. These restructuring initiatives were completed in the third quarter of 2017. There are no significant expected remaining costs associated with this restructuring plan.

Other costs

During the fourth quarter of 2017, recorded within gross profit was a reversal of $0.2 million of other costs compared with expenses of $0.8 million recorded within gross profit and $0.3 million recorded within a separate line in the consolidated income statement in 2016.

For the year ended December 30, 2017, a reversal of $0.4 million of other costs was recorded within gross profit compared with an expense of $0.9 million in 2016. In addition, $1.0 million of other costs, mainly composed of acquisition-related costs were recorded within a separate line in the consolidated income statement in 2016.

Remeasurement of forward purchase agreement liabilities

The remeasurement to fair value of the financial liabilities related to written put option agreements is recorded within other equity. The financial liability related to Caloi was a forward purchase agreement liability, and resulted in the remeasurement of the liability being accounted for as finance expenses. The remaining balance of the forward purchase agreement liability was fully repaid in the first quarter of 2017.

Loss on early extinguishment of long-term debt

Effective March 24, 2017, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and secured a term loan of $200.0 million which both have the same maturity date. As such, the net proceeds from the term loan were used by the Company to prepay the Series "B" and "C" Senior Guaranteed Notes and the non-convertible debentures, and to reduce bank indebtedness. The prepayments of the Series "B" and "C" Senior Guaranteed Notes and the non-convertible debentures were accounted for as an extinguishment. A loss on early extinguishment of long-term debt of $10.2 million was recorded as finance expenses during the three months ended March 31, 2017. As a result of the proceeds obtained from this term loan, the Company was able to reduce its interest on long-term debt by $4.9 million in 2017 due to lower average long-term debt balances and lower average interest rates which will benefit the Company for on-going periods.

The "Financial Condition, Liquidity and Capital Resources" section provides further details on the Company's amended and restated Credit Agreement as well as the term loan.

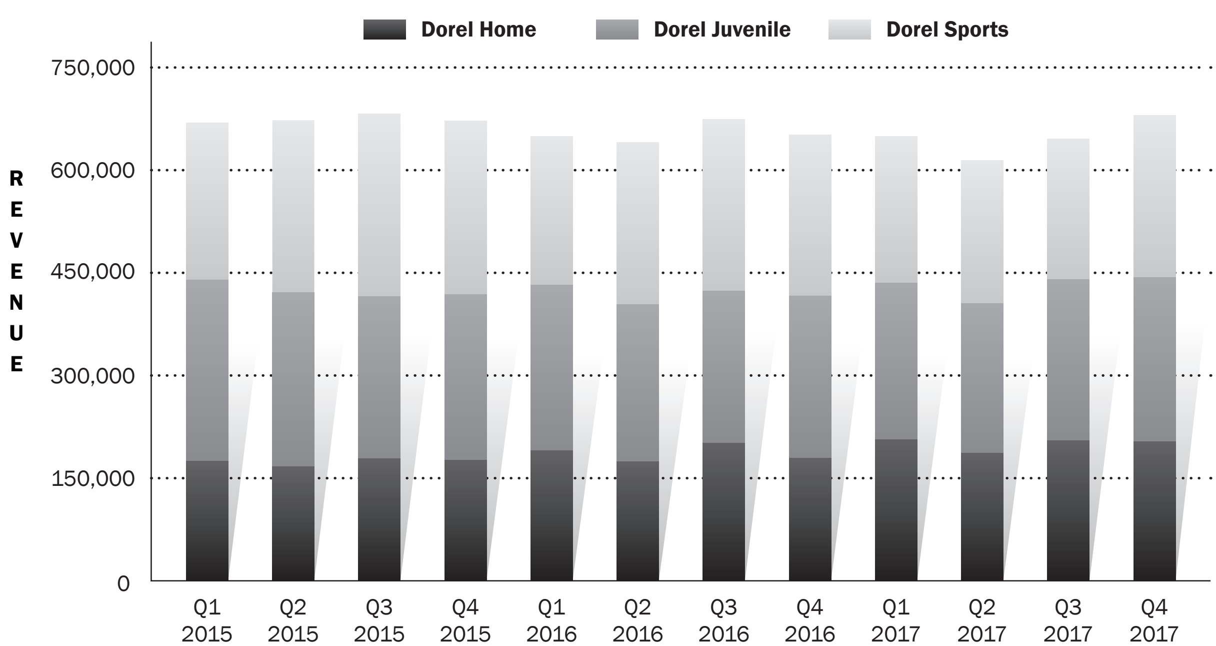
c) Selected financial information

Variations in total revenue across the Company's segments for the fourth quarters and years ended:

	Fourth Quarters Ended December 30,				Years Ended December 30,			
	2017	2016	**Change**		**2017**	2016	**Change**	
	$	$	**$**	**%**	**$**	$	**$**	**%**
Dorel Home	**200,975**	177,049	**23,926**	**13.5**	**790,619**	735,247	**55,372**	**7.5**
Dorel Juvenile	**239,306**	236,447	**2,859**	**1.2**	**921,669**	928,963	**(7,294)**	**(0.8)**
Dorel Sports	**236,771**	235,253	**1,518**	**0.6**	**865,380**	938,975	**(73,595)**	**(7.8)**
TOTAL REVENUE	**677,052**	648,749	**28,303**	**4.4**	**2,577,668**	2,603,185	**(25,517)**	**(1.0)**

Seasonality

Though revenue 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. During the fourth quarter of 2016, the Company changed its internal organization and the composition of its reportable segments. The design, sourcing, manufacturing, distribution and retail of the children's furniture was transferred from Dorel Juvenile to Dorel Home. Accordingly, for better comparability, the Company has restated the segmented information for 2015.



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

	2017				2016			
	Dec. 30	**Sep. 30**	**Jun. 30**	**Mar. 31**	Dec. 30	Sep. 30	Jun. 30	Mar. 31
	$	**$**	**$**	**$**	$	$	$	$
Total revenue	**677,052**	**642,634**	**611,270**	**646,712**	648,749	671,273	637,296	645,867
Net income (loss)	**(6,134)**	**13,294**	**11,440**	**8,841**	(5,567)	15,866	(38,644)	16,734
Per share – Basic	**(0.19)**	**0.41**	**0.35**	**0.27**	(0.17)	0.49	(1.19)	0.52
Per share – Diluted	**(0.19)**	**0.41**	**0.35**	**0.27**	(0.17)	0.49	(1.19)	0,51
Adjusted net income	**17,268**	**14,538**	**12,444**	**22,705**	7,740	20,647	10,193	19,671
Per share – Basic	**0.53**	**0.45**	**0.38**	**0.70**	0.24	0.64	0.32	0.61
Per share – Diluted	**0.53**	**0.44**	**0.38**	**0.69** (1)	0.24	0.63	0.31	0.60
After-tax impact of impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt on the diluted earnings (loss) per share for the quarter	**(0.72)**	**(0.03)**	**(0.03)**	**(0.42)**	(0.41)	(0.14)	(1.50)	(0.09)

(1) As at March 31, 2017, the convertible debentures were included in the calculation of the adjusted diluted EPS by adjusting the adjusted net income attributable to equity holders as well as the adjusted diluted weighted average number of shares outstanding as these debentures were deemed to be dilutive.

During the second quarter of 2016, the Company reported a net loss of $38.6 million or $1.19 per diluted share due to impairment losses, restructuring and other costs and remeasurement of forward purchase agreement liabilities for a net amount of $48.8 million. Adjusted net income was $10.2 million for the second quarter or $0.31 adjusted diluted EPS.

In the fourth quarter of 2016, a net loss was recorded of $5.6 million or $0.17 per diluted share due to restructuring and other costs and remeasurement of forward purchase agreement liabilities representing $13.3 million. Adjusted net income for the fourth quarter was $7.7 million or $0.24 adjusted diluted EPS.

In the first quarter of 2017, the Company reported a net income of $8.8 million or $0.27 per diluted share due to restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt for a net amount of $0.42 per diluted share. Adjusted net income was $22.7 million for the first quarter or $0.69 adjusted diluted EPS.

In the fourth quarter of 2017, the Company reported a net loss of $6.1 million or $0.19 per diluted share due to impairment losses, restructuring and other costs, for a net amount of $0.72 per diluted share. Adjusted net income was $17.3 million for the fourth quarter or $0.53 adjusted diluted EPS.

Selected financial information from the consolidated income statement for the years ended December 30:

	2017		2016		2015	
	$	**% of revenue**	$	% of revenue	$	% of revenue
Total revenue	**2,577,668**	**100.0**	2,603,185	100.0	2,683,357	100.0
Net income (loss)	**27,441**	**1.1**	(11,611)	(0.4)	25,704	1.0
Per share – Basic	**0.85**		(0.36)		0.80	
Per share – Diluted	**0.84**		(0.36)		0.79	
Adjusted net income	**66,955**	**2.6**	58,251	2.2	58,005	2.2
Per share – Basic	**2.07**		1.80		1.79	
Per share – Diluted	**2.05**		1.79		1.78	
After-tax impact of impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt on the diluted earnings (loss) per share for the year	**(1.21)**		(2.15)		(0.99)	
Cash dividends declared per share	**1.20**		1.20		1.20	

d) Consolidated operating review

For the fourth quarter of 2017, revenue increased by $28.3 million, or 4.4%, to $677.1 million and organic revenue improved by approximately 2.2%, after removing the variation of foreign exchange rates year-over-year. This organic revenue increase was mainly explained by Dorel Home segment, with increased on-line sales, partly offset by lower sales in the Dorel Sports segment due to the continuing challenging global bicycle market, and lower sales in the Dorel Juvenile segment.

For 2017, revenue decreased by $25.5 million, or 1.0%, to $2,577.7 million compared to $2,603.2 million last year. Organic revenue declined by approximately 1.7% when excluding the favourable foreign exchange rate variations and by approximately 2.6% when also removing the change in the CSG International business model from a licensing revenue recognition model to a distribution platform for which the accounting treatment increased both revenue and cost of sales beginning in the third quarter of 2016. This decline was mainly attributable to lower sales in Dorel Sports due to continued weakness in the global bicycle market, disruption in the North American retail environment and poor weather in the U.S. Dorel Juvenile was affected by challenges within the U.S., European and Chile group of companies markets as well as to reduced sales by Dorel Juvenile China to non-domestic third-party customers which explains the overall reduction in revenue while Dorel Home's revenue increased.

Gross profit for the fourth quarter rose by 80 basis points to 23.8% from 23.0% in 2016 and adjusted gross profit improved by 50 basis points to 23.8% from 23.3% last year when excluding restructuring and other costs. The overall gross profit improvement is mainly due to Dorel Home shift of sales to higher margin items and to improved margins in Dorel Sports driven by CSG's less discounting. This improvement was partly offset by Dorel Juvenile's lower margins in the Chilean market and at Dorel Juvenile China, offset by higher gross margins in Europe due to favourable product and customer mix.

For 2017, gross profit increased by 20 basis points to 23.7%, from 23.5% in 2016 and adjusted gross profit was 23.7% in both 2017 and 2016. Included in the third quarter of 2016 was a $9.4 million curtailment gain within Dorel Juvenile which resulted from a plan amendment in the post-retirement defined benefits. When removing this positive contributor in 2016, the gross profit improved by 60 basis points to 23.7% from 23.1% in 2016 and the adjusted gross profit increased by 40 basis points to 23.7% compared to 23.3% in 2016. When removing this curtailment gain in 2016 and the impact of CSG International revenue recognition change during the second half of 2016, adjusted gross profit increased by 70 basis points to 24.0% compared with 23.3% in 2016. This was driven by Dorel Home and Dorel Sports partly offset by Dorel Juvenile. Dorel Home's improvement was from the shift of sales to higher margin items throughout the year and Dorel Sports' improvement was driven by less discounting and selective prices increases in key markets partly offset by lower gross profit at Caloi due to price reductions in the Brazilian market. Dorel Juvenile decrease is mainly due to the difficult economic environment in Chile and commodity price increases at Dorel Juvenile China.

Selling expenses increased during the fourth quarter by $1.2 million, or 2.1%, to $58.9 million from $57.7 million and by $2.5 million, or 1.1%, to $233.1 million year-to-date mainly explained by increased commissions in Dorel Home in line with the revenue growth and by increases in marketing and promotional expenses to support the businesses.

General and administrative expenses for the fourth quarter declined by $4.9 million, or 7.0%, to $64.4 million and by $16.2 million, or 6.6%, to $228.4 million from $244.6 million for the full year. The majority of the decrease during the fourth quarter and the year-to-date was attributable to lower product liability costs within Dorel Juvenile and Dorel Home offset by higher product liability costs in Dorel Sports, increased bad debt expense of $3.8 million with respect to the trade accounts receivable from Toys“R”Us U.S., increased information technology expenses to support the growth of Dorel Home's on-line business and $2.2 million of employee severance costs not included within restructuring costs that occurred in 2016 and did not repeat in 2017 within Dorel Juvenile.

Research and development expenses declined by $6.4 million, or 44.4%, to $8.0 million during the fourth quarter and by $8.0 million, or 20.5%, to $31.1 million year-to-date mainly due to Dorel Juvenile's write-down of deferred development costs of $5.6 million recorded during the fourth quarter of 2016 which was not repeated in 2017, as well as lower consulting fees and people costs in Dorel Sports.

The Company reported an operating profit of $6.1 million during the fourth quarter of 2017 compared to an operating loss of $5.4 million in 2016. Excluding impairment losses, restructuring and other costs, adjusted operating profit increased by $19.7 million to $29.7 million. For the year, the Company reported an operating profit of $87.4 million compared to $21.3 million last year. Excluding impairment losses, restructuring and other costs, adjusted operating profit for the year rose by $18.1 million to $119.4 million. For the fourth quarter and year-to-date, the adjusted operating profit improvements were driven by higher e-commerce sales at improved margins within Dorel Home, by product liability costs and employee severance costs as well as write-down of certain deferred development costs which occurred in 2016 and did not repeat in 2017 within Dorel Juvenile partly offset by lower organic revenue at Dorel Sports and increased bad debt expense with respect to the trade accounts receivable from Toys“R”Us U.S.

Details of finance expenses are summarized below:

	Fourth Quarters Ended December 30,				**Years Ended December 30,**			
	2017	2016	**Change**		**2017**	2016	**Change**	
	$	$	**$**	**%**	**$**	$	**$**	**%**
Interest on long-term debt – including effect of cash flow hedge related to the interest rate swaps and the accreted interest related to long-term debt bearing interest at fixed rates	**6,139**	5,590	**549**	**9.8**	**23,746**	28,655	**(4,909)**	**(17.1)**
Remeasurement of forward purchase agreement liabilities	**–**	2,840	**(2,840)**	**(100.0)**	**276**	4,265	**(3,989)**	**(93.5)**
Amortization of deferred financing costs	**(48)**	69	**(117)**	**(169.6)**	**1,152**	1,256	**(104)**	**(8.3)**
Loss on early extinguishment of long-term debt	**–**	–	**–**	**–**	**10,199**	–	**10,199**	**100.0**
Other interest	**2,131**	3,267	**(1,136)**	**(34.8)**	**7,875**	8,723	**(848)**	**(9.7)**
TOTAL REPORTED	**8,222**	11,766	**(3,544)**	**(30.1)**	**43,248**	42,899	**349**	**0.8**
Adjustment due to remeasurement of forward purchase agreement liabilities	**–**	(2,840)	**2,840**	**100.0**	**(276)**	(4,265)	**3,989**	**93.5**
Adjustment due to loss on early extinguishment of long-term debt	**–**	–	**–**	**–**	**(10,199)**	–	**(10,199)**	**(100.0)**
TOTAL ADJUSTED	**8,222**	8,926	**(704)**	**(7.9)**	**32,773**	38,634	**(5,861)**	**(15.2)**

Finance expenses decreased by $3.5 million to $8.2 million during the fourth quarter and increased for the full year by $0.3 million to $43.2 million from prior year. The year-to-date 2017 finance expenses include the $10.2 million loss on early extinguishment of the long-term debt following the prepayments of the Series “B” and “C” Senior Guaranteed Notes and the non-convertible debentures using the net proceeds from the term loan secured on March 24, 2017. Further details on the term loan are presented in the “Financial Condition, Liquidity and Capital Resources” section.

Both years' expenses include the non-cash and non-taxable amounts related to the remeasurement of forward purchase agreement liabilities with respect to the past business acquisition of Caloi which represented for the fourth quarter and year-to-date in 2017 an expense of nil and $0.3 million respectively, compared to $2.8 million for the fourth quarter and $4.3 million year-to-date in 2016. The remaining forward purchase agreement liability was fully repaid during the first quarter of 2017.

Adjusted finance expenses which exclude the remeasurement of forward purchase agreement liabilities and the loss on early extinguishment of long-term debt, decreased by $0.7 million, or 7.9%, to $8.2 million for the quarter and by $5.9 million, or 15.2%, to $32.8 million year-to-date. Interest on long-term debt increased by $0.5 million for the fourth quarter and decreased by $4.9 million year-to-date. The increase for the fourth quarter is explained by higher average long-term debt balances and higher average interest rate compared to last year. The year-to-date decrease is due to lower average long-term debt balances and lower year-to-date average interest rate of 4.8% compared to 5.3% in 2016. Other interest declined by $1.1 million for the fourth quarter and by $0.8 million year-to-date due to lower average interest rate on bank indebtedness partly offset by higher average bank indebtedness balances.

The Company reported a $2.2 million loss before income taxes during the fourth quarter of 2017 compared to $17.1 million last year. Year-to-date, these amounts represented an income of $44.2 million and a loss of $21.6 million respectively. Excluding impairment losses, restructuring and other costs, adjusted income before income taxes increased by $20.4 million to $21.5 million for the quarter and increased by $24.0 million to $86.7 million for the full year.

During the fourth quarter of 2017, the net loss was $6.1 million or $0.19 per diluted share compared to $5.6 million or $0.17 per diluted share last year and for the full year, these amounts represented a net income of $27.4 million or $0.84 per diluted share and a net loss of $11.6 million or $0.36 per diluted share respectively. Excluding impairment losses, restructuring and other costs, adjusted net income for the quarter was $17.3 million or $0.53 per diluted share compared to $7.7 million or $0.24 per diluted share last year. Adjusted net income for the year increased by $8.7 million to $67.0 million from $58.3 million in 2016 and represented on an adjusted diluted EPS basis, $2.05 in 2017 compared to $1.79 last year.

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. The Company's effective tax rate was an expense of 37.9% in 2017 compared to a recovery of 46.2% in 2016. Excluding income taxes on impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt, the Company's adjusted tax rate was 22.7% in 2017 compared with 7.1% in 2016. The main cause of the increase in the adjusted tax rate year-over-year is due to changes in the jurisdictions in which the Company generated its income.

The components and variation in the Company's tax rate from 2016 to 2017 are summarized below:

	Years Ended December 30,			
	2017		2016	
	$	**%**	$	%
INCOME (LOSS) BEFORE INCOME TAXES	**44,194**		(21,585)	
PROVISION FOR INCOME TAXES [(1)]	**11,623**	**26.3**	(5,686)	26.3
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	**3,520**	**8.0**	(2,055)	9.5
Non-recognition of tax benefits related to tax losses and temporary differences	**5,142**	**11.6**	2,170	(10.1)
Tax incentives	**(1,979)**	**(4.5)**	(1,727)	8.0
Non-deductible forward purchase agreement liabilities	**94**	**0.2**	1,450	(6.7)
Non-deductible impairment of goodwill	**5,640**	**12.8**	7,704	(35.7)
Permanent differences	**(6,214)**	**(14.1)**	(7,522)	34.9
Tax rate changes [(2)]	**(3,910)**	**(8.8)**	(2,153)	10.0
Foreign exchange and other – net	**2,837**	**6.4**	(2,155)	10.0
TOTAL INCOME TAXES	**16,753**	**37.9**	(9,974)	46.2

(1) The applicable statutory tax rates are 26.3% for the years ended December 30, 2017 and 2016. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

(2) A tax benefit of $4.853 million relates to the U.S. Tax Reform signed into law on December 22, 2017 which reduces the U.S. federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. The U.S. Tax Reform introduces other important changes to U.S. corporate income tax laws which are not expected to significantly impact the Company in future years.

	Years Ended December 30,			
	2017		2016	
	$	**%**	$	%
ADJUSTED INCOME BEFORE INCOME TAXES	**86,672**		62,702	
PROVISION FOR INCOME TAXES [(1)]	**22,795**	**26.3**	16,516	26.3
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	**4,125**	**4.8**	777	1.2
Non-recognition of tax benefits related to tax losses and temporary differences	**2,537**	**2.9**	1,192	2.0
Tax incentives	**(1,979)**	**(2.3)**	(1,727)	(2.8)
Permanent differences	**(6,677)**	**(7.7)**	(7,522)	(12.0)
Tax rate changes [(2)]	**(3,910)**	**(4.5)**	(2,153)	(3.4)
Foreign exchange and other – net	**2,826**	**3.2**	(2,632)	(4.2)
TOTAL ADJUSTED INCOME TAXES	**19,717**	**22.7**	4,451	7.1

(1) The applicable statutory tax rates are 26.3% for the years ended December 30, 2017 and 2016. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

(2) A tax benefit of $4.853 million relates to the U.S. Tax Reform signed into law on December 22, 2017 which reduces the U.S. federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. The U.S. Tax Reform introduces other important changes to U.S. corporate income tax laws which are not expected to significantly impact the Company in future years.

e) Segmented operating review

Segmented figures are presented in Note 32 of the Company's Consolidated Financial Statements. Further industry segment detail is presented below.

Dorel Home

	Fourth Quarters Ended December 30,						
	2017		2016		**Change**		
	$	**% of revenue**	$	% of revenue	**$**	**%**	**% of revenue**
TOTAL REVENUE	**200,975**	**100.0**	177,049	100.0	**23,926**	**13.5**	**–**
Cost of sales	**162,277**	**80.7**	147,346	83.2	**14,931**	**10.1**	**(2.5)**
GROSS PROFIT	**38,698**	**19.3**	29,703	16.8	**8,995**	**30.3**	**2.5**
Selling expenses	**6,814**	**3.4**	6,073	3.4	**741**	**12.2**	**–**
General and administrative expenses	**9,788**	**4.9**	8,932	5.1	**856**	**9.6**	**(0.2)**
Research and development expenses	**1,032**	**0.5**	929	0.5	**103**	**11.1**	**–**
OPERATING PROFIT	**21,064**	**10.5**	13,769	7.8	**7,295**	**53.0**	**2.7**

	Years Ended December 30,						
	2017		2016		**Change**		
	$	**% of revenue**	$	% of revenue	**$**	**%**	**% of revenue**
TOTAL REVENUE	**790,619**	**100.0**	735,247	100.0	**55,372**	**7.5**	**–**
Cost of sales	**649,069**	**82.1**	611,505	83.2	**37,564**	**6.1**	**(1.1)**
GROSS PROFIT	**141,550**	**17.9**	123,742	16.8	**17,808**	**14.4**	**1.1**
Selling expenses	**25,945**	**3.3**	22,817	3.1	**3,128**	**13.7**	**0.2**
General and administrative expenses	**33,665**	**4.2**	32,954	4.5	**711**	**2.2**	**(0.3)**
Research and development expenses	**3,859**	**0.5**	3,791	0.5	**68**	**1.8**	**–**
OPERATING PROFIT	**78,081**	**9.9**	64,180	8.7	**13,901**	**21.7**	**1.2**

Dorel Home's fourth quarter revenue increased by $23.9 million, or 13.5%, to $201.0 million. Revenue for the full year increased by $55.4 million, or 7.5%, to $790.6 million from $735.2 million in 2016. On-line sales were the highest ever recorded in the segment's history as it continued to augment its product platform. For the fourth quarter and full year, e-commerce sales represented 57% and 52% of total segment revenue respectively compared to 51% and 45% for the comparable periods in 2016. This revenue improvement far exceeded small reductions in brick and mortar channel.

For the quarter, gross profit rose to 19.3%, an improvement of 250 basis points from the 16.8% recorded in the same period of 2016. For the year-to-date, gross profit was 17.9%, an increase of 110 basis points from the 16.8% in 2016. Both the quarter and year-to-date improvements were attained from the shift of sales to higher margin items throughout the year offset by slightly higher warehouse and distribution costs. Warehouse and distribution costs were slightly higher than last year due to the segment's additional overall warehouse footprint, higher wage costs and inventory levels brought on by the increased revenue.

Selling, general and administrative and research and development expenses rose by $1.7 million, or 10.7%, during the fourth quarter and by $3.9 million, or 6.6%, for the year representing decreases of 0.2% for the quarter and 0.1% year-to-date as a percentage of revenue. Increased commission expense in line with the segment's sales growth, higher spending on information technology to support the e-commerce platform and higher marketing costs related to on-line sales were responsible for the increase during the fourth quarter and for the full year.

