Consolidated Financial Statements

BRP Inc.

For the year ended January 31, 2014

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BRP Inc.

We have audited the accompanying consolidated financial statements of BRP Inc., which comprise the consolidated statements of financial position as at January 31, 2014 and 2013, and the consolidated statements of net income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and 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.

Auditor's 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 the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 financial position of BRP Inc. as at January 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

March 27, 2014

[1] CPA auditor, CA, public accountancy permit No. A106363

BRP Inc.

CONSOLIDATED STATEMENTS OF NET INCOME

[in millions of Canadian dollars, except per share data]

	Notes	Years ended January 31, 2014	January 31, 2013 Restated (Note 2)
Revenues	19	**$ 3,194.1**	$ 2,896.2
Cost of sales	20	**2,386.4**	2,158.5
Gross profit		**807.7**	737.7
Operating expenses			
Selling and marketing		**230.7**	228.3
Research and development		**144.9**	128.2
General and administrative		**143.8**	127.5
Other operating expenses (income)	22	**(6.8)**	34.0
Total operating expenses		**512.6**	518.0
Operating income		**295.1**	219.7
Financing costs	23	**64.5**	62.6
Financing income	23	**(2.5)**	(1.9)
Foreign exchange (gain) loss on long-term debt		**96.4**	(3.6)
Increase in fair value of common shares	16	**19.6**	11.0
Income before income taxes		**117.1**	151.6
Income taxes expense	24	**57.4**	32.4
Net income		**$ 59.7**	$ 119.2
Attributable to shareholders		**$ 59.9**	$ 119.2
Attributable to non-controlling interest		**(0.2)**	—
Basic earnings per share	18	**0.53**	1.17
Diluted earnings per share	18	**0.53**	1.16

The accompanying notes are an integral part of these consolidated financial statements.

BRP Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[in millions of Canadian dollars]

	Notes	Years ended January 31, 2014	Years ended January 31, 2013 Restated (Note 2)
Net income		**$ 59.7**	$ 119.2
Other comprehensive income (loss)			
Items that will be reclassified subsequently to net income			
Net changes in fair value of derivatives designated as cash flow hedges		**0.7**	1.4
Net change in unrealized gain on translation of foreign operations		**38.6**	1.4
Income taxes recovery		**(0.3)**	(0.4)
		39.0	2.4
Items that will not be reclassified subsequently to net income			
Actuarial gains (losses) on defined benefits pension plan	15	**32.0**	(42.1)
Income taxes (expense) recovery		**(8.5)**	11.0
		23.5	(31.1)
Total other comprehensive income (loss)		**62.5**	(28.7)
Total comprehensive income		**$ 122.2**	$ 90.5
Attributable to shareholders		**$ 122.2**	$ 90.4
Attributable to non-controlling interest		**—**	0.1

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in millions of Canadian dollars]

	Notes	January 31, 2014	January 31, 2013
Cash		**$ 75.4**	$ 542.4
Trade and other receivables	5	**266.6**	213.5
Income taxes and investment tax credits receivable		**27.3**	15.2
Other financial assets	6	**11.1**	7.8
Inventories	7	**532.7**	465.0
Other current assets		**13.0**	10.9
Total current assets		**926.1**	1,254.8
Investment tax credits receivable		**53.9**	45.6
Other financial assets	6	**21.4**	19.2
Property, plant and equipment	8	**515.3**	448.4
Intangible assets	9	**335.9**	326.1
Deferred income taxes	24	**95.7**	118.4
Other non-current assets		**2.9**	2.9
Total non-current assets		**1,025.1**	960.6
Total assets		**$ 1,951.2**	$ 2,215.4
Revolving credit facilities	10	**$ 10.5**	$ —
Trade payables and accruals	11	**547.0**	523.3
Provisions	12	**113.7**	101.6
Other financial liabilities	13	**72.3**	74.7
Income taxes payable		**13.7**	32.3
Current portion of long-term debt	14	**6.4**	12.2
Redeemable common shares	16	**—**	36.2
Other current liabilities		**6.9**	7.2
Total current liabilities		**770.5**	787.5
Long-term debt	14	**883.5**	1,042.4
Provisions	12	**66.4**	69.9
Other financial liabilities	13	**32.2**	31.4
Employee future benefit liabilities	15	**203.0**	235.9
Deferred income taxes	24	**14.0**	3.8
Other non-current liabilities		**22.4**	23.9
Total non-current liabilities		**1,221.5**	1,407.3
Total liabilities		**1,992.0**	2,194.8
Equity (deficit)		**(40.8)**	20.6
Total liabilities and equity (deficit)		**$ 1,951.2**	$ 2,215.4

The accompanying notes are an integral part of these consolidated financial statements.

BRP Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[in millions of Canadian dollars]

For the year ended January 31, 2014

	Attributed to shareholders							
	Capital Stock (Note 16)	Contributed surplus	Retained losses	Translation of foreign operations	Cash-flow hedges	Total	Non-controlling interests	Total equity (deficit)
Balance at January 31, 2013	**$ 52.2**	**$ 19.0**	**$ (28.0)**	**$ (24.0)**	**$ (0.9)**	**$ 18.3**	**$ 2.3**	**$ 20.6**
Net income (loss)	**—**	**—**	**59.9**	**—**	**—**	**59.9**	**(0.2)**	**59.7**
Other comprehensive income	**—**	**—**	**23.5**	**38.4**	**0.4**	**62.3**	**0.2**	**62.5**
Total comprehensive income (loss)	**—**	**—**	**83.4**	**38.4**	**0.4**	**122.2**	**—**	**122.2**
Dividends	**—**		**(483.0)**	**—**	**—**	**(483.0)**	**—**	**(483.0)**
Reduction of stated capital	**(44.9)**	**—**	**—**	**—**	**—**	**(44.9)**	**—**	**(44.9)**
Issuance of common and subordinate shares	**299.1**	**(15.0)**	**—**	**—**	**—**	**284.1**	**—**	**284.1**
Repurchase of common shares	**(0.1)**	**—**	**(1.1)**	**—**	**—**	**(1.2)**	**—**	**(1.2)**
Exchange of shares previously classified as liabilities	**54.1**	**—**	**—**	**—**	**—**	**54.1**	**—**	**54.1**
Stock-based compensation	**—**	**7.3**	**—**	**—**	**—**	**7.3**	**—**	**7.3**
Balance at January 31, 2014	**$ 360.4**	**$ 11.3**	**$ (428.7)**	**$ 14.4**	**$ (0.5)**	**$ (43.1)**	**$ 2.3**	**$ (40.8)**

For the year ended January 31, 2013

	Attributed to shareholders							
Restated (Note 2)	Capital Stock (Note 16)	Contributed surplus	Retained losses	Translation of foreign operations	Cash-flow hedges	Total	Non-controlling interests	Total equity (deficit)
Balance at January 31, 2012	$ 52.2	$ 18.3	$ (115.5)	$ (25.3)	$ (1.9)	$ (72.2)	$ 2.2	$ (70.0)
Net income	—	—	119.2	—	—	119.2	—	119.2
Other comprehensive income (loss)	—	—	(31.1)	1.3	1.0	(28.8)	0.1	(28.7)
Total comprehensive income	—	—	88.1	1.3	1.0	90.4	0.1	90.5
Issuance of common shares	0.3	—	—	—	—	0.3	—	0.3
Repurchase of common shares	(0.3)	—	(0.6)	—	—	(0.9)	—	(0.9)
Stock-based compensation	—	0.7	—	—	—	0.7	—	0.7
Balance at January 31, 2013	$ 52.2	$ 19.0	$ (28.0)	$ (24.0)	$ (0.9)	$ 18.3	$ 2.3	$ 20.6

The accompanying notes are an integral part of these consolidated financial statements.

BRP Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in millions of Canadian dollars]

		Years ended	
CASH FLOWS FROM:	Notes	**January 31, 2014**	**January 31, 2013**
			(Restated Note 2)
OPERATING ACTIVITIES			
Net income		**$ 59.7**	$ 119.2
Non-cash and non-operating items:			
Depreciation expense		**95.1**	85.1
Income taxes expense	24	**57.4**	32.4
Foreign exchange (gain) loss on long-term debt		**96.4**	(3.6)
Change in fair value of common shares		**19.6**	11.0
Interest expense		**53.0**	49.9
Impairment charge (reversal)	22	**(0.3)**	7.1
Other		**(6.6)**	(3.4)
Cash flows generated from operations before changes in working capital		**374.3**	297.7
Changes in working capital:			
Increase in trade and other receivables		**(36.0)**	(4.3)
Increase in inventories		**(48.4)**	(77.0)
(Increase) decrease in other assets		**(19.5)**	4.1
Increase (decrease) in trade payables and accruals		**(3.0)**	192.1
Increase (decrease) in other financial liabilities		**(0.9)**	42.9
Increase in provisions		**1.9**	0.4
Increase (decrease) in other liabilities		**(13.1)**	1.4
Cash flows generated from operations		**255.3**	457.3
Income taxes paid (net of refunds)		**(40.5)**	(12.5)
Net cash flows generated from operating activities		**214.8**	444.8
INVESTING ACTIVITIES			
Additions to property, plant and equipment	8	**(134.4)**	(143.1)
Additions to intangible assets	9	**(18.9)**	(11.7)
Proceeds on disposal of property, plant and equipment		**2.0**	2.6
Other		**4.0**	2.0
Net cash flows used in investing activities		**(147.3)**	(150.2)
FINANCING ACTIVITIES			
Increase (decrease) in revolving credit facilities		**10.3**	(62.7)
Revolving credit facilities amendment fees	10	**(0.9)**	(3.4)
Issuance of long-term debt	14	**10.0**	1,216.5
Long-term debt amendment fees	14	**(10.3)**	(28.4)
Repayment of long-term debt		**(269.3)**	(808.9)
Interest paid		**(40.2)**	(30.3)
Issuance of subordinate and common shares		**301.9**	1.0
Subordinate shares issuance fees	16	**(24.2)**	—
Repurchase of common shares		**(1.7)**	(1.1)
Dividends paid	16	**(483.0)**	—
Reduction of stated capital	16	**(46.1)**	—
Repayment of government assistance	23	**—**	(60.1)
Other		**(1.0)**	(1.0)
Net cash flows generated from (used in) financing activities		**(554.5)**	221.6
Effect of exchange rate changes on cash		**20.0**	(0.7)
Net increase (decrease) in cash		**(467.0)**	515.5
Cash at beginning of year		**542.4**	26.9
Cash at the end of year		**$ 75.4**	$ 542.4

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

BRP Inc. ("BRP") is incorporated under the laws of Canada. BRP's multiple voting shares are owned by Beaudier Inc. and 4338618 Canada Inc. (collectively, "Beaudier group"), Bain Capital Luxembourg Investments S.à r.l. ("Bain Capital") and La Caisse de dépôt et placement du Québec ("CDPQ"), (collectively, the "Principal Shareholders") whereas BRP's subordinate voting shares are listed on the Toronto Stock Exchange under the symbol DOO pursuant to the initial public offering of the Company's subordinate voting shares on May 29, 2013 (the "IPO"). BRP owns 100% of the shares of Bombardier Recreational Products Inc. and has no other significant activities (collectively the "Company").

Bombardier Recreational Products Inc. and its subsidiaries design, develop, manufacture and sell snowmobiles, personal watercraft, all-terrain vehicles, side-by-side vehicles, roadsters and propulsion systems for outboard and jet boats, karts, motorcycles and recreational aircraft. The Company's products are sold mainly through an international network of independent dealers, independent distributors and to original equipment manufacturers. The Company distributes its products worldwide and manufactures them in Canada, Mexico, Austria, the United States and Finland.

The Company's headquarters is located at 726 Saint-Joseph Street, Valcourt, Québec, J0E 2L0.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The consolidated financial statements as at January 31, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared on a historical cost basis except for certain transactions that are measured using a different basis as explained below in this significant accounting policies section.

On March 27, 2014, the Board of Directors of the Company approved these consolidated financial statements for the years ended January 31, 2014 and 2013.

New standards and amendments adopted with an effect on the consolidated financial statements

IAS 19 Employee Benefits

The Company has applied the amendments to *IAS 19 "Employee Benefits"* in the year ended January 31, 2014. As required by the relevant transitional provisions, the comparative amounts were restated on retrospective basis. Amongst other changes, the amendments require the Company to compute the financing cost component related to defined benefit pension plans by applying the discount rate to the net employee future benefit liability rather than only to its defined benefits obligation component. Under pre-amended IAS 19, financing income of funded plans was presented separately from the interest cost and calculated based on the expected return on the plan assets. In addition, the Company is now required to recognize the pension asset management fees as part of its operating expenses whereas under pre-amended IAS 19, those expenses were comprised in the determination of the financing income and the actuarial gains or losses on defined benefits pension plans.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

a) Basis of presentation [continued]

New standards and amendments adopted with an effect on the consolidated financial statements [continued]

IAS 19 Employee Benefits [continued]

The adoption of the amended *IAS 19 "Employee Benefits"* has impacted the current reported net income and other comprehensive income and the previously reported net income and other comprehensive income as follows:

Impact on net income

	Years ended	
	January 31, 2014	**January 31, 2013**
Net income before amendments to IAS 19	**$ 62.4**	$ 121.0
Impact of the amendments to IAS 19		
General and administrative expense	**(1.1)**	(1.1)
Financing costs	**7.8**	8.6
Financing income	**(10.4)**	(9.9)
Income taxes recovery	**1.0**	0.6
Net income	**$ 59.7**	$ 119.2

Impact on other comprehensive income

	Years ended	
	January 31, 2014	**January 31, 2013**
Other comprehensive income (loss) before amendments to IAS 19	**$ 59.8**	$ (30.5)
Impact of the amendments to IAS 19	**2.7**	1.8
Other comprehensive income (loss)	**$ 62.5**	$ (28.7)

Impact on basic earnings per share

	Years ended	
	January 31, 2014	**January 31, 2013**
Basic earnings per share before amendments to IAS 19	**$ 0.56**	$ 1.19
Impact of the amendments to IAS 19	**(0.03)**	(0.02)
Basic earnings per share	**$ 0.53**	$ 1.17

The adoption of the amended *IAS 19 "Employee Benefits"* had no impact on the Company's total comprehensive income, financial position and cash flows reported by the Company in previously issued annual consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

a) Basis of presentation [continued]

New standards and amendments adopted with an effect on the consolidated financial statements [Continued]

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12, "Disclosure of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The Company has presented in these consolidated financial statements the disclosures relevant to its operations.

