



NEWS RELEASE
FOR IMMEDIATE RELEASE

RONA MAINTAINS STRATEGIC DIRECTION IN FIRST QUARTER BUT UNFAVOURABLE WEATHER CONDITIONS AND PRUDENT CONSUMER SPENDING HURT SALES AND PROFITS

Boucherville, Quebec, May 10, 2011 – RONA inc. (TSX: RON), the largest Canadian distributor and retailer of hardware, renovation and gardening products, today reported its financial results for the 13-week period ended March 27, 2011 (first quarter 2011). All figures in this release are in Canadian dollars and presented according to IFRS accounting standards.

FINANCIAL HIGHLIGHTS

Compared to the first quarter of 2010:

- Total sales decreased 4.0%, or \$38.7 million, and same-store sales were down 12.6%
- EBITDA went from \$34.8 million to \$8.1 million, EBITDA margin was down 275 basis points
- Net income was down \$19.8 million, to a net loss attributable to RONA owners of \$16.8 million
- Net loss per share was \$0.13 (diluted), compared to earnings per share of \$0.02 per share (diluted)
- \$0.07 per common share dividend paid March 25th
- Issuance of Series 6 Class A Preferred Shares for total gross proceeds of \$172.5 million.

OPERATIONAL HIGHLIGHTS

- Unfavourable weather conditions across Canada in the month of March compared to an early spring in 2010
- Government-sponsored home renovation tax credit programs expired in early 2010
- Strong growth continued in commercial and professional market division
- Acquired plumbing supplies company La Boutique Plomberie Decoration 25 Inc.
- Opened two new Reno-Depot stores, one new RONA store and one new Totem store, adding 289,000 square-feet
- Two RONA stores, totalling 290,000 square-feet, were renovated and reopened
- Twenty new affiliated dealers and clients were successfully recruited to the RONA and TruServ Canada networks
- TruServ Canada launched new banners: TRU Hardware, TRU Building Centres and TRU Farm & Garden to better fit different retail formats for independent dealers

"Very unfavourable weather conditions, fragile consumer confidence, and a lack of tax-credit-driven market stimulation, items outside of our control, were all factors that significantly impacted our first quarter results," said Robert Dutton, President and CEO of RONA.

Due to the strong performance of its commercial and professional division as well as recruitment of new dealers and expansion projects completed by its existing affiliated dealers, RONA was able to partially mitigate the negative effects of these elements. Other elements of mitigation, were the success of the RONAdvantages program, and its private-brand and controlled-brand products, along with adjustments to its variable costs and efficiency improvement measures.

"While we are managing the present with great prudence, we continue to make good progress on the execution of our strategic plan and will continue to exploit the opportunities that these market conditions present, stated Mr. Dutton.

A good example of the progress RONA is making with respect to its strategic plan is the acquisition of TruServ Canada. They just completed their first full quarter of operations as a part of RONA, in which they added 15 new clients to their network, set up more than 200 of RONA's affiliated dealers to be able to purchase from them, and rolled out a new banner which will better accommodate the different retail formats in existence amongst their independent dealer customers. On the commercial and professional division side, the integration of Don Park Canada is also progressing well with 3 new Noble plumbing kiosks already opened in Don Park's premises. Over the coming months, we will begin to see the benefits of the synergies from these two important transactions.

Commenting on the outlook Mr. Dutton mentioned: "While current market conditions are presenting certain challenges, I am very confident in the Corporation's longer-term strategic plan and our ability to execute it. We have the right people and the right attitude to lead the consolidation of this industry. I am convinced that many players in our industry are in difficult situations and this will create opportunities for RONA."

Mr. Dutton added: "Our affiliated dealers are also on board. They have invested more than \$120M over the past three years in spite of the challenging market conditions, which is a good illustration of their belief in our development plan. Their sons and daughters are also very positive, as many of them have used our unique succession planning program and development fund to acquire stores."

"We are maintaining our strategic direction," remarked Mr. Dutton. "It's in more challenging times that we can appreciate the full potential of an organisation and its people, and I can tell you, we can count on a very dynamic group of employees and dealers at all levels of the organisation to get it done."