Operating profit rose by $7.3 million, or 53.0%, during the fourth quarter and grew by $13.9 million, or 21.7%, year-to-date mainly driven by higher e-commerce sales at improved margins. This was partly offset by increased selling, general and administrative expenses, in line with the segment's revenue growth.

Dorel Juvenile

Reconciliation of non-GAAP financial measures

	Fourth Quarters Ended December 30,									
	2017					2016				
	Reported	**% of revenue**	**Impairment losses, restructuring and other costs**	**Adjusted**	**% of revenue**	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
	$	**%**	**$**	**$**	**%**	$	%	$	$	%
TOTAL REVENUE	**239,306**	**100.0**	**–**	**239,306**	**100.0**	236,447	100.0	–	236,447	100.0
Cost of sales	**168,661**	**70.5**	**(281)**	**168,380**	**70.4**	165,207	69.9	–	165,207	69.9
GROSS PROFIT	**70,645**	**29.5**	**281**	**70,926**	**29.6**	71,240	30.1	–	71,240	30.1
Selling expenses	**29,532**	**12.3**	**–**	**29,532**	**12.3**	31,146	13.2	–	31,146	13.2
General and administrative expenses	**26,075**	**11.0**	**–**	**26,075**	**11.0**	35,437	14.9	–	35,437	14.9
Research and development expenses	**5,634**	**2.3**	**–**	**5,634**	**2.3**	11,798	5.0	–	11,798	5.0
Restructuring and other costs	**3,780**	**1.6**	**(3,780)**	**–**	**–**	10,118	4.3	(10,118)	–	–
Impairment loss on goodwill	**19,929**	**8.3**	**(19,929)**	**–**	**–**	–	–	–	–	–
OPERATING PROFIT (LOSS)	**(14,305)**	**(6.0)**	**23,990**	**9,685**	**4.0**	(17,259)	(7.3)	10,118	(7,141)	(3.0)

	Years Ended December 30,									
	2017					2016				
	Reported	**% of revenue**	**Impairment losses, restructuring and other costs**	**Adjusted**	**% of revenue**	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
	$	**%**	**$**	**$**	**%**	$	%	$	$	%
TOTAL REVENUE	**921,669**	**100.0**	**–**	**921,669**	**100.0**	928,963	100.0	–	928,963	100.0
Cost of sales	**646,408**	**70.1**	**(1,575)**	**644,833**	**70.0**	638,345	68.7	–	638,345	68.7
GROSS PROFIT	**275,261**	**29.9**	**1,575**	**276,836**	**30.0**	290,618	31.3	–	290,618	31.3
Selling expenses	**116,275**	**12.6**	**–**	**116,275**	**12.6**	115,132	12.4	–	115,132	12.4
General and administrative expenses	**94,200**	**10.2**	**–**	**94,200**	**10.2**	115,447	12.4	–	115,447	12.4
Research and development expenses	**21,893**	**2.4**	**–**	**21,893**	**2.4**	28,725	3.1	–	28,725	3.1
Restructuring and other costs	**10,358**	**1.1**	**(10,358)**	**–**	**–**	14,554	1.6	(14,554)	–	–
Impairment loss on goodwill	**19,929**	**2.2**	**(19,929)**	**–**	**–**	–	–	–	–	–
OPERATING PROFIT	**12,606**	**1.4**	**31,862**	**44,468**	**4.8**	16,760	1.8	14,554	31,314	3.4

The principal changes in operating profit (loss) from 2016 to 2017 are summarized as follows:

	Change									
	Fourth Quarters Ended December 30,					Years Ended December 30,				
	Reported		Impairment losses, restruc-turing and other costs	Adjusted		Reported		Impairment losses, restruc-turing and other costs	Adjusted	
	$	%	$	$	%	$	%	$	$	%
TOTAL REVENUE	**2,859**	1.2	–	**2,859**	1.2	**(7,294)**	(0.8)	–	**(7,294)**	(0.8)
Cost of sales	**3,454**	2.1	(281)	**3,173**	1.9	**8,063**	1.3	(1,575)	**6,488**	1.0
GROSS PROFIT	**(595)**	(0.8)	281	**(314)**	(0.4)	**(15,357)**	(5.3)	1,575	**(13,782)**	(4.7)
Selling expenses	**(1,614)**	(5.2)	–	**(1,614)**	(5.2)	**1,143**	1.0	–	**1,143**	1.0
General and administrative expenses	**(9,362)**	(26.4)	–	**(9,362)**	(26.4)	**(21,247)**	(18.4)	–	**(21,247)**	(18.4)
Research and development expenses	**(6,164)**	(52.2)	–	**(6,164)**	(52.2)	**(6,832)**	(23.8)	–	**(6,832)**	(23.8)
Restructuring and other costs	**(6,338)**	(62.6)	6,338	**–**	–	**(4,196)**	(28.8)	4,196	**–**	–
Impairment loss on goodwill	**19,929**	100.0	(19,929)	**–**	–	**19,929**	100.0	(19,929)	**–**	–
OPERATING PROFIT (LOSS)	**2,954**	17.1	13,872	**16,826**	235.6	**(4,154)**	(24.8)	17,308	**13,154**	42.0

The fourth quarter of 2016 operating loss included the negative impact of $18.0 million of higher costs, $12.4 million within general and administrative expenses and $5.6 million within research and development expenses. The general and administrative expenses consist of $10.2 million of increased product liability costs due to settlements and associated legal costs and $2.2 million of employee severance costs not included in restructuring costs. The $5.6 million in research and development expenses consists of write-downs of deferred development costs related to cancelled projects as management refined its focus on product development and plans to reduce complexity and improve time to market within the organization. For the full year 2016, operating profit includes a net negative impact of $22.0 million consisting of a $9.4 million curtailment gain recorded in cost of sales resulting from a plan amendment in the post-retirement defined benefits offset by $25.8 million within general and administrative expenses, explained by $23.6 million of increased product liability costs and $2.2 million of employee severance costs, and $5.6 million of write-downs of deferred development costs within research and development expenses.

Dorel Juvenile's fourth quarter revenue increased by $2.9 million, or 1.2%, to $239.3 million from $236.4 million in 2016. Organic revenue declined by approximately 2.5% after removing the impact of varying foreign exchange rates year-over-year. The U.S. recorded slightly lower revenue at certain mass merchants, partly offset by gains in market share at a major on-line retailer. Revenue in Europe decreased marginally in Euro due to the timing of new stroller launches. Within the Dorel Juvenile Chile group of companies, revenue in local currency fell short of prior year and Dorel's 2017 expectations. In Brazil, revenue continued to increase with more than 25% increase versus prior year due to a strengthening of the Infanti brand in specialty stores and e-commerce growth.

Full year revenue declined by $7.3 million, or 0.8%, to $921.7 million from $929.0 million and when removing the foreign exchange rates fluctuations, organic revenue decreased by approximately 1.9%. The year-to-date organic revenue decline is explained mainly by the shortfalls in the U.S. and European markets, Chilean group of companies, as well as slightly lower sales by Dorel Juvenile China to non-domestic third-party customers partly offset by significant growth in the Brazilian market.

Gross profit for the fourth quarter decreased by 60 basis points to 29.5% from 30.1% in 2016. When removing restructuring and other costs, adjusted gross profit decreased by 50 basis points to 29.6%. This decrease was principally due to lower gross profit in Chilean market and at Dorel Juvenile China, partially offset by higher gross profit in Europe that was due to a favourable product and customer mix. In particular, margins in Chile were lower due to difficult economic environment and the changing nature of the market overall. At Dorel Juvenile China factory, gross profit was negatively impacted by commodity price increases including packaging material, plastic and metal.

Gross profit for the year was 29.9% and when removing restructuring and other costs, adjusted gross profit was 30.0%. This compares with 31.3% in 2016 which included a $9.4 million curtailment gain resulting from a plan amendment in post-retirement defined benefits recorded during the third quarter. Excluding this positive contributor to margins, gross profit in 2016 was 30.3%. As a result, excluding the 2016 curtailment gain, the year-to-date gross profit decreased by 40 basis points and adjusted gross profit decreased by 30 basis points. The year-to-date decrease is explained mainly by the market in Chile and the increases in commodity prices at Dorel Juvenile China.

Selling expenses for the fourth quarter declined by $1.6 million, or 5.2%, to $29.5 million representing a decrease of 0.9% as a percentage of revenue. After removing the foreign exchange rate variations year-over-year, the decrease was approximately $3.0 million and was a result of lower marketing and promotional expenses due to the timing of new product launches. Year-to-date selling expenses rose by $1.1 million, or 1.0%, to $116.3 million and by 0.2% as a percentage of revenue from 2016. After removing the foreign exchange rate variations year-over-year, the variation is a decrease of approximately $0.8 million. Planned spending to support product launches was reduced in line with lower revenue versus the prior year.

General and administrative expenses for the fourth quarter declined by $9.4 million, or 26.4%, to $26.1 million. The majority of this decline was due to lower product liability costs of $8.7 million in 2017 as 2016 included increased product liability costs related to higher settlements and associated legal costs as well as $2.2 million of employee severance costs not included in restructuring costs that occurred in 2016 and did not repeat in 2017 offset by increased bad debt expense of $0.7 million with respect to the trade accounts receivable from Toys"R"Us U.S. Excluding the product liability costs, employee severance costs and bad debt expense variations, and the foreign exchange rate variations, general and administrative expenses for the quarter were flat year-over-year.

For the full year, general and administrative expenses declined by $21.2 million, or 18.4%, to $94.2 million due mainly to a $21.5 million decrease in product liability costs as several settlements significantly impacted the segment's results during 2016. Excluding the product liability costs, employee severance costs and bad debt expense variations, and the full year foreign exchange rate variations, general and administrative expenses increased by $0.5 million.

Research and development expenses decreased by $6.2 million, or 52.2%, to $5.6 million during the quarter and by $6.8 million, or 23.8%, to $21.9 million year-to-date. In both periods, the majority of the decrease was due to write-downs of deferred development costs of $5.6 million recorded in the fourth quarter of 2016 related to cancelled projects as management refined its focus on product development and plans to reduce complexity and improve time to market within the organization as noted above.

The economies of both Chile and Peru have slowed over the past several years due to lower commodity prices, political uncertainties and changes in consumer behaviour. As such, coupled with stagnant growth expected in Colombia and Panama, Dorel Juvenile revised its assumptions on projected earnings and cash flow growth in the fourth quarter of 2017, which resulted in a goodwill impairment loss of $19.9 million at Dorel Juvenile – Latin America CGU. Dorel Juvenile – Latin America CGU (defined as all Latin America-based businesses except Brazil and Mexico) continues to be the juvenile market leader with the majority market share, a large retail footprint and the number one Infanti brand. The intention is to reduce the retail footprint to focus on the most profitable products and locations, all the while remaining a leading retailer, and to invest in e-commerce capabilities to become a leader within the e-commerce sales channel in its categories in Chile, Peru and eventually Colombia.

Due to the reasons cited above, Dorel Juvenile segment recorded an operating loss of $14.3 million during the quarter compared to $17.3 million in last year's fourth quarter. Excluding impairment losses, restructuring and other costs, adjusted operating profit for the quarter amounted to $9.7 million compared to an adjusted operating loss of $7.1 million last year. For the full year, operating profit declined by $4.2 million to $12.6 million from $16.8 million in 2016. Excluding impairment losses, restructuring and other costs, adjusted operating profit rose by $13.2 million, or 42.0%, to $44.5 million.

Dorel Sports

Reconciliation of non-GAAP financial measures

	Fourth Quarters Ended December 30,									
	2017					2016				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
	$	%	$	$	%	$	%	$	$	%
TOTAL REVENUE	**236,771**	**100.0**	**–**	**236,771**	**100.0**	235,253	100.0	–	235,253	100.0
Cost of sales	**184,666**	**78.0**	**719**	**185,385**	**78.3**	187,255	79.6	(2,419)	184,836	78.6
GROSS PROFIT	**52,105**	**22.0**	**(719)**	**51,386**	**21.7**	47,998	20.4	2,419	50,417	21.4
Selling expenses	**22,150**	**9.4**	**–**	**22,150**	**9.4**	20,258	8.6	–	20,258	8.6
General and administrative expenses	**21,679**	**9.1**	**–**	**21,679**	**9.1**	18,270	7.8	–	18,270	7.8
Research and development expenses	**1,373**	**0.6**	**–**	**1,373**	**0.6**	1,736	0.7	–	1,736	0.7
Restructuring and other costs	**358**	**0.1**	**(358)**	**–**	**–**	2,769	1.2	(2,769)	–	–
OPERATING PROFIT	**6,545**	**2.8**	**(361)**	**6,184**	**2.6**	4,965	2.1	5,188	10,153	4.3

	Years Ended December 30,									
	2017					2016				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Impairment losses, restructuring and other costs	Adjusted	% of revenue
	$	%	$	$	%	$	%	$	$	%
TOTAL REVENUE	**865,380**	**100.0**	**–**	**865,380**	**100.0**	938,975	100.0	–	938,975	100.0
Cost of sales	**670,440**	**77.5**	**1,315**	**671,755**	**77.6**	742,774	79.1	(5,121)	737,653	78.6
GROSS PROFIT	**194,940**	**22.5**	**(1,315)**	**193,625**	**22.4**	196,201	20.9	5,121	201,322	21.4
Selling expenses	**89,197**	**10.3**	**–**	**89,197**	**10.3**	91,247	9.7	–	91,247	9.7
General and administrative expenses	**77,211**	**9.0**	**–**	**77,211**	**9.0**	71,961	7.6	–	71,961	7.6
Research and development expenses	**5,313**	**0.6**	**–**	**5,313**	**0.6**	6,576	0.7	–	6,576	0.7
Restructuring and other costs	**1,456**	**0.1**	**(1,456)**	**–**	**–**	5,006	0.5	(5,006)	–	–
Impairment losses on goodwill and intangible assets	**–**	**–**	**–**	**–**	**–**	55,341	6.0	(55,341)	–	–
OPERATING PROFIT (LOSS)	**21,763**	**2.5**	**141**	**21,904**	**2.5**	(33,930)	(3.6)	65,468	31,538	3.4

The principal changes in operating profit (loss) from 2016 to 2017 are summarized as follows:

	Change									
	Fourth Quarters Ended December 30,					**Years Ended December 30,**				
	Reported		Restructuring and other costs	**Adjusted**		**Reported**		Impairment losses, restructuring and other costs	**Adjusted**	
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**1,518**	0.6	–	**1,518**	0.6	**(73,595)**	(7.8)	–	**(73,595)**	(7.8)
Cost of sales	**(2,589)**	(1.4)	3,138	**549**	0.3	**(72,334)**	(9.7)	6,436	**(65,898)**	(8.9)
GROSS PROFIT	**4,107**	8.6	(3,138)	**969**	1.9	**(1,261)**	(0.6)	(6,436)	**(7,697)**	(3.8)
Selling expenses	**1,892**	9.3	–	**1,892**	9.3	**(2,050)**	(2.2)	–	**(2,050)**	(2.2)
General and administrative expenses	**3,409**	18.7	–	**3,409**	18.7	**5,250**	7.3	–	**5,250**	7.3
Research and development expenses	**(363)**	(20.9)	–	**(363)**	(20.9)	**(1,263)**	(19.2)	–	**(1,263)**	(19.2)
Restructuring and other costs	**(2,411)**	(87.1)	2,411	**–**	–	**(3,550)**	(70.9)	3,550	**–**	–
Impairment losses on goodwill and intangible assets	**–**	–	–	**–**	–	**(55,341)**	(100.0)	55,341	**–**	–
OPERATING PROFIT (LOSS)	**1,580**	31.8	(5,549)	**(3,969)**	(39.1)	**55,693**	164.1	(65,327)	**(9,634)**	(30.5)

Dorel Sports' fourth quarter revenue rose by $1.5 million, or 0.6%, to $236.8 million from $235.3 million last year but declined by approximately 1.4% after excluding the positive impact of varying foreign exchange rates year-over-year. The organic revenue decline during the fourth quarter was mainly explained by the continuing challenging global bicycle market, particularly in North America. This was partly offset by revenue growth at CSG International's business and Caloi and some third quarter Toys"R"Us revenue of Pacific Cycle pushed into the fourth quarter.

For the year, Dorel Sports revenue declined by $73.6 million, or 7.8%, to $865.4 million and by approximately 8.6%, after excluding the foreign exchange rates fluctuations year-over-year. Organic revenue declined by approximately 11.1%, when removing foreign exchange rates fluctuations and the change in CSG International's business model for which the revenue recognition transitioned from a licensing model to a distribution platform in the third quarter of 2016. The lower revenue is mainly due to weak consumer demand coupled with poor weather and retail turmoil in North America.

Gross profit for the fourth quarter rose by 160 basis points to 22.0%, and excluding restructuring and other costs, adjusted gross profit increased by 30 basis points to 21.7%, driven by Pacific Cycle's decreased product warranty costs and CSG's reduced discounting when compared to the prior year's fourth quarter.

For the year, gross profit increased by 160 basis points to 22.5% from 20.9% and when excluding restructuring and other costs, adjusted gross profit rose by 100 basis points to 22.4% from 21.4%. When excluding restructuring and other costs and the impact of CSG International's revenue recognition change, adjusted gross profit rose by 160 basis points year-to-date to 23.0% from 21.4% in 2016. A combination of inventory management improvement in terms of product mix that has led to reduced discounting at CSG and selective price increases in key markets, contributed to the gross profit percentage increase. This increase was partly offset by lower gross profit at Caloi due to price reductions to match the competitive pressure in the Brazilian market and lower gross profit dollars at Pacific Cycle resulting from a decrease in revenue.

Selling expenses for the fourth quarter rose by $1.9 million, or 9.3%, to $22.2 million from $20.3 million and by 80 basis points as a percentage of revenue mainly driven by increased marketing and promotional costs as well as people costs compared to the fourth quarter of 2016. For the full year, selling expenses decreased by $2.1 million, or 2.2%, to $89.2 million explained mainly by lower year-to-date overall marketing and promotional costs in dollars for which selling expenses increased by 60 basis points as a percentage of revenue given the dollar reduction in revenue.

General and administrative expenses in the fourth quarter of 2017 rose by $3.4 million, or 18.7%, to $21.7 million from $18.3 million and by 130 basis points as a percentage of revenue. For the full year, these expenses rose by $5.3 million, or 7.3%, to $77.2 million and by 140 basis points as a percentage of revenue. The fourth quarter and full year increases were mainly attributable to increased bad debt expense of $3.1 million with respect to the trade accounts receivable from Toys"R"Us U.S. and higher product liability costs.

Research and development expenses for the quarter decreased by $0.4 million, or 20.9%, and by $1.3 million, or 19.2%, year-to-date. These decreases were mainly driven by lower consulting fees and people costs.

Operating profit increased by $1.6 million to $6.5 million for the quarter and adjusted operating profit decreased by $4.0 million, or 39.1%, to $6.2 million when excluding restructuring and other costs. For the year, operating profit was $21.8 million compared to an operating loss a year ago of $33.9 million. Excluding impairment losses, restructuring and other costs, adjusted operating profit declined by $9.6 million, or 30.5%, to $21.9 million. The change in adjusted operating profit for the fourth quarter when compared to 2016 is explained by increased selling, general and administrative expenses offset by improved adjusted gross profit which increased by 30 basis points to 21.7%. For the year, the change in adjusted operating profit is explained by lower revenue and increased operating expenses, partly offset by improved adjusted gross profit which increased by 100 basis points to 22.4%.

4. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

a) Selected information from the consolidated statement of financial position

	As at December 30,		
	2017	2016	2015
	$	$	$
Total assets	**2,229,707**	2,172,632	2,304,945
Non-current liabilities excluding current portion:			
Long-term debt	**433,760**	355,118	465,732
Provisions	**2,953**	1,681	1,702
Written put option and forward purchase agreement liabilities	**23,464**	26,325	30,788
Other financial liabilities	**1,338**	1,115	1,890
Other liabilities	**11,157**	13,302	10,569
Other:			
Current portion of long-term debt and bank indebtedness	**71,896**	100,628	87,328
Current portion of forward purchase agreement liabilities	**–**	7,500	4,104
Total	**544,568**	505,669	602,113

b) Working capital

Certain of the Company's ratios are as follows:

	As at December 30,	
	2017	2016
Debt* to equity	**0.46**	0.43
# of days in receivables	**60**	60
# of days in inventory	**110**	101
# of days in payables	**67**	65

* Debt is defined as bank indebtedness plus long-term debt

The net working capital position increased by 7 days to 103 days as at December 30, 2017 compared to 96 days as at December 30, 2016. This was mainly due to an inventory increase of $42.4 million, or 7.7%, to $592.1 million as at December 30, 2017 from $549.7 million as at December 30, 2016. Foreign exchange rate variations contributed approximately $13 million to the increase. Inventory in the Dorel Juvenile segment increased through the latter months of 2017 due to an expanded product line inventory build-up to support 2018 expected sales growth. Inventory in the Dorel Home segment increased slightly to support the growth in the e-commerce market, while inventory in the Dorel Sports segment declined slightly due to a better inventory position globally.

The increase in debt to equity ratio as at December 30, 2017 is a function of higher borrowings.

c) Cash flow

For the year, cash flow provided by operating activities decreased by $114.5 million to $57.4 million compared to $171.9 million recorded in 2016.

	Source (Use) of cash		
	2017	2016	**Change**
	$	$	**$**
Net income adjusted by items not involving cash	**163,701**	142,708	**20,993**
Trade and other receivables	**8,754**	7,922	**832**
Inventories	**(23,730)**	31,823	**(55,553)**
Other financial assets	**(629)**	693	**(1,322)**
Prepaid expenses	**(3,851)**	(1,064)	**(2,787)**
Other assets	**(4,571)**	(734)	**(3,837)**
Trade and other payables	**(13,757)**	(695)	**(13,062)**
Net pension and post-retirement defined benefit liabilities	**(3,833)**	(3,896)	**63**
Provisions, other financial liabilities and other liabilities	**(23,468)**	41,205	**(64,673)**
Net changes in balances related to operations	**(65,085)**	75,254	**(140,339)**
Net income taxes and interests paid	**(41,222)**	(46,097)	**4,875**
CASH PROVIDED BY OPERATING ACTIVITIES	**57,394**	171,865	**(114,471)**

Free cash flow, a non-GAAP financial measure, was $(23.6) million in 2017 versus $104.3 million in 2016 as follows:

	2017	2016	**Change**
	$	$	**$**
CASH PROVIDED BY OPERATING ACTIVITIES	**57,394**	171,865	**(114,471)**
Less:			
Dividends paid	**(38,895)**	(38,818)	**(77)**
Shares repurchased	**–**	–	**–**
Additions to property, plant and equipment and proceeds from disposals of assets held for sale – net	**(21,047)**	(12,567)	**(8,480)**
Additions to intangible assets	**(21,054)**	(16,165)	**(4,889)**
FREE CASH FLOW (1)	**(23,602)**	104,315	**(127,917)**

(1) "Free cash flow" is a non-GAAP financial measure and is defined as cash provided by operating activities less dividends paid, shares repurchased, net additions to property, plant and equipment and to intangible assets including net proceeds from disposals of assets held for sale (see note in the non-GAAP financial measures section).

The free cash flow decrease in 2017 was due to a negative change in cash provided by operating activities and by an increase in net additions to property, plant and equipment and to intangible assets including the net proceeds from disposals of assets held for sale. The negative change in cash provided by operating activities is explained mainly by increased inventories and product liability costs payments during the first quarter of 2017 related to settlements.

The Company's net debt position, defined as long-term debt and bank indebtedness less cash and cash equivalents was $468.8 million as at December 30, 2017, an increase of $44.9 million compared to $423.9 million as at December 30, 2016 due to the decrease in cash provided by operating activities.

d) Contractual obligations

	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
	$	$	$	$	$
Bank indebtedness	**58,229**	**58,229**	**–**	**–**	**–**
Long-term debt repayments	**451,552**	**13,667**	**436,133**	**1,752**	**–**
Future minimum lease payments exclusive of additional charges	**202,271**	**48,370**	**67,513**	**40,663**	**45,725**
Interest payments [(1)]	**42,105**	**18,799**	**23,244**	**62**	**–**
Trade and other payables	**440,410**	**440,410**	**–**	**–**	**–**
Foreign exchange contracts	**4,546**	**4,546**	**–**	**–**	**–**
Written put option liabilities	**23,464**	**–**	**–**	**23,464**	**–**
Other financial liabilities	**1,338**	**–**	**676**	**441**	**221**
Capital addition purchase commitments	**9,723**	**9,723**	**–**	**–**	**–**
Expenditure commitments related to marketing	**3,330**	**3,330**	**–**	**–**	**–**
Minimum royalties payments under licensing agreements	**4,577**	**2,793**	**1,784**	**–**	**–**
Total contractual obligations	**1,241,545**	**599,867**	**529,350**	**66,382**	**45,946**

(1) Interest payments on the Company's revolving bank loans are calculated using the interest rate in effect as at December 30, 2017 and assumes no debt reduction until the expected due date in July 2020, at which point the loan would be paid in full. Interest payments on the Company's debentures and other long-term debt are as specified in the related agreements.