IFRS 13 Fair Value Measurement

IFRS 13 "Fair Value Measurement" defines fair value, establishes a framework for measuring fair value and provides the required disclosures about fair value measurements. The Company implemented this standard prospectively for the year ended January 31, 2014 with no impact on the Company's financial results. The Company has presented in note 26 of these consolidated financial statements the disclosures relevant to its operations.

IAS 1 Presentation of Financial Statements

The Company has applied the amendments to IAS 1 "Presentation of financial statements" in the year ended January 31, 2014. The amendments require the Company to group into two categories the items of other comprehensive income, segregating those that will be reclassified subsequently to net income from those that will not. The Company has presented its consolidated statements of comprehensive income according to this new requirement.

Standards and amendments adopted with no effect on the consolidated financial statements

IFRS 10 Consolidated Financial Statements

IFRS 10 "Consolidated Financial Statements" replaces *SIC-12 "Consolidation – Special Purpose Entities"* and the consolidation requirements of *IAS 27 "Consolidated and Separate Financial Statements"*. The objective of IFRS 10 is to define the concept of control and to establish control as the basis for determining when and how an entity should be included within a set of consolidated financial statements. The adoption of this new pronouncement had no impact on the Company's consolidated financial statements.

IFRS 11 Joint Arrangements

IFRS 11, "Joint Arrangements" replaces *IAS 31 "Interests in Joint Ventures"*, and *SIC-13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers"*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as it was under IAS 31. The adoption of this new pronouncement had no impact on the Company's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

b) Basis of consolidation

These consolidated financial statements include the financial statements of BRP and Bombardier Recreational Products Inc.. Bombardier Recreational Products Inc. controls all of its subsidiaries by wholly owned voting equity interests (except for the Regionales Innovations Centrum in Austria for which a non-controlling interest of 25% is recorded upon consolidation).

The most significant subsidiaries of Bombardier Recreational Products Inc. included in the consolidated financial statements are as follows:

- BRP US Inc., located in the United States;
- BRP-Powertrain GmbH & Co. KG, located in Austria;
- BRP European Distribution SA, located in Switzerland, and
- BRP Finland Oy, located in Finland.

All inter-company transactions and balances have been eliminated upon consolidation.

c) Foreign currencies

The consolidated financial statements of the Company are presented in Canadian dollars, the currency of the primary economic environment (“functional currency”) in which Bombardier Recreational Products Inc. operates. The functional currency of most foreign operations is their local currency, corresponding to the currency in which the majority of their third party transactions are denominated.

Transactions in foreign currency

For the purpose of preparing financial statements, Canadian and foreign operations apply the following procedures on transactions and balances in currencies other than their functional currency. Monetary items are translated using exchange rates in effect at the statement of financial position date and non-monetary items are translated using exchange rates prevailing at the transaction date. Revenues and expenses (other than depreciation, which is translated at the same exchange rates as the related assets) are translated using exchange rates in effect on the transaction dates or at the average exchange rates of the period. Translation gains or losses are recorded in the consolidated statement of net income.

Consolidation of foreign operations

All assets and liabilities of foreign operations are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. Revenues and expenses are translated at the average exchange rates for the period. The Company’s gains and losses on translation of foreign operations are recognized in other comprehensive income and accumulated in equity until the Company no longer controls the foreign operation. At that time, gains or losses on translation accumulated in equity are entirely reclassified to net income.

d) Inventory valuation

Materials and work in process, finished products and parts and accessories are valued at the lower of weighted average cost or net realizable value. The cost of work in process and finished products manufactured by the Company includes the cost of materials, direct labour and directly attributable manufacturing overhead. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete the sale.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

d) Inventory valuation [continued]

Inventories are written down to net realizable value when the cost of inventories is determined not to be fully recoverable. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of write-down is reversed.

e) Income taxes

The Company's income taxes expense represents the sum of the taxes currently payable based on taxable income of the year and deferred taxes. Deferred tax assets and liabilities are determined based on the differences between the carrying amounts and tax bases of assets and liabilities using enacted or substantively enacted tax rates and laws expected to be in effect when the differences reverse. Current and deferred income taxes are recognized in the consolidated statement of net income except to the extent it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in other comprehensive income or in equity.

f) Property, plant and equipment

Property, plant and equipment includes land, buildings, equipment and tooling held for use in the development, production and distribution activities or for administrative purposes. They are stated at cost less accumulated depreciation and accumulated impairment charges. They are depreciated, with the exception of land, using the straight-line method over their estimated useful lives. If an item of property, plant and equipment is composed of significant components having different estimated useful lives, depreciation is calculated on a component basis using the straight-line method over their respective useful lives. The Company's estimated useful lives per category are the following:

Tooling	3 to 5 years
Equipment	3 to 15 years
Buildings	10 to 60 years

Depreciation of assets under development begins when they are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

Fully depreciated buildings, equipment and tooling are retained in the cost and accumulated depreciation accounts until such assets are removed from service. In the case of disposals, cost and related accumulated depreciation amounts are removed from the consolidated statement of financial position, and the net amounts, less proceeds from disposal, is recorded in the consolidated statement of net income.

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment in order to determine if there is any indication that those assets may be impaired. If any such indication exists, an impairment test is performed as described below in paragraph h).

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

g) Intangible assets

Goodwill represents the excess of the purchase price of businesses acquired over the fair value of the net assets acquired. Goodwill is systematically tested for impairment as at January 31 or more frequently if events or circumstances indicate that it might be impaired. Goodwill is tested for impairment at the group of cash generating unit ("CGU") level representing the lowest level at which management monitors it.

Trademarks are carried at cost and are not depreciated due to their indefinite expected useful lives for the Company. The assessment of indefinite expected useful lives is reviewed at each year end. Trademarks are systematically tested for impairment as at January 31 or more frequently if events or circumstances indicate that they might be impaired. Trademarks are tested for impairment with the CGU to which they relate.

Software and licences, dealer networks and customer relationships are carried at cost and are depreciated on a straight-line basis over their estimated useful lives which are as follows:

Software and licences	3 to 5 years
Dealer networks	20 years
Customer relationships	10 to 15 years

At the end of each reporting period, the Company reviews the carrying amounts of its software and licences, dealer networks and customer relationships in order to determine if there is any indication that those assets may be impaired. If any such indication exists, an impairment test is performed as described below in paragraph h).

Expenditures related to research activities are recognized as an expense in the period in which they are incurred. Expenditures related to development activities are recognized as expense in the period in which they are incurred except if specific criteria for capitalization as intangible assets are met.

h) Impairment of property, plant and equipment and intangible assets

An asset is impaired when its carrying amount is above its recoverable amount. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, the asset is assessed for impairment within a CGU, which is the lowest level of assets for which there are separately identifiable cash inflows. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. Value in use is determined using a discounted future net cash flows approach. The impairment charge recorded in the consolidated statement of net income is the difference between the carrying amount and the recoverable amount.

At the end of each reporting period, the Company reviews the carrying amount of assets (excluding goodwill) or CGU impaired in previous periods in order to determine if there is any indication that its recoverable amount has increased. If any such indication exists, an impairment test is performed and the impairment recovery is recorded in the consolidated statement of net income up to the carrying amount that would have existed had the impairment charge never been recorded in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity of another party. Financial instruments are initially recorded at fair value when the Company becomes a party to the transaction and are subsequently revalued at fair value or amortized cost at the end of each reporting period depending on their classification.

When the Company acquires or issues a financial instrument, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance are incorporated in the carrying amount and amortized in the consolidated statement of net income using the effective interest rate method. When the Company acquires or issues a financial instrument measured at fair value through profit or loss, all transactions costs are expensed as incurred.

Financial assets and financial liabilities other than derivatives

At the end of each reporting period, financial assets and financial liabilities that are not derivatives are measured at fair value or amortized cost using the effective interest method depending on the following classification:

- Restricted investments are classified as financial assets at fair value through profit or loss and are measured at fair value at the end of each reporting period. Changes in fair value are recorded in the consolidated statement of net income.
- Cash, trade and other receivables are classified as loans and receivables and are measured at amortized cost at the end of each reporting period.
- Revolving credit facilities, trade payables and accruals, other financial liabilities and long-term debt are classified as other financial liabilities and are measured at amortized cost.
- Redeemable common shares were classified as financial liabilities when the Company determined that it had an obligation to deliver cash in the future. These shares were classified as financial liabilities at fair value through profit or loss and were measured at fair value at the end of each reporting period. Changes in fair value were recorded in the consolidated statement of net income.

Derivative financial instruments

Derivative financial instruments are financial assets or financial liabilities recorded at fair value through profit or loss. They are measured at fair value at the end of each reporting period including those derivatives that are embedded in financial and non-financial contracts that are not closely related to the host contract.

In the consolidated statement of net income, changes in fair value of derivatives used to manage foreign exchange exposure on working capital elements are recorded in other income.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

i) Financial instruments [continued]

Derivative financial instruments under cash flow hedge accounting

When forecasted cash flows are highly probable to occur and all other cash flow hedge criteria are met, the effective portion of the change of fair value of derivative financial instruments designated as hedging items under the cash flow hedge model is recorded in other comprehensive income and accumulated in equity until the hedged transaction is recognized in the consolidated statement of net income. The ineffective portion is recognized in the consolidated statement of net income at each period end. The linear regression method is used for assessing hedge effectiveness at each period end.

If a derivative financial instrument accounted for using the cash flow hedge model has been settled prior to maturity or the hedge relationship is no longer effective, accumulated gains or losses associated with the derivative financial instrument remain in equity as long as the underlying hedged transaction is expected to occur and are recognized in the consolidated statement of net income in the period in which the underlying hedged transaction is recognized in the consolidated statement of net income. In the event that the underlying hedged transaction is settled prior to maturity or is not expected to occur anymore, gains or losses accumulated in equity at this date are immediately reclassified in the consolidated statement of net income. Gains or losses related to derivative financial instruments accounted for using the cash flow hedge model are recorded in the same category as the hedged item in the consolidated statement of net income.

j) Derecognition of receivables

Receivables are derecognized from the statement of financial position only when Company’s contractual rights to the cash flows expire or when the Company has transferred to a third party substantially all the risks and rewards on receivables sold.

k) Dealer holdback programs

The Company provides dealer incentive programs whereby at the time of shipment, the Company invoices an amount to the dealer that is reimbursable upon ultimate sale and warranty registration of the product. The Company presents the amounts due to dealers in other financial liabilities (current) in the consolidated statement of financial position.

l) Provisions

Provisions represent liabilities for which the amount or timing of payment is uncertain. Provisions are recorded in the consolidated statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Additionally, provisions are recorded for contracts under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received.

Provisions are measured at each period end at the best estimate of the expenditure required to settle the obligation. When the effect of the time value of money is material, provisions are measured at the present value of the outflows required to settle the obligation using a risk free rate adjusted to the specific risk of the obligation. They are re-measured at each consolidated statement of financial position date using interest rates prevailing at this date and an interest expense is recorded to reflect the passage of time.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

l) Provisions [continued]

The main provisions of the Company are described in more detail below:

Products related provisions

The Company records a provision related to limited product warranties periods provided on products sold, which are covering periods from 6 months to 5 years. In addition, the Company provides extended product warranties under certain sales promotions.

The Company records a provision for product liability claims or possible claims incurred but not reported at the end of each reported periods.

The Company provides for estimated sales promotions at the later of revenue recognition or the announcement of the sales program. Examples of these costs include product rebates given to clients, volume discounts, extended warranty coverage and retail financing programs. In the consolidated statement of net income, cash sales promotions are recorded as a reduction of revenues whereas non-cash sales promotions (such as delivery of free products or services to consumers) are included in cost of sales.

Restructuring provision

The Company provides for estimated direct restructuring costs to be incurred in a restructuring plan in the period the Company has a detailed formal plan describing the restructuring activity and has communicated the main features of the plan to those affected by it.

m) Leases

The Company leases assets for production, distribution and administrative purposes. Leases are classified as operating leases or finance leases depending if the terms of the lease transfer substantially all the risks and rewards of ownership to the Company.

Operating lease expense is recognized on a straight-line basis over the lease term.

Finance lease payments are recorded at the present value at the inception of the lease and apportioned at each disbursement date between financing costs and the lease liability using the implicit interest rate of the lease. They are presented in other assets and other financial liabilities (current/non-current) in the consolidated statement of financial position.

n) Employee benefits

Current benefits

The Company records an expense in the consolidated statement of net income for wages, salaries, bonuses and social security contributions of employees in the period the services are rendered. Current benefits associated with manufacturing employees are included in the cost of inventory produced as described above in paragraph d).

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

n) Employee benefits [continued]

Future benefits

Defined benefit plans

The Company sponsors several Canadian and foreign funded and unfunded defined benefit and defined contribution pension plans covering a majority of its employees. The Company also provides other post-retirement benefit plans.

Annual costs of defined benefit pension plans and other post-retirement benefit plans, which include current service costs, net interest costs and past service costs, is actuarially determined using the projected unit credit method based on management's best estimate of discount rates, salary escalation, retirement ages of employees, life expectancy, inflation and health care costs.

Current service costs are recorded in the consolidated statement of net income when employees are rendering the services to the Company. For manufacturing employees, current service costs are included in the cost of inventory produced as described above in paragraph d).

Net interest costs are recorded in the consolidated statement of net income at each period following the passage of time.

Past service costs (credits) arising from the change in the present value of the defined benefit obligation resulting from a plan amendment or a curtailment are recorded in the consolidated statement of net income when the plan amendment or the curtailment occurs. A curtailment arises from a transaction that significantly reduces the number of employees covered by a plan.

In the consolidated statement of net income, costs related to defined benefit pension plans and other post-retirement benefit plans are classified separately depending on their nature. Current service costs and past service costs (credits) are presented within operating income whereas the net interest expense on the employee future benefit liability is presented in financing costs.