FINANCIAL RESULTS

Revenues

Revenues were \$918.2 million, down \$38.7 million, or 4.0%, while same-store sales were down 12.6%. The decrease was the result of a 6.2% decrease in Retail and Commercial segment revenues, offset by a 1.7% increase in Distribution segment revenues. The decline in same-store sales growth was partly offset by acquisitions, strong demand in the commercial and professional market segment, new store openings, new dealers, and expansion projects from existing dealers.

Gross margin

The gross margin was 29.49%, down 74 basis points while the adjusted gross margin was down by 82 basis points, to 30.89%. The reduction comes from increased promotional activities in the retail sector and a higher weighting of distribution sales in the total sales mix, which was partly compensated by shrink reduction and increased imports and private and controlled brand sales.

EBITDA

EBITDA amounted to \$8.1 million compared to \$34.8 million in the first quarter of 2010, a decrease of \$26.7 million, as the result of a \$22.8 million decrease in the Retail and Commercial segment EBITDA and a \$3.9 million decrease in the Distribution segment EBITDA.

The EBITDA margin was down 275 basis points to 0.88% compared to 3.63% in the first quarter of 2010, reflecting a 333 basis point decrease for the Retail and Commercial segment and a 155 basis point decrease for the Distribution segment. In addition to the negative impact of lower same-store sales, EBITDA and EBITDA margin were affected by higher transportation and warehousing costs. Imports were brought in earlier this year in order to avoid the delays experienced last year. As this quarter's sales were weaker than expected, this had a negative impact. EBITDA and EBITDA margin were also impacted by new store openings and acquisitions, as the EBITDA margins of the acquired companies were lower than those of RONA's existing operations. The margins are expected to improve as synergies are realized in the coming quarters. These downward pressures on margin were partly offset by reduced variable expenses and efficiency improvement measures.

Net income

Net income attributable to owners of RONA inc. was down \$19.8 million to a net loss of \$16.8 million, and earnings per share (diluted) were down \$0.15 to a net loss per share (diluted) of \$0.13, reflecting a decrease in operating profit, higher net finance costs, and an increase in non-controlling interests.

Cash flow

For the quarter ended March 27, 2011, operations used \$161.4 million, compared to \$72.2 million for the quarter ended March 28, 2010. Net of changes in working capital, interest received and income taxes paid, operations generated \$0.4 million, compared to \$28.9 million for the same period in 2010. The differences in cash flow relating to changes in working capital items are mainly attributable to an increase in inventory reflecting the opening of new stores, new HVAC lines of products introduced in our Commercial and Professional Market division as well as new categories of products introduced in our retail network, the addition of new private and controlled brand products and imports. As a growing portion of our products are imported, we also wanted to get some products earlier this year to avoid the problematic transportation situation we had to deal with last year with a portion of our imports. The decrease in working capital is also attributable to an increase in accounts receivable coming from the growth of the Commercial and Professional Market division.

Capital Expenditures

The Corporation continued to exercise disciplined financial management and strictly monitored investments in property, plant and equipment. For the quarter ended March 27, 2011, RONA invested \$22.2 million in capital and intangible assets, \$1.1 million less than the \$23.3 million invested in the first quarter of 2010. These investments were devoted to the expansion of our retail network, including the construction of new stores, renovations and upgrades of existing stores, as well as maintenance. We also allotted part of these investments to ongoing improvements in our information systems, in order to increase our operational efficiency.

Dividend

The Board of Directors established a new dividend policy in December and declared on December 8, 2010 a cash dividend of \$0.07 per common share. This dividend was paid on March 25, 2011 to holders of record on March 10, 2011. The Board will review the policy from time to time in light of the Corporation's cash flow, earnings, financial position and other relevant factors.

Preferred shares

During the first quarter of 2011, RONA issued Series 6 Class A Preferred Shares for total gross proceeds of \$172.5 million. In the short term, the net proceeds of the offering have been used by RONA to fund working capital requirement. It will then be used to reduce indebtedness, contribute to the funding of future acquisitions and capital projects as well as for general corporate purposes. This issue has further strengthened RONA's balance sheet, diversified its sources of financing and increased its financial flexibility in order to continue to execute the Corporation's strategic plan. Further details regarding these shares may be found in the Corporation's 2011 press releases of February 1, February 22 and March 1.

Financial condition

While cash has been used to fund acquisitions and capital expenditures over the past year, RONA's balance sheet has remained strong. On March 27, 2011, the ratio