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

Effective March 24, 2017, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and extended the maturity date from July 1, 2018 to the earlier of (i) July 1, 2020 and (ii) May 30, 2019 if the convertible debentures have not been repaid or refinanced (i.e. six months prior to the maturity date). In addition, the total availability under the revolving bank loans was decreased to $350.0 million from the total availability as at December 30, 2016 of $435.0 million. The accordion feature included in the Credit Agreement allowing the Company to have access to an additional amount of $25.0 million as at December 30, 2016 was increased to $100.0 million. This amendment and restatement of the Credit Agreement was accounted for as a non-substantial modification and consequently resulted in no gain or loss recognized.

In addition, effective March 24, 2017, the Company secured a term loan of $200.0 million with the same maturity date as the revolving bank loans. The term loan bears interest at various rates per annum, based on LIBOR rate plus a margin.

The net proceeds from the term loan were used by the Company to prepay the Series "B" and "C" Senior Guaranteed Notes and the non-convertible debentures, and to reduce bank indebtedness. The prepayments of the Series "B" and "C" Senior Guaranteed Notes and the non-convertible debentures were accounted for as an extinguishment. A loss on early extinguishment of long-term debt of $10.2 million was recorded as finance expenses during the three months ended March 31, 2017 as a result of the prepayments of the Series "B" and "C" Senior Guaranteed Notes and the non-convertible debentures.

As at December 30, 2017, certain of the Company's bank lines of credit amounting to $10.9 million (2016 – $32.4 million) are secured by trade receivables representing a carrying value of $3.3 million (2016 – $9.7 million).

As at December 30, 2017, the term loan as well as the revolving bank loans are secured by certain of the Company's trade receivables, inventories, property, plant and equipment and intangible assets, with a carrying value of $253.8 million, $414.5 million, $79.2 million and $90.2 million, respectively.

Under the terms of its financing agreements, Dorel is required to meet certain financial covenants. As at December 30, 2017, Dorel was compliant with all of its borrowing covenant requirements.

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

As new product development is vital to the continued success of Dorel, the Company must make capital investments in research and development, moulds and other machinery, equipment and technology. It is expected that the Company will invest approximately $66 million in 2018 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.

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

As detailed in Note 22 of the Consolidated Financial Statements, an amount of $35.2 million pertains to the Company's pension and post-retirement benefit plans. In 2018, contributions expected to be paid for funded plans and benefits expected to be paid for unfunded plans under these plans will amount to approximately $3.8 million.

e) Off-balance sheet arrangements

In addition to the contractual obligations listed above, the Company has certain off-balance sheet arrangements and commitments that have financial implications, specifically standby letters of credit and other guarantees. Off-balance sheet arrangements are described in Note 26 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, standby letters of credit and financial guarantees and the result of these reviews are considered in assessing the adequacy of Dorel's reserve for possible credit and guarantee losses.

f) Derivative financial instruments

The Company is exposed to interest rate fluctuations, related primarily to its revolving bank loans and its USD denominated term loan, 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 debt 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 other various risks relating primarily to foreign exchange risk. In order to mitigate the effects of changes in foreign exchange rates on its revenue, its expenses and its cash flows, from time to time, the Company uses various derivative financial instruments such as swaps, options, futures and forward contracts to hedge against adverse fluctuations in foreign 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. Most of short-term lines of credit, overdrafts and long-term debt commonly used by Dorel's entities are in the currency of the borrowing entity and therefore carry no foreign exchange rate risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to foreign exchange rate risk. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of each of Dorel's entities at the rates of exchange at each financial position date, the impact of which is reported as a foreign exchange gain and loss in the consolidated income statements.

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

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

5. CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication of impairment exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount which requires the use of judgment. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal 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 of disposal, an appropriate valuation model is used. Differences in estimates could affect whether goodwill or intangible assets with indefinite useful lives are in fact impaired and the dollar amount of that impairment. Dorel assesses the uncertainty of these estimates by making sensitivity analysis.

Written put and call options and forward purchase agreements: Judgment is used to determine whether there are written put and call options or forward purchase agreements in place in certain newly incorporated subsidiaries or business acquisitions when there is a non-controlling shareholder. Management's judgment impacts whether the call option is accounted for separately or not from the put option or combined as one instrument and whether the remeasurement of the instrument is accounted for as other equity or as finance expenses.

Product liability: The Company insures itself to mitigate its product liability exposure. The estimated product liability exposure requires the use of judgment and is discounted and calculated by an independent actuary based on historical sales volumes, past claims history and management and actuarial assumptions. The estimated exposure includes incidents that have occurred, as well as incidents anticipated to occur on products sold prior to the reporting date. Significant assumptions used in the actuarial model include management's estimates for pending claims, product life cycle, discount rates, and the frequency and severity of product incidents. The Company reviews periodically its recorded product liability provisions and any adjustment is recorded in general and administrative expenses.

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

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

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

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

Allowances for sales returns and other customer programs: At the time revenue is recognized, the Company records estimated reductions to revenue for customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. These estimates are based on agreements with applicable customers, historical experience with the customers and/or product and other relevant factors. Historical sales returns, changes in internal credit policies, customer concentration are used when evaluating the adequacy of the allowances for sales returns. Actual results can differ greatly from management's estimate.

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

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

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

6. CHANGE IN ACCOUNTING POLICIES

The following is an amendment to standards applied by the Company in the preparation of the consolidated financial statements for the year ended December 30, 2017.

IAS 7 – Statement of Cash Flows

The Company adopted this amendment for the annual period beginning on December 31, 2016. The Company provided additional disclosure in relation to the changes in liabilities arising from financing activities in Note 30 of the Consolidated Financial Statements.

7. FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the year ended December 30, 2017 and have not been applied in preparing the consolidated financial statements. The following standards, interpretations and amendments to standards have been issued by the IASB or IFRIC with effective dates in the future that have been determined by management to impact the consolidated financial statements:

Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions
IFRS 15 – Revenue from Contracts with Customers
IFRS 9 – Financial Instruments
IFRS 16 – Leases
IFRIC 23 – Uncertainty over Income Tax Treatments

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

8. MARKET RISKS AND UNCERTAINTIES

General Economic Conditions

In its more than 50 years history, the Company has experienced several economic downturns and its products have proven to be ones that consumers continue to purchase in varying economic conditions. In 2017, in most of its markets, the retail environment could be characterized as challenging. As a result, the majority of the Company's retail customers continued to emphasize price competitiveness as their primary focus. To provide these retail partners with value over and above competitive pricing, Dorel continued to invest in new product development and various brand support initiatives.

In Dorel Juvenile, the Company believes that demand generally remains steady as child safety is a constant priority and parents require products that fulfill that need. In the Company's traditional markets, birth rates are trending lower meaning newer markets like Latin America and Asia with higher birth rates are being exploited. In recent years, while a trend to less expensive items has emerged for certain consumers, a segment of the market is attracted towards higher-end product dividing the marketplace into two distinct consumer groups that the segment services with its multiple brand strategy.

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

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

Should economic conditions worsen significantly, unemployment rise dramatically or bad weather conditions occur, it 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 particle board and plastic resins, as well as corrugated cartons. Key component parts include car seat covers, hardware, buckles and harnesses, bicycle frames, futon frames and covers. These parts are derived from textiles and a wide assortment of metals, plastics and wood. The Company's finished goods purchases are largely derived from steel, aluminum, resins, textiles, rubber and wood.

Raw material cost fluctuations were highlighted by resin price increases in both the U.S. and Europe in 2017, while particle board prices remained stable in North America. With crude oil prices continuing to rise, U.S. resin prices are expected to increase in 2018. Particle board prices are expected to remain stable in 2018.

The Company's suppliers of components and finished goods experienced higher input material costs in 2017. The Chinese currency ("RMB") appreciated approximately 5% in 2017. Labour costs in China continue to increase at a rate of approximately 5% to 10% per year.

Container freight costs are expected to remain volatile in 2018 due to on-going industry consolidation. Current expectations are for container prices to increase in 2018. International Air and Domestic trucking rates are expected to continue to remain strong into 2018.

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, it could have an adverse effect on the Company going forward.

Foreign Currency Fluctuations

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

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

Throughout 2017, the strengthening of the Euro and Brazilian Real against the US dollar had a transactional and translational net positive impact on Dorel Juvenile's and Dorel Sports' operating profit.

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

Concentration of Revenue

For the year ended December 30, 2017, one customer accounted for more than 10% of the Company's revenue, at 27.2% of Dorel's total revenue. In 2016, this customer accounted for 27.8% 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 and Internet retailers. The remainder of Dorel's sales are made mostly to specialty juvenile stores and IBDs. To minimize credit risk, the Company conducts on-going 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, 2017, one customer accounted for 16.1% (2016 – 15.0%) of the Company's total trade accounts receivable balance.

Based on past experience, the Company believes that no significant allowance for doubtful accounts¸ other than the allowance for doubtful accounts recorded in the amount of $3.8 million in connection with trade accounts receivable from Toys"R"Us U.S., is necessary in respect of trade accounts receivable not past due and past due 0-30 days which together represent 88.8% of total gross trade accounts receivable (2016 – 85.2%).

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. Dorel makes on-going efforts 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 Dorel 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 the jurisdictions 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 adversely 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 center 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, or 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 its competitors operating in these industries. Dorel has always operated within this environment and has allocated a great deal of resources to 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 adverse effect 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 operations.

Valuation of Goodwill and Other Intangible Assets

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

The Company performs its impairment tests of goodwill and intangible assets with indefinite useful lives (trademarks) during the fourth quarter or more frequently if an impairment indicator is triggered. After taking into consideration the impairment losses on goodwill and intangible assets recorded in the fourth quarter of 2017 and the second quarter of 2016 which were explained in section 3 "Operating Results" of this MD&A, the Company completed a reconciliation of the sum of the estimated fair values of its CGUs to its market capitalization. The Company's market capitalization was determined by multiplying the number of Class "A" Multiple Voting Shares and Class "B" Subordinate Voting Shares outstanding as at October 31, 2017 by the market price of the Company's total shares as at October 31, 2017. 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;
- Previously unseen pressures are in place given the global financial and economic crisis.

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 the Company's results of operations, and changes in its forecasts or market expectations relating to future results. In 2017, the Company's close share price has fluctuated significantly between a high of CAD$39.13 and a low of CAD$28.58. The Company will continue to monitor market trends in the business, the related expected cash flows and the calculation of market capitalization for purposes of identifying possible indicators of impairment. Should the Company's market capitalization decline or the Company has other indicators of impairment, the Company would be required to perform a goodwill impairment test. Additionally, the Company would then be required to review its remaining non-financial assets for impairment.

9. OTHER INFORMATION

The designation, number and amount of each class and series of the Company's shares outstanding as at March 20, 2018 are as follows:

- 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; 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)
4,189,275	**1,768**	**28,249,171**	**201,532**	**203,300**

Outstanding stock options, Deferred Share Units, cash-settled Restricted Share Units, cash-settled Share Appreciation Rights and cash-settled Performance Share Units are disclosed in Note 24 to the Company's 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.

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

Disclosure controls and procedures ("DC&P")

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

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-President, Chief Financial Officer and Secretary, management has evaluated the design and operating effectiveness of the Company's DC&P as at December 30, 2017 and have concluded that those DC&P were appropriately designed and operating effectively in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

Internal controls over financial reporting ("ICFR")

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

During 2017, management evaluated the Company's ICFR to ensure that they have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards. Management has used the Internal Control – Integrated Framework (2013) to evaluate the effectiveness of ICFR, which is a recognized and suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-President, Chief Financial Officer and Secretary, management has evaluated the ICFR as at December 30, 2017 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.

11. LOCAL STATUTORY DISCLOSURE REQUIREMENTS

On April 22, 2014, Caloi issued a non-convertible secured debentures in Brazil of BRL 100.0 million bearing interest at various rates per annum, based on a floating CDI (Inter-Bank Certificate of Deposit) rate plus a margin. As at December 30, 2017, there was no remaining principal as the non-convertible debentures were prepaid in March 2017.

Brazilian regulatory legislation requires that Caloi publish statutory financial statements in its local market due to the outstanding balance of the debentures until March 2017. As such, the following summary financial information of Caloi is provided in the table below:

Caloi Norte S.A.

Selected financial information from the income statement

	Year ended December 30, 2017
	$
Total revenue	83,260
Operating profit	3,212

Caloi Norte S.A.

Selected financial information from the statement of financial position

	As at December 30, 2017
	$
Total current assets	58,009
Total non-current assets	61,173
Total current liabilities	49,352
Total non-current liabilities	509

12. CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

Forward-looking statements made in this MD&A are based on a number of assumptions that the Company believed were reasonable on the day it made the forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations expressed in or implied by the forward-looking statements include: general economic conditions; changes in product costs and supply channels; foreign currency fluctuations; customer and credit risk, including the risk resulting from the liquidation and reorganization of Toys"R"Us referred to in this MD&A and the concentration of revenues with a small number of customers; costs associated with product liability; changes in income tax legislation or the interpretation or application of those rules; the continued ability to develop products and support brand names; changes in the regulatory environment; continued access to capital resources and the related costs of borrowing; changes in assumptions in the valuation of goodwill and other intangible assets; and there being no certainty that the Company's current dividend policy will be maintained. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking statements are discussed in the Company's annual MD&A and Annual Information Form filed with the applicable Canadian securities regulatory authorities. The risk factors outlined in the previously-mentioned documents are specifically incorporated herein by reference.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

Martin Schwartz

Martin Schwartz
President and Chief Executive Officer

Jeffrey Schwartz

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, 2017 and December 30, 2016, the consolidated statements of income, comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dorel Industries Inc. as at December 30, 2017 and December 30, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP*

March 21, 2018
Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A119178

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(All figures in thousands of US dollars)

	As at December 30, 2017	As at December 30, 2016
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 30)	**36,841**	31,883
Trade and other receivables (Note 8)	**425,736**	422,118
Inventories (Note 9)	**592,136**	549,688
Other financial assets (Note 10)	**553**	4,333
Income taxes receivable	**12,035**	14,466
Prepaid expenses	**26,593**	21,040
Other assets (Note 14)	**13,747**	8,944
	1,107,641	1,052,472
Assets held for sale (Note 7)	**8,481**	20,017
	1,116,122	1,072,489
NON-CURRENT ASSETS		
Property, plant and equipment (Note 11)	**199,026**	191,294
Intangible assets (Notes 12 and 13)	**442,626**	427,587
Goodwill (Note 13)	**438,072**	435,790
Deferred tax assets (Note 28)	**26,159**	39,324
Other financial assets (Note 10)	**550**	–
Other assets (Note 14)	**7,152**	6,148
	1,113,585	1,100,143
	2,229,707	2,172,632

See accompanying notes.

(All figures in thousands of US dollars)

	As at December 30, 2017	As at December 30, 2016
	$	$
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 15)	**58,229**	49,490
Trade and other payables (Note 16)	**440,410**	428,881
Forward purchase agreement liabilities (Note 17)	**–**	7,500
Other financial liabilities (Note 10)	**4,546**	569
Income taxes payable	**14,338**	15,143
Long-term debt (Note 18)	**13,667**	51,138
Provisions (Note 19)	**43,475**	63,169
Other liabilities (Note 14)	**11,150**	14,603
	585,815	630,493
NON-CURRENT LIABILITIES		
Long-term debt (Note 18)	**433,760**	355,118
Net pension and post-retirement defined benefit liabilities (Note 22)	**35,237**	35,206
Deferred tax liabilities (Note 28)	**43,832**	53,293
Provisions (Note 19)	**2,953**	1,681
Written put option liabilities (Note 17)	**23,464**	26,325
Other financial liabilities (Note 10)	**1,338**	1,115
Other liabilities (Note 14)	**11,157**	13,302
	551,741	486,040
EQUITY		
Share capital (Note 23)	**203,300**	202,400
Contributed surplus	**27,557**	27,139
Accumulated other comprehensive loss	**(70,205)**	(113,840)
Other equity	**5,888**	3,027
Retained earnings	**925,611**	937,373
	1,092,151	1,056,099
	2,229,707	2,172,632
COMMITMENTS AND GUARANTEES (Note 26)		
CONTINGENCIES (Note 27)		
SUBSEQUENT EVENT (Note 33)		

See accompanying notes.

ON BEHALF OF THE BOARD:

Martin Schwartz

____________________ DIRECTOR

Jeffrey Schwartz

____________________ DIRECTOR

(All figures in thousands of US dollars, except per share amounts)

	2017	2016
	$	$
Sales	**2,576,004**	2,596,062
Licensing and commission income	**1,664**	7,123
TOTAL REVENUE	**2,577,668**	2,603,185
Cost of sales (Notes 6, 9 and 22)	**1,965,917**	1,992,624
GROSS PROFIT	**611,751**	610,561
Selling expenses	**233,106**	230,623
General and administrative expenses	**228,395**	244,631
Research and development expenses	**31,065**	39,092
Restructuring and other costs (Note 6)	**11,814**	19,560
Impairment losses on goodwill and intangible assets (Notes 12 and 13)	**19,929**	55,341
OPERATING PROFIT	**87,442**	21,314
Finance expenses (Note 31)	**43,248**	42,899
INCOME (LOSS) BEFORE INCOME TAXES	**44,194**	(21,585)
Income taxes (Note 28)		
Current	**14,918**	10,273
Deferred	**1,835**	(20,247)
	16,753	(9,974)
NET INCOME (LOSS)	**27,441**	(11,611)
EARNINGS (LOSS) PER SHARE (Note 29)		
Basic	**0.85**	(0.36)
Diluted	**0.84**	(0.36)

See accompanying notes.

(All figures in thousands of US dollars)

	2017	2016
	$	$
NET INCOME (LOSS)	**27,441**	(11,611)
OTHER COMPREHENSIVE INCOME:		
Items that are or may be reclassified subsequently to net income:		
Cumulative translation account:		
Net change in unrealized foreign currency gains (losses) on translation of net investments in foreign operations, net of tax of nil	**40,342**	3,856
Net gains (losses) on hedge of net investments in foreign operations, net of tax of nil	**12,809**	(1,964)
	53,151	1,892
Net changes in cash flow hedges:		
Net change in unrealized gains (losses) on derivatives designated as cash flow hedges	**(9,363)**	4,395
Reclassification to income	**267**	608
Reclassification to the related non-financial asset	**1,053**	(4,477)
Deferred income taxes (Note 28)	**1,949**	(354)
	(6,094)	172
Items that will not be reclassified to net income:		
Defined benefit plans:		
Remeasurements of the net pension and post-retirement defined benefit liabilities (Note 22)	**(43)**	(2,913)
Deferred income taxes (Note 28)	**(3,379)**	965
	(3,422)	(1,948)
TOTAL OTHER COMPREHENSIVE INCOME	**43,635**	116
TOTAL COMPREHENSIVE INCOME (LOSS)	**71,076**	(11,495)

See accompanying notes.

(All figures in thousands of US dollars)

	Attributable to equity holders of the Company							
			Accumulated other comprehensive income (loss)					
	Share Capital	Contributed Surplus	Cumulative Translation Account	Cash Flow Hedges	Defined Benefit Plans	Other Equity	Retained Earnings	Total Equity
	$	$	$	$	$	$	$	$
Balance as at December 30, 2015	200,277	26,480	(104,521)	2,680	(12,115)	1,527	988,069	1,102,397
Total comprehensive loss:								
Net loss	–	–	–	–	–	–	(11,611)	(11,611)
Other comprehensive income (loss)	–	–	1,892	172	(1,948)	–	–	116
	–	–	1,892	172	(1,948)	–	(11,611)	(11,495)
Issued under stock option plan (Note 23)	1,534	–	–	–	–	–	–	1,534
Reclassification from contributed surplus due to exercise of stock options (Note 23)	385	(385)	–	–	–	–	–	–
Reclassification from contributed surplus due to settlement of deferred share units (Notes 23 and 24)	204	(420)	–	–	–	–	–	(216)
Share-based payments (Note 24)	–	1,197	–	–	–	–	–	1,197
Remeasurement of written put option liabilities (Note 17)	–	–	–	–	–	1,500	–	1,500
Dividends on common shares (Note 23)	–	–	–	–	–	–	(38,818)	(38,818)
Dividends on deferred share units (Note 24)	–	267	–	–	–	–	(267)	–
Balance as at December 30, 2016	202,400	27,139	(102,629)	2,852	(14,063)	3,027	937,373	1,056,099
Total comprehensive income:								
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**27,441**	**27,441**
Other comprehensive income (loss)	**–**	**–**	**53,151**	**(6,094)**	**(3,422)**	**–**	**–**	**43,635**
	–	**–**	**53,151**	**(6,094)**	**(3,422)**	**–**	**27,441**	**71,076**
Reclassification from contributed surplus due to settlement of deferred share units (Notes 23 and 24)	**900**	**(1,074)**	**–**	**–**	**–**	**–**	**–**	**(174)**
Share-based payments (Note 24)	**–**	**1,184**	**–**	**–**	**–**	**–**	**–**	**1,184**
Remeasurement of written put option liabilities (Note 17)	**–**	**–**	**–**	**–**	**–**	**2,861**	**–**	**2,861**
Dividends on common shares (Note 23)	**–**	**–**	**–**	**–**	**–**	**–**	**(38,895)**	**(38,895)**
Dividends on deferred share units (Note 24)	**–**	**308**	**–**	**–**	**–**	**–**	**(308)**	**–**
Balance as at December 30, 2017	**203,300**	**27,557**	**(49,478)**	**(3,242)**	**(17,485)**	**5,888**	**925,611**	**1,092,151**

See accompanying notes.

(All figures in thousands of US dollars)

	2017	2016
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income (loss)	**27,441**	(11,611)
Items not involving cash:		
Depreciation and amortization (Notes 11 and 12)	**50,145**	53,186
Impairment losses on goodwill and intangible assets (Notes 12 and 13)	**19,929**	55,341
Unrealized losses (gains) arising on financial assets and financial liabilities classified as held for trading	**(394)**	197
Share-based payments (Note 24)	**348**	484
Defined benefit pension and post-retirement costs (Note 22)	**4,354**	(5,711)
Loss (gain) on disposal of property, plant and equipment	**628**	(1,286)
Write-down of deferred development costs (Note 12)	**–**	5,590
Restructuring and other costs (Note 6)	**1,249**	13,593
Finance expenses (Note 31)	**43,248**	42,899
Income taxes expense (recovery) (Note 28)	**16,753**	(9,974)
Net changes in balances related to operations (Note 30)	**(65,085)**	75,254
Income taxes paid	**(19,594)**	(20,257)
Income taxes received	**9,238**	9,913
Interest paid	**(31,327)**	(36,200)
Interest received	**461**	447
CASH PROVIDED BY OPERATING ACTIVITIES	**57,394**	171,865
FINANCING ACTIVITIES		
Bank indebtedness	**6,927**	(8,249)
Increase of long-term debt	**217,360**	–
Repayments of long-term debt	**(187,189)**	(98,749)
Repayments of forward purchase agreement liabilities (Note 17)	**(7,857)**	(4,414)
Increase of written put option liabilities (Note 17)	**–**	673
Financing costs	**(2,773)**	(2,173)
Issuance of share capital (Note 23)	**–**	1,479
Dividends on common shares (Note 23)	**(38,895)**	(38,818)
CASH USED IN FINANCING ACTIVITIES	**(12,427)**	(150,251)
INVESTING ACTIVITIES		
Acquisition of businesses (Note 30)	**–**	5,475
Additions to property, plant and equipment (Notes 11 and 30)	**(36,464)**	(20,014)
Disposals of property, plant and equipment	**390**	1,564
Net proceeds from disposals of assets held for sale (Note 7)	**15,027**	5,883
Additions to intangible assets (Notes 12 and 30)	**(21,054)**	(16,165)
CASH USED IN INVESTING ACTIVITIES	**(42,101)**	(23,257)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**2,092**	344
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,958**	(1,299)
Cash and cash equivalents, beginning of year	**31,883**	33,182
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 30)	**36,841**	31,883

See accompanying notes.