The liability recognized in the consolidated statement of financial position is the present value of the plan obligations less the fair value of the plan assets at that date. Plan obligations are determined based on expected future benefits payments discounted using market interest rates prevailing as at January 31 and plan assets are stated at their fair value at that date. Actuarial gains and losses which arise in calculating the present value of plan obligations and the fair value of plan assets are recorded in other comprehensive income and accumulated directly in retained earnings.

Defined contribution plans

Defined contribution plans expenses are recorded in the consolidated statement of net income when employees are rendering the services to the Company. Expenses associated with manufacturing employees are included in the cost of inventory produced as described above in paragraph d). Defined contribution plans expenses are entirely presented within operating income.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

o) Revenue recognition

The Company's revenues are derived primarily from the sale of products and related parts and accessories. Revenues are recognized when all the following events have occurred: the significant risks and rewards are transferred from the Company to independent dealers, distributors or customers; the Company does not retain ownership or control over the products sold; the costs to be incurred can be measured reliably and the collection is reasonably assured. The Company's revenue recognition is achieved normally when products are shipped. Revenues are measured at the fair value of the consideration receivable which includes any rebates and returns expected to occur after the shipment date.

p) Government assistance

Government assistance, including research and development tax credits, is recorded when the Company is complying with the assistance program requirements and the recovery is reasonably assured. Government assistance received but contingently repayable is recorded in the consolidated statement of net income as long as it is probable that the conditions for repayment will be met. Government assistance granted to compensate expenses are presented in the consolidated statement of net income as a reduction of the expense they relate to, whereas assistance granted for the acquisition of property, plant and equipment is deducted from the cost of the related asset.

q) Stock-based compensation

The Company grants stock options to officers, employees and, in limited circumstances, to consultants of the Company that are settled by the issuance of common shares. The Company establishes compensation expense for those grants based on the fair value of each tranche of option at the grant date. The compensation expense is recognized in the consolidated statement of net income over the vesting period of each tranche based on the number of options that are ultimately expected to vest. The Company estimates stock option forfeitures at time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The corresponding amount is recorded in contributed surplus within equity.

Additionally, certain stock options issued under the stock option plan prior to the IPO had vesting conditions based on the occurrence of a liquidity event such as an IPO, a change of control or a dividend.

r) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares from stock option plans. For the stock options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding stock options.

3. SIGNIFICANT ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in accordance with the Company's accounting policies requires management to make estimates and judgments that can affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, other comprehensive income and disclosures made.

a) Significant estimates in applying the Company's accounting policies

The Company’s best estimates are based on the information, facts and circumstances available at the time estimates are made. Management uses historical experience and information, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used and such differences could be significant.

The Company’s annual operating budget and operating budget revisions performed during the year (collectively “Budget”) and the Company’s strategic plan comprise fundamental information used as a basis for some significant estimates necessary to prepare these consolidated financial statements. Management prepares the annual operating budget and strategic plan each year using a process whereby a detailed one-year budget and three-year strategic plan are prepared by each entity and then consolidated.

Cash flows and profitability included in the Budget are based on the existing and future expected sales orders, general market conditions, current cost structures, anticipated cost variations and current agreements with third parties. Management uses the annual operating budget information as well as additional projections or assumptions to derive the expected results for the strategic plan and periods thereafter.

The Budget is approved by senior management and the Board of Directors whereas the strategic plan is approved by senior management and presented to the Board of Directors. Management then tracks performance as compared to the Budget. Significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

Management needs to rely on estimates in order to apply Company’s accounting policies and considers that the most critical ones are the following:

Estimating the net realizable value of inventory

The net realizable value of materials and work in process is determined by comparing inventory components and value with production needs, current and future product features, expected production costs to be incurred and the expected profitability of finished products, all based on Budget information. The net realizable value of finished products and parts and accessories is determined by comparing inventory components and value with Budget sales prices, sales programs and new product features.

Estimating the useful life of tooling

Tooling useful life is estimated by product line based on their expected physical life and on the expected life of the product platform they are related to.

3. SIGNIFICANT ESTIMATES AND JUDGMENTS [CONTINUED]

a) Significant estimates in applying Company's accounting policies [continued]

Estimating impairment on property, plant and equipment and intangible assets

Management assesses the value in use of property, plant and equipment and intangible assets mainly at groups of CGU level using a discounted cash flow approach by product line determined during the annual budget and strategic plan process. When the Company acquired the recreational products business from Bombardier Inc. in 2003, trademarks and goodwill were recorded as part of the business acquisition. As at January 31, 2014, the entire carrying amount of trademarks of $151.1 million and $114.7 million of the $116.0 million carrying amount of goodwill were related to this transaction.

Trademarks impairment test

For the purpose of impairment testing, Ski Doo®, Sea Doo® and Evinrude® trademarks are allocated to their respective CGU. The carrying amount of trademarks amounting to $151.1 million is related to Ski-Doo, Sea-Doo and Evinrude for $63.5 million, $59.1 million and $28.5 million respectively.

Recoverable amount

The Company determines the recoverable amount of these trademarks separately using value in use calculation. Value in use uses cash flow projections from the Company's one-year budget and three-year strategic plan, with a terminal value calculated by discounting the final year in perpetuity. These figures are used as the basis for the key assumptions in the value in use calculation that includes sales volume, sales price, production costs, distribution costs and operating expenses as well as discount rates. This information represents the best available information as at the date of impairment testing. The estimated future cash flows were discounted to their present value using a pre-tax discount rate of 19% to 21% which reflects the Company's weighted average cost of capital, adjusted to take into account its tax position and the risk factor associated with the product line tested. In assessing value in use, a growth rate of 2% was used to calculate the terminal value which is based on expected long term inflation trends. The Company performed sensitivity analysis on the cash flows and growth rate in order to confirm that the trademarks were not impaired.

Goodwill impairment test

For the purpose of impairment testing, goodwill of $114.7 million created in 2003 was allocated to the group of CGU representing all the product line CGUs.

Recoverable amount

The group of CGUs' recoverable amount is based on a value in use calculation using cash flow projections, which takes into account the Company's one-year budget and three-year strategic plan, with a terminal value calculated by discounting the final year in perpetuity. These figures are used as the basis for the key assumptions in the value in use calculation that includes sales volume, sales price, production costs, distribution costs and operating expenses as well as discount rates. This information represents the best available information as at the date of impairment testing. The estimated future cash flows were discounted to their present value using a pre-tax discount rate of 19% which reflects Company's weighted average cost of capital, adjusted to take into account its tax position. In assessing value in use, a growth rate of 2% was used to calculate the terminal value that is based on expected long term inflation trends. The Company performed sensitivity analysis on the cash flows and growth rate in order to confirm that goodwill was not impaired.

3. SIGNIFICANT ESTIMATES AND JUDGMENTS [CONTINUED]

Estimating recoverability of deferred tax assets

Deferred tax assets are recognized only if management believes it is probable that they will be realized based on annual budget, strategic plan and additional projections to derive the expected results for the periods thereafter.

Estimating provisions for product warranty, product liability, sales programs and restructuring

The warranty cost is established by product and recorded at the time of sale based on management's best estimate, using historical cost rates and trends. Adjustments to the warranty provision are made when the Company identifies a significant and recurring issue on products sold or when costs and trend differences are identified in the analysis of warranty claims.

The product liability provision at period end is based on management's best estimate of the amounts necessary to resolve existing claims. In addition, the product liability provision at period end includes incurred, but not reported claims based on average historical cost information.

Sales programs provision is estimated based on current program features, historical data and expected retail sales for each product line.

Restructuring provision is initially estimated based on restructuring plan estimated costs in relation with the plan features approved by management. Restructuring provision is reviewed at each period end in order to take into account updated information in relation with the realization of the plan. If necessary, the provision is adjusted accordingly.

Estimating the fair value of redeemable common shares outstanding before the IPO

The fair value of the redeemable common shares was based on an average of two valuation methods of the underlying shares, which were the income and the market approaches. The income approach indicates the fair value of a company based on the present value of the cash flows that the company can be expected to generate in the future. This approach was applied through a discounted cash flow analysis based on the Company's budget and strategic plan. The market approach indicates the fair value of a company based on a comparison of comparable companies in similar lines of business that were publicly traded. The valuations performed by the Company were validated by a third-party valuation firm contracted by the Company and were used as a basis for calculating the liability associated with the redeemable common shares. Following the closing of the IPO of subordinate voting shares, the Company no longer has any redeemable common shares outstanding.

As at April 30, 2013, and until their exchange in the context of the IPO, the redeemable common shares fair value was the IPO price of the Company's subordinate voting shares which represented the most advantageous market for these shares at that date.

Estimating the discount rates used in assessing defined benefit plan expenses and liability

In order to select the discount rates used to determine defined benefit plan expenses and liabilities, management consults with external actuarial firms to provide commonly used and applicable discount rates that are based on the yield of high quality corporate fixed income investments with cash flows that match expected benefit payments for each defined benefit plan. Management uses its knowledge and comprehension of general economic factors in order to conclude on the accuracy of the discount rates used.

3. SIGNIFICANT ESTIMATES AND JUDGMENTS [CONTINUED]

b) Significant judgments in applying the Company's accounting policies

Management needs to make certain judgments in order to apply the Company's accounting policies and the most significant ones are the following:

Impairment of property, plant and equipment and intangible assets

The Company operates using a high level of integration and interdependency between design, development, manufacturing and distribution operations. The cash inflows generated by each product line require the use of various assets of the Company, limiting the impairment testing to be done for a single asset or a single CGU. Therefore, management estimates impairment testing by grouping CGUs.

Functional currency

The Company operates worldwide but its design, development, manufacturing and distribution operations are highly integrated which require significant judgements from management in order to determine the functional currency of each entity using factors provided by *IAS 21 "The Effects of Changes in Foreign Exchange Rates"*. Management established an accounting method where the functional currency of each entity is deemed to be its local currency unless the assessment of the criteria established by IAS 21 to assess the functional currency leads to the determination of another currency. IAS 21 criteria are reviewed annually for each entity and are based on transactions with third-parties only.

4. FUTURE ACCOUNTING CHANGES

In November 2009 and October 2010, the IASB issued *IFRS 9 "Financial Instruments"* representing the first phase of the IASB's three phase project to replace *IAS 39 "Financial Instruments: Recognition and Measurement"*. The first phase defines the accounting of financial instruments that mainly requires the measurement at either the amortized cost or the fair value. The effective date of IFRS 9 for the Company is not yet known as the IASB has not finalized a mandatory adoption date of this standard.

In May 2013, the IASB amended *IAS 36 "Impairment of Assets"*, providing guidance on recoverable amount disclosures for non-financial assets. The amendments to IAS 36 must be applied retrospectively by the Company for the annual period beginning February 1, 2014. The Company is currently assessing the impact on the presentation of its consolidated financial statements.

Effective for the Company on February 1, 2014, *IAS 32 "Financial Instruments: Presentation"* clarifies the requirements for offsetting financial assets and financial liabilities. The Company is currently assessing the impact on the presentation of its consolidated financial statements.

The IASB issued other amendments to IFRS which are not expected to have a significant impact on the Company.

5. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables were as follows:

	January 31, 2014	January 31, 2013
Trade receivables	**$ 233.9**	$ 185.1
Allowance for doubtful accounts	**(2.2)**	(2.9)
	231.7	182.2
Sales tax and other government receivables	**23.7**	23.8
Receivables from related parties	**0.1**	0.8
Other	**11.1**	6.7
Total trade and other receivables	**$ 266.6**	$ 213.5

6. OTHER FINANCIAL ASSETS

The Company's other financial assets were as follows:

	January 31, 2014	January 31, 2013
Restricted investments [a]	**$ 17.9**	$ 17.2
Derivative financial instruments	**6.7**	1.8
Other	**7.9**	8.0
Total other financial assets	**$ 32.5**	$ 27.0
Current	**11.1**	7.8
Non-current	**21.4**	19.2
Total other financial assets	**$ 32.5**	$ 27.0

[a] The restricted investments are publicly traded bonds that can only be used for severance payments and pension costs associated with pension plans of BRP-Powertrain GmbH & Co. KG, and are not available for general corporate use.

The non-current portion is mainly attributable to the restricted investments.

7. INVENTORIES

The Company's inventories were as follows:

	January 31, 2014	January 31, 2013
Materials and work in process	**$ 254.3**	$ 222.8
Finished products	**159.3**	132.5
Parts and accessories	**119.1**	109.7
Total inventories	**$ 532.7**	$ 465.0

The Company recognized in the consolidated statement of net income during the year ended January 31, 2014, a write-down on inventories of $7.6 million ($6.0 million for the year ended January 31, 2013, excluding write-downs of inventory recorded in connection with restructuring activities) and reversed previously recorded write-downs of $2.9 million ($1.0 million for the year ended January 31, 2013).

Additionally, during the year ended January 31, 2014, the Company recorded $2,157.7 million of inventories in cost of sales ($1,949.2 million for the year ended January 31, 2013).

8. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment were as follows:

	January 31, 2014			January 31, 2013		
	Cost	**Accumulated depreciation**	**Carrying amount**	**Cost**	**Accumulated depreciation**	**Carrying amount**
Tooling	**$ 445.5**	**$ 291.9**	**$ 153.6**	$ 409.6	$ 272.9	$ 136.7
Equipment	**426.7**	**279.6**	**147.1**	354.6	239.8	114.8
Buildings	**243.8**	**81.0**	**162.8**	215.8	66.4	149.4
Land	**51.8**	**—**	**51.8**	47.5	—	47.5
Total	**$ 1,167.8**	**$ 652.5**	**$ 515.3**	$ 1,027.5	$ 579.1	$ 448.4

As at January 31, 2014 and 2013, assets under development amounted $53.6 million and $51.5 million were respectively included in the cost of property, plant and equipment.

The following table explains the changes in property, plant and equipment during the year ended January 31, 2014:

	Carrying amount as at January 31, 2013	**Additions[a]**	**Disposals**	**Depreciation**	**Effect of foreign currency exchange rate changes**	**Carrying amount as at January 31, 2014**
Tooling	**$ 136.7**	**$ 53.2**	**$ —**	**$ (42.9)**	**$ 6.6**	**$ 153.6**
Equipment	**114.8**	**55.2**	**(0.3)**	**(29.3)**	**6.7**	**147.1**
Buildings	**149.4**	**20.0**	**(1.0)**	**(11.6)**	**6.0**	**162.8**
Land	**47.5**	**1.9**	**(0.1)**	**—**	**2.5**	**51.8**
Total	**$ 448.4**	**$ 130.3**	**$ (1.4)**	**$ (83.8)**	**$ 21.8**	**$ 515.3**

[a] Government assistance of $4.1 million has been recorded against the additions.

During the year ended January 31, 2013, the Company modified the estimated useful life of some of its tooling as a result of certain product platforms having a useful life of more than three years. The change was applied on a prospective basis decreasing total depreciation by $7.6 million and $2.6 million compared to the total depreciation that would have been recorded for the year ended January 31, 2014 and 2013 respectively.

The following table explains the changes in property, plant and equipment during the year ended January 31, 2013:

	Carrying amount as at January 31, 2012	**Additions[a]**	**Disposals**	**Depreciation**	**Impairment[b]**	**Effect of foreign currency exchange rate changes**	**Carrying amount as at January 31, 2013**
Tooling	$ 110.2	$ 68.8	$ —	$ (42.2)	$ (1.8)	$ 1.7	$ 136.7
Equipment	86.6	50.9	(0.2)	(22.8)	(0.9)	1.2	114.8
Buildings	147.3	18.0	(1.7)	(11.2)	(3.8)	0.8	149.4
Land	44.6	3.4	(0.8)	—	—	0.3	47.5
Total	$ 388.7	$ 141.1	$ (2.7)	$ (76.2)	$ (6.5)	$ 4.0	$ 448.4

[a] Government assistance of $2.0 million has been recorded against the additions.
[b] See Note 22.

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

9. INTANGIBLE ASSETS

The Company's intangible assets were as follows:

	January 31, 2014			January 31, 2013		
	Cost	**Accumulated depreciation**	**Carrying amount**	**Cost**	**Accumulated depreciation**	**Carrying amount**
Goodwill	**$ 116.0**	**$ —**	**$ 116.0**	$ 115.9	$ —	$ 115.9
Trademarks	**151.1**	**—**	**151.1**	151.1	—	151.1
Software and licences	**74.0**	**43.7**	**30.3**	54.1	36.2	17.9
Dealer networks	**46.2**	**21.7**	**24.5**	46.3	19.3	27.0
Customer relationships	**24.2**	**10.2**	**14.0**	21.8	7.6	14.2
Total	**$ 411.5**	**$ 75.6**	**$ 335.9**	$ 389.2	$ 63.1	$ 326.1

The Company completed the required annual impairment test of goodwill and indefinite useful life trademarks as at the consolidated statement of financial position dates and concluded that no impairment had occurred.

The following table explains the changes in Company's intangible assets during the year ended January 31, 2014:

	Carrying amount as at January 31, 2013	Additions	Disposals	Depreciation	Effect of foreign currency exchange rate changes	Carrying amount as at January 31, 2014
Goodwill	**$ 115.9**	**$ —**	**$ —**	**$ —**	**$ 0.1**	**$ 116.0**
Trademarks	**151.1**	**—**	**—**	**—**	**—**	**151.1**
Software and licences	**17.9**	**18.9**	**—**	**(6.7)**	**0.2**	**30.3**
Dealer networks	**27.0**	**—**	**—**	**(2.5)**	**—**	**24.5**
Customer relationships	**14.2**	**—**	**—**	**(1.6)**	**1.4**	**14.0**
Total	**$ 326.1**	**$ 18.9**	**$ —**	**$ (10.8)**	**$ 1.7**	**$ 335.9**

The following table explains the changes in Company's intangible assets during the year ended January 31, 2013:

	Carrying amount as at January 31, 2012	Additions	Disposals	Depreciation	Effect of foreign currency exchange rate changes	Carrying amount as at January 31, 2013
Goodwill	$ 115.8	$ —	$ —	$ —	$ 0.1	$ 115.9
Trademarks	151.1	—	—	—	—	151.1
Software and licences	12.4	9.5	—	(4.2)	0.2	17.9
Dealer networks	29.4	—	—	(2.4)	—	27.0
Customer relationships	12.7	2.2	—	(1.2)	0.5	14.2
Total	$ 321.4	$ 11.7	$ —	$ (7.8)	$ 0.8	$ 326.1

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

10. REVOLVING CREDIT FACILITIES

The Company has a total availability of $350.0 million under a revolving credit facilities agreement maturing May 2018 (the "Revolving Credit Facilities"). The applicable interest rates vary depending on a leverage ratio. The leverage ratio is defined in the Revolving Credit Facilities agreements by the ratio of net debt to consolidated cash flows of Bombardier Recreational Products Inc. (the "Leverage ratio"). The applicable interest rates are as follows:

(i) U.S. dollars at either
 (a) LIBOR plus 2.00% to 3.75% per annum;
 (b) U.S. Base Rate plus 1.00% to 2.75% per annum; or
 (c) U.S. Prime Rate plus 1.00% to 2.75% per annum;

(ii) Canadian dollars at either
 (a) Bankers' Acceptances plus 2.00 to 3.75% per annum; or
 (b) Canadian Prime Rate plus 1.00% to 2.75% per annum

(iii) Euros at Euro LIBOR plus 2.00% to 3.75% per annum.

In addition, the Company incurs commitment fees of 0.45% to 0.50% per annum on the undrawn amount of the Revolving Credit Facilities.

As at January 31, 2014, the cost of borrowing under the Revolving Credit Facilities was as follows:

(i) U.S. dollars at either
 (a) LIBOR plus 2.50% per annum;
 (b) U.S. Base Rate plus 1.50% per annum; or
 (c) U.S. Prime Rate plus 1.50% per annum;

(ii) Canadian dollars at either
 (a) Bankers' Acceptances plus 2.50% per annum; or
 (b) Canadian Prime Rate plus 1.50% per annum

(iii) Euros at Euro LIBOR plus 2.50% per annum.

In order to have full access to its Revolving Credit Facilities, the Company is required to maintain, under certain conditions, a minimum fixed charge coverage ratio. Additionally, the total available borrowing is subject to a borrowing base calculation representing 75% of the carrying amount of trade and other receivables plus 50% of the carrying amount of inventories.

During the year ended January 31, 2014, the Company amended the revolving credit facilities to provide an extension of the maturity from March 2016 to May 2018 and a reduction of the cost of borrowing by 0.25%. The Company incurred amendment fees of $0.9 million related to this transaction.

During the year ended January 31, 2013, the Company amended its revolving credit facilities agreement to increase the total availability to $350 million and the maturity to March 2016. The Company incurred amendment fees of $3.4 million for this transaction.

As at January 31, 2014, the total amount borrowed under the Revolving Credit Facilities was $10.5 million (nil as at January 31, 2013) and the Company had issued letters of credit for an amount of $8.3 million at that date ($8.1 million as at January 31, 2013). In addition, $0.3 million of letters of credit were outstanding under other bank agreements ($0.6 million as at January 31, 2013).

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

11. TRADE PAYABLES AND ACCRUALS

The Company's trade payables and accruals were as follows:

	January 31, 2014	January 31, 2013
Trade payables	**$ 368.2**	$ 357.9
Wages and related employee accruals	**93.3**	96.0
Other accruals	**85.5**	69.4
Total trade payables and accruals	**$ 547.0**	$ 523.3

12. PROVISIONS

The Company's provisions were as follows:

	January 31, 2014	January 31, 2013
Product-related	**$ 150.7**	$ 141.7
Restructuring	**10.1**	13.9
Other	**19.3**	15.9
Total provisions	**$ 180.1**	$ 171.5
Current	**113.7**	101.6
Non-current	**66.4**	69.9
Total provisions	**$ 180.1**	$ 171.5

Product-related provisions include provisions for regular and extended warranty coverage on products sold, product liability provisions and provisions related to sales programs offered by the Company to its independent dealers, distributors or customers in order to support the retail activity.

The non-current portion of provisions is mainly attributable to product-related provisions. As at January 31, 2014, the Company estimates that cash outflows related to these non-current provisions could occur from February 1, 2015 to January 31, 2019.

Restructuring activities

During the year ended January 31, 2013, the Company announced its decision to exit the sport boat business. This decision affected approximately 325 employees. During the year ended January 31, 2013, $16.3 million of restructuring costs were recorded, mainly comprised of material purchase commitments for $6.8 million, employee termination benefits costs of $6.2 million and additional sales programs for $1.7 million. During the year ended January 31, 2014, the Company revised its estimates related to the costs of the exit of the sport boat business and reversed in net income $1.6 million of the restructuring costs recorded during the year ended January 31, 2013 of which $1.2 million was related to the restructuring provision as at January 31, 2013.

During the year ended January 31, 2013, the Company announced the continued implementation of its growth plan by reorganizing part of its operations. Starting in the year ended January 31, 2013 and until the year ending January 31, 2016, the Company is expanding its existing production capacity in Mexico by transferring engines that were manufactured in Juárez, Mexico to a new plant in Querétaro, Mexico. Also, the plan provides for the progressive transfer of the assembly of personal watercraft from Valcourt, Canada to the new plant in Querétaro and the progressive outsourcing of the Company's North American, Australian and Finnish distribution of parts, accessories and clothing to third-party logistic providers.

12. PROVISIONS [CONTINUED]

Restructuring activities [continued]

The Company estimates that a total of 585 employees will be affected by these decisions. During the year ended January 31, 2013, $9.7 million of early retirement offers were recorded as restructuring costs and $1.7 million of non-recurring retention salaries were recorded in cost of sales for these activities.

During the year ended January 31, 2014, the Company recorded $2.5 million of non-recurring retention salaries in cost of sales for these activities and the Company estimates that an additional $2.6 million will be recorded until the year ending January 31, 2016.

The changes in provisions were as follows:

	Product-related	Restructuring	Other	Total
Balance as at January 31, 2013	**$ 141.7**	**$ 13.9**	**$ 15.9**	**$ 171.5**
Expensed during the period	**256.9**	**—**	**14.3**	**271.2**
Paid during the period	**(240.7)**	**(3.2)**	**(8.0)**	**(251.9)**
Reversed during the period	**(17.8)**	**(1.2)**	**(3.4)**	**(22.4)**
Effect of foreign currency exchange rate changes	**9.6**	**0.5**	**0.5**	**10.6**
Unwinding of discount and effect of changes in discounting estimates	**1.0**	**0.1**	**—**	**1.1**
Balance as at January 31, 2014	**$ 150.7**	**$ 10.1**	**$ 19.3**	**$ 180.1**

13. OTHER FINANCIAL LIABILITIES

The Company's other financial liabilities were as follows:

	January 31, 2014	January 31, 2013
Dealer holdback programs and customers deposits	**$ 65.9**	$ 65.0
Due to Bombardier Inc. (Note 25)	**21.6**	21.3
Derivative financial instruments	**2.4**	4.1
Due to a pension management company (Note 15)	**9.9**	8.8
Other	**4.7**	6.9
Total other financial liabilities	**$ 104.5**	$ 106.1
Current	**72.3**	74.7
Non-current	**32.2**	31.4
Total other financial liabilities	**$ 104.5**	$ 106.1

The non-current portion is mainly comprised of the amounts due to a pension management company and to Bombardier Inc. in connection with indemnification related to income taxes.

14. LONG-TERM DEBT

As at January 31, 2014 and 2013, the maturity dates, interest rates, outstanding nominal amounts and carrying amounts of long-term debt were as follows:

					January 31, 2014
	Maturity date	**Contractual interest rate**	**Effective interest rate**	**Outstanding nominal amount**	**Carrying amount**
Term Facility	January 2019	4.00%	4.86%	U.S. $792.0	**$ 852.7** [a]
Term Loan	December 2014	1.30%	1.30%	Euro 0.5	**0.8**
Term Loan	December 2015	1.30%	1.30%	Euro 1.5	**2.3**
Term Loan	September 2016	1.55%	1.55%	Euro 1.4	**2.1**
Term Loan	December 2016	1.13%	6.85%	Euro 7.5	**10.4**
Term Loan	December 2017	1.17%	8.60%	Euro 7.5	**9.4**
Term Loan	December 2017	2.05%	6.73%	Euro 1.8	**2.5**
Term Loan	December 2018	1.19%	5.64%	Euro 7.5	**9.7**
Total long-term debt					**$ 889.9**
Current					**6.4**
Non-current					**883.5**
Total long-term debt					**$ 889.9**

[a] Net of unamortized transaction costs of $27.9 million.

					January 31, 2013
	Maturity date	**Contractual interest rate**	**Effective interest rate**	**Outstanding nominal amount**	**Carrying amount**
Term Facility	January 2019	5.00%	5.42%	U.S. $1,050.0	$ 1,029.2 [a]
Term Loan	December 2014	1.23%	1.23%	Euro 1.1	1.5
Term Loan	December 2015	1.23%	1.23%	Euro 2.3	3.1
Term Loan	September 2016	1.48%	1.48%	Euro 1.4	1.9
Term Loan	December 2016	1.13%	6.85%	Euro 7.5	8.9
Term Loan	December 2017	1.17%	8.60%	Euro 7.5	7.9
Term Loan	December 2017	1.98%	6.66%	Euro 1.8	2.1
Total long-term debt					$ 1,054.6
Current					12.2
Non-current					1,042.4
Total long-term debt					$ 1,054.6

[a] Net of unamortized transaction costs of $20.0 million.

Under security arrangements, amounts borrowed under the Revolving Credit Facilities and the Term Facility (the "Credit Facilities") are secured by substantially all the assets of the Company.

a) Term Facility

The Company's term facility is a U.S. $1,050.0 million loan agreement maturing in January 2019, with the option for the Company to increase the amount of borrowing by U.S. $150.0 million under certain conditions (the "Term Facility"). The Term Facility agreement contains customary representations and warranties but includes no financial covenants.

On May 29, 2013, the Company repaid U.S. $258.0 million ($267.5 million) of its original U.S. $1,050.0 million borrowing. As a result of this repayment, the Company is no longer required to repay a minimum of 1% of the original Term Facility nominal amount each year until maturity in January 2019.