NOTE 1 – NATURE OF OPERATIONS

Dorel Industries Inc. (the "Company") is a global consumer products company which designs, manufactures or sources, markets and distributes a diverse portfolio of powerful product brands, marketed through its Dorel Juvenile, Dorel Sports and Dorel Home segments. The principal markets for the Company's products are the United States, Europe, Latin America, Canada and Asia. The principal activities of the Company are described in Note 32. The Company is incorporated and domiciled in Canada whose shares are traded on the Toronto Stock Exchange ("TSX"). The registered office is in Westmount, Québec.

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

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

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

- derivative financial instruments which are measured at fair value;
- written put option and forward purchase agreement liabilities which are measured at fair value;
- share-based compensation arrangements which are measured in accordance with IFRS 2, *Share-Based Payment*;
- assets held for sale which are measured at the lower of their carrying amount or fair value less costs to sell;
- identifiable assets acquired and liabilities assumed in connection with a business combination which are measured at fair value at acquisition date;
- the net pension and post-retirement defined benefit liabilities which are measured as the net total of plan assets measured at fair value less the discounted present value of the defined benefit obligations; and
- product liability which is measured at its discounted present value.

These consolidated financial statements were authorized by the Company's Board of Directors for issue on March 21, 2018.

NOTE 3 – CHANGE IN ACCOUNTING POLICIES

The following is an amendment to standards applied by the Company in the preparation of these consolidated financial statements.

IAS 7 – Statement of Cash Flows

In January 2016, the IASB amended IAS 7, *Statement of Cash Flows*, to require an entity to disclose the following changes in liabilities arising from financing activities (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. In addition, if an entity provides the required disclosure with disclosures of changes in other assets and liabilities, it must disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities. The amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company adopted this amendment for the annual period beginning on December 31, 2016. The Company provided additional disclosure in relation to the changes in liabilities arising from financing activities in Note 30.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES

Except for the change in accounting policies described above in Note 3, the accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements of all years presented and have been applied consistently by the Company's entities. Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the 2017 financial statement presentation.

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 30, 2017. The Company consolidates a 100% interest in all its material subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights to, variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are prepared with the same reporting period of the Company. The accounting policies of subsidiaries have been changed when necessary to align them with the policies of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

b) Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenue and expenses, and disclosure of contingent assets and liabilities. Significant estimates and assumptions are used to evaluate the following:

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

Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary and in any future periods affected. Actual results could differ from those estimates and such differences could be material.

c) Judgments

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

- *Goodwill and intangible assets with indefinite useful lives:*

  Goodwill and intangible assets with indefinite useful lives are allocated to a cash generating unit (CGU) or group of CGUs and tested for impairment by comparing the carrying value of the CGU, including allocated goodwill and intangible assets, to the recoverable amount. The recoverable amount is defined as the higher of fair value less costs of disposal 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.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Judgments (continued)

- *Written put and call options and forward purchase agreements:*

  The Company uses judgment to determine whether there are written put and call options or forward purchase agreements in place in certain newly incorporated subsidiaries or business acquisitions when there is a non-controlling shareholder. Management's judgment impacts whether the call option is accounted for separately or not from the put option or combined as one instrument and whether the remeasurement of the instrument is accounted for as other equity or as finance expenses.

- *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 resources embodying economic benefits will be required to settle the obligation. Management must use judgment in determining whether all of the above three conditions have been met to recognize a provision or whether a contingent liability is in existence at the reporting date.

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

- *Income taxes:*

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

- *Allowances for sales returns and other customer programs:*

  At the time revenue is recognized, the Company records estimated reductions to revenue for customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. These estimates are based on agreements with applicable customers, historical experience with the customers and/or product and other relevant factors.

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

- *Allowance for doubtful accounts:*

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

- *Inventory valuation:*

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

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue Recognition

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

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

The Company records estimated reductions to revenue for customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. Provisions for customer incentives and for sales and return allowances are made at the time of product shipment. Sales are reported net of these provisions and exclude sales taxes.

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

e) Cash and Cash Equivalents

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

f) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventory costs include:

- the purchase price and other costs directly related to the acquisition of materials;
- the costs directly related to the conversion of materials to finished goods, such as direct labour and an allocation of fixed and variable production overheads, including manufacturing depreciation expense. The allocation of fixed production 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;
- costs include transfers from other comprehensive income (loss) 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. Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down.

g) Property, Plant and Equipment

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

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

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property, Plant and Equipment (continued)

Property, plant and equipment are depreciated as follows:

	Method	Rate/Useful lives
Buildings and improvements	Straight-line	20 to 40 years
Machinery and equipment	Declining balance	15%
Moulds	Straight-line	3 to 5 years
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Vehicles	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.

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

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

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

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at least at each financial year-end, and adjusted prospectively, if appropriate.

h) Borrowing Costs

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

i) Intangible Assets

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

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

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The residual value, amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end and adjusted prospectively, if applicable. Changes in the expected

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Intangible Assets (continued)

useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates which are accounted for prospectively.

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

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

Intangible assets comprise the following:

- *Trademarks*
  Trademarks acquired as part of business acquisitions and registered trademarks are considered to have an indefinite life and are therefore not subject to amortization. They are tested annually for impairment or more frequently when events or changes in circumstances indicate that the trademarks may be impaired.

- *Customer Relationships*
  Customer relationships are acquired as part of business acquisitions and are amortized on a straight-line basis over a period of 9 to 25 years.

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

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

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

- *Software Licences*
  Software licences are amortized on a straight-line basis over their expected useful lives ranging from 3 years to 10 years.

- *Research and Development Costs*
  The Company incurs costs on activities which relate to research and development of new products. Research costs are expensed as they are incurred. Development costs are also expensed as incurred unless all of the following can be demonstrated:

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

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

Following initial recognition of the deferred development costs as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Deferred development costs are amortized on a straight-line basis over a period ranging from 2 to 5 years or are expensed immediately if capitalized projects are not completed.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Business Combinations and Related Goodwill

Business Combinations and Related Goodwill

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

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

Subsequent Recognition of Goodwill

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

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

k) Written Put Options

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

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

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

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

l) Written Call Options

As part of certain incorporation or business acquisition agreements, the Company entered into call agreements with the non-controlling interests for the purchase of their stake in the relevant entity. Under the terms of these agreements, upon the occurrence of certain triggering events, the Company has an option to buy the non-controlling interest (the call option) for the same variable exit price as the written put option. The call option included in the written put option agreements is accounted for separately at fair value if material and the remeasurement to fair value at each reporting date is recognized in the consolidated income statements.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Forward Purchase Agreements

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

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

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

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

n) 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 of disposal and its value in use.

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

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

In determining fair value less costs of disposal, 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 analysis.

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

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Impairment of Non-Financial Assets (continued)

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

Goodwill

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

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

Trademarks

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

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

o) Assets Held for Sale

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

p) Costs Relating to Revolving Bank Loans

The Company incurred certain costs related to the revolving bank loans. 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.

q) Foreign Currency

Foreign Currency Transactions

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

Foreign Currency Translation

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

On disposal of a foreign operation where control is lost, the cumulative amount of the exchange differences recognized in other comprehensive income (loss) relating to that particular foreign operation is recognized in the consolidated income statement as part of the gain or loss on disposal.

On the partial disposal of a subsidiary that includes a foreign operation where control is retained, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income (loss) is re-attributed to the non-controlling interest in that foreign operation.

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

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

Financial assets of the Company comprise:

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

Financial liabilities of the Company comprise:

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

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

Offsetting of Financial Instruments

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

Financial Assets

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

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

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

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

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

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Financial Instruments (continued)

Impairment of Financial Assets

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

Evidence of impairment may include:

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

Derecognition of Financial Assets

Financial assets are derecognized when the Company's contractual rights to the cash flows from the respective assets have expired or the Company has transferred its rights to the cash flows from the respective assets and either (i) the Company has transferred substantially all of the risks and rewards of the assets or (ii) the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them.

Financial Liabilities and Equity Instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

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

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

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

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

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Financial Instruments (continued)

Compound Financial Instrument

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

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

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

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

The conversion option classified as equity remains in the other equity account until the conversion option is exercised, in which case, the balance recognized in other equity is transferred to share capital. When the conversion option remains unexercised at the maturity date of the convertible debentures, the balance recognized in other equity will be transferred to contributed surplus. No gain or loss is recognized in the consolidated income statement upon conversion or expiration of the conversion option.

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

Reverse Factoring

The Company has entered into trade payables finance program agreements with certain financial institutions to manage payments to some suppliers, which is an integral part of the Company's liquidity risk management process. The Company used judgment to determine whether the obligations under the program retain, in substance, the characteristics of trade payables. Management has considered the facts and circumstances of the arrangement and concluded that the trade payables under this program would remain classified as trade payables, as there is no substantial difference in the nature or terms of the liabilities. Furthermore, management has concluded that the related payments would remain classified as cash flows from operating activities.

Effective Interest Method

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

Derecognition of Financial Liabilities

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

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Financial Instruments (continued)

Classification and Fair Value Measurements

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

s) Derivative Financial Instruments and Hedge Accounting

Derivative Financial Instruments

The Company holds derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to hedge its foreign currency and interest rate risk exposures. Derivative financial instruments are recorded as either assets, when their fair value is positive, or liabilities, when their fair value is negative, and are measured at their fair value unless exempted from derivative treatment as a normal purchase or sale. Certain derivatives embedded in other contracts must also be separated from the main contract and measured at fair value. All changes in the fair value of derivatives are recognized in net income unless specific hedge criteria are met.

Hedge Accounting

Derivatives that qualify as hedging instruments must be designated as either a “cash flow hedge”, when the hedged risk is a variability in the future cash flows of the hedged item, or a “fair value hedge”, when the hedged risk is a variability in the fair value of the hedged item. Any derivative instrument that does not qualify for hedge accounting is marked-to-market at each reporting date and the gains or losses are included in net income.

Cash Flow Hedges

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

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

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

Fair Value Hedges

For a fair value hedge, the derivative and the hedged item’s carrying value are adjusted to record changes in fair value resulting from the hedged risk only. Both are recorded at fair value in the consolidated statement of financial position and the unrealized gains/losses from both items are included in net income. The gains or losses from the measurement of derivative hedging instruments at fair value are recorded in net 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 net income.

Use of Derivative Financial Instruments

Derivative financial instruments are utilized by the Company in the management of its foreign currency exposures and interest-rate market risks. These derivative financial instruments are used as a method for meeting the risk reduction objectives of the Company by generating offsetting cash flows related to the underlying position in respect of amount and timing of forecasted foreign currency cash flows and interest payments.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Derivative Financial Instruments and Hedge Accounting (continued)

Use of Derivative Financial Instruments (continued)

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 swaps, futures, forwards and options as well as interest rate swap agreements.

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

t) Employee Benefits

Short-Term Employee Benefits

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

Pension Plans

The Company provides defined benefit and defined contribution plans to certain employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Defined Contribution Plans

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

Defined Benefit Plans

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

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

The fair value of plan assets are deducted from the defined benefit obligation to arrive at the net liability. Plan assets are measured at fair value as at the statement of financial position date. Past service costs arising from plan amendments are recognized in operating income

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Employee Benefits (continued)

Defined Benefit Plans (continued)

in the year that they arise. Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets, excluding interest, and any changes in the effect of the asset ceiling, if any, are recognized in other comprehensive income (loss) in the period in which they arise.

Pension expense consists of the following:

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

Post-Retirement Benefits Other Than Pensions

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

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

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

u) Share-Based Payments

Stock Options (equity-settled)

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

Directors' Deferred Share Units (equity-settled)

For the Directors' Deferred Share Unit Plan ("DDSU Plan") offered to its external directors, the Company records an expense within general and administrative expenses with a corresponding increase to contributed surplus when the units are granted which is the date

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Share-Based Payments (continued)

Directors' Deferred Share Units (equity-settled) (continued)

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.

Executive Deferred Share Units (equity-settled)

For the Executive Deferred Share Unit Plan ("EDSU Plan") offered to its executive officers, the Company records an expense within general and administrative expenses with a corresponding 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 discretionary deferred share units ("DSUs") issued under the EDSU Plan are accounted for as equity-settled share-based payment transactions and are measured at fair value at the grant date based on the share price of the Company's Class "B" Subordinate Voting Shares. An expense is recognized over the vesting period as employee benefits expense within general and administrative expenses, with a corresponding amount recognized in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date.

As the Company has the option and intent to settle all the DSUs issued under the DDSU and EDSU Plans in Class "B" Subordinate Voting Shares upon termination of a director or an executive officer, the contributed surplus account is affected on the recognition of the expenses.

Restricted Share Unit Plan (cash-settled)

The restricted share unit ("RSUs") plan entitles senior executives and certain key employees to a cash payment equal to the number of the Company's Class "B" Subordinate Voting Shares underlying the vested RSUs multiplied by the weighted average trading price during the five trading days immediately preceding the vesting date. A liability is recognized for the services acquired and is recorded at the fair value of the RSUs in other long-term liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense within general and administrative expenses, over the period that the employees become unconditionally entitled to the payment. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured based on the market price of the Company's Class "B" Subordinate Voting Shares, with any changes in fair value recognized in the consolidated income statement for the period.

Share Appreciation Rights (cash-settled)

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

Performance Share Units (cash-settled)

The Performance Share Units ("PSUs") plan entitles senior executives and certain key employees to a cash payment. A liability is recognized for the services acquired and is recorded at fair value based on the share price of the Company's Class "B" Subordinate Voting Shares in other long-term liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense within general and administrative expenses. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Share-Based Payments (continued)

Performance Share Units (cash-settled) (continued)

recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated income statement for the period.

v) Income Taxes

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

Current Income Taxes

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

Deferred Income Taxes

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

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

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.

w) 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, current market assessments of the time value of money and the risks specific to the liability. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Provisions (continued)

Product Liability

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

Significant assumptions used in the actuarial model include management's estimates for pending claims, product life cycle, discount rates, and the frequency and severity of product incidents.

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

Warranty Provisions

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

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

Restructuring

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

x) Earnings Per Share ("EPS")

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

y) Fair Value Determination

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

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

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

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

NOTE 5 – FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the year ended December 30, 2017 and have not been applied in preparing these consolidated financial statements. The following standards, interpretations and amendments to standards have been issued by the IASB or the IFRIC with effective dates in the future that have been determined by management to impact the consolidated financial statements:

Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions

On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-Based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. Earlier application is permitted. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on December 31, 2017. The Company does not expect the adoption of these amendments to have an impact on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

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

IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, and a number of revenue-related interpretations (IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Service*). IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on December 31, 2017. The Company is currently completing its assessment of the impact of the adoption of this standard on its consolidated financial statements. Based on the assessments undertaken to date, the Company does not expect the potential impact to be material on its consolidated financial statements. The Company has elected to apply IFRS 15 using the cumulative effect method, by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings as at December 31, 2017. The Company will disclose the actual impact of adopting IFRS 15 in its first 2018 quarter consolidated financial statements, once it completes its detailed analysis.

a) Recognition

The majority of the Company's contracts are contracts with customers in which the sale of goods is generally expected to be the only performance obligation. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, consistent with its current practice.

In considering its performance obligations, the Company considered its warranty obligations. The Company provides warranties for general repairs and does not generally provide extended warranties or maintenance services in its contracts with customers. As such, the Company

NOTE 5 – FUTURE ACCOUNTING CHANGES (continued)

IFRS 15 – Revenue from Contracts with Customers (continued)

a) Recognition (continued)

expects that such warranties will be assurance-type warranties which will continue to be accounted for under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with its current practice.

Considering that the Company grants rights of return of goods sold to certain customers, a change on adoption of IFRS 15 on the consolidated statement of financial position will be the recognition of the rights to recover returned goods, with a related refund liability. Based on the assessments undertaken to date, the Company does not expect the potential impact to be material on its consolidated financial statements. The Company will disclose the actual impact of adopting IFRS 15 in its first 2018 quarter consolidated financial statements, once it completes its detailed analysis.

b) Measurement

Some contracts with customers provide customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. Currently, the Company recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of provisions for customer incentives and for sales and return. If revenue cannot be reliably measured, the Company defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. Based on the assessments undertaken to date, the Company does not expect the impact of the estimated variable consideration and related constraint to be material on its consolidated financial statements.

c) Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and is expected to significantly increase the volume of disclosures required in the Company's consolidated financial statements. Many of the disclosure requirements in IFRS 15 are completely new. The Company is currently developing appropriate systems and procedures necessary to collect and disclose the required information. The Company will be providing the required disclosure in its quarterly and annual consolidated financial statements for the year ending December 30, 2018.

IFRS 9 – Financial Instruments

On July 24, 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. In July 2014, the IASB also introduced a new impairment model for financial assets based on expected credit losses. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on December 31, 2017. The Company is currently finalizing the impact of the adoption of this standard on its consolidated financial statements.

Overall, the Company expects no material impact on its consolidated statements of financial position and consolidated income statements.

a) Classification and measurement

The Company does not expect a material impact on its consolidated statements of financial position and consolidated income statements on applying the classification and measurement requirements of IFRS 9.

b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade accounts receivable. The Company expects that the application of the impairment requirements of IFRS 9 will result in an increase of the Company's impairment loss

NOTE 5 – FUTURE ACCOUNTING CHANGES (continued)

IFRS 9 – Financial Instruments (continued)

b) Impairment (continued)

on its financial assets over the impairment loss recognized under IAS 39, which will result in a negative adjustment to retained earnings as at December 31, 2017. However, based on the assessments undertaken to date, the Company does not expect the potential impact to be material on its consolidated financial statements. The Company will disclose the actual impact of adopting IFRS 9 in its first 2018 quarter consolidated financial statements, once it completes its detailed analysis.

c) Hedge accounting

The Company believes that all existing hedge relationships that are currently designated in effective hedging relationships still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the adoption of IFRS 9 will not have a material impact on the Company's hedge accounting.

IFRS 16 – Leases

In January 2016, the IASB released IFRS 16, *Leases*, to replace the previous leases standard, IAS 17, Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted only if the Company applies IFRS 15, *Revenue from Contracts with Customers*. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on December 31, 2018. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements. The most significant impact identified is that this standard will affect primarily the accounting for the Company's operating leases. As at December 30, 2017, the Company had non-cancellable operating lease commitments of $202,271 (see Note 26). However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Company has not yet decided whether it will use the optional exemptions. No material impact is expected for the Company's finance leases.

IFRIC 23 – Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* (the "Interpretation"). The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The Interpretation requires an entity to:

- Contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- Reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- Measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on December 31, 2017. The Company does not expect the adoption of this Interpretation to have a material impact on its consolidated financial statements.

NOTE 6 – RESTRUCTURING AND OTHER COSTS

In 2017, the Company recorded total expenses of $12,074 (2016 – $24,681) with respect to restructuring and other costs, of which $260 (2016 – $5,121) were recorded within gross profit and $11,814 (2016 – $19,560) were recorded as restructuring and other costs as a separate line within the consolidated income statements.

Restructuring costs

Dorel Juvenile segment

The restructuring activities initiated previously as part of the Dorel Juvenile segment's on-going transformation, whose main objective is to further align its operations to drive profitable sales growth by concentrating on improved agility with a more market-focused approach to reduce costs and better react to trends in the juvenile industry, is now continuing into 2018. The restructuring activities initiated previously are continuing with a continued focus on cost reduction, with the resultant savings being re-invested into needed improvement in digital capabilities and brand support. The ability to develop and bring meaningful products to market faster is continuously being improved by decreasing complexity and by sourcing opportunities to supplement existing best-in-class product development and manufacturing.

The main initiatives consist of the following cost saving opportunities:

- The consolidation and streamlining of manufacturing and other facilities in China.
- The U.S. based division assuming back office support for the Canadian operations, including supporting newly located Canadian based warehousing.
- In Europe, changes in the way product is brought to market, on-going process harmonization and re-alignment of the sales organization.
- The elimination of positions identified as duplicative within several departments.
- Exiting certain licensed third-party brands used in North America.
- Closing certain retail stores in the Latin American market.

Total costs related to these restructuring initiatives are estimated at $37,970, including $13,325 of non-cash charges related to the write-down of long-lived assets and net losses from the remeasurement and disposals of assets held for sale, $2,437 of non-cash inventory markdowns, $3,125 of curtailment gain on net pension defined benefit liabilities, $20,694 of employee severance and termination benefits and $4,639 of other associated costs. Of this amount, $10,276 was recorded in 2015, $13,825 was recorded in 2016 and $11,933 was recorded in 2017, details of which can be found in the table below. The estimate of future charges of $1,936 consist of further reductions in people costs. The main driver of these headcount reduction costs is the further streamlining of China-based manufacturing and additional headcount reduction opportunities overall.

Dorel Sports segment

In order to simplify and focus its business to support and grow earnings, Dorel Sports segment has begun restructuring activities in the third quarter of 2016. First, the distribution for the GT brand was transferred to a third-party distributor in China, which is the actual route-to-market in many other countries for this brand. In addition, to better serve customers, the majority of Pacific Cycle's mass market and distribution operations was relocated from Olney, Illinois to Savannah, Georgia. Lastly, the three U.S. "Cannondale Sports" retail outlets were exited. In total, restructuring actions resulted in an approximate 4% reduction in Dorel Sports' global workforce.

These restructuring initiatives were completed in the third quarter of 2017. $491 was recorded in 2017, details of which can be found in the table below, and $8,686 was recorded in 2016. There are no significant expected remaining costs associated with the 2016 Plan.

Other costs

During 2016, Dorel Sports incurred $1,199 of overlapping costs in connection with the relocation of the majority of Pacific Cycle's mass market and distribution operations from Olney, Illinois to Savannah, Georgia. The nature of these other costs consist mainly of some freight costs to move the inventory from one location to the other, period of double rent and other various costs.

(All figures in thousands of US dollars)

NOTE 6 – RESTRUCTURING AND OTHER COSTS (continued)

The expenses recorded in the consolidated income statements related to the restructuring activities and other costs consist of the following:

	December 30,							
	Total		Dorel Juvenile		Dorel Sports (2016 Plan)		Dorel Sports (2015 Plan)	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$	**$**	$
Write-down of long-lived assets (Note 11)*	**368**	–	**368**	–	**–**	–	**–**	–
Inventory markdowns (reversals)*	**242**	3,557	**1,207**	–	**(965)**	3,557	**–**	–
Accelerated depreciation (Note 11)*	**–**	57	**–**	–	**–**	57	**–**	–
Other associated costs	**–**	619	**–**	–	**–**	619	**–**	–
Recorded within gross profit	**610**	4,233	**1,575**	–	**(965)**	4,233	**–**	–
Employee severance and termination benefits	**8,098**	7,955	**7,157**	5,928	**941**	2,252	**–**	(225)
Accelerated depreciation (Note 11)*	**62**	1,903	**–**	–	**62**	1,903	**–**	–
Write-down of long-lived assets (Notes 11 and 12)*	**1,854**	8,777	**1,854**	8,777	**–**	–	**–**	–
Net losses (gains) from the remeasurement and disposals of assets held for sale (Note 7)*	**631**	190	**631**	(297)	**–**	–	**–**	487
Curtailment gain on net pension defined benefit liabilities (Note 22)*	**(1,908)**	(891)	**(1,908)**	(891)	**–**	–	**–**	–
Other associated costs	**3,077**	586	**2,624**	308	**453**	298	**–**	(20)
Recorded within a separate line in the consolidated income statements	**11,814**	18,520	**10,358**	13,825	**1,456**	4,453	**–**	242
Total restructuring costs	**12,424**	22,753	**11,933**	13,825	**491**	8,686	**–**	242
Other costs recorded within gross profit	**(350)**	888	**–**	–	**(350)**	888	**–**	–
Acquisition-related costs	**–**	729	**–**	729	**–**	–	**–**	–
Other costs	**–**	311	**–**	–	**–**	311	**–**	–
Recorded within a separate line in the consolidated income statements	**–**	1,040	**–**	729	**–**	311	**–**	–
Total other costs	**(350)**	1,928	**–**	729	**(350)**	1,199	**–**	–
Total restructuring and other costs	**12,074**	24,681	**11,933**	14,554	**141**	9,885	**–**	242

* non-cash

(All figures in thousands of US dollars)

NOTE 7 – ASSETS HELD FOR SALE

	December 30,	
	2017	2016
	$	$
Balance, beginning of year	**20,017**	11,265
Additions (Notes 11 and 12)	**4,090**	14,931
Remeasurement	**–**	(711)
Disposals	**(15,658)**	(5,362)
Effect of foreign currency exchange rate changes	**32**	(106)
Balance, end of year	**8,481**	20,017

As part of the on-going restructuring program described in Note 6, one additional property was made available for sale during the year ended December 30, 2017 within Dorel Juvenile segment (2016 – additions of $14,931 within Dorel Juvenile segment). These properties are presented as assets held for sale in the consolidated statements of financial position and measured at the lower of carrying amount and fair value less costs to sell. The fair value measurement of the assets held for sale have been categorized in Level 2 in the fair value hierarchy based on observable market inputs, i.e. offers from third-party buyers for these assets or similar assets or recent market prices of similar properties in similar locations.