14. LONG-TERM DEBT [CONTINUED]

a) Term Facility [continued]

On May 30, 2013, the Company amended its Term Facility resulting in a 0.75% decrease of the cost of borrowing and a 0.25% decrease of the LIBOR floor. The Company incurred amendment fees of $10.3 million for this amendment which are amortized over the expected life of the Term Facility.

As at January 31, 2014, the cost of borrowing under the Term Facility was as follows:
(i) LIBOR plus 3.00% per annum, with a LIBOR floor of 1.00%;
(ii) U.S. Base Rate plus 2.00%; or
(iii) U.S. Prime Rate plus 2.00%

As per the Term Facility agreement, the cost of borrowing in U.S. Base Rate or U.S. Prime Rate cannot be lower than borrowing in LIBOR.

During the year ended January 31, 2013, the Company entered into two amendments of its term facility agreement. The first amendment provided an extended term facility maturing in June 2016 with the option for the Company to increase the available borrowing amount by U.S. $150.0 million, option that was exercised during the year ended January 31, 2013. The second amendment provided an extended term facility of U.S. $1,050.0 million maturing in January 2019, with the option for the Company to increase the amount of borrowing by U.S. $150.0 million under certain conditions. The transaction costs incurred for these two amendments were $26.4 million. The transaction costs incurred for the second amendment have been incorporated in the carrying amount of the extended Term Facility and are amortized over its expected life using the effective interest rate method.

In the event that Bombardier Recreational Products Inc. has an excess cash position at the end of the fiscal year and its leverage ratio reaches certain threshold level, the Company may be required to repay a portion of the Term Facility. As at January 31, 2014, the Company was not subject to the excess cash computation requirement as the threshold level of the leverage ratio was not reached. As at January 31, 2013, the Company was not subject to the excess cash computation requirement due to the closing of the last amendment which occurred January 30, 2013.

b) Term Loans

During the year ended January 31, 2014, the Company entered into a term loan agreement at favourable interest rates under an Austrian government program. This program supports research and development projects based on the Company's incurred expenses in Austria. The term loan has a nominal amount of Euro 7.5 million ($10.0 million) with an interest rate of 1.19% until June 30, 2016 and 2.19% from July 1, 2016 to its maturity date on December 31, 2018. The Company recognized a grant of Euro 1.2 million ($1.6 million) as a reduction of research and development expenses representing the difference between the fair value of the term loan at inception and the cash received.

14. LONG-TERM DEBT [CONTINUED]

b) Term Loans [continued]

During the year ended January 31, 2013, the Company entered into term loan agreements at favourable interest rates under Austrian government programs. These programs support research and development projects based on the Company's incurred expenses in Austria. The term loans had a total nominal amount of Euro 10.7 million ($14.5 million) at inception with interest rates during the term in a range of 1.17% to 2.17% or at the three-month Euribor plus 1.25% to 1.75% with maturities between September 2016 and December 2017. The Company recognized a grant of Euro 2.2 million ($2.8 million) as a reduction of research and development expenses representing the difference between the fair value of the term loans at inception and the cash received.

15. EMPLOYEE BENEFITS

Employee benefits expenses, which represent the expenses related to all forms of consideration provided by the Company in exchange for services rendered by its employees were as follows:

	Years ended	
	January 31, 2014	**January 31, 2013**
Current remuneration	**$ 537.8**	$ 521.2
Post employment defined benefit plans	**16.5**	12.6
Post employment defined contribution plans	**31.3**	31.1
Termination benefits and early retirement offers (Note 12)	**—**	15.9
Stock-based compensation (Note 17)	**7.3**	0.7
Other long-term benefits	**1.0**	1.9
Total	**$ 593.9**	$ 583.4

a) Post employment benefits

The Company sponsors defined contribution retirement plans and non-contributory defined benefit plans that provide for pensions and other post-retirement benefits to a majority of its employees.

Canadian employees

The Company sponsors defined benefit pension plans and other post-retirement benefit plans for its Canadian executive employees and defined contribution plans for non-executive employees. Additionally, the Company retained defined benefits obligation with certain active and former employees for services rendered prior to 2005.

The Company's other post-retirement benefit plans provide during retirement non-contributory life insurance benefits and healthcare benefits to eligible employees that are funded on a pay-as-you-go basis. The healthcare benefits are payable from retirement to age 65.

15. EMPLOYEE BENEFITS [CONTINUED]

a) Post employment benefits [continued]

Canadian employees [continued]

The defined benefit plans are registered with the governments and follow their applicable laws. The plans are governed by a board responsible for the investment policy with regard to the assets of the fund. This board is composed of representatives from the employers and the employees. The plans have a strategy to decrease the risk level by increasing progressively, when the solvency of the plans will improve, the part of the plan assets in long-term fixed income securities. The Company is contributing to the plans the minimum funding obligations required under the current regulations. The weighted average duration of the defined benefit obligations is approximately 17 years. As at January 31, 2014, the Company expects that 50% of the future payments associated with its Canadian defined benefit obligations will be paid in the next 23 years.

In addition, the Company sponsors a defined benefit retirement plan to provide supplemental pension benefits to its executives (“SERP”).

United States employees

In the United States, the Company offers a defined contribution plan to its employees as well as a defined benefits final average earnings non-registered supplementary executive retirement plan for its executive employees (“SERP”).

European employees

The Company’s sponsors defined contribution plans to its employees in most of its European entities. In addition, the Company maintains an unfunded defined benefit plan and sponsors a lump sum retirement indemnity plan in Austria. Under the defined benefit plan, the benefits are based on such employees’ length of service, applicable pension accrual rates and compensation at retirement. Under the lump sum retirement indemnity plan, the benefits are based on the length of service and compensation at retirement. These plans are regulated by the applicable Austrian laws. The weighted average duration of the defined benefit obligation is 16 years. As at January 31, 2014, the Company expects that 50% of the future payments associated with its Austrian defined benefit obligations will be paid in the next 31 years.

During the year ended January 31, 2013, the Company entered into an agreement with approximately two-thirds of its Austrian employees which provides for the termination of the defined benefit plan coverage and replaced it by a defined contribution plan (the “2013 Agreement”). On February 1st, 2013, the Company transferred to a third party pension fund company part of its defined benefits obligation under the Austrian defined benefit plan and replaced it by a defined contribution plan. As at January 31, 2013, the Company recorded a curtailment gain of $3.8 million in operating income on this transaction.

During the year ended January 31, 2014, the Company agreed with certain Austrian employees not covered by the 2013 Agreement to terminate their defined benefit plan coverage and replaced it by a defined contribution plan. The Company recorded a curtailment gain of $0.5 million in operating income on this transaction.

As at January 31, 2014, the remaining liabilities of $9.9 million related to these transactions and presented in other financial liabilities (Note 13) will be settled over the next five fiscal years.

15. EMPLOYEE BENEFITS [CONTINUED]

b) Defined benefit plans

Actuarial risks

The significant actuarial risks to which the plans expose the Company are as follows:

<u>*Market related risks*</u>

Investment risk

The present value of the defined benefits obligation is calculated using a discount rate determined by reference to high quality corporate fixed income investments. If the return on plan asset is below this rate, it will increase the plan liability. Currently, the funded plans have investments in equity securities and fixed income securities. Due to the long-term nature of the plan liabilities, the Company considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and income securities to leverage the return generated by the fund.

Interest risk

A decrease in the fixed income investments interest rate will increase the plans' liabilities. However, for funded plans, this will be partially offset by an increase in the fair value of the plan's fixed income securities.

<u>*Employee related risks*</u>

Longevity risk

The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefits obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

15. EMPLOYEE BENEFITS [CONTINUED]

b) Defined benefit plans [continued]

Actuarial assumptions

The significant weighted average actuarial assumptions adopted to determine the defined benefits cost and the defined benefit obligations were as follows:

	Years ended			
	January 31, 2014		January 31, 2013	
	Canada	Foreign	Canada	Foreign
Benefits cost actuarial assumptions[a]				
Discount rate	**4.40%**	**3.40%**	5.00%	4.52%
Expected rate of compensation increase	**3.50%**	**3.50%**	3.50%	3.50%
Mortality table	**UP 1994 Generational**	**AVOE 2008**	UP 1994 Generational	AVOE 2008
Defined benefits obligations actuarial assumptions[b]				
Discount rate	**4.60%**	**3.41%**	4.40%	3.40%
Rate of compensation increase	**3.00%**	**3.00%**	3.50%	3.50%
Mortality table	**CPM-RPP 2014**	**AVOE 2008**	UP 1994 Generational	AVOE 2008

[a] Determined as at beginning of year
[b] Determined as at end of year

The discount rate represents the market rate for high quality corporate fixed income investments consistent with the currency and the estimated term of the defined benefit plan obligation. The expected rate of compensation increase is determined considering the current salary structure, historical and anticipated wage increases.

Health care cost trend

The health care cost is assumed to increase at a rate of 5.70% in fiscal year 2015 and at a rate that will gradually decline over the next 18 years to reach 2.90% in fiscal year 2033. After this date, the rate is assumed to remain at 2.90%. An increase of 1% of the health care cost trend rate would not have a significant impact on the defined benefits cost and on the defined benefits obligations for the years ended January 31, 2014 and 2013.

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

15. EMPLOYEE BENEFITS [CONTINUED]

b) Defined benefit plans [continued]

Employee future benefit liabilities

The amounts arising from the Company's obligations under defined benefits obligations were as follows:

	January 31, 2014		January 31, 2013	
	Canada	**Foreign**	**Canada**	**Foreign**
Defined benefits obligation of funded plans	**$ (289.7)**	**$ (1.7)**	$ (293.3)	$ (1.4)
Fair value of plans assets	**208.8**	**0.9**	175.1	0.7
	(80.9)	**(0.8)**	(118.2)	(0.7)
Defined benefits obligation of unfunded plans	**(18.5)**	**(102.8)**	(20.2)	(96.8)
Employee future benefit liabilities	**$ (99.4)**	**$ (103.6)**	$ (138.4)	$ (97.5)

The following table provides a reconciliation of the changes in the pension plans' defined benefits obligations (funded and unfunded) as at the consolidated statement of financial position dates:

	January 31, 2014		January 31, 2013	
	Canada	**Foreign**	**Canada**	**Foreign**
Defined benefits obligations at beginning of year	**$ (313.5)**	**$ (98.2)**	$ (278.4)	$ (84.6)
Current service cost	**(3.9)**	**(2.8)**	(3.6)	(2.8)
Interest cost	**(13.6)**	**(3.4)**	(13.7)	(3.8)
Curtailment gain	**—**	**0.5**	—	3.8
Actuarial (losses) from changes in demographic assumptions	**(8.5)**	**(0.1)**	(2.7)	—
Actuarial gains (losses) from changes in financial assumptions	**16.2**	**4.0**	(27.9)	(18.6)
Actuarial gains from experience adjustments	**2.1**	**0.4**	—	0.3
Benefits paid	**13.0**	**3.6**	12.8	2.6
Pension payments transferred to other financial liabilities (Note 13)	**—**	**1.8**	—	8.8
Effect of foreign currency exchange rate changes	**—**	**(10.3)**	—	(3.9)
Defined benefits obligations at end of year	**$ (308.2)**	**$ (104.5)**	$ (313.5)	$ (98.2)

In accordance with the minimum funding obligations required under the current regulations, the Company expects to contribute $22.6 million to all defined benefit pension plans for the year ending January 31, 2015.

The following table provides a reconciliation of the changes in the pension plans' fair value of assets as at consolidated statement of financial position dates:

	January 31, 2014		January 31, 2013	
	Canada	**Foreign**	**Canada**	**Foreign**
Assets fair value at beginning of year	**$ 175.1**	**$ 0.7**	$ 171.3	$ 0.5
Interest income	**7.8**	**—**	8.6	—
Administration costs	**(1.1)**	**—**	(1.1)	—
Actuarial gains from return on plan assets	**17.9**	**—**	6.8	—
Employer contributions	**22.1**	**3.8**	2.3	2.8
Benefits paid	**(13.0)**	**(3.6)**	(12.8)	(2.6)
Assets fair value at end of year	**$ 208.8**	**$ 0.9**	$ 175.1	$ 0.7

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

15. EMPLOYEE BENEFITS [CONTINUED]

b) Defined benefit plans [continued]

Employee future benefit liabilities [continued]

The actual return on plan assets was as follows:

	Years ended			
	January 31, 2014		January 31, 2013	
	Canada	Foreign	Canada	Foreign
Actual return on plan assets (before administration costs)	**$ 25.7**	$ —	$ 15.4	$ —

The fair value of the plan assets for each category was as follows:

	January 31, 2014	January 31, 2013
Publicly-traded Canadian equity securities	**$ 58.5**	$ 51.0
Publicly-traded foreign equity securities	**62.8**	52.7
Publicly-traded fixed income securities	**74.8**	63.3
Other	**13.6**	8.8
Total	**$ 209.7**	$ 175.8

The fair values of the above equity and fixed income securities were determined based on quoted market prices in active markets.

Defined benefits costs

Components of the total defined benefits costs recognized in the consolidated statement of net income were as follows:

	Years ended			
	January 31, 2014		January 31, 2013	
	Canada	Foreign	Canada	Foreign
Current service cost	**$ 3.9**	**$ 2.8**	$ 3.6	$ 2.8
Net interest on the future employee benefit liabilities	**5.8**	**3.4**	5.1	3.8
Administration costs	**1.1**	**—**	1.1	—
Curtailment gain	—	**(0.5)**	—	(3.8)
Defined benefits cost	**$ 10.8**	**$ 5.7**	$ 9.8	$ 2.8

15. EMPLOYEE BENEFITS [CONTINUED]

b) Defined benefit plans [continued]

Sensitivity analysis

Actuarial assumptions that influence significantly the determination of the defined benefit obligations of the Company are the discount rate, the expected rate of compensation increase and the participant longevity. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The impact on employee future benefit liabilities would be the following as at January 31, 2014:

	Increase (Decrease) of the liabilities
Discount rate	
Impact of a 0.5% increase	**$ (30.3)**
Impact of a 0.5% decrease	**34.2**
Expected rate of compensation increase	
Impact of a 0.5% increase	**9.6**
Impact of a 0.5% decrease	**(8.9)**
Participant longevity	
Impact of a 1 year increase	**7.2**
Impact of a 1 year decrease	**(7.1)**

The sensitivity analyses presented above may not be representative of the potential change in the employee future benefit liabilities as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

16. CAPITAL STOCK

Prior to the closing of the IPO, the Company's authorized capital stock was comprised of an unlimited number of Class A voting Common Shares, an unlimited number of Class A.1 voting Common Shares, an unlimited number of Class B non-voting Common Shares, an unlimited number of Super B non-voting Common Shares and an unlimited number of non-voting preferred shares.

a) Share Reorganization

The Company's authorized capital stock was amended prior to the closing of the IPO and all the classes of shares included in the authorized capital stock of the Company prior to the amendment were repealed and replaced by an unlimited number of multiple voting shares and subordinate voting shares with no par value and an unlimited number of preferred shares issuable in series with no par value.