During the year ended December 30, 2017, the Company completed the sale of certain underutilized facilities that were presented as assets held for sale as at December 30, 2016 representing $15,658 within Dorel Juvenile segment (2016 – $4,516 within Dorel Juvenile segment and $846 within Dorel Sports segment). Net losses from the remeasurement and disposal of assets held for sale amounting to $631 (2016 – $190) were recorded on these assets in 2017, which is included in restructuring and other costs in Note 6.

NOTE 8 – TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	December 30,	
	2017	2016
	$	$
Trade accounts receivable	**509,320**	501,390
Allowance for anticipated credits	**(74,527)**	(82,626)
Allowance for doubtful accounts (Note 33)	**(18,115)**	(12,239)
	416,678	406,525
Other receivables (Note 19)	**9,058**	15,593
	425,736	422,118

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

(All figures in thousands of US dollars)

NOTE 9 – INVENTORIES

Inventories consist of the following:

	December 30, 2017	2016
	$	$
Raw materials	**97,987**	82,558
Work in process	**6,622**	5,156
Finished goods	**487,527**	461,974
	592,136	549,688
Inventories carried at net realizable value	**70,846**	86,241

During the year ended December 30, 2017, the Company recorded in cost of sales $13,200 (2016 – $17,229) of write-downs of inventories as a result of net realizable value being lower than cost (including amounts presented in Note 6) and $2,880 of inventory write-downs recognized in previous years were reversed (2016 – $917). The cost of inventories recognized as an expense and included in cost of sales for the year ended December 30, 2017 was $1,793,418 (2016 – $1,834,525).

NOTE 10 – OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Other financial assets consist of the following:

	December 30, 2017	2016
	$	$
Cash flow hedges – Foreign exchange contracts	**128**	4,264
Cash flow hedges – Interest rate swaps	**57**	–
Held for trading – Foreign exchange contracts	**404**	69
Other financial assets	**514**	–
	1,103	4,333
Current	**553**	4,333
Non-current	**550**	–

Other financial liabilities consist of the following:

	December 30, 2017	2016
	$	$
Cash flow hedges – Foreign exchange contracts	**4,516**	99
Cash flow hedges – Interest rate swaps	**–**	454
Held for trading – Foreign exchange contracts	**30**	89
Other financial liabilities	**1,338**	1,042
	5,884	1,684
Current	**4,546**	569
Non-current	**1,338**	1,115

Information relating to foreign exchange contracts and interest rate swaps as well as the Company's exposure to credit, foreign exchange and interest rate risks related to other financial assets and financial liabilities are disclosed in Note 20.

(All figures in thousands of US dollars)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

a) Cost

	Land	Buildings and improvements	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leasehold improvements	Assets not yet in service	Assets under finance leases	Vehicles	Total
	$	$	$	$	$	$	$	$	$	$	$
Balance as at December 30, 2015	14,283	104,750	112,431	128,124	14,617	53,595	33,521	11,287	2,946	6,339	481,893
Additions	–	845	2,723	3,855	831	4,338	2,848	3,812	1,453	435	21,140
Disposals	–	(766)	(2,708)	(5,860)	(1,141)	(469)	(1,479)	–	(301)	(297)	(13,021)
Transfer from assets not yet in service	–	198	1,562	4,677	73	417	–	(6,927)	–	–	–
Transfer to assets held for sale (Note 7)	–	(5,551)	–	–	–	–	–	–	–	–	(5,551)
Effect of foreign currency exchange rate changes	299	5,486	3,118	(202)	1,864	1,555	(1,216)	(671)	(109)	100	10,224
Balance as at December 30, 2016	14,582	104,962	117,126	130,594	16,244	59,436	33,674	7,501	3,989	6,577	494,685
Additions	**–**	**572**	**3,109**	**2,908**	**1,121**	**2,277**	**1,520**	**27,018**	**1,754**	**202**	**40,481**
Disposals	**–**	**(537)**	**(5,492)**	**(1,254)**	**(1,667)**	**(3,284)**	**(1,257)**	**(46)**	**(1,114)**	**(577)**	**(15,228)**
Transfer from assets not yet in service	**–**	**2,392**	**6,039**	**7,255**	**371**	**1,509**	**816**	**(18,789)**	**137**	**270**	**–**
Transfer to assets held for sale (Note 7)	**(2,706)**	**(3,540)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,246)**
Effect of foreign currency exchange rate changes	**1,071**	**3,345**	**3,571**	**5,642**	**720**	**1,312**	**1,816**	**541**	**324**	**130**	**18,472**
Balance as at December 30, 2017	**12,947**	**107,194**	**124,353**	**145,145**	**16,789**	**61,250**	**36,569**	**16,225**	**5,090**	**6,602**	**532,164**

(All figures in thousands of US dollars)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (continued)

b) Accumulated depreciation and impairment losses

	Land	Buildings and improve-ments	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leasehold improve-ments	Assets not yet in service	Assets under finance leases	Vehicles	Total
	$	$	$	$	$	$	$	$	$	$	$
Balance as at December 30, 2015	–	28,951	67,287	107,025	9,368	41,209	16,971	–	1,880	2,660	275,351
Depreciation for the year	–	2,048	9,298	10,573	1,372	4,923	3,638	–	324	964	33,140
Disposals	–	(698)	(2,708)	(5,860)	(1,096)	(401)	(1,469)	–	(269)	(242)	(12,743)
Accelerated depreciation (Note 6)	–	–	57	–	44	198	1,619	–	–	42	1,960
Write-down (Note 6)	–	1,481	548	–	–	–	–	–	–	–	2,029
Transfer to assets held for sale (Note 7)	–	(2,767)	–	–	–	–	–	–	–	–	(2,767)
Effect of foreign currency exchange rate changes	–	3,468	(28)	(391)	1,719	1,626	(44)	–	(48)	119	6,421
Balance as at December 30, 2016	–	32,483	74,454	111,347	11,407	47,555	20,715	–	1,887	3,543	303,391
Depreciation for the year	**–**	**3,786**	**7,009**	**10,567**	**1,358**	**4,824**	**3,521**	**–**	**1,106**	**976**	**33,147**
Disposals	**–**	**(394)**	**(5,080)**	**(1,220)**	**(1,633)**	**(3,007)**	**(1,256)**	**–**	**(1,114)**	**(506)**	**(14,210)**
Accelerated depreciation (Note 6)	**–**	**–**	**62**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**62**
Write-down (Note 6)	**–**	**1,854**	**–**	**368**	**–**	**–**	**–**	**–**	**–**	**–**	**2,222**
Transfer to assets held for sale (Note 7)	**–**	**(2,156)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,156)**
Effect of foreign currency exchange rate changes	**–**	**809**	**2,148**	**4,702**	**464**	**974**	**1,281**	**–**	**212**	**92**	**10,682**
Balance as at December 30, 2017	**–**	**36,382**	**78,593**	**125,764**	**11,596**	**50,346**	**24,261**	**–**	**2,091**	**4,105**	**333,138**

Relating to the restructuring and other costs described in Note 6, the Company incurred write-down of assets of $2,222 during the year ended December 30, 2017 (2016 – $2,029). During the years ended December 30, 2017 and 2016, the Company did not incur any reversals of impairment losses.

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

	December 30,	
	2017	2016
	$	$
Included in cost of sales	**21,260**	21,294
Included in selling expenses	**2,191**	2,124
Included in general and administrative expenses	**9,696**	9,722
	33,147	33,140

(All figures in thousands of US dollars)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (continued)

c) Net book value

	Land	Buildings and improvements	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leasehold improvements	Assets not yet in service	Assets under finance leases	Vehicles	Total
	$	$	$	$	$	$	$	$	$	$	$
Balance as at December 30, 2016	14,582	72,479	42,672	19,247	4,837	11,881	12,959	7,501	2,102	3,034	191,294
Balance as at December 30, 2017	**12,947**	**70,812**	**45,760**	**19,381**	**5,193**	**10,904**	**12,308**	**16,225**	**2,999**	**2,497**	**199,026**

Assets not yet in service consist of the following major categories:

	December 30, 2017	December 30, 2016
	$	$
Buildings and improvements	**150**	112
Machinery and equipment	**2,875**	1,917
Moulds	**12,062**	4,633
Computer equipment	**765**	807
Leasehold improvements	**373**	32
	16,225	7,501

NOTE 12 – INTANGIBLE ASSETS

a) Cost

	Trademarks	Customer relationships	Supplier relationship	Patents	Land use rights	Software licenses	Deferred development costs	Total
	$	$	$	$	$	$	$	$
Balance as at December 30, 2015	336,955	143,562	1,500	25,440	36,901	14,949	88,968	648,275
Additions – internally developed	–	–	–	1,026	147	545	12,858	14,576
Additions – externally acquired	–	–	–	462	–	1,196	–	1,658
Disposals	–	–	–	(1,632)	–	(3)	(5,590)	(7,225)
Transfer to assets held for sale (Note 7)	–	–	–	–	(19,749)	–	–	(19,749)
Effect of foreign currency exchange rate changes	6,977	906	–	(177)	1,019	79	(1,813)	6,991
Balance as at December 30, 2016	343,932	144,468	1,500	25,119	18,318	16,766	94,423	644,526
Additions – internally developed	**–**	**–**	**–**	**943**	**–**	**1,262**	**17,248**	**19,453**
Additions – externally acquired	**–**	**–**	**–**	**562**	**–**	**1,221**	**–**	**1,783**
Disposals	**–**	**–**	**–**	**(527)**	**–**	**(208)**	**(402)**	**(1,137)**
Effect of foreign currency exchange rate changes	**8,931**	**5,174**	**–**	**830**	**630**	**1,376**	**9,721**	**26,662**
Balance as at December 30, 2017	**352,863**	**149,642**	**1,500**	**26,927**	**18,948**	**20,417**	**120,990**	**691,287**

(All figures in thousands of US dollars)

NOTE 12 – INTANGIBLE ASSETS (continued)

b) Accumulated amortization and impairment losses

	Trademarks	Customer relationships	Supplier relationship	Patents	Land use rights	Software licenses	Deferred development costs	Total
	$	$	$	$	$	$	$	$
Balance as at December 30, 2015	38,006	60,944	1,125	16,489	953	4,280	61,031	182,828
Amortization for the year	–	6,855	150	2,297	635	1,780	8,329	20,046
Disposals	–	–	–	(1,632)	–	(3)	(5,590)	(7,225)
Impairment losses (1)	–	18,381	–	–	–	–	–	18,381
Write-down (Note 6) (2)	–	–	–	–	6,748	–	5,590	12,338
Transfer to assets held for sale (Note 7)	–	–	–	–	(7,602)	–	–	(7,602)
Effect of foreign currency exchange rate changes	(1,071)	558	–	(131)	221	40	(1,444)	(1,827)
Balance as at December 30, 2016	36,935	86,738	1,275	17,023	955	6,097	67,916	216,939
Amortization for the year	**–**	**6,113**	**150**	**1,777**	**506**	**2,068**	**6,384**	**16,998**
Disposals	**–**	**–**	**–**	**(527)**	**–**	**(208)**	**(402)**	**(1,137)**
Effect of foreign currency exchange rate changes	**5,067**	**2,986**	**–**	**617**	**22**	**357**	**6,812**	**15,861**
Balance as at December 30, 2017	**42,002**	**95,837**	**1,425**	**18,890**	**1,483**	**8,314**	**80,710**	**248,661**

(1) During the year ended December 30, 2016, in light of foreign exchange pressure, challenging market and highly competitive conditions in the independent bike dealers (IBD) channel, assumptions on projected earnings and cash flow growth were revised for the Dorel Sports – IBD CGU resulting in an impairment charge with respect to the customer relationships of $18,381.

(2) Relating to the restructuring and other costs described in Note 6, the Company incurred write-down of long-lived assets of $6,748 during the year ended December 30, 2016. In addition, with the re-newed focus on less complexity and the need for improved time to market within Dorel Juvenile segment, certain product development projects were cancelled and their related costs of $5,590 were written-off during the year ended December 30, 2016.

During the years ended December 30, 2017 and 2016, the Company did not incur any reversals of impairment losses.

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

	December 30, 2017	2016
	$	$
Included in cost of sales	**506**	635
Included in selling expenses	**8,040**	9,302
Included in general and administrative expenses	**2,068**	1,780
Included in research and development expenses	**6,384**	8,329
	16,998	20,046

c) Net book value

	Trademarks	Customer relationships	Supplier relationship	Patents	Land use rights	Software licenses	Deferred development costs	Total
	$	$	$	$	$	$	$	$
Balance as at December 30, 2016	306,997	57,730	225	8,096	17,363	10,669	26,507	427,587
Balance as at December 30, 2017	**310,861**	**53,805**	**75**	**8,037**	**17,465**	**12,103**	**40,280**	**442,626**

(All figures in thousands of US dollars)

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

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

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

	Goodwill		Trademarks	
	2017	2016	**2017**	2016
	$	$	**$**	$
Dorel Juvenile – North America	**66,826**	66,826	**–**	–
Dorel Juvenile – Europe [(1)]	**196,761**	175,058	**54,217**	50,506
Dorel Juvenile – Latin America [(2)]	**–**	19,404	**15,582**	14,882
Dorel Juvenile – Brazil	**815**	829	**2,476**	2,519
Dorel Juvenile – Australia	**–**	–	**2,965**	2,747
Dorel Juvenile – China	**7,677**	7,677	**–**	–
Dorel Sports – Mass markets	**134,821**	134,824	**130,800**	130,800
Dorel Sports – Independent bike dealers (IBD)	**–**	–	**60,438**	60,382
Dorel Sports – Caloi	**–**	–	**44,383**	45,161
Dorel Home	**31,172**	31,172	**–**	–
Total	**438,072**	435,790	**310,861**	306,997

(1) For Dorel Juvenile – Europe, the CGU of the trademarks is at the South of Europe level.
(2) The carrying amounts of goodwill and trademarks for Dorel Juvenile – Latin America include the Silfa Group (Chile and Peru), Best Brands Group S.A. (Panama) and Baby Universe SAS (Colombia).

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

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

During the fourth quarter of 2017, due to lower commodity prices, political uncertainties and changes in consumer behaviour which had a negative impact on the economy in Chile and Peru coupled with stagnant growth expected in Colombia and Panama, assumptions on projected earnings and cash flow growth were revised for Dorel Juvenile – Latin America CGU resulting in a goodwill impairment loss of $19,929.

During the second quarter of 2016, in light of foreign exchange currency pressure, challenging market and highly competitive conditions in the IBD channel, assumptions on projected earnings and cash flow growth were revised for Dorel Sports – IBD CGU resulting in a goodwill impairment loss of $36,960.

During the fourth quarter of the years ended December 30, 2017 and 2016, the Company performed its annual impairment testing of goodwill and trademarks in accordance with the Company's accounting policy described in Note 4.

With the exception of the above CGUs in 2017 and 2016, the recoverable amounts of the other CGUs were at or higher than their carrying amount as at December 30, 2017 and 2016.

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

Valuation Techniques:

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

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

Valuation Techniques (continued):

Value in use:

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

Fair value less costs of disposal:

The market approach was used which assumes that companies operating in the same industry will share similar characteristics and that company fair values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate fair value. Under the market approach, fair value is calculated based on earnings before finance expenses, income taxes, depreciation and amortization ("EBITDA") multiples, earnings before finance expenses and income taxes ("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. If there is no binding sales agreement or active market for the asset or CGU, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU, such as the discounted cash flow models or relief from royalty method for trademarks. The market approach is most sensitive to the selection of multiples of benchmark companies used and applied premiums or discounts to derive the multiple used in the determination of the fair value. The relief from royalty method is based on inputs such as revenue growth, royalty rates and discount rates. The relief from royalty method is most sensitive to the selection of the royalty rates and to the discount rate used in the determination of the fair value of the trademarks. The determination of the royalty rates requires judgment and is linked with the estimated EBITDA and/or EBIT from the revenue associated with the trademarks.

Weighting of valuation techniques:

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

For Dorel Sports – IBD CGU, an asset fair value approach was used using the relief from royalty method to determine the fair value of the trademarks while the market approach was used to determine the fair value less costs of disposal of Dorel Juvenile – North America CGU.

Significant assumptions:

Key assumptions used in value in use calculations:

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

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

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

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

(All figures in thousands of US dollars)

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

Significant assumptions (continued):

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

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

	Basis used as recoverable amount		Pre-tax discount rate		Terminal growth rate	
	2017	2016	**2017**	2016	**2017**	2016
			%	%	**%**	%
Dorel Juvenile – North America	**Fair value**	Fair value	**–** [1]	– [1]	**–** [1]	– [1]
Dorel Juvenile – Europe	**Value in use**	Value in use	**13.90**	13.28	**2.00**	2.00
Dorel Juvenile – South of Europe	**Value in use**	Value in use	**15.39**	14.09	**2.00**	2.00
Dorel Juvenile – Latin America	**Value in use**	Value in use	**21.49**	20.61	**4.58**	4.77
Dorel Juvenile – Brazil	**Value in use**	Value in use	**24.23**	24.77	**5.00**	5.00
Dorel Juvenile – Australia	**Value in use**	Value in use	**19.90**	18.43	**4.00**	4.00
Dorel Juvenile – China	**Value in use**	Value in use	**15.75**	14.88	**3.00**	3.00
Dorel Sports – Mass markets	**Value in use**	Value in use	**14.90**	14.45	**3.00**	3.00
Dorel Sports – IBD	**Fair value** [2]	Fair value	**14.80**	16.67	**1.50**	3.00
Dorel Sports – Caloi	**Value in use**	Value in use	**20.10**	22.19	**5.00**	5.00
Dorel Home	**Value in use**	Value in use	**20.87**	20.15	**2.00**	2.00

(1) Based on market approach using a multiple of 10.4x (2016 – 9.4x).

(2) Based on the relief from royalty method to determine the fair value of the trademarks using a royalty rate of 2.25%.

The assumptions used by the Company in the future cash flow discounting model and market approach provided are classified as Level 3 in the fair value hierarchy, signifying that they are not based on observable market data. The Company performed the below sensitivity analysis to changes in assumptions for the basis used in the calculations of the recoverable amount of each CGU.

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

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the values of the recoverable amount calculation would have the following effects for the year ended December 30, 2017, 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]
Dorel Juvenile – North America	**–** [1]	**–** [1]
Dorel Juvenile – Europe	**103**	**150**
Dorel Juvenile – South of Europe	**98**	**154**
Dorel Juvenile – Latin America [2]	**–**	**–**
Dorel Juvenile – Brazil	**143**	**336**
Dorel Juvenile – Australia	**796**	**2,888**
Dorel Juvenile – China	**227**	**280**
Dorel Sports – Mass markets	**354**	**550**
Dorel Sports – IBD [3]	**–**	**–**
Dorel Sports – Caloi	**51**	**28**
Dorel Home [4]	**2,791**	**–**

(1) It would take a multiple of 8.5x for the carrying amount to exceed its recoverable amount.

(2) No sensitivity test was performed for this CGU since an impairment loss was recorded as a result of the impairment test performed during the fourth quarter of 2017.

(3) It would take a decrease of 25 basis points of the royalty rate or an increase of 115 basis points of pre-tax discount rate for the carrying amount of the trademarks to exceed its recoverable amount.

(4) The recoverable amount of Dorel Home CGU is not sensitive to the long-term growth rate assumption.

(All figures in thousands of US dollars)

NOTE 14 – OTHER ASSETS AND OTHER LIABILITIES

Other assets consist of the following:

	December 30,	
	2017	2016
	$	$
Sales tax receivable	**16,627**	11,483
Costs relating to revolving bank loans [(1)] (Notes 18 and 30)	**2,605**	1,951
Other	**1,667**	1,658
	20,899	15,092
Current	**13,747**	8,944
Non-current	**7,152**	6,148

(1) The amortization of financing costs related to the revolving bank loans included in finance expenses is $1,152 (2016 – $1,256).

Other liabilities consist of the following:

	December 30,	
	2017	2016
	$	$
Sales tax payable	**8,357**	8,128
Deferred revenue	**2,793**	6,475
Other	**11,157**	13,302
	22,307	27,905
Current	**11,150**	14,603
Non-current	**11,157**	13,302

NOTE 15 – BANK INDEBTEDNESS

The average interest rates on the outstanding borrowings as at December 30, 2017 and 2016 were 7.18% and 12.02% respectively. As at December 30, 2017, the Company had available bank lines of credit amounting to approximately $106,025 (2016 – $93,170) of which $58,229 (2016 – $49,490) have been used.

As at December 30, 2017, certain of the Company's bank lines of credit amounting to $10,869 (2016 – $32,389) are secured by trade receivables representing a carrying value of $3,268 (2016 – $9,696).

NOTE 16 – TRADE AND OTHER PAYABLES

	December 30,	
	2017	2016
	$	$
Trade creditors and accruals [(1)]	**385,215**	373,836
Salaries payable	**47,892**	47,219
Other accrued liabilities	**7,303**	7,826
	440,410	428,881

(1) During 2017, the Company entered into a trade payables finance program agreement with a financial institution to manage payments to some suppliers. As at December 30, 2017, trade payables under this program amount to $2,502, which is included within trade and other payables.

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

(All figures in thousands of US dollars)

NOTE 17 – WRITTEN PUT OPTION AND FORWARD PURCHASE AGREEMENT LIABILITIES

	December 30,	
	2017	2016
	$	$
Written put option and forward purchase agreement liabilities	**23,464**	33,825
Current	**–**	7,500
Non-current	**23,464**	26,325

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

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

	Dorel Sports Chile S.A.		Silfa Group		Best Brands Group S.A. and Baby Universe SAS		Caloi	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Expected payment date or contractual maturity [(1)]	**30% in April 2021**	30% in April 2020	**30% in April 2021**	30% in April 2020	**30% in April 2021**	30% in April 2020	**–**	15% in March 2017
Discount rate used to determine the fair value of the exit price	**4.0%**	4.2%	**4.0%**	4.9%	**5.0%**	6.0%	**–**	–
Mechanism that has created a financial liability	**Written put option**	Written put option	**Written put option**	Written put option	**Written put option**	Written put option	**–**	Forward purchase agreement
Balance of the financial liability, end of year	**$4,130**	$2,432	**$18,385**	$22,558	**$949**	$1,335	**$–**	$7,500
Remeasurement of the fair value of the financial liability is recognized in:	**Other equity**	Other equity	**Other equity**	Other equity	**Other equity**	Other equity	**–**	Finance expenses

(1) Represents the expected payment dates for the written put options and the contractual maturity for the forward purchase agreements.

Table providing information with regards to the remeasurement of the fair value of the written put option and forward purchase agreement liabilities for the years ended December 30, 2017 and 2016:

	Written Put Option Liabilities		Forward Purchase Agreement Liabilities		Total	
	2017	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$
Balance, beginning of year	**26,325**	27,152	**7,500**	7,740	**33,825**	34,892
Remeasurement of the fair value [unrealized]	**(2,861)**	(1,500)	**276**	4,265	**(2,585)**	2,765
Increase due to capital injection done by the non-controlling interest	**–**	673	**–**	–	**–**	673
Repayments	**–**	–	**(7,857)**	(4,414)	**(7,857)**	(4,414)
Effect of foreign currency exchange rate changes recognized in other comprehensive income (loss)	**–**	–	**81**	(91)	**81**	(91)
Balance, end of year	**23,464**	26,325	**–**	7,500	**23,464**	33,825

(All figures in thousands of US dollars)

NOTE 18 – LONG-TERM DEBT

The terms and conditions of outstanding loans are as follows:

				December 30, 2017		2016	
	Currency	**Nominal interest rate**	**Maturity date**	**Face value**	**Carrying amount**	Face value	Carrying amount
				$	**$**	$	$
Revolving bank loans bearing interest at various rates per annum, averaging 4.93% (2016 – 3.64%), total availability of $350,000 (2016 – $435,000). This agreement also includes an accordion feature allowing the Company to have access to an additional amount of $100,000 (2016 – $25,000) on a revolving basis. (1) (2) (3) (See below)	USD/ Euro/ CAD	LIBOR Euribor, Canadian or U.S. bank rates plus a margin	(3)	**136,447**	**136,447**	125,251	125,251
Term loan bearing interest at various rates per annum, averaging 3.44% (1) (2) (3) (See below)	USD	LIBOR plus a margin	(3)	**189,200**	**188,423**	–	–
Convertible debentures, interest payable semi-annually on May 31 and November 30 each year (See below)	USD	5.50%	November 30, 2019	**120,000**	**116,652**	120,000	115,074
Term loan, interest payable semi-annually in April and October each year with principal repayments as follows: - 1 instalment in October 2018 of $358 (220,000 CLP) - 1 instalment in October 2019 of $716 (440,000 CLP) - 1 instalment in October 2020 of $1,074 (660,000 CLP) - 1 instalment in October 2021 of $1,431 (880,000 CLP)	CLP	5.78%	October 15, 2021	**3,579**	**3,579**	–	–
Obligations under finance leases			Various dates	**2,326**	**2,326**	1,637	1,637
Series "B" Senior Guaranteed Notes Prepaid in 2017.	USD	5.14%		**–**	**–**	93,200	92,285
Series "C" Senior Guaranteed Notes Prepaid in 2017.	USD	4.60%		**–**	**–**	50,000	49,509
Borrowings with a five-year term Matured in May 2017.	BRL	floating CDI (Inter-Bank Certificate of Deposit) rate plus a margin		**–**	**–**	469	469
Non-convertible debentures Prepaid in 2017.	BRL	floating CDI (Inter-Bank Certificate of Deposit) rate plus a margin		**–**	**–**	21,966	21,847
Borrowings with a three-year term Matured in February 2017.	BRL	floating CDI (Inter-Bank Certificate of Deposit) rate plus a margin		**–**	**–**	184	184
Total outstanding loans				**451,552**	**447,427**	412,707	406,256
Current portion					**(13,667)**		(51,138)
					433,760		355,118

(1) Interest and principal payments are guaranteed by certain subsidiaries.

(2) As at December 30, 2017, the term loan as well as the revolving bank loans are secured by certain of the Company's trade receivables, inventories, property, plant and equipment and intangible assets, with a carrying value of $253,803, $414,468, $79,183 and $90,181, respectively.

(3) The maturity date of the revolving bank loans and the term loan is the earlier of (i) July 1, 2020 and (ii) May 30, 2019 if the convertible debentures have not been repaid or refinanced.

(All figures in thousands of US dollars)

NOTE 18 – LONG-TERM DEBT (continued)

Revolving bank loans and term loan

Effective March 24, 2017, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and extended the maturity date from July 1, 2018 to the earlier of (i) July 1, 2020 and (ii) May 30, 2019 if the convertible debentures have not been repaid or refinanced (i.e. six months prior to the maturity date). In addition, the total availability under the revolving bank loans was decreased to $350,000 from the total availability as at December 30, 2016 of $435,000. The accordion feature included in the Credit Agreement allowing the Company to have access to an additional amount of $25,000 as at December 30, 2016 was increased to $100,000. This amendment and restatement of the Credit Agreement was accounted for as a non-substantial modification and consequently resulted in no gain or loss recognized.

In addition, effective March 24, 2017, the Company secured a term loan of $200,000 with the same maturity date as the revolving bank loans. The term loan bears interest at various rates per annum, based on LIBOR rate plus a margin. The principal repayments of the term loan are as follows:

(i) – 4 quarterly instalments of $2,500 starting in July 2017;
– 4 quarterly instalments of $3,750 starting in July 2018;
– quarterly instalments of $5,000 starting in July 2019 to the extent the maturity date has not yet occurred; and
– any remaining outstanding amount on the maturity date; and

(ii) 50% of the quarterly Excess Cash Flow [1] to be applied as principal repayment for any quarter where the indebtedness to adjusted EBITDA ratio is more than 2.5x at the end of any quarter.

[1] Excess Cash Flow is defined as the quarterly adjusted EBITDA less income taxes paid, net paid additions to property, plant and equipment and intangible assets (including assets under finance leases), interest paid, scheduled repayments of long-term debt and acquisition-related costs paid plus or minus the net changes in balances related to operations.

The net proceeds from the term loan were used by the Company to prepay the Series “B” and “C” Senior Guaranteed Notes and the non-convertible debentures, and to reduce bank indebtedness. The prepayments of the Series “B” and “C” Senior Guaranteed Notes and the non-convertible debentures were accounted for as an extinguishment. A loss on early extinguishment of long-term debt of $10,199 was recorded as finance expenses during the year ended December 30, 2017 (see Note 31 a)) as a result of the prepayments of the Series “B” and “C” Senior Guaranteed Notes and the non-convertible debentures.

The financing costs related to the amended and restated Credit Agreement and the term loan amounted to approximately $2,773, of which $1,764 was allocated to the revolving bank loans and $1,009 to the term loan. As the amendment and restatement of the Credit Agreement was accounted for as a non-substantial modification, the financing costs allocated to the revolving bank loans were recorded as an addition to other assets and are amortized as interest expense on a straight-line basis over the term or life of the related debt. The financing costs allocated to the term loan were recorded as a reduction of its carrying amount and are amortized over the remaining term of the loan using the effective interest rate method.

Convertible debentures

	$
Proceeds from issuance in 2014	120,000
Transaction costs	(5,338)
Net proceeds	114,662
Amount classified as equity (net of transactions costs of $129)	(2,764)
Accreted interest	329
Carrying amount of liability at December 30, 2014	112,227
Accreted interest	1,371
Carrying amount of liability at December 30, 2015	113,598
Accreted interest	1,476
Carrying amount of liability at December 30, 2016	115,074
Accreted interest	**1,578**
Carrying amount of liability at December 30, 2017	**116,652**

(All figures in thousands of US dollars)

NOTE 18 – LONG-TERM DEBT (continued)

Convertible debentures (continued)

The convertible debentures are direct, subordinated, unsecured obligations of the Company and are ranking equally with one another and with all other existing and future unsecured indebtedness of the Company other than the $350,000 revolving bank loans and the USD denominated term loan.

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

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

Loan covenants

Under the $350,000 revolving bank loans and the USD denominated term loan, the Company is subject to certain covenants, including maintaining certain financial ratios. As at December 30, 2017, the Company was compliant with all its borrowing covenant requirements.

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

NOTE 19 – PROVISIONS

	Product liability	Warranty provision	Employee compensation	Restructuring provision (Note 6)	Other provisions	Total
	$	$	$	$	$	$
Balance as at December 30, 2016	43,485	12,247	1,536	3,791	3,791	64,850
Arising during the year	11,333	10,203	162	11,505	4,109	37,312
Utilized	(27,310)	(11,257)	(69)	(12,303)	(4,233)	(55,172)
Unused amounts reversed	(382)	(117)	(15)	(330)	(285)	(1,129)
Effect of foreign currency exchange rate changes	(1)	142	183	176	67	567
Balance as at December 30, 2017	**27,125**	**11,218**	**1,797**	**2,839**	**3,449**	**46,428**
Current 2017	**27,125**	**11,218**	**–**	**2,839**	**2,293**	**43,475**
Non-current 2017	**–**	**–**	**1,797**	**–**	**1,156**	**2,953**
	27,125	**11,218**	**1,797**	**2,839**	**3,449**	**46,428**
Current 2016	43,485	12,247	–	3,791	3,646	63,169
Non-current 2016	–	–	1,536	–	145	1,681
	43,485	12,247	1,536	3,791	3,791	64,850

Product liability

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

During 2016, product liability costs (net of related insurance coverage of $21,000) increased due to several settlements and associated legal costs for which the net expense was recorded in general and administrative expenses in the consolidated income statements. As at December 30, 2016, there was an amount of $9,000 within the other receivables (Note 8) relating to the insurance coverage on a U.S. car seat case settlement. This amount was received during the year ended December 30, 2017.

(All figures in thousands of US dollars)

NOTE 19 – PROVISIONS (continued)

Warranty provision

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

Employee compensation

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

Restructuring provision

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

Other provisions

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

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

NOTE 20 – FINANCIAL INSTRUMENTS

Financial instruments – classification, carrying values and fair values

Classification

The Company classifies cash and cash equivalents, trade and other receivables and other financial assets as loans and receivables. The Company classifies bank indebtedness, trade and other payables, long-term debt and other financial liabilities as other financial liabilities.

Fair value disclosure

The Company has determined that the fair value of its current financial assets and liabilities approximates their respective carrying amounts as at the statement of financial position dates because of the short-term nature of those financial instruments. For long-term debt bearing interest at variable rates, the fair value is considered to approximate the carrying amount. For long-term debt bearing interest at fixed rates, the fair value is estimated using level 2 inputs in the fair value hierarchy based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity.

The fair value of the long-term debt bearing interest at fixed rates is as follows:

	December 30, 2017		December 30, 2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Long-term debt – bearing interest at fixed rates	**122,557**	**124,675**	258,505	261,082

(All figures in thousands of US dollars)

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Financial instruments – classification, carrying values and fair values (continued)

Fair value measurement

The following table provides information about financial assets and liabilities measured at fair value in the statement of financial position and categorized by level of the fair value hierarchy as at December 30, 2017:

	December 30, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Financial assets				
Held for trading financial assets:				
Foreign exchange contracts	**404**	**–**	**404**	**–**
Derivatives designated as cash flow hedges:				
Foreign exchange contracts	**128**	**–**	**128**	**–**
Interest rate swaps	**57**	**–**	**57**	**–**
Financial liabilities				
Held for trading financial liabilities:				
Foreign exchange contracts	**30**	**–**	**30**	**–**
Financial liabilities measured at fair value:				
Written put option liabilities (Note 17)	**23,464**	**–**	**–**	**23,464**
Derivatives designated as cash flow hedges:				
Foreign exchange contracts	**4,516**	**–**	**4,516**	**–**

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

The fair value of the 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.

The fair value of the 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.

(All figures in thousands of US dollars)

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Foreign exchange gains (losses)

	December 30,	
	2017	2016
	$	$
Gains (losses) relating to financial assets and liabilities, excluding foreign exchange contracts	**2,545**	(1,553)
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	**363**	(1,816)
Foreign exchange gains (losses)	**2,908**	(3,369)

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

	December 30,	
	2017	2016
	$	$
Included in cost of sales	**3,351**	(334)
Included in general and administrative expenses [(1)]	**(171)**	(1,974)
Included in research and development expenses	**4**	(3)
Included in finance expenses	**(276)**	(1,058)
	2,908	(3,369)

(1) Includes the gain recognized related to the ineffectiveness on hedge of net investments in foreign operations of $3,143 (2016 – loss of $1,015).

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 on-going basis. In order to limit the effects of changes in foreign exchange rates on its revenue, 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 arising from financial instruments.

Foreign Exchange Rate Risk

The Company's main source of foreign exchange rate risk resides in sales and purchases of goods denominated in currencies other than the functional currency of each of the Company's entities. For the Company's transactions denominated in currencies other than the functional currency of each of the Company's entities, fluctuations in the respective foreign 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 statements. The Company's financial debt mainly consists of long-term debt issued in US dollars for which no foreign currency hedging is required. Most of short-term lines of credit, overdrafts and long-term debt commonly used by the Company's entities are in the currency of the borrowing entity and therefore carry no foreign exchange rate risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to foreign 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 or loss in the consolidated income statements. In order to mitigate the foreign exchange rate risk, from time to time, the Company uses various derivative financial instruments such as swaps, options, futures and forward contracts to hedge against adverse fluctuations in foreign currency rates.

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

(All figures in thousands of US dollars)

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Foreign Exchange Rate Risk (continued)

The following tables provide an indication of the Company's significant foreign currency exposures as at December 30, 2017 and 2016, being the year-end balances of financial assets and liabilities denominated in currencies other than the functional currency of each of the Company's entities, as well as the amount of revenue and expenses during the years ended December 30, 2017 and 2016 that were denominated in foreign currencies other than the functional currency of each of the Company's entities. The tables below do not consider the effect of foreign exchange contracts. Amounts are presented in the equivalent US $.

	December 30, 2017					
	USD	**CAD**	**Euro**	**RMB**	**JPY**	**CHF**
	$	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	**3,746**	**986**	**432**	**2,285**	**13**	**193**
Trade and other receivables	**8,179**	**17,952**	**788**	**163**	**–**	**1,384**
Bank indebtedness	**(39)**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**(34,075)**	**(20,454)**	**(297)**	**(26,189)**	**(1,164)**	**(64)**
Long-term debt	**(58)**	**(25,457)**	**–**	**–**	**–**	**–**
Inter-company loans	**(10,365)**	**597**	**11,074**	**9,568**	**(1,130)**	**21**
Statement of financial position exposure excluding financial derivatives	**(32,612)**	**(26,376)**	**11,997**	**(14,173)**	**(2,281)**	**1,534**

	December 30, 2016					
	USD	CAD	Euro	RMB	JPY	CHF
	$	$	$	$	$	$
Cash and cash equivalents	2,347	792	554	601	12	388
Trade and other receivables	5,104	20,760	573	1,907	–	1,464
Bank indebtedness	(13,152)	–	–	–	–	–
Trade and other payables	(32,028)	(21,433)	(233)	(31,946)	(545)	(8)
Long-term debt	(247)	(23,404)	–	–	–	–
Inter-company loans	(11,859)	(302)	8,294	(84)	(1,397)	(1,179)
Statement of financial position exposure excluding financial derivatives	(49,835)	(23,587)	9,188	(29,522)	(1,930)	665

	December 30, 2017						
	USD	**CAD**	**Euro**	**RMB**	**JPY**	**CHF**	**TWD**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	**33,689**	**86,109**	**5,238**	**4,119**	**–**	**6,066**	**39**
Expenses	**342,964**	**111,942**	**62,080**	**106,965**	**11,063**	**1,918**	**4,356**
Net exposure	**(309,275)**	**(25,833)**	**(56,842)**	**(102,846)**	**(11,063)**	**4,148**	**(4,317)**

	December 30, 2016						
	USD	CAD	Euro	RMB	JPY	CHF	TWD
	$	$	$	$	$	$	$
Revenue	22,878	77,361	5,163	117	29	6,397	65
Expenses	274,347	99,048	60,771	77,146	10,928	2,345	3,947
Net exposure	(251,469)	(21,687)	(55,608)	(77,029)	(10,899)	4,052	(3,882)

(All figures in thousands of US dollars)

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Foreign Exchange Rate Risk (continued)

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

Foreign exchange contracts Currencies (sold/bought)	December 30, 2017 Average rate [1]	Notional amount [2]	Fair value	December 30, 2016 Average rate [1]	Notional amount [2]	Fair value
		$	$		$	$
Forwards						
Euro/USD	**0.8677**	**81,665**	**(4,262)**	0.8758	47,625	3,349
GBP/Euro	**0.8849**	**12,960**	**74**	0.8465	7,070	72
AUD/USD	**1.2740**	**5,090**	**22**	1.3284	6,470	283
GBP/USD	**0.7580**	**6,740**	**(173)**	0.7822	4,800	167
BRL/USD	**3.2450**	**700**	**10**	3.3977	2,200	(64)
CAD/USD	**1.2545**	**5,006**	**(15)**	1.3221	4,671	69
CLP/USD	**622.8367**	**3,000**	**(38)**	–	–	–
USD/ILS	**–**	**–**	**–**	0.2621	2,342	(14)
JPY/USD	**112.5489**	**2,797**	**(11)**	105.6230	3,105	283
USD/RMB	**0.1496**	**23,111**	**394**	–	–	–
Swaps						
Euro/USD	**0.8384**	**2,500**	**(13)**	–	–	–
GBP/USD	**0.7476**	**200**	**(2)**	–	–	–
Total			**(4,014)**			4,145

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

(2) Foreign exchange rates as at December 30, 2017 and 2016 were used to translate amounts in foreign currencies.

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

	2017 Year-to-date average rate	**Reporting date rate December 30, 2017**	2016 Year-to-date average rate	Reporting date rate December 30, 2016
CAD to USD	**0.7705**	**0.7955**	0.7544	0.7448
Euro to USD	**1.1275**	**1.2000**	1.1060	1.0553
GBP to USD	**1.2878**	**1.3503**	1.3495	1.2337
AUD to USD	**0.7665**	**0.7803**	0.7432	0.7230
CLP to USD	**0.0015**	**0.0016**	0.0015	0.0015
BRL to USD	**0.3133**	**0.3019**	0.2866	0.3072
COP to USD	**0.0003**	**0.0003**	0.0003	0.0003
RMB to USD	**0.1480**	**0.1537**	0.1505	0.1437

(All figures in thousands of US dollars)

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Foreign Exchange Rate Risk (continued)

Based on the Company's foreign currency exposures noted above and the foreign exchange contracts in effect in 2017 and 2016, 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, 2017 and 2016, assuming that all other variables remained constant:

			December 30, 2017			
Source of variability from changes in foreign exchange rates	**USD**	**CAD**	**Euro**	**RMB**	**JPY**	**CHF**
	$	**$**	**$**	**$**	**$**	**$**
Financial instruments, including foreign exchange contracts for which the Company does not apply hedge accounting	**1,461**	**1,570**	**(600)**	**(436)**	**114**	**(77)**
Revenue and expenses	**15,464**	**1,292**	**2,842**	**5,142**	**553**	**(207)**
Increase (decrease) on pre-tax income	**16,925**	**2,862**	**2,242**	**4,706**	**667**	**(284)**
Increase (decrease) on other comprehensive income (loss)	**(3,678)**	**–**	**(524)**	**–**	**–**	**–**

			December 30, 2016			
Source of variability from changes in foreign exchange rates	USD	CAD	Euro	RMB	JPY	CHF
	$	$	$	$	$	$
Financial instruments, including foreign exchange contracts for which the Company does not apply hedge accounting	2,205	1,409	(459)	1,476	96	(33)
Revenue and expenses	12,573	1,084	2,780	3,851	545	(203)
Increase (decrease) on pre-tax income	14,778	2,493	2,321	5,327	641	(236)
Increase (decrease) on other comprehensive income (loss)	(2,125)	–	(282)	–	–	–

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, 2017 and 2016, 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 bank loans and its USD denominated term loan, 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.

(All figures in thousands of US dollars)

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Interest Rate Risk (continued)

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

	Fixed rate	Notional amount	Maturity	Fair value December 30, 2017	Fair value December 30, 2016
	%	$		**$**	$
Interest rate swap agreements	1.75	50,000	March 26, 2019	**57**	(454)

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

	2017	2016
	$	$
Derivatives designated as cash flow hedges:		
Interest rate swaps included in current other financial assets	**21**	–
Interest rate swaps included in non-current other financial assets	**36**	–
Interest rate swaps included in current other financial liabilities	**–**	(381)
Interest rate swaps included in non-current other financial liabilities	**–**	(73)
	57	(454)

Based on the currently outstanding long-term debt bearing interest at variable rates and interest rate swaps as at December 30, 2017 and 2016, 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:

	2017		2016	
	0.5% increase	**0.5% decrease**	0.5% increase	0.5% decrease
	$	**$**	$	$
Increase (decrease) on pre-tax income due to long-term debt bearing interest at variable rates	**(1,624)**	**1,624**	(739)	739
Increase (decrease) on other comprehensive income (loss) due to interest rate swaps	**144**	**(145)**	197	(199)

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, 2017 and 2016, represents the carrying value of cash equivalents and trade and other receivables as well as the fair value of foreign exchange contracts and interest rate swaps with positive fair values.

Substantially all trade accounts receivable arise from the sale to the retail industry. The Company performs on-going 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 2017, sales to a major customer represented 27.2% of total revenue (2016 – 27.8%). As at December 30, 2017, one customer accounted for 16.1% of the Company's total trade accounts receivable balance (2016 – 15.0%).

(All figures in thousands of US dollars)

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Credit Risk (continued)

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

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

	December 30,	
	2017	2016
	$	$
Canada	**30,572**	27,001
United States	**182,104**	193,449
Europe	**113,092**	99,452
Latin America	**66,094**	61,821
Asia	**12,205**	16,349
Other countries	**12,611**	8,453
	416,678	406,525

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

	December 30,	
	2017	2016
	$	$
Mass-market retailers	**219,087**	211,549
Specialty/independent stores	**197,591**	194,976
	416,678	406,525

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

	December 30,	
	2017	2016
	$	$
Not past due	**343,225**	311,913
Past due 0-30 days	**42,852**	45,018
Past due 31-60 days	**12,738**	17,515
Past due 61-90 days	**5,328**	8,605
Past due over 90 days	**30,650**	35,713
Trade accounts receivable	**434,793**	418,764
Less allowance for doubtful accounts (Note 33)	**(18,115)**	(12,239)
	416,678	406,525

Based on past experience, the Company believes that no significant allowance for doubtful accounts, other than the allowance for doubtful accounts recorded in the amount of $3,815 in connection with trade accounts receivable from Toys"R"Us, Inc. (Note 33), is necessary in respect of trade accounts receivable not past due and past due 0-30 days which together represent 88.8% of total gross trade accounts receivable (2016 – 85.2%). 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.

(All figures in thousands of US dollars)

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Management of risks arising from financial instruments (continued)

Credit Risk (continued)

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

	December 30, 2017	December 30, 2016
	$	$
Balance, beginning of year	**12,239**	12,132
Bad debt expense (Note 33)	**7,623**	5,617
Uncollectible accounts written-off	**(2,532)**	(5,230)
Effect of foreign currency exchange rate changes	**785**	(280)
Balance, end of year	**18,115**	12,239

Liquidity Risk

Liquidity risk is the risk of being unable to honor financial commitments by the deadlines set out under the terms of such commitments. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in "Capital Management" (Note 21). It also manages liquidity risk by continuously monitoring actual and projected cash flows matching the maturity profile of financial assets and liabilities. During 2017, the Company entered into a trade payables finance program agreement with a financial institution to manage payments to some suppliers, which is an integral part of the Company's liquidity risk management process. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions not in the ordinary course of business, including acquisitions or other major investments or divestitures. Management believes that future cash flows from operations and availability under existing/renegotiated banking arrangements will be adequate to support the Company's financial liabilities.

The following table summarizes the contractual maturities of financial liabilities of the Company as at December 30, 2017, excluding future interest payments but including accrued interest:

	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
	$	**$**	**$**	**$**	**$**
Bank indebtedness	**58,229**	**58,229**	**–**	**–**	**–**
Long-term debt – revolving bank loans	**136,447**	**–**	**136,447**	**–**	**–**
Other long-term debt	**315,105**	**13,667**	**299,686**	**1,752**	**–**
Trade and other payables	**440,410**	**440,410**	**–**	**–**	**–**
Foreign exchange contracts	**4,546**	**4,546**	**–**	**–**	**–**
Written put option liabilities	**23,464**	**–**	**–**	**23,464**	**–**
Other financial liabilities	**1,338**	**–**	**676**	**441**	**221**
Total	**979,539**	**516,852**	**436,809**	**25,657**	**221**

The Company's only derivative financial liabilities as at December 30, 2017 and 2016 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 Rate Risk" and "Interest Rate Risk".

NOTE 21 – CAPITAL MANAGEMENT

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

(All figures in thousands of US dollars)

NOTE 21 – CAPITAL MANAGEMENT (continued)

The Company manages its capital structure in light of changes in economic conditions and the requirements of the ratio required to be adhered to for bank covenant purposes. In order to maintain or adjust the capital structure, the Company may elect to adjust the amount of dividends paid to shareholders, return capital to its shareholders, issue new shares or increase/decrease net debt.

The Company monitors its capital structure using the ratio of indebtedness to earnings before finance expenses, income taxes, depreciation and amortization, stock option plan expense, impairment losses, write-down of long-lived assets, (paid) unpaid product liability costs related to judgments and restructuring and other costs ("adjusted EBITDA"). This ratio is calculated as follows: indebtedness / adjusted EBITDA and it represents the ratio required for bank covenants and it must be kept below a certain threshold so as not to be in breach. As a result of the covenants for the revolving bank loans and the USD denominated term loan (Note 18), the Company has revised during the year ended December 30, 2017 its definition of indebtedness used in its indebtedness to adjusted EBITDA ratio in order to align management monitoring of its capital structure with the financial ratios calculation. Indebtedness is equal to the aggregate of bank indebtedness, face value of long-term debt (excluding convertible debentures and including obligations under finance leases), guarantees (including all letters of credit and standby letters of credit) and written put option and forward purchase agreement liabilities based on current earnings level less cash and cash equivalents up to a maximum amount of $25,000 subject to certain conditions. Adjusted EBITDA is based on the last four quarters ending on the same date as the statement of financial position date used to compute the indebtedness but including retroactively the results of operations of the acquired businesses. The indebtedness to adjusted EBITDA ratio as at December 30, 2017 and 2016 were as follows:

	December 30,	
	2017	2016
	$	$
Bank indebtedness	**58,229**	49,490
Face value of long-term debt [excluding convertible debentures] (Note 18)	**331,552**	292,707
Guarantees (Note 26 d))	**21,334**	22,733
Written put option and forward purchase agreement liabilities [(1)]	**8,346**	22,645
Less: cash and cash equivalents	**(11,854)**	–
Indebtedness	**407,607**	387,575

[(1)] Based on current earnings level

	For the trailing four quarters ended December 30,	
	2017	2016
	$	$
Net income (loss)	**27,441**	(11,611)
Finance expenses	**43,248**	42,899
Income taxes expense (recovery)	**16,753**	(9,974)
Depreciation and amortization	**50,145**	53,186
Write-down of deferred development costs	**–**	5,590
Impairment losses on goodwill and intangible assets (Notes 12 and 13)	**19,929**	55,341
Restructuring and other costs (Note 6)	**12,074**	24,681
(Paid) unpaid product liability costs related to judgments	**(9,550)**	9,550
Stock option plan (recovery) expense (Note 24)	**(38)**	86
Adjusted EBITDA	**160,002**	169,748
Indebtedness to adjusted EBITDA ratio	**2.55:1**	2.28:1

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

(All figures in thousands of US dollars)

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS

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

The plans provide benefits based on a defined benefit amount and length of service. Pension benefit obligations under the defined benefit plans are determined annually by independent actuaries using management's assumptions and the accumulated benefit method for the plans where future salary levels do not affect the amount of employee future benefits and the projected benefit method for the plans where future salaries or cost escalation affect the amount of employee future benefits.