Also, following the amendment of the authorized capital stock and prior to the closing of the IPO, the Company consolidated its outstanding shares on a 3.765 to one basis.

b) Initial Public Offering

On May 29, 2013, the Company completed the initial public offering of its subordinate voting shares with the securities regulatory authorities in each of the provinces and territories of Canada. The Company issued 12.2 million subordinate voting shares and received gross proceeds of $262.3 million from the issuance ($246.1 million net of related fees and expenses of $22.1 million and income taxes recovery of $5.9 million).

On June 27, 2013, the Company issued 1.8 million subordinate voting shares following the exercise of the over-allotment option granted to the underwriters in connection with the IPO. The Company received gross proceeds of $39.3 million from the issuance ($37.7 million net of related fees and expenses of $2.1 million and income taxes recovery of $0.5 million).

c) Secondary Offerings

During the year ended January 31, 2014, Bain Capital and CDPQ completed two secondary offerings for a total of 18,000,000 subordinate voting shares of the Company to a syndicate of underwriters. Prior to such transactions, Bain Capital and CDPQ converted an aggregate of 18,000,000 multiple voting shares into an equivalent number of subordinate voting shares. The Company did not receive any of the proceeds of these secondary offerings. In accordance with the terms of the registration rights agreement entered into in connection with its initial public offering, the Company incurred approximately $0.9 million of fees and expenses related to these secondary offerings.

16. CAPITAL STOCK [CONTINUED]

The changes in capital stock issued and outstanding and classified in equity were as follows:

	Number of shares	Carrying Amount
Class A Common Shares		
Balance at February 1, 2012	**229,387,717**	**$ 32.7**
Balance at January 31, 2013	**229,387,717**	**32.7**
Repurchased	(9)	—
Reduction of stated capital	—	(27.5)
Exchanged for multiple voting shares	(229,387,708)	(5.2)
Balance at January 31, 2014	**—**	**—**
Class A.1 Common Shares		
Balance at February 1, 2012	**123,516,460**	**17.3**
Balance at January 31, 2013	**123,516,460**	**17.3**
Reduction of stated capital	—	(14.8)
Exchanged for multiple voting shares	(123,516,460)	(2.5)
Balance at January 31, 2014	**—**	**—**
Class B Common Shares		
Balance at February 1, 2012	**20,310,623**	**2.2**
Issued upon exercise of stock options	792,800	0.3
Repurchased	(289,800)	(0.3)
Balance at January 31, 2013	**20,813,623**	**2.2**
Issued upon exercise of stock options	9,103,750	15.1
Repurchased	(368,844)	(0.1)
Reduction of stated capital	—	(2.6)
Exchanged for multiple voting shares	(12,388,723)	(0.2)
Exchanged for subordinate voting shares	(17,159,806)	(14.4)
Balance at January 31, 2014	**—**	**—**
Multiple voting shares		
Balance at January 31, 2013	**—**	**—**
Issued in exchange of Class A Common Shares	229,387,708	5.2
Issued in exchange of Class A.1 Common Shares	123,516,460	2.5
Issued in exchange of Class B Common Shares	12,388,723	0.2
Share consolidation	(268,269,547)	—
Exchanged for subordinate voting shares	(18,000,000)	(1.5)
Balance at January 31, 2014	**79,023,344**	**6.4**
Subordinate voting shares		
Balance at January 31, 2013	**—**	**—**
Issued in exchange of Class B Common Shares	23,009,339	47.8
Issued in exchange of Class Super B Common Shares	3,621,327	20.7
Share consolidation	(19,557,447)	—
Issued following the IPO	12,200,000	246.1
Issued following the exercise of the over-allotment option	1,830,000	37.7
Issued upon exercise of stock options	32,504	0.2
Issued in exchange of multiple voting shares	18,000,000	1.5
Balance at January 31, 2014	**39,135,723**	**$ 354.0**
Total outstanding at January 31, 2014	**118,159,067**	**$ 360.4**

16. CAPITAL STOCK [CONTINUED]

The changes in capital stock issued and outstanding and classified in liabilities were as follows:

	Number of shares	Carrying Amount
Class B Common Shares		
Balance at February 1, 2012	**5,491,752**	**$ 14.3**
Issued	197,846	0.7
Repurchased/Cancelled	(53,688)	(0.2)
Increase in fair value	—	6.4
Balance at January 31, 2013	**5,635,910**	**21.2**
Issued	2,000	—
Repurchased/Cancelled	(83,600)	(0.3)
Converted from Class Super B Common Shares	295,223	1.0
Reduction of stated capital	—	(0.7)
Increase in fair value	—	12.2
Exchanged for subordinate voting shares	(5,849,533)	(33.4)
Balance at January 31, 2014	**—**	**—**
Class Super B Common Shares		
Balance at February 1, 2012	**4,016,550**	**10.4**
Increase in fair value	—	4.6
Balance at January 31, 2013	**4,016,550**	**15.0**
Repurchased/Cancelled	(100,000)	(0.2)
Converted to Class B Common Shares	(295,223)	(1.0)
Reduction of stated capital	—	(0.5)
Increase in fair value	—	7.4
Exchanged for subordinate voting shares	(3,621,327)	(20.7)
Balance at January 31, 2014	**—**	**$ —**
Total outstanding at January 31, 2014	**—**	**$ —**

On April 15, 2013, the Company declared and paid a dividend of $0.84 per share on its Class A Common Shares, Class A.1 Common Shares and Class B Common Shares and a dividend $2.87 per share on its Class Super B Common Shares for a total consideration of $330.2 million. Subsequently, the Company reduced the stated capital of all of its shares by $0.12 per share for an aggregate amount of $46.1 million.

On April 30, 2013, the Company declared and paid a dividend of $0.39 per share on all of its shares for an aggregate amount of $152.8 million.

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

17. STOCK OPTION PLAN

As part of the IPO, the Board of Directors approved a new stock option plan, pursuant to which a reserve of 5,814,828 subordinate voting shares are available to be granted in stock options to officers, employees and, in limited circumstances, to consultants of the Company. During the year ended January 31, 2014, 1,111,500 options were granted at an average exercise price of $21.59 to eligible employees under the new stock option plan. Such stock options are time vesting and 25% of the options will vest on each of the first, second, third and fourth anniversary of the grant. The stock options have a ten-year term at the end of which the options expire.

Under the former stock option plan, the options were exercisable into Class B common shares of the Company at an exercise price equal to the fair value of the Class B common shares on the date of grant. The options vested or were eligible to vest in equal annual instalments on each of the five anniversary dates of the date of grant and were exercisable for a period of up to ten years from the grant date. Certain of these options were able to vest only upon the occurrence of a liquidity event (such as an initial public offering, a change of control or a dividend). This plan was amended prior to the closing of the IPO and all the classes of stock options included in the authorized stock option plan of the Company prior to the amendment were repealed and replaced by stock options on subordinate voting shares. Also, following the amendment of the authorized stock option plan and prior to the closing of the IPO, the Company consolidated its outstanding stock options on a 3.765 to one basis.

The following table summarizes the weighted-average fair value of options granted and the main assumptions that were used to calculate the fair value during the years ended January 31, 2014 and 2013:

	January 31, 2014	**January 31, 2013**
Weighted-average fair value at grant date	**$ 10.51**	$ 1.71
Weighted average assumptions used in the fair value models		
Share price	**$ 21.56**	$ 2.80
Risk-free interest rate	**1.53%**	1.90%
Expected life	**6.25 years**	10 years
Expected volatility	**49.41%**	50%
Expected annual dividend per share	**0%**	0%

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options granted, except before the IPO, the Company used the binomial option-pricing model to fair value options that was based on market performance condition. The expected volatility used in option pricing models is calculated based on historical volatility of similar listed entities.

17. STOCK OPTION PLAN [CONTINUED]

The number of stock options varied as follows:

	Number of options	Weighted average exercise price
Options on Class B Common Shares		
Balance at February 1, 2012	**12,818,500**	**$ 0.68**
Granted	412,000	2.80
Forfeited/Cancelled	(305,200)	0.94
Exercised [a]	(792,800)	0.43
Balance at January 31, 2013	**12,132,500**	**0.76**
Granted	26,000	1.90
Forfeited/Cancelled	(45,401)	0.04
Exercised [b] [c]	(9,103,750)	0.02
Distribution	—	(0.56)
Exchanged for subordinate voting share options	(3,009,349)	(0.31)
Balance at January 31, 2014	**—**	**—**
Options on subordinate voting shares		
Balance at January 31, 2013	**—**	**—**
Exchanged in compensation of Class B common share Options	3,009,349	0.31
Effect of the stock options consolidation	(2,210,053)	0.86
Post consolidation balance	799,296	1.17
Granted	1,111,500	21.59
Forfeited/Cancelled	(30,917)	12.99
Exercised [d]	(32,504)	1.39
Balance at January 31, 2014	1,847,375	13.25
Total outstanding at January 31, 2014	**1,847,375**	**$ 13.25**

[a] The weighted average stock price on these exercised stock options was $3.12.

[b] The weighted average stock price on these exercised stock options was $17.81.

[c] 4,851,216 of the exercised options became vested due to the occurrence of liquidity events.

[d] The weighted average stock price on these exercised stock options was $29.11.

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

17. STOCK OPTION PLAN [CONTINUED]

The following table summarizes information about stock options outstanding:

	January 31, 2014			January 31, 2013		
	Number of options	**Exercise price**	**Life (years)**	**Number of options**	**Exercise price**	**Life (years)**
Class B:						
Series 2004	—	$ —	—	4,056,550	$ 0.01	0.9
Series 2006	—	—	—	1,843,000	0.94	3.0
Series 2006-2	—	—	—	547,000	1.00	3.4
Series 2007-2	—	—	—	72,000	1.00	4.5
Series 2008-2	—	—	—	9,000	1.00	5.5
Series 2009-4	—	—	—	1,906,400	1.00	6.0
Series 2009-5	—	—	—	426,850	1.00	6.1
Series 2009-6	—	—	—	855,000	1.00	6.8
Series 2010-1	—	—	—	126,000	1.00	7.0
Series 2010-2	—	—	—	363,200	1.00	7.5
Series 2010-3	—	—	—	770,500	1.00	7.9
Series 2011-1	—	—	—	745,000	1.65	8.5
Series 2012-1	—	—	—	283,000	2.60	9.0
Series 2012-2	—	—	—	129,000	3.25	9.5
Subordinate voting shares- pre IPO grants	**754,375**	**1.17**	**6.5**	—	—	—
Subordinate voting shares- post IPO grants	**1,093,000**	**21.59**	**9.3**	—	—	—
Balance as at January 31	**1,847,375**	**$ 13.25**	**8.2**	12,132,500	$ 0.76	4.2

The number of stock options exercisable is as follows:

	January 31, 2014		January 31, 2013	
	Number of options	**Exercise price**	**Number of options**	**Exercise price**
Class B:				
Series 2004	—	$ —	540,000	$ 0.01
Series 2006	—	—	1,843,000	0.94
Series 2006-2	—	—	197,000	1.00
Series 2007-2	—	—	72,000	1.00
Series 2008-2	—	—	7,200	1.00
Series 2009-4	—	—	737,600	1.00
Series 2009-5	—	—	199,950	1.00
Series 2009-6	—	—	171,000	1.00
Series 2010-1	—	—	50,400	1.00
Series 2010-2	—	—	55,800	1.00
Series 2010-3	—	—	166,600	1.00
Series 2011-1	—	—	73,667	1.65
Subordinate voting shares	**249,274**	**0.73**	—	—
Options exercisable as at January 31	**249,274**	**$ 0.73**	4,114,217	$ 0.85

Share based compensation expense has been recorded in general and administrative expenses and was as follows:

	Years ended	
	January 31,2014	**January 31, 2013**
Stock-based compensation expense	**$ 7.3**	$ 0.7

17. STOCK OPTION PLAN [CONTINUED]

As at January 31, 2014, the total unrecognized compensation cost related to unvested share-based payments totalled $7.0 million ($4.0 million as at January 31, 2013).

18. EARNINGS PER SHARE

a) Basic earnings per share

As per IFRS requirements, the basic earnings per share and the weighted average number of common or voting shares outstanding have been calculated for all periods taking into account the consolidation of the outstanding shares on a 3.765 to one basis (see Note 16) and are as follows:

	Years ended	
	January 31, 2014	**January 31, 2013**
Net income attributable to shareholders	**$ 59.9**	$ 119.2
Issued common shares, beginning of year	**101,824,770**	101,652,882
Effect of issuance of shares and exercise of stock options	**10,880,118**	114,314
Effect of repurchase and cancellation of shares	**(117,081)**	(53,348)
Weighted average number of common or voting shares	**112,587,807**	101,713,848
Earnings per share – basic	**$ 0.53**	$ 1.17

b) Diluted earnings per share

As per IFRS requirements, the diluted earnings per share and the weighted average number of diluted common or voting shares have been calculated for all periods taking into account the consolidation of the outstanding shares on a 3.765 to one basis (see Note 16) and are as follows:

	Years ended	
	January 31, 2014	**January 31, 2013**
Net income attributable to shareholders	**$ 59.9**	$ 119.2
Weighted average number of common or voting shares	**112,587,807**	101,713,848
Dilutive effect of stock options	**818,399**	1,140,130
Weighted average number of diluted common or voting shares	**113,406,206**	102,853,978
Earnings per share - diluted	**$ 0.53**	$ 1.16

For the year ended January 31, 2013, 6.0 million stock options were excluded from the calculation of diluted earnings per share as these options were conditional upon the occurrence of a liquidity event (nil for the year ended January 31, 2014).