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

	December 30, 2017		December 30, 2016	
	Pension benefits	**Post-retirement benefits**	Pension benefits	Post-retirement benefits
	$	**$**	$	$
Present value of the defined benefit obligations under wholly or partially funded plans:				
Balance, beginning of year	**69,296**	**10,725**	68,512	18,180
Current service cost	**2,888**	**60**	2,065	279
Interest cost	**2,175**	**430**	2,384	645
Participants contributions	**547**	**–**	615	–
Benefits paid	**(2,123)**	**(608)**	(4,383)	(876)
Past service costs [(1)]	**69**	**–**	(121)	(9,390)
Effect of foreign currency exchange rate changes	**3,928**	**–**	(846)	–
Remeasurement (gains) losses recognized in other comprehensive income (loss)	**678**	**221**	2,096	1,887
Restructuring giving rise to curtailments (Note 6)	**(1,908)**	**–**	(891)	–
Settlement gain	**–**	**–**	(135)	–
Balance, end of year	**75,550**	**10,828**	69,296	10,725
Plan assets:				
Fair value, beginning of year	**44,815**	**–**	43,634	–
Interest income on plan assets	**1,495**	**–**	1,605	–
Remeasurement gains (losses) recognized in other comprehensive income (loss)	**1,013**	**–**	1,023	–
Employer contributions	**3,225**	**608**	3,020	876
Participants contributions	**547**	**–**	615	–
Benefits paid	**(2,123)**	**(608)**	(4,383)	(876)
Effect of foreign currency exchange rate changes	**2,396**	**–**	(532)	–
Additional charges	**(227)**	**–**	(167)	–
Fair value, end of year	**51,141**	**–**	44,815	–
Net liability arising from defined benefit obligations	**(24,409)**	**(10,828)**	(24,481)	(10,725)

(1) As a result of a plan amendment in the post-retirement defined benefits during the year ended December 30, 2016, a curtailment gain related to past service costs of $9,390 was recognized in cost of sales in the consolidated income statement in 2016 within Dorel Juvenile segment.

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

	December 30, 2017		December 30, 2016	
	Pension benefits	**Post-retirement benefits**	Pension benefits	Post-retirement benefits
	$	**$**	$	$
Present value of defined benefit obligations	**75,550**	**10,828**	69,296	10,725
Fair value of plan assets	**51,141**	**–**	44,815	–
Net liability arising from defined benefit obligations	**(24,409)**	**(10,828)**	(24,481)	(10,725)

(All figures in thousands of US dollars)

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Remeasurements of the net defined benefit liabilities recorded during the years ended:

	December 30, 2017		December 30, 2016	
	Pension benefits	**Post-retirement benefits**	Pension benefits	Post-retirement benefits
	$	**$**	$	$
Remeasurement gains (losses) recognized in other comprehensive income (loss):				
Return on plan assets (excluding amounts included in net interest expense)	**1,013**	**–**	1,023	–
Actuarial gains and losses arising from changes in demographic assumptions	**854**	**134**	1,078	505
Actuarial gains and losses arising from changes in financial assumptions	**(3,547)**	**(613)**	(3,806)	(1,751)
Actuarial gains and losses arising from experience adjustments	**2,015**	**258**	632	(641)
	335	**(221)**	(1,073)	(1,887)

	December 30, 2017		December 30, 2016	
	Pension benefits	**Post-retirement benefits**	Pension benefits	Post-retirement benefits
	$	**$**	$	$
Remeasurement gains (losses) accumulated in other comprehensive income (loss):				
Balance, beginning of year	**(12,631)**	**(10,093)**	(11,605)	(8,206)
Recognized during the year in other comprehensive income (loss)	**335**	**(221)**	(1,073)	(1,887)
Effect of foreign currency exchange rate changes	**(157)**	**–**	47	–
Balance, end of year	**(12,453)**	**(10,314)**	(12,631)	(10,093)

Net retirement costs for the defined benefit plans included in the consolidated income statements comprise the following:

	December 30, 2017		December 30, 2016	
	Pension benefits	**Post-retirement benefits**	Pension benefits	Post-retirement benefits
	$	**$**	$	$
Current service cost	**2,888**	**60**	2,065	279
Net interest expense	**680**	**430**	779	645
Past service costs	**69**	**–**	(121)	(9,390)
Additional charges	**227**	**–**	167	–
Effect of curtailments (Note 6)	**(1,908)**	**–**	(891)	–
Settlement gain	**–**	**–**	(135)	–
Net retirement expense (income) for the year	**1,956**	**490**	1,864	(8,466)
Actual return on plan assets	**2,508**	**–**	2,628	–

Other than the curtailments gain presented within the restructuring and other costs (Note 6), the pension and post-retirement expense is recognized within general and administrative expenses whereas the production-related portion thereof and the curtailment gain related to past service costs of $9,390 recorded in 2016 resulting from the plan amendment are recognized within cost of sales.

Under the Company's defined contribution plans, total expense was $4,441 (2016 – $3,165) and is recorded within the appropriate headings of expenses by function. Total cash payments for employee future benefits for 2017, 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 $8,274 (2016 – $7,061).

(All figures in thousands of US dollars)

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Actuarial assumptions and sensitivity analysis

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

	Pension benefits		Post-retirement benefits	
	2017	2016	**2017**	2016
	%	%	**%**	%
Discount rate	**2.79**	3.13	**3.60**	4.14
Rate of compensation increase	**2.59**	2.72	**n/a**	n/a

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

	Pension benefits		Post-retirement benefits	
	2017	2016	**2017**	2016
Discount rate	**3.13%**	3.54%	**4.14%**	[1]
Rate of compensation increase	**2.72%**	2.77%	**n/a**	n/a
Post-retirement mortality at age 65 for current pensioners (male)	**19.4 years**	19.5 years	**19.6 years**	19.8 years
Post-retirement mortality at age 65 for current pensioners (female)	**22.4 years**	22.4 years	**22.1 years**	22.2 years
Post-retirement mortality at age 65 for current pensioners aged 45 (male)	**20.9 years**	21.0 years	**21.2 years**	21.4 years
Post-retirement mortality at age 65 for current pensioners aged 45 (female)	**23.9 years**	23.8 years	**23.7 years**	23.9 years

(1) 4.34% for the seven months ended July 31, 2016 (measurement date) and 3.46% for the five months ended December 30, 2016.

At December 30, 2017, the weighted-average duration of the defined benefit obligations was 19.4 years for the pension benefits (2016 – 17.1 years) and 11.1 years for the post-retirement benefits (2016 – 11.1 years).

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations as at December 30, 2017 and 2016 by the amounts shown below:

	Pension benefits 2017		Post-retirement benefits 2017		Pension benefits 2016		Post-retirement benefits 2016	
	Increase	**Decrease**	**Increase**	**Decrease**	Increase	Decrease	Increase	Decrease
	$	**$**	**$**	**$**	$	$	$	$
Discount rate (0.25% movement)	**(3,502)**	**3,770**	**(291)**	**305**	(2,851)	3,056	(288)	301
Rate of compensation increase (0.5% movement)	**959**	**(938)**	**n/a**	**n/a**	961	(943)	n/a	n/a

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the net periodic cost for the years ended December 30, 2017 and 2016 by the amounts shown below.

	Pension benefits 2017		Post-retirement benefits 2017		Pension benefits 2016		Post-retirement benefits 2016	
	Increase	**Decrease**	**Increase**	**Decrease**	Increase	Decrease	Increase	Decrease
	$	**$**	**$**	**$**	$	$	$	$
Discount rate (0.25% movement)	**(260)**	**288**	**(11)**	**12**	(201)	222	(5)	5
Rate of compensation increase (0.5% movement)	**115**	**(114)**	**n/a**	**n/a**	105	(107)	n/a	n/a

The assumed health care cost trend used for measurement of the accumulated post-retirement benefit obligation is 8% in 2017, decreasing gradually to 5% in 2021 and remaining at that level thereafter.

(All figures in thousands of US dollars)

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Actuarial assumptions and sensitivity analysis (continued)

Assumed health care cost trends have a significant effect on the amounts reported for health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects as at December 30:

	1 percentage point 2017		1 percentage point 2016	
	Increase	**Decrease**	Increase	Decrease
	$	**$**	$	$
Effect on total of service and interest cost	**42**	**(36)**	248	(197)
Effect on post-retirement benefit obligation	**983**	**(868)**	1,014	(876)

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

The measurement date used for plan assets and pension benefits, and the measurement date used for post-retirement benefits was December 30 for both 2017 and 2016. The most recent actuarial valuations for the pension plans and post-retirement benefit plans are dated January 1st, 2017. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1st, 2017, and the next required valuation will be as of January 1st, 2018.

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

	December 30,			
	2017		2016	
	$	**%**	$	%
Debt securities				
Mutual funds – fixed income securities				
United States	**7,199**	**14**	7,037	16
Europe	**17**	**–**	152	–
International	**1,731**	**3**	2,464	6
Total debt securities	**8,947**	**17**	9,653	22
Other				
Insurance contracts	**19,498**	**38**	16,954	38
Mutual funds – specialty	**1,872**	**4**	3,644	8
Total other	**21,370**	**42**	20,598	46
Equity securities				
Canada	**155**	**–**	161	–
United States	**11,013**	**22**	8,978	20
Europe	**1,689**	**3**	1,719	4
International	**4,056**	**8**	2,624	6
Total equity securities	**16,913**	**33**	13,482	30
Cash and cash equivalents	**3,911**	**8**	1,082	2
Total	**51,141**	**100**	44,815	100

All debt securities, all equity securities and all other mutual funds – specialty are valued based on quoted prices (unadjusted) for identical assets and liabilities in active markets. All insurance contracts do not have a quoted market price.

The Company expects $3,139 in contributions to be paid to the funded defined benefit plans and $658 in benefits to be paid for the unfunded plans in 2018.

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, 2017 was $10,257 (2016 – $13,736) under this self-insured benefit program.

(All figures in thousands of US dollars)

NOTE 23 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

The share capital of the Company is as follows:

Authorized

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

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

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

Details of the issued and outstanding shares are as follows:

	December 30,			
	2017		2016	
	Number	**Amount**	Number	Amount
		$		$
Class "A" Multiple Voting Shares				
Balance, beginning of year	**4,193,435**	**1,770**	4,195,135	1,771
Converted from Class "A" to Class "B" (1)	**(3,600)**	**(2)**	(1,700)	(1)
Balance, end of year	**4,189,835**	**1,768**	4,193,435	1,770
Class "B" Subordinate Voting Shares				
Balance, beginning of year	**28,210,545**	**200,630**	28,138,126	198,506
Converted from Class "A" to Class "B" (1)	**3,600**	**2**	1,700	1
Issued under stock option plan (2)	**–**	**–**	61,000	1,534
Reclassification from contributed surplus due to exercise of stock options	**–**	**–**	–	385
Reclassification from contributed surplus due to settlement of deferred share units (Note 24)	**34,466**	**900**	9,719	204
Balance, end of year	**28,248,611**	**201,532**	28,210,545	200,630
TOTAL SHARE CAPITAL		**203,300**		202,400

(1) During the year ended December 30, 2017, the Company converted 3,600 Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares (2016 – 1,700) at an average rate of $0.63 per share (2016 – $0.63 per share).

(2) During the year ended December 30, 2016, the Company realized tax benefits amounting to $55 as a result of stock option transactions. The benefit has been credited to share capital and is therefore not reflected in the current income tax provision.

Nature and purpose of other components of equity

Contributed Surplus

The contributed surplus account is used to recognize the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration. Refer to Note 24 for further details of these plans.

Other Comprehensive Income (Loss)

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.

(All figures in thousands of US dollars)

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

Nature and purpose of other components of equity (continued)

Other Comprehensive Income (Loss) (continued)

Cash Flow Hedges

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

Defined Benefit Plans

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

Other Equity

The other equity account comprises the amount allocated to the equity component of the convertible debentures issued by the Company in October 2014 (see Note 18) and the remeasurement of the present value of the written put option liabilities (see Note 17).

Dividends paid and proposed

The following dividends were declared and paid by the Company:

	December 30,	
	2017	2016
	$	$
$1.20 per share on the outstanding Class "A" Multiple Voting Shares and Class "B" Subordinate Voting Shares (2016 – $1.20 per share)	**38,895**	38,818

After the respective reporting date a dividend of $0.30 per share (2016 – $0.30 per share) was proposed by the Board of Directors. This dividend has not been recognized as a liability as at December 30, 2017.

NOTE 24 – SHARE-BASED PAYMENTS

Stock option plan

The Company may grant stock options on the Class "B" Subordinate Voting Shares at the discretion of the Board of Directors, to senior executives and certain key employees. The exercise price is the market price of the securities at the date the options were granted. Of the 6,000,000 Class "B" Subordinate Voting Shares initially reserved for issuance, 4,622,750 were available for issuance under the share option plans as at December 30, 2017. Options granted vest according to a graded schedule of 25% per year commencing a day after the end of the first year, and options outstanding expire no later than the year 2018. All options are to be settled by physical delivery of shares.

The changes in outstanding stock options are as follows:

	December 30,			
	2017		2016	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
		$		$
Options outstanding, beginning of year	**51,000**	**26.82**	122,000	24.79
Exercised [(1)]	**–**	**–**	(61,000)	24.15
Expired	**(4,000)**	**29.98**	–	–
Forfeited	**(12,000)**	**29.17**	(10,000)	31.78
Options outstanding, end of year	**35,000**	**28.16**	51,000	26.82
Total exercisable, end of year	**35,000**	**28.16**	35,500	26.91

(1) The weighted average share price at the date of exercise for the stock options exercised in 2016 was $28.71.

(All figures in thousands of US dollars)

NOTE 24 – SHARE-BASED PAYMENTS (continued)

Stock option plan (continued)

The exercise price of the options outstanding and exercisable as at December 30, 2017 is $28.16 and the remaining contractual life is 0.61 year.

Total employee benefits expense recognized in general and administrative expenses for employee stock options for the year ended December 30, 2017 amounts to a recovery of $38 (2016 – an expense of $86), and was debited to contributed surplus.

Directors' Deferred Share Unit Plan

The Company has a Directors' Deferred Share Unit Plan (the "DDSU Plan") under which an external director of the Company may elect annually to have their director's fees and fees for attending meetings of the Board of Directors or committees thereof paid in the form of DSUs. A plan participant may also receive dividend equivalents paid in the form of DSUs.

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

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

Of the 350,000 DSUs authorized for issuance under the plan, 212,151 were available for issuance under the DSU plan as at December 30, 2017.

The changes in outstanding number of DSUs are as follows:

	December 30,	
	2017	2016
DSUs outstanding, beginning of year	**165,036**	145,733
Issued for fees forfeited	**8,160**	13,033
Issued for dividend equivalents	**6,351**	6,270
Settlement of deferred share units (1)	**(41,698)**	–
DSUs outstanding, end of year	**137,849**	165,036

(1) During the year ended December 30, 2017, 41,698 DSUs (2016 – nil) were settled for which $1,074 was debited to contributed surplus and $900 credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

The employee benefits expense included in general and administrative expenses for fees forfeited for the year ended December 30, 2017 amounts to $197 (2016 – $327) and was credited to contributed surplus. In addition, DSUs issued for dividend equivalents for the year ended December 30, 2017 amount to $154 (2016 – $161) which were charged to retained earnings and credited to contributed surplus. As at December 30, 2017, there were 137,849 DSUs outstanding with related contributed surplus amounting to $4,107.

(All figures in thousands of US dollars)

NOTE 24 – SHARE-BASED PAYMENTS (continued)

Executive Deferred Share Unit Plan

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

Effective January 1st, 2016, the EDSU Plan was amended (the "Amended EDSU Plan") to provide that the Board of Directors may grant discretionary DSUs with vesting conditions, such as service and non-market performance conditions. The holders of the discretionary DSUs are entitled to dividends declared by the Company which are recognized in the form of additional DSUs awards equivalent in value to the dividends paid on the Company's Class "B" Subordinate Voting Shares. The vesting conditions of these additional DSUs awards are subject to the same performance vesting conditions as the underlying discretionary DSUs.

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

a) cash equal to the number of DSUs credited to the executive officer's account multiplied by the fair market value of the Class "B" Subordinate Voting Shares on the date a notice of redemption is filed by the executive officer; or
b) the number of Class "B" Subordinate Voting Shares equal to the number of DSUs in the executive officer's account; or
c) a combination of cash and Class "B" Subordinate Voting Shares.

Of the 750,000 DSUs authorized for issuance under the plan, 609,115 were available for issuance under the EDSU Plan as at December 30, 2017.

The changes in outstanding number of DSUs are as follows:

	December 30,	
	2017	2016
DSUs outstanding, beginning of year	**90,455**	63,357
Issued for salaries and bonus paid	**38,001**	32,658
Discretionary DSUs granted (1)	**12,103**	7,399
Issued for dividend equivalents	**6,289**	4,026
Performance adjustment	**(4,727)**	–
Forfeited	**(1,236)**	–
Settlement of deferred share units (2)	**–**	(16,985)
DSUs outstanding, end of year	**140,885**	90,455
Total vested, end of year	**126,534**	82,907

(1) On June 5, 2017, the Company granted 12,103 discretionary DSUs. On August 12, 2016, the Company granted 7,399 discretionary DSUs. The discretionary DSUs granted on June 5, 2017 and on August 12, 2016 vest in whole after a 3-year performance cycle and have performance vesting conditions. The number of discretionary DSUs that can vest can be up to 1.5 times the actual number of discretionary DSUs awarded if exceptional financial performance is achieved.

(2) During the year ended December 30, 2016, 16,985 DSUs were settled for which $420 was debited to contributed surplus and $204 credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

The employee benefits expense included in general and administrative expenses for salaries and bonus paid and for discretionary DSUs for the year ended December 30, 2017 amounts to $1,025 (2016 – $784) and was credited to contributed surplus. In addition, DSUs issued for dividend equivalents for the year ended December 30, 2017 amount to $154 (2016 – $106) which were charged to retained earnings and credited to contributed surplus. As at December 30, 2017, there were 140,885 DSUs outstanding with related contributed surplus amounting to $3,359.

(All figures in thousands of US dollars)

NOTE 24 – SHARE-BASED PAYMENTS (continued)

Restricted Share Unit Plan (cash-settled)

In the second quarter of 2017, the Company implemented a restricted share unit (RSUs) plan for senior executives and certain key employees that entitle them to a cash payment equal to the number of the Company's Class "B" Subordinate Voting Shares underlying the vested RSUs multiplied by the weighted average trading price during the five trading days immediately preceding the vesting date. The RSUs granted vest in whole after three years from the date of the issuance of the grant. The RSUs vest based on service conditions and are not subject to performance conditions. A plan participant may also receive dividend equivalents paid in the form of RSUs.

On June 5, 2017, the Company granted 72,095 RSUs. The weighted average share price at the date the RSUs were granted on June 5, 2017 was $26.03.

The changes in outstanding number of RSUs are as follows:

	December 30, 2017
RSUs outstanding, beginning of year	–
Granted	**72,095**
Granted for dividend equivalents	**1,782**
Forfeited	**(2,534)**
RSUs outstanding, end of year	**71,343**

As at December 30, 2017, none of the outstanding RSUs had vested, the weighted average remaining contractual life of all RSUs outstanding was 2.42 years and the weighted average share price of the unvested RSUs was $25.08.

The employee benefits expense included in general and administrative expenses for RSUs for the year ended December 30, 2017 amounts to $347 for which as at December 30, 2017, $352 are included in other long-term liabilities.

Share Appreciation Rights (cash-settled)

The Company has a share appreciation rights (SARs) plan for senior executives and certain key employees that entitle them to a cash payment based on the increase in the share price of the Company's Class "B" Subordinate Voting Shares from the grant date to the settlement date. During the third quarter of 2016, the Company amended its share appreciation rights plan. Effective January 1st, 2016, the SARs vest in whole on the date on which the Board of Directors approves the Company's annual consolidated financial statements after a 4-year period following the grant of the SARs. The participants have until 10 business days prior to the end of the fiscal year in which the SARs vest to send a settlement notice. The settlement of the SARs will be equal to the increase between the weighted average share price at the date the SARs were granted and the closing price of the Class "B" Subordinate Voting Shares on the TSX on the date on which the Company receives the settlement notice from the participant. The SARs vest based on service conditions and are not subject to performance conditions.

On June 25, 2014, the Company granted 359,516 SARs. The SARs granted on June 25, 2014, vest according to a grading schedule of 10% the first year, 20% the second year, 30% the third year and 40% the fourth year. The weighted average share price at the date the SARs were granted on June 25, 2014 was $36.35. As at December 30, 2016, 61,913 SARs were settled. The weighted average share price of the SARs settled during 2016 was $30.18.

On June 29, 2015, the Company granted 532,073 SARs. The SARs granted on June 29, 2015, vest in whole after four years. The weighted average share price at the date the SARs were granted on June 29, 2015 was $27.21.

On August 12, 2016, the Company granted 448,750 SARs. The SARs granted on August 12, 2016, vest in whole after four years. The weighted average share price at the date the SARs were granted on August 12, 2016 was $28.84.

(All figures in thousands of US dollars)

NOTE 24 – SHARE-BASED PAYMENTS (continued)

Share Appreciation Rights (cash-settled) (continued)

The changes in outstanding number of SARs are as follows:

	December 30,	
	2017	2016
SARs outstanding, beginning of year	**1,123,349**	826,570
Granted	**–**	448,750
Settled	**–**	(61,913)
Expired	**(90,069)**	–
Forfeited	**(56,069)**	(90,058)
SARs outstanding, end of year	**977,211**	1,123,349
Total vested, end of year	**–**	–

The employee benefits expense included in general and administrative expenses for SARs for the year ended December 30, 2017 amounts to a recovery of $1,092 (2016 – an expense of $1,657) for which as at December 30, 2017 $3 (2016 – $133) are included in trade and other payables and $838 (2016 – $1,694) in other long-term liabilities.

The employee benefits expense is computed using the fair value of the SARs as at the reporting date as calculated using the Black-Scholes pricing model. The following weighted average assumptions were used to estimate the fair values of the SARs on December 30, 2017:

Share price	**$25.08**
Risk-free interest rate	**1.61%**
Dividend yield	**4.79%**
Expected volatility	**26.57%**
Expected life	**1.49 year**

The weighted average fair value of the SARs outstanding on December 30, 2017 was $1.58 (2016 – $4.58).

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

Performance Share Units (cash-settled)

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

On June 25, 2014, the Company granted 105,056 PSUs. The PSUs granted on June 25, 2014, vest according to a grading schedule of 20% at the end of the first year, 30% at the end of the second year and 50% at the end of the third year and have performance vesting conditions. As at December 30, 2017, 8,721 (2016 – 5,124) of the outstanding PSUs were settled. The weighted average share price of the PSUs settled was $23.87 (2016 – $20.84).

On June 29, 2015, the Company granted 146,486 PSUs. The PSUs granted on June 29, 2015, vest in whole after a 3-year performance cycle and have performance vesting conditions.

(All figures in thousands of US dollars)

NOTE 24 – SHARE-BASED PAYMENTS (continued)

Performance Share Units (cash-settled) (continued)

On August 12, 2016, the Company granted 122,143 PSUs. The PSUs granted on August 12, 2016, vest in whole after a 3-year performance cycle and have performance vesting conditions.

On June 5, 2017, the Company granted 135,372 PSUs. The PSUs granted on June 5, 2017, vest in whole after a 3-year performance cycle and have performance vesting conditions.

The changes in outstanding number of PSUs are as follows:

	December 30,	
	2017	2016
PSUs outstanding, beginning of year	**303,178**	228,434
Granted	**135,372**	122,143
Granted for dividend equivalents	**15,792**	12,064
Performance adjustment	**(68,816)**	(25,084)
Settled	**(8,721)**	(5,124)
Forfeited	**(56,745)**	(29,255)
PSUs outstanding, end of year	**320,060**	303,178

As at December 30, 2017, none (2016 – none) of the outstanding PSUs had vested, the weighted average remaining contractual life of all PSUs outstanding was 1.28 year (2016 – 1.49 year) and the weighted average share price of the unvested PSUs was $25.08 (2016 – $29.47).