The average market value of the Company's shares for purposes of calculating the dilutive effect of stock options was based on internally calculated share prices before the IPO and on share value on the Toronto Stock Exchange after the IPO for the period during which the options were outstanding.

19. REVENUES

Details of revenues were as follows:

	Years ended	
	January 31, 2014	**January 31, 2013**
Sale of products	**$ 3,155.7**	$ 2,850.1
Other	**38.4**	46.1
Total	**$ 3,194.1**	$ 2,896.2

Revenues are net of cash sales promotions.

20. COST OF SALES

Cost of sales comprise costs of inventories sold, production overheads unallocated to inventories, warranty and distribution costs, costs related to sales programs that involve a free product or service delivered to clients, write-down of inventories, reversal of write-down of inventories, depreciation of property, plant and equipment and intangible assets used to manufacture and distribute products.

21. GOVERNMENT ASSISTANCE

The Company's government assistance, including tax credits, was as follows:

	Years ended	
	January 31, 2014	**January 31, 2013**
Recorded against research and development expense	**$ 22.6**	$ 21.0
Recorded against other elements of operating income	**1.2**	0.7
	$ 23.8	$ 21.7
Recorded against the cost of property, plant and equipment	**$ 4.1**	$ 2.0

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

22. OTHER OPERATING EXPENSES (INCOME)

Details of other operating expenses (income) were as follows:

	Years ended	
	January 31, 2014	**January 31, 2013**
Restructuring costs (reversal) (Note 12)	**$ (1.6)**	$ 26.0
Impairment charge (reversal)	**(0.3)**	7.1
Net charge related to damaged property, plant and equipment	**1.7**	1.9
Gain from insurance recovery	**(11.0)**	—
Foreign exchange (gain) loss on working capital elements	**22.5**	(3.5)
(Gain) loss on forward exchange contracts	**(17.4)**	2.3
Other	**(0.7)**	0.2
Total	**$ (6.8)**	$ 34.0

During the year ended January 31, 2013, the impairment charge of $7.1 million is related to the Company's decision to exit the sport boat business. Of this amount, $6.5 million was recorded to reduce the carrying amount of sport boat business related property, plant and equipment to their fair value less disposition costs.

During the year ended January 31, 2013, an explosion occurred at the Company’s research & development centre in Valcourt, Canada causing significant damage to property, plant and equipment. During the year ended January 31, 2014, and 2013, the Company recorded non-recurring depreciation charges of respectively $1.7 million and $1.9 million relating to the write-off of certain components of the damaged property, plant and equipment. In addition, the Company incurred non-recurring costs of $3.5 million in relation with this event, of which $3.3 million were compensated by the insurance company ($2.2 million fully compensated by the insurance company for the year ended January 31, 2013). During the year ended January 31, 2014, the Company recorded a gain from insurance recovery of $11.0 million in relation to the estimated insurance proceeds for the property, plant and equipment damaged.

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

23. FINANCING COSTS AND INCOME

Details of financing costs and financing income were as follows:

	Years ended	
	January 31, 2014	**January 31, 2013**
Interest and amortization of transaction costs on long-term debt	**$ 47.1**	$ 37.1
Interest on government assistance repayable	**—**	10.6
Interest and commitment fees on revolving credit facilities	**5.9**	2.2
Net interest on employee future benefit liabilities (Note 15)	**9.2**	8.9
Financial guarantee recoveries	**(1.0)**	(0.4)
Unwinding of discount of provisions	**1.0**	1.1
Other	**2.3**	3.1
Financing costs	**64.5**	62.6
Financing income	**(2.5)**	(1.9)
Total	**$ 62.0**	$ 60.7

On April 16, 2012, the Company repaid the outstanding government assistance repayable amounts to Investissement Québec for a total cash consideration of $60.1 million representing the amount contractually due at that date. The Company recorded an interest charge of $9.0 million during the year ended January 31, 2013, associated with this transaction corresponding to the excess of the contractual payments owed relative to the liability recorded as at January 31, 2012.

24. INCOME TAXES

a) Income taxes expense

Details of income taxes expense were as follows:

	Years ended	
	January 31, 2014	**January 31, 2013**
Current income taxes expense		
Related to current year	**$ 20.1**	$ 17.3
Related to prior years	**(0.1)**	(0.9)
	20.0	16.4
Deferred income taxes expense		
Temporary differences	**36.7**	17.1
Effect of income tax rate changes on deferred income taxes	**0.7**	0.6
Recognition of previously unrecorded tax benefits	**—**	(1.7)
	37.4	16.0
Income taxes expense	**$ 57.4**	$ 32.4

The reconciliation of income taxes computed at the Canadian statutory rates to income taxes expense recorded was as follows:

	Years ended			
	January 31, 2014		**January 31, 2013**	
Income taxes calculated at statutory rates	**$ 31.5**	**26.9%**	$ 40.8	26.9%
Increase (decrease) resulting from:				
Income tax rate differential of foreign subsidiaries	**(6.8)**		(8.7)	
Effect of income tax rate changes on deferred income taxes	**0.7**		0.6	
Tax benefits of losses and temporary differences not recognized	**11.6**		—	
Recognition of previously unrecorded tax benefits	**—**		(1.7)	
Recognition of income taxes on foreign currency translation	**(2.5)**		0.2	
Permanent differences [a]	**23.7**		4.3	
Adjustment in respect of prior years	**(1.6)**		(3.2)	
Other	**0.8**		0.1	
Income taxes expense	**$ 57.4**		$ 32.4	

[a] The permanent differences result mainly from the foreign exchange (gain) loss on the long-term debt denominated in U.S. dollars and from the valuation at fair value of the redeemable common shares.

The income tax statutory rate is 26.9% for the years ended January 31, 2014 and 2013. The income tax statutory rate is Bombardier Recreational Products Inc. combined rate applicable in jurisdictions in which it operates.

24. INCOME TAXES [CONTINUED]

b) Deferred income taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income taxes asset (liability) were as follows:

	January 31, 2014	January 31, 2013
Related to current assets and liabilities		
Inventories	**$ 11.0**	$ 9.7
Investment tax credits receivable	**(2.3)**	(0.9)
Trade payables and accruals	**4.7**	4.9
Provisions	**27.9**	26.6
Other financial liabilities	**12.1**	12.7
Other	**0.1**	1.5
	53.5	54.5
Related to non-current assets and liabilities		
Property, plant and equipment	**(26.5)**	(12.9)
Intangible assets	**(41.1)**	(42.5)
Investment tax credits receivable	**(14.1)**	(11.8)
Provisions	**15.3**	16.0
Long-term debt	**8.9**	(1.6)
Employee future benefit liabilities	**39.3**	47.2
Other non-current liabilities	**4.7**	5.0
Other	**7.1**	3.1
	(6.4)	2.5
Related to losses carry-forwards	**30.6**	35.3
Related to research and development expenses carry-forward	**15.6**	22.3
	93.3	114.6
Limitation on deferred income taxes asset	**(11.6)**	—
Total	**$ 81.7**	$ 114.6

As at January 31, 2014, the Company had tax attributes carry-forward to reduce future taxable income, composed of non-capital losses and unused research and development expenses.

As at January 31, 2014, non-capital losses amounting to $76.9 million ($96.7 million as at January 31, 2013), of which $76.2 million ($75.6 million as at January 31, 2013) is available to reduce future federal taxable income in United States and $0.7 million ($21.1 million as at January 31, 2013) is available to reduce future taxable income in other tax jurisdictions. The $76.9 million of non-capital losses will expire from fiscal year 2025 until fiscal year 2033.

Unused research and development expenses amounting respectively to $86.5 million and $22.3 million as at January 31, 2014, are available to reduce, at any time in the future, the Canadian federal and Quebec taxable income (respectively $95.3 million and $66.3 million as at January 31, 2013).

Deferred income taxes assets have been entirely recognized for all of these elements, except for the unrealized foreign exchange loss on the long-term debt denominated in U.S. dollars.

24. INCOME TAXES [CONTINUED]

b) Deferred income taxes [continued]

As at January 31, 2014, the Company had $78.6 million in investment tax credits receivable, of which $18.7 million is refundable and $59.9 million is available to reduce income taxes in future periods (respectively $59.7 million, $10.9 million and $48.8 million as at January 31, 2013). Of the $59.9 million, $52.3 million ($44.1 million as at January 31, 2013) is available to reduce future federal Canadian income taxes and $7.6 million ($4.7 million as at January 31, 2013) is available to reduce future income taxes of other tax jurisdictions. The Canadian investment tax credits will expire from fiscal year 2027 to fiscal year 2034.

The goodwill is not deductible for tax purposes. As at January 31, 2014, out of the trademarks and other intangible assets of $219.9 million recorded in the consolidated statement of financial position ($210.2 million at January 31, 2013), $35.0 million is deductible for tax purposes ($27.5 million at January 31, 2013).

Deferred income taxes have not been provided for the undistributed earnings of foreign subsidiaries based upon management's determination that such earnings will be indefinitely reinvested. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to withholdings taxes.

25. RELATED PARTY TRANSACTIONS

The Company had related party transactions during the years ended January 31, 2014 and 2013. The most significant ones are described below and were made on an arm's length basis, unless otherwise indicated.

a) Transactions with the Principal Shareholders

The Company has a management services agreement with the Principal Shareholders pursuant to which, until the IPO, an aggregate annual management fee of U.S. $2.25 million and certain out-of-pocket expenses were reimbursed by the Company. In connection with the IPO, the management services agreement was amended to remove the Company's obligation to pay the annual management fees of U.S. $2.25 million effective May 29, 2013. For the years ended January 31, 2014 and 2013, the Company incurred a management fee of $1.2 million and $2.4 million, respectively.

In addition, CDPQ participates in the Term Facility of the Company for an amount of $67.0 million (U.S. $60.3 million) and $74.9 million (U.S. $75.0 million) as at January 31, 2014 and 2013. The transactions with CDPQ were made on terms similar to those that have prevailed with other lenders.

During the year ended January 31, 2014, Bain Capital and CDPQ completed two secondary offerings for a total of 18,000,000 subordinate voting shares of the Company to a syndicate of underwriters and the Company incurred approximately $0.9 million of fees and expenses related to these secondary offerings (see Note 16).

25. RELATED PARTY TRANSACTIONS [CONTINUED]

b) Transactions with key management personnel

Key management personnel of the Company, defined as employees with authority and responsibility for planning, directing and controlling the activities of the Company, are considered related parties to the Company. The key management personnel of the Company are its directors and the executive officers.

The Company incurred the following benefits expenses in relation with key management personnel:

	Years ended	
	January 31, 2014	**January 31, 2013**
Current remuneration	**$ 10.5**	$ 9.9
Post-employment benefits	**1.3**	1.0
Stock-based compensation expense	**3.7**	0.1
Total	**$ 15.5**	$ 11.0

c) Due to Bombardier Inc., a company related to Beaudier group

Pursuant to the purchase agreement entered into in 2003 in connection with the acquisition of the recreational product business of Bombardier Inc., the Company shall reimburse to Bombardier Inc. income taxes amounting to $21.6 million as at January 31, 2014, ($21.3 million as at January 31, 2013). The payments will begin when Bombardier Inc. starts making income tax payments in Canada and/or in the United States.

26. FINANCIAL INSTRUMENTS

a) Fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of the Company’s financial instruments take into account the credit risk embedded in the instrument. For financial assets, the credit risk of the counterparty is considered whereas for financial liabilities, the Company's credit risk is considered.

In order to determine the fair value of its financial instruments, the Company uses, when active markets exist, quoted prices from these markets (“Level 1” fair value). When public quotations are not available in the market, fair values are determined using valuation methodologies. When inputs used in the valuation methodologies are only inputs directly and indirectly observable in the marketplace, fair value is presented as “Level 2” fair value. If fair value is assessed using inputs that require considerable judgment from the Company in interpreting market data and developing estimates, fair value is presented as “Level 3” fair value. For Level 3 fair value, the use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

26. FINANCIAL INSTRUMENTS [CONTINUED]

a) Fair value [Continued]

The fair value, fair value level and valuations techniques and inputs of restricted investments, derivative financial instruments, redeemable common shares and long-term debt were as follows:

		As at January 31, 2014	**As at January 31, 2013**	
	Fair value level	**Fair value**	**Fair value**	**Valuation techniques and inputs**
Restricted investments (Note 6)	Level 2	**$ 17.9**	$ 17.2	Discounted cash flows at a discount rate that reflects the current market rate for this type of investments at the end of the reporting period
Derivative financial instruments				
Forward exchange contracts				Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the counterparties for favourable position or the credit risk of the Company for unfavourable positions
Favourable (Note 6)	Level 2	**$ 6.7**	$ 1.8	
(Unfavourable) (Note 13)	Level 2	**(0.4)**	(2.9)	
Inflation rate swap (Note 13)	Level 2	**(2.0)**	(1.2)	Discounted cash flows. Future cash flows are estimated based on forward inflation rates (from observable yield curves at the end of the reporting period) and contract inflation rates, discounted at a rate that reflects the credit risk of the Company
Total derivative financial instruments	Level 2	**$ 4.3**	$ (2.3)	
Redeemable common shares (Note 16)	Level 3	**$ —**	$ (36.2)	Discounted cash flows and comparison with comparable companies (Note 3)
Long-term debt (including current portion) (Note 14)				
Term Facility	Level 1	**$ (883.9)**	$ (1,059.7)	Quoted bid prices in an active market
Term Loans	Level 2	**(40.8)**	(27.5)	Discounted cash flows. Cash flows used for valuation are those contractually due and are discounted at a rate that reflects the credit risk of the Company
Total long-term debt (including current portion)		**$ (924.7)**	$ (1,087.2)	

26. FINANCIAL INSTRUMENTS [CONTINUED]

a) Fair value [Continued]

For cash, trade and other receivables, revolving credit facilities, trade payables and accruals, dealer holdback programs and customer deposits, the carrying amounts reported on the consolidated statements of financial position or in the notes approximate the fair values of these items due to their short-term nature.

b) Foreign exchange risks

The foreign exchange risk associated with financial instruments is defined by the risk that the future cash flows of a recorded financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk associated with financial instruments arises from financial instruments denominated in a currency other than the functional currency of the Company.