The employee benefits expense included in general and administrative expenses for PSUs for the year ended December 30, 2017 amounts to $1,571 (2016 – $2,493) for which recognized amounts as at December 30, 2017 of $2,718 (2016 – $269) are included in trade and other payables and $2,583 (2016 – $3,375) in other long-term liabilities.

NOTE 25 – RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Company

	December 30,	
	2017	2016
	$	$
Wages and salaries	**7,247**	6,728
Social security costs	**255**	256
Contributions to defined contribution plans	**7**	6
Share-based payments	**424**	2,217
	7,933	9,207

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

(All figures in thousands of US dollars)

NOTE 26 – COMMITMENTS AND GUARANTEES

a) The Company has entered into long-term operating lease agreements for buildings and equipment that expire at various dates through the year 2029. These leases have renewal options included in the contracts of various terms. Rent expense was $57,385 and $55,290 in 2017 and 2016, respectively. Future minimum lease payments exclusive of additional charges, are as follows:

	2017	2016
	$	$
Less than 1 year	**48,370**	45,037
Between 1 and 5 years	**108,176**	97,255
More than 5 years	**45,725**	47,026
	202,271	189,318

b) The Company has entered into various licensing agreements for the use of certain brand names on its products. Under these agreements, the Company is required to pay royalties as a percentage of sales with minimum royalties of $2,793 due in 2018 and $1,784 due in 2019 and 2020 combined.

c) As at December 30, 2017, the Company has capital expenditure commitments of approximately $9,723 and commitments for expenditures related to marketing of approximately $3,330 due in 2018.

d) In the normal course of business, the Company granted irrevocable standby letters of credit issued by highly rated financial institutions and other guarantees 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, 2017 standby letters of credit and other guarantees outstanding totalled $21,334. As many of these guarantees will not be drawn upon, these amounts are not indicative of future cash requirements. No material loss is anticipated by reason of such agreements and guarantees and no amounts have been accrued in the Company's consolidated financial statements with respect to these guarantees.

NOTE 27 – CONTINGENCIES

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

(All figures in thousands of US dollars)

NOTE 28 – INCOME TAXES

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

	December 30, 2017		2016	
	$	**%**	$	%
Income (loss) before income taxes	**44,194**	**–**	(21,585)	–
PROVISION FOR INCOME TAXES [1]	**11,623**	**26.3**	(5,686)	26.3
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	**3,520**	**8.0**	(2,055)	9.5
Non-recognition of tax benefits related to tax losses and temporary differences	**5,142**	**11.6**	2,170	(10.1)
Tax incentives	**(1,979)**	**(4.5)**	(1,727)	8.0
Non-deductible forward purchase agreement liabilities	**94**	**0.2**	1,450	(6.7)
Non-deductible impairment of goodwill	**5,640**	**12.8**	7,704	(35.7)
Permanent differences	**(6,214)**	**(14.1)**	(7,522)	34.9
Tax rates changes [2]	**(3,910)**	**(8.8)**	(2,153)	10.0
Foreign exchange and other – net	**2,837**	**6.4**	(2,155)	10.0
	16,753	**37.9**	(9,974)	46.2

(1) The applicable statutory tax rates are 26.3% for the year ended December 30, 2017 (2016 – 26.3%). The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

(2) A tax benefit of $4,853 relates to the U.S. Tax Reform signed into law on December 22, 2017 which reduces the U.S. federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. The U.S. Tax Reform introduces other important changes to U.S. corporate income tax laws, which are not expected to significantly impact the Company in future years.

The detail of income taxes expense (recovery) for the years ended December 30, 2017 and 2016 are:

	December 30, 2017	2016
	$	$
Income taxes expense (recovery)		
Current	**14,918**	10,273
Deferred	**1,835**	(20,247)
	16,753	(9,974)

The components of deferred income tax expense for the years ended December 30, 2017 and 2016 are:

	December 30, 2017	2016
	$	$
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**5,745**	(18,094)
Effect of tax rates changes	**(3,910)**	(2,153)
	1,835	(20,247)

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

	December 30, 2017	2016
	$	$
Deferred tax assets	**26,159**	39,324
Deferred tax liabilities	**43,832**	53,293
	(17,673)	(13,969)

(All figures in thousands of US dollars)

NOTE 28 – INCOME TAXES (continued)

The details of changes of deferred income taxes are as follows for the year ended December 30, 2017:

	Balance as at December 30, 2016	Recognized in net income	Recognized in other comprehensive income (loss) [2]	Others [1]	Balance as at December 30, 2017
	$	$	$	$	$
Capital and operating tax losses carried forward	34,751	**(402)**	**–**	**1,904**	**36,253**
Net pension and post-retirement benefit obligations	11,606	**(233)**	**(3,379)**	**353**	**8,347**
Other financial liabilities and other liabilities	1,710	**(927)**	**1,949**	**11**	**2,743**
Long-term debt	(853)	**660**	**–**	**15**	**(178)**
Trade and other receivables	16,358	**(2,327)**	**–**	**60**	**14,091**
Inventories	17,282	**(5,175)**	**–**	**36**	**12,143**
Trade and other payables	10,658	**(7,797)**	**–**	**(706)**	**2,155**
Provisions	15,060	**(7,290)**	**–**	**886**	**8,656**
Assets held for sale	(2,294)	**2,880**	**–**	**–**	**586**
Property, plant and equipment	(16,462)	**1,754**	**–**	**(555)**	**(15,263)**
Intangible assets	(64,710)	**7,240**	**–**	**(2,336)**	**(59,806)**
Goodwill	(41,796)	**12,108**	**–**	**–**	**(29,688)**
Other equity	(727)	**–**	**–**	**–**	**(727)**
Foreign exchange and other	5,448	**(2,326)**	**–**	**(107)**	**3,015**
	(13,969)	**(1,835)**	**(1,430)**	**(439)**	**(17,673)**

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

(2) The majority of the deferred income tax recovery amount of $3,379 recognized in other comprehensive income (loss) related to the net pension and post-retirement benefit obligations is related to the tax rate change in connection with the U.S. Tax Reform.

The details of changes of deferred income taxes are as follows for the year ended December 30, 2016:

	Balance as at December 30, 2015	Recognized in net income	Recognized in other comprehensive income (loss)	Others [1]	Balance as at December 30, 2016
	$	$	$	$	$
Capital and operating tax losses carried forward	30,816	3,307	–	628	34,751
Net pension and post-retirement benefit obligations	15,121	(4,229)	965	(251)	11,606
Other financial liabilities and other liabilities	346	1,190	(354)	528	1,710
Long-term debt	(1,194)	326	–	15	(853)
Trade and other receivables	15,633	746	–	(21)	16,358
Inventories	18,695	(516)	–	(897)	17,282
Trade and other payables	11,882	(1,511)	–	287	10,658
Provisions	8,977	6,083	–	–	15,060
Assets held for sale	(778)	(1,516)	–	–	(2,294)
Property, plant and equipment	(19,463)	2,508	–	493	(16,462)
Intangible assets	(79,212)	14,755	–	(253)	(64,710)
Goodwill	(40,621)	(1,224)	–	49	(41,796)
Other equity	(727)	–	–	–	(727)
Foreign exchange and other	5,336	328	–	(216)	5,448
	(35,189)	20,247	611	362	(13,969)

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

(All figures in thousands of US dollars)

NOTE 28 – INCOME TAXES (continued)

Net deferred tax assets of $23,314 were recognized as at December 30, 2017 (2016 – $40,474) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income or projections for future taxable income, management believes it is probable that the Company will realize the benefits of these deductible differences and operating tax losses carry forward.

As at December 30, 2017, the net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $141,051 (2016 – $124,208). These net operating losses carried forward will expire starting in 2018 onwards. In addition, as at December 30, 2017, the Company has $4,546 of net capital losses carried forward for which deferred tax assets have not been recognized (2016 – $4,508). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains. The unrecognized deferred tax assets related to capital and operating tax losses carried forward amounted to $33,739 as at December 30, 2017 (2016 – $29,272).

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 $442,360 (2016 – $378,304).

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

NOTE 29 – EARNINGS (LOSS) PER SHARE

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

	December 30,	
	2017	2016
Weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares	**32,409,551**	32,352,953
Dilutive effect of stock options	**–**	–
Dilutive effect of deferred share units	**256,162**	–
Weighted average number of diluted shares	**32,665,713**	32,352,953
Number of anti-dilutive stock options and deferred share units excluded from fully diluted earnings (loss) per share calculation	**35,000**	298,943

As at December 30, 2017 and 2016, convertible debentures were excluded from the calculation of diluted earnings (loss) per share as these debentures were deemed to be anti-dilutive.

(All figures in thousands of US dollars)

NOTE 30 – SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in balances related to operations are as follows:

	December 30, 2017	2016
	$	$
Trade and other receivables	**8,754**	7,922
Inventories	**(23,730)**	31,823
Other financial assets	**(629)**	693
Prepaid expenses	**(3,851)**	(1,064)
Other assets	**(4,571)**	(734)
Trade and other payables	**(13,757)**	(695)
Net pension and post-retirement defined benefit liabilities	**(3,833)**	(3,896)
Provisions, other financial liabilities and other liabilities	**(23,468)**	41,205
	(65,085)	75,254

Details of business acquisitions:

	December 30, 2017	2016
	$	$
Balance of sale received	**–**	5,475

The components of cash and cash equivalents are:

	December 30, 2017	2016
	$	$
Cash	**35,217**	28,593
Short-term investments	**1,624**	3,290
Cash and cash equivalents	**36,841**	31,883

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

	December 30, 2017	2016
	$	$
Acquisition of property, plant and equipment financed by trade and other payables	**3,676**	1,413
Acquisition of property, plant and equipment financed by obligations under finance leases (Note 11)	**1,754**	1,453
Acquisition of intangible assets financed by trade and other payables	**539**	357

(All figures in thousands of US dollars)

NOTE 30 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

The reconciliation of movements of liabilities to cash flows arising from financing activities is as follows for the year ended December 30, 2017:

		Cash (used in) provided by financing activities			Non-cash changes					
	Balance as at December 30, 2016	Proceeds	Repay-ments	Financing costs	Effect of foreign currency exchange rate changes	Accretion of interest	Changes in fair value	Net addition of finance leases	Loss on early extinguish-ment of long-term debt	Balance as at December 30, 2017
	$	$	$	$	$	$	$	$	$	$
Bank indebtedness	**49,490**	**6,927**	**–**	**–**	**1,812**	**–**	**–**	**–**	**–**	**58,229**
Revolving bank loans	125,251	13,890	(8,782)	–	6,088	–	–	–	–	**136,447**
Term loan – USD denominated	–	200,000	(10,800)	(1,009)	–	232	–	–	–	**188,423**
Convertible debentures	115,074	–	–	–	–	1,578	–	–	–	**116,652**
Term loan – CLP denominated	–	3,470	–	–	109	–	–	–	–	**3,579**
Obligations under finance leases	1,637	–	(870)	–	98	–	–	1,461	–	**2,326**
Series "B" Senior Guaranteed Notes	92,285	–	(93,200)	–	–	63	–	–	852	**–**
Series "C" Senior Guaranteed Notes	49,509	–	(50,000)	–	–	34	–	–	457	**–**
Borrowings with a five-year term	469	–	(490)	–	21	–	–	–	–	**–**
Non-convertible debentures	21,847	–	(22,857)	–	887	15	–	–	108	**–**
Borrowings with a three-year term	184	–	(190)	–	6	–	–	–	–	**–**
Total long-term debt	**406,256**	**217,360**	**(187,189)**	**(1,009)**	**7,209**	**1,922**	**–**	**1,461**	**1,417**	**447,427**
Deferred financing costs (asset)	**(1,951)**	**–**	**–**	**(1,764)**	**(42)**	**1,152**	**–**	**–**	**–**	**(2,605)**
Interest rate swaps liability (asset) used for hedging	**454**	**–**	**(344)**	**–**	**–**	**–**	**(167)**	**–**	**–**	**(57)**
Written put option and forward purchase agreement liabilities (1)	**33,825**	**–**	**(7,857)**	**–**	**81**	**–**	**(2,585)**	**–**	**–**	**23,464**

(1) Changes in fair value for the year ended December 30, 2017 amount to $2,585, of which $2,861 was credited to other equity and $276 was debited to finance expenses.

(All figures in thousands of US dollars)

NOTE 31 – FINANCE EXPENSES AND OTHER INFORMATION

a) Finance expenses

Finance expenses consist of the following:

	December 30, 2017	2016
	$	$
Interest on long-term debt – including effect of cash flow hedge related to the interest rate swaps and the accreted interest related to long-term debt bearing interest at fixed rates	**23,746**	28,655
Remeasurement of forward purchase agreement liabilities (Note 17)	**276**	4,265
Amortization of deferred financing costs (Note 14)	**1,152**	1,256
Loss on early extinguishment of long-term debt (Note 18)	**10,199**	–
Other interest	**7,875**	8,723
	43,248	42,899

b) Employee benefits expense

	December 30, 2017	2016
	$	$
Wages and salaries	**316,604**	307,403
Social security costs	**81,542**	78,547
Contributions to defined contribution plans (Note 22)	**4,441**	3,165
Expenses related to defined benefit plans (Note 22)	**1,956**	1,864
Expenses (income) related to post-retirement benefits plan (Note 22)	**490**	(8,466)
Share-based payments (Note 24)	**1,174**	4,634
	406,207	387,147

NOTE 32 – SEGMENTED INFORMATION

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

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

The accounting policies used to prepare the information by business segment are the same as those used to prepare the consolidated financial statements of the Company as described in Note 4.

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

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

(All figures in thousands of US dollars)

NOTE 32 – SEGMENTED INFORMATION (continued)

Geographic Segments – Origin

	December 30,			
	Total revenue		Property, plant and equipment, intangible assets and goodwill	
	2017	2016	**2017**	2016
	$	$	**$**	$
Canada	**214,614**	226,773	**50,816**	51,595
United States	**1,467,912**	1,449,155	**348,423**	347,413
Europe	**488,359**	528,937	**453,094**	402,456
Latin America	**247,623**	235,107	**95,898**	117,227
Asia	**88,930**	92,143	**126,409**	130,978
Other countries	**70,230**	71,070	**5,084**	5,002
	2,577,668	2,603,185	**1,079,724**	1,054,671

Industry Segments

	December 30,							
	Total		Dorel Juvenile		Dorel Sports		Dorel Home	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$	**$**	$
Total revenue	**2,577,668**	2,603,185	**921,669**	928,963	**865,380**	938,975	**790,619**	735,247
Cost of sales	**1,965,917**	1,992,624	**646,408**	638,345	**670,440**	742,774	**649,069**	611,505
Gross profit	**611,751**	610,561	**275,261**	290,618	**194,940**	196,201	**141,550**	123,742
Selling expenses	**231,417**	229,196	**116,275**	115,132	**89,197**	91,247	**25,945**	22,817
General and administrative expenses	**205,076**	220,362	**94,200**	115,447	**77,211**	71,961	**33,665**	32,954
Research and development expenses	**31,065**	39,092	**21,893**	28,725	**5,313**	6,576	**3,859**	3,791
Restructuring and other costs (Note 6)	**11,814**	19,560	**10,358**	14,554	**1,456**	5,006	**–**	–
Impairment losses on goodwill and intangible assets (Notes 12 and 13)	**19,929**	55,341	**19,929**	–	**–**	55,341	**–**	–
Operating profit (loss)	**112,450**	47,010	**12,606**	16,760	**21,763**	(33,930)	**78,081**	64,180
Finance expenses	**43,248**	42,899						
Corporate expenses	**25,008**	25,696						
Income taxes expense (recovery)	**16,753**	(9,974)						
Net income (loss)	**27,441**	(11,611)						
Total Assets	**2,183,980**	2,132,847	**1,067,292**	1,012,205	**816,164**	841,774	**300,524**	278,868
Total Liabilities	**594,125**	615,253	**270,302**	274,612	**186,898**	190,518	**136,925**	150,123
Additions to property, plant and equipment	**40,334**	21,048	**30,119**	15,343	**6,337**	3,820	**3,878**	1,885
Additions to intangible assets	**21,236**	15,899	**20,794**	15,832	**442**	67	**–**	–
Depreciation and amortization included in operating profit (loss)	**49,338**	52,365	**35,744**	37,404	**9,748**	11,015	**3,846**	3,946
Write-down of long-lived assets included in operating profit (loss) (Notes 11 and 12)	**2,222**	14,367	**2,222**	14,367	**–**	–	**–**	–

(All figures in thousands of US dollars)

NOTE 32 – SEGMENTED INFORMATION (continued)

Total Assets

	December 30, 2017	2016
	$	$
Total assets for reportable segments	**2,183,980**	2,132,847
Corporate assets	**45,727**	39,785
Total Assets	**2,229,707**	2,172,632

Total Liabilities

	December 30, 2017	2016
	$	$
Total liabilities for reportable segments	**594,125**	615,253
Corporate liabilities	**543,431**	501,280
Total Liabilities	**1,137,556**	1,116,533

The continuity of goodwill by industry segment is as follows:

a) Gross amount

	Total	Dorel Juvenile	Dorel Sports	Dorel Home
	$	**$**	**$**	**$**
Balance as at December 30, 2015	577,775	355,112	191,491	31,172
Effect of foreign currency exchange rate changes	281	(3,436)	3,717	–
Balance as at December 30, 2016	578,056	351,676	195,208	31,172
Effect of foreign currency exchange rate changes	23,395	23,399	(4)	–
Balance as at December 30, 2017	**601,451**	**375,075**	**195,204**	**31,172**

b) Accumulated impairment losses

	Total	Dorel Juvenile	Dorel Sports	Dorel Home
	$	**$**	**$**	**$**
Balance as at December 30, 2015	101,445	81,829	19,616	–
Impairment loss (Note 13)	36,960	–	36,960	–
Effect of foreign currency exchange rate changes	3,861	53	3,808	–
Balance as at December 30, 2016	142,266	81,882	60,384	–
Impairment loss (Note 13)	19,929	19,929	–	–
Effect of foreign currency exchange rate changes	1,184	1,185	(1)	–
Balance as at December 30, 2017	**163,379**	**102,996**	**60,383**	**–**

c) Net book value

	Total	Dorel Juvenile	Dorel Sports	Dorel Home
	$	**$**	**$**	**$**
Balance as at December 30, 2016	435,790	269,794	134,824	31,172
Balance as at December 30, 2017	**438,072**	**272,079**	**134,821**	**31,172**

(All figures in thousands of US dollars)

NOTE 32 – SEGMENTED INFORMATION (continued)

Concentration of Credit Risk

Sales to the Company's major customer as described in Note 20 were concentrated as follows:

	Canada		United States		Foreign	
	2017	2016	**2017**	2016	**2017**	2016
	%	%	**%**	%	**%**	%
Dorel Juvenile	**0.6**	0.5	**4.7**	4.5	**0.2**	0.2
Dorel Sports	**0.1**	0.1	**7.9**	8.9	**0.2**	0.2
Dorel Home	**2.1**	2.4	**11.0**	10.6	**0.4**	0.4

NOTE 33 – SUBSEQUENT EVENT

On March 15, 2018, Toys“R”Us, Inc. (“Toys“R”Us”), one of the Company's customers, announced that it had filed a motion seeking Bankruptcy Court approval to begin the process of conducting an orderly wind-down of its U.S. business and liquidation of inventory in all of its U.S. stores. The Company assessed whether an additional impairment loss on the trade accounts receivable from this customer should be recorded in its consolidated financial statements for the year ended December 30, 2017. The Company has determined that an amount of $7,630 of trade accounts receivable from this customer as at December 30, 2017 is at risk of collection. Accordingly, the Company has recorded a bad debt expense of $3,815 within general and administrative expenses in its consolidated financial statements for the year ended December 30, 2017 with respect to these trade accounts receivable from Toys“R”Us U.S., of which $747 is within Dorel Juvenile segment and $3,068 is within Dorel Sports segment. This amount represents management's current best estimate of potential losses arising from non-payment based on limited information available to date; the actual loss incurred may differ from this amount. The maximum credit risk to which the Company is exposed as at December 30, 2017 represents the total value of the trade accounts receivable.

Revenue recorded from sales to Toys“R”Us U.S. business during the first quarter of 2018, up until March 21, 2018, amounts to $13,446, of which $73 was collected. As at March 21, 2018, in total, the Company has trade accounts receivable from Toys“R”Us U.S. amounting to $17,188 (net of allowance for anticipated credits and allowance for doubtful accounts including the bad debt expense referred to above but excluding any bad debt allowance on 2018 sales). This represents $2,824 within Dorel Home segment, $5,203 within Dorel Juvenile segment and $9,161 within Dorel Sports segment. The Company will continue to carefully monitor the Toys“R”Us situation as it unfolds, and will revise its estimated bad debt allowance for the 2017 sales and record any required allowance for the 2018 sales accordingly in its 2018 first quarter consolidated financial statements.

BOARD OF DIRECTORS

Martin Schwartz

President and Chief Executive Officer

Martin Schwartz is a co-founder of Ridgewood Industries Ltd., which was merged with several associated companies to create the Company, which subsequently went public in 1987. Originally Executive Vice-President of the Company, Mr. Schwartz has held the position of President and Chief Executive Officer since 1992.

Jeffrey Schwartz

Executive Vice-President, Chief Financial Officer and Secretary

Jeffrey Schwartz, previously Vice-President of the Juvenile Division of the Company, was the Company's Vice-President, Finance from 1989 to 2003. In 2003, his title was changed to Executive Vice-President, Chief Financial Officer and Secretary. Mr. Schwartz is a graduate of McGill University in Montréal, Québec, in the field of business administration.

Alan Schwartz

Executive Vice-President, Operations

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

Jeff Segel

Executive Vice-President, Sales and Marketing

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

Maurice Tousson (2) is Chairman of the Board of Directors of DAVIDsTEA. He is the former 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 held from January 2000. Mr. Tousson has held executive positions at well-known Canadian specialty stores, including Chateau Stores of Canada, Consumers Distributing and Sports Experts, with responsibilities for operations, finance, marketing and corporate development. Mr. Tousson holds an MBA degree from Long Island University in New York.

Dian Cohen (2) (3) is an economist by training and a consultant in financial, business, economic information and corporate governance to government, privately-owned businesses, publicly-traded corporations and not-for-profit organizations. She has served on the Board of Directors of some of Canada's largest publicly-traded companies and several not-for-profit entities. Ms. Cohen was CTV's first national business editor; her radio and television commentaries and analyses as well as her syndicated print columns enjoyed a wide following. In addition to the Company, Ms. Cohen serves on the Board of Massawippi Valley Foundation and the Massawippi Valley Health Centre. She is a member of the Order of Canada and the Order of Manitoba.

Alain Benedetti, FCPA, FCA, ICD.D (1) (2) 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 Montréal office. Mr. Benedetti has extensive experience with both public and private companies and currently serves on the Board of Directors of Russel Metals Inc. A former Chair of the Canadian Institute of Chartered Accountants, Mr. Benedetti has served on the Audit Committee of the Company since 2004 and has been its Chair since 2005.

Rupert Duchesne (1) (3) retired in early 2017 from Aimia Inc. (TSX: AIM) where he was the founding Chief Executive and a Director, and grew the company over 15 years to be a global leader in loyalty marketing and data-analytics with businesses and clients in more than 20 countries. Mr. Duchesne previously held a number of senior officer positions at Air Canada from 1996, and prior thereto was involved in strategy and investment consulting. He is currently a Director of Mattamy Homes Limited. He was previously a Director of Alliance Atlantis Communications Inc. Mr. Duchesne is a Member of the Order of Canada. He holds an MBA degree from Manchester Business School and a B.Sc. (Hons) degree from Leeds University in the United Kingdom.

Michelle Cormier, CPA, CA (1) (3) is Operating Partner for the Québec-based investments of Wynnchurch Capital (Canada) Ltd., a $2.3 billion private equity fund. Prior to joining Wynnchurch, she was Chief Financial Officer of a privately-held company, spent 13 years in senior management and as Chief Financial Officer of a publicly-traded forest products company with operations in Canada and the United States and spent eight years in various management positions with Alcan Aluminium Limited. Ms. Cormier has extensive senior management experience in financial management, corporate finance, turnaround and strategic advisory situations and corporate governance. Ms. Cormier possesses capital markets background with extensive experience in public markets in Canada and the United States. She serves on the Boards of Directors of Uni-Sélect Inc., Cascades Inc. and Champion Iron Limited.

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee

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