The Company's significant foreign exchange risk exposure associated with financial instruments are with Credit Facilities, trade and other receivables, trade payables and accruals, derivative financial instruments and dealer holdbacks denominated in U.S. dollars and recorded in entities having the Canadian dollar as functional currency.

The table below presents the impact on net income and other comprehensive income of a variation of foreign exchange rates on financial instruments subject to foreign exchange risks as at January 31, 2014 and 2013:

	As at January 31, 2014			As at January 31, 2013		
Increase (Decrease)	Percentage of Variation[a]	Impact on Net income	Impact on Other comprehensive income	Percentage of Variation[a]	Impact on Net income	Impact on Other comprehensive income
USD / CAD	**10%**	**$ (79.1)** [b]	**$ —**	5%	$ (54.9)[b]	$ —
Euro / CAD	**13%**	**$ (1.2)**	**$ —**	5%	$ 3.2	$ —
Other	**5%**	**$ (2.3)**	**$ 2.5**	5%	$ (0.6)	$ 0.3

[a] Based on changes that might exist at the closing dates.
[b] Mainly from the long-term debt denominated in U.S. dollars

The Company uses foreign exchange contracts to manage its foreign currency risks mainly on trade payables and certain other financial liabilities denominated in U.S. dollars and to hedge the foreign exchange risk exposure on future revenue transactions denominated mainly in Australian dollars, Swedish Krona and Norwegian Krone. Additionally, the Company uses short-term foreign exchange contracts to manage its daily cash position.

As at January 31, 2014, the maximum length of time over which the Company is hedging its exposure to variability in future cash flow from anticipated sales is 12 months. All foreign exchange contracts used to hedge highly probable anticipated sales are recorded under the cash flow hedge model. The Company does not trade in derivative financial instruments for speculative purposes.

26. FINANCIAL INSTRUMENTS [CONTINUED]

b) Foreign exchange risks [Continued]

The following tables set out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement periods of these contracts:

As at January 31, 2014						
	Sell currency	**Buy currency**	**Average rate**	**Notional amount**		**Canadian equivalent notional amount[a]**
Foreign exchange contracts						
Less than 1 year	**AUD**	**CAD**	**0.9652**	**AUD**	**28.2**	**$ 27.4**
	AUD	**USD**	**0.8991**	**AUD**	**9.6**	**9.3**
	CAD	**Euro**	**1.5176**	**Euro**	**2.5**	**3.8**
	CAD	**JPY**	**0.0109**	**JPY**	**6.0**	**0.1**
	CAD	**MXN**	**0.0838**	**MXN**	**13.2**	**1.1**
	CAD	**USD**	**1.0870**	**USD**	**187.8**	**208.8**
	Euro	**CAD**	**1.5141**	**Euro**	**7.1**	**10.7**
	Euro	**NOK**	**0.1179**	**NOK**	**67.6**	**12.0**
	Euro	**SEK**	**0.1132**	**SEK**	**149.8**	**25.5**
	JPY	**CAD**	**0.0109**	**JPY**	**136.0**	**1.5**
	NOK	**Euro**	**0.1198**	**NOK**	**251.8**	**44.6**
	SEK	**Euro**	**0.1135**	**SEK**	**455.8**	**77.4**
	USD	**CAD**	**1.0496**	**USD**	**1.9**	**2.1**

[a] Exchange rates as at January 31, 2014 were used to translate notional amounts in foreign currencies.

As at January 31, 2013						
	Sell currency	**Buy currency**	**Average rate**	**Notional amount**		**Canadian equivalent notional amount[a]**
Foreign exchange contracts						
Less than 1 year	AUD	CAD	1.0263	AUD	33.5	$ 34.9
	AUD	USD	1.0258	AUD	14.0	14.6
	CAD	Euro	1.3506	Euro	36.3	49.3
	CAD	MXN	0.0787	MXN	7.8	0.6
	CAD	USD	1.0034	USD	249.3	249.1
	Euro	NOK	0.1345	NOK	72.1	13.2
	Euro	SEK	0.1157	SEK	151.9	23.9
	NOK	Euro	0.1342	NOK	278.8	50.9
	SEK	Euro	0.1153	SEK	566.0	89.0
	USD	CAD	0.9983	USD	149.0	148.9

[a] Exchange rates as at January 31, 2013 were used to translate notional amounts in foreign currencies.

26. FINANCIAL INSTRUMENTS [CONTINUED]

c) Liquidity risk

Liquidity risk is defined as the Company's exposure to the risk of not being able to meet its financial obligations. The Company manages its liquidity risk by continuously monitoring its operating cash requirements and by the use of its funding sources to ensure its financial flexibility and mitigate its liquidity risk (see Note 27).

The following table summarizes the financial liabilities instalments payable when contractually due as at January 31, 2014:

	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total amount
Trade payables and accruals	$ 547.0	$ —	$ —	$ —	$ 547.0
Long-term debt (including interest)	36.5	95.6	964.4	—	1,096.5
Derivative financial instruments	0.4	—	—	2.0	2.4
Other financial liabilities (including interest)	72.2	6.4	0.8	23.6	103.0
Total	**$ 656.1**	**$ 102.0**	**965.2**	**$ 25.6**	**$ 1,748.9**

d) Interest risk

The Company is exposed to the variation of interest rates on financial instruments mainly on its Credit Facilities. An increase or decrease of a 0.25 percentage base point as at January 31, 2014 and 2013 respectively would not have resulted in a significant impact on net income and comprehensive income for the years ended January 31, 2014 and 2013. Percentages of variations of interest rates above are based on changes that might exist at the consolidated statement of financial position dates and have been applied on the Company's financial instruments subject to interest rate changes.

26. FINANCIAL INSTRUMENTS [CONTINUED]

e) Credit risk

The Company could be exposed, in the normal course of business, to the potential inability of dealers, distributors and other business partners to meet their contractual obligations on financial assets, principally on receivables and amounts guaranteed under dealer and distributor financing agreements.

The Company considers that its credit risk associated with its trade receivables and its limited responsibilities under dealer and distributor financing agreements does not represent a significant concentration of risk and loss due to the large number of dealers, distributors and other business partners and their dispersion across many geographic areas. Moreover, the Company mitigates such risk by doing business through its own distribution channels and by monitoring independent dealers' and distributor credit.

The following table provides further details on receivables for which the Company considers to be exposed to credit risk as at January 31, 2014 and 2013.

	January 31, 2014	**January 31, 2013**
Trade and other receivables	**$ 266.6**	$ 213.5
Sales tax and other government receivables	**(23.7)**	(23.8)
Total exposed to credit risk	**$ 242.9**	$ 189.7
Not past due	**$ 230.0**	$ 185.4
Past due		
Under 60 days	**9.4**	4.8
From 60 to 90 days	**0.8**	0.1
Over 90 days	**4.9**	2.3
Allowance for doubtful accounts	**(2.2)**	(2.9)
Total exposed to credit risk	**$ 242.9**	$ 189.7

The counterparties to the derivative financial instruments and restricted investments are all investment grade financial institutions, which the Company anticipates will satisfy their obligations under these contracts. Over the past years, the Company has not incurred significant losses related to credit risk on its financial assets.

As described in Note 28 b), the Company has provided financial guarantees to third party financing companies in case of dealers' inability to meet their obligations under their financing agreements with the financing companies.

f) Inflation risk

Company's inflation risk on financial instruments is related to the inflation rate swap in relation with the operating lease payments on the manufacturing facility located in Finland (Note 28a)). The inflation rate swap has a nominal of Euro 0.1 million and fix the indexation factor at 2.67% annually until September 1, 2023. The inflation swap is recorded under the cash flow hedge model.

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

27. CAPITAL MANAGEMENT

The Company's primary uses of capital are for capital investments and working capital. Based on the current level of operations, management believes that cash on hand, cash flows from operations and available borrowings under the Credit Facilities will enable the Company to meet its working capital, capital expenditure, debt service and other funding requirements.

The Company's capital is composed of long-term debt and shareholders' equity. The Company's aim to maintain a level of capital that is adequate to meet several objectives, including an acceptable Leverage ratio in order to provide access to adequate funding sources to support current operations, pursue its internal growth strategy and maintain capital flexibility.

The Company's objective is to maintain a Leverage ratio of 3.5 or less, which was continuously achieved during the last two fiscal years.

28. COMMITMENTS AND CONTINGENCIES

In addition to the commitments and contingencies described elsewhere in these consolidated financial statements, the Company is subject to the following (all amounts presented are undiscounted):

a) Operating leases

As at January 31, 2014, the Company's minimum commitments under operating lease agreements were as follows:

	Total amount
Less than 1 year	$ 21.5
1-3 years	38.8
4-5 years	31.3
More than 5 years	84.7
Total	**$ 176.3**

The Company's expense under operating lease agreements was $16.5 million and $13.8 million for the years ended January 31, 2014 and 2013, respectively. The main future commitments under operating leases are attributable to the Company's manufacturing facilities located in Finland and in Mexico and to warehouses used for the distribution of parts, accessories and clothing. The Company is committed to lease these properties for periods extending up to 2024.

28. COMMITMENTS AND CONTINGENCIES [CONTINUED]

b) Dealer and distributor financing arrangements

The Company, most of its independent dealers and some of its independent distributors are parties to agreements with third-party financing service providers. These agreements provide financing to facilitate the purchase of the Company's products and improve the Company's working capital by allowing an earlier collection of accounts receivable from dealers and distributors. In the event of a dealer or distributor default, the Company may be required to purchase, from the finance companies, new and unused products at the total unpaid principal balance of the independent dealer or distributor to the finance companies.

The outstanding financing between the Company's independent dealers and distributors and third-party finance companies amounted to $997.1 million and $838.2 million as at January 31, 2014 and 2013, respectively. The breakdown of outstanding amounts by country and local currency between the Company's independent dealers and distributors with third-party finance companies were as follows:

	Currency	January 31, 2014	January 31, 2013
Total oustanding as at	CAD	**$ 997.1**	$ 838.2
United States	USD	**589.1**	519.4
Canada	CAD	**266.8**	248.0
Europe	Euro	**27.7**	28.6
Australia and New Zealand	AUD	**31.5**	28.8
Latin America	USD	**2.8**	2.4

Under the dealer and distributor financing agreements, in the event of default, the Company may be required to purchase, from the finance companies, new and unused products at the total unpaid principal balance of the dealer or distributor to the finance companies. In North America, the obligation is capped at the greater of U.S. $25.0 million ($27.8 million) or 10% of the last twelve-month average amount of financing outstanding under the financing agreements, whereas in Europe, the obligation is capped at the greater of Euro 10.0 million ($15.0 million) or 10% of the last twelve-month average amount of financing outstanding under the financing agreement. In Australia and New Zealand, the obligation to purchase new and unused products represents the outstanding amount at the end of the periods. There is no purchase obligation for Latin America.

The maximum amount subject to the Company's obligation to purchase new and unused products from the finance companies was $133.4 million as at January 31, 2014 ($87.8 million in North America, $15.0 million in Europe and $30.6 million in Australia and New Zealand).

For the year ended January 31, 2014, the Company has recorded a recovery related to repossessed units amounting to $1.0 million ($0.4 million for the year ended January 31, 2013).

For the years ended January 31, 2014 and 2013
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

28. COMMITMENTS AND CONTINGENCIES [CONTINUED]

c) Guarantees under various agreements

In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties and which are customary in the industry, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, underwriting and agency agreements, information technology agreements, and service agreements. These indemnification agreements may require the Company to compensate counterparties for losses they incurred as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered as a consequence of the transaction.

The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Company has not made any significant payments under such or similar indemnification agreements.

The Company shall indemnify directors and officers of the Company for various losses including, but not limited to, all costs to settle suits or actions due to association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to acts taking place during the period over which the indemnified party served as a trustee, director or officer of the Company. The maximum amount of any potential future payment cannot be reasonably estimated.

d) Litigation

The Company intends to vigorously defend its position in litigation matters to which it is a party. Management believes the Company has recorded adequate provisions to cover potential losses in relation to pending legal actions. Additionally, the Company has a general liability insurance coverage for claims relating to injuries or damages incurred with the Company's products. This insurance coverage limits the potential losses associated with legal claims related to product usage.

While the final outcome with respect to actions pending as at January 31, 2014 cannot be predicted with certainty, it is management's opinion that their resolution will not have material adverse effects on the Company's future results of operations or cash flows.

29. SEGMENT INFORMATION

Under *IFRS 8 "Operating Segments"* the Company determined that it operates in a single operating segment for the years ended January 31, 2014 and 2013 since the operating results are reviewed regularly by the President and Chief Executive Officer of the Company using various reports without showing the full financial picture of a business activity other than the entire business of the Company.

The following table provides geographic information on Company's revenues, property, plant and equipment and intangible assets. The attribution of revenues was based on customer locations.

	Revenues		**Property, plant and equipment and intangible assets**	
	Years ended		**As at**	
	January 31, 2014	**January 31, 2013**	**January 31, 2014**	**January 31, 2013**
United States	**$ 1,402.9**	$ 1,237.8	**$ 120.3**	$ 115.6
Canada	**676.6**	641.6	**489.0**	465.3
Scandinavia	**247.9**	195.7	**11.6**	9.9
Western Europe	**243.6**	236.7	**16.2**	15.0
Eastern Europe	**235.2**	205.8	**—**	—
Asia Pacific	**203.0**	199.4	**1.7**	1.2
Latin America	**166.9**	159.7	**85.1**	61.3
Africa	**9.0**	11.2	**—**	—
Austria	**9.0**	8.3	**127.3**	106.2
	$ 3,194.1	$ 2,896.2	**$ 851.2**	$ 774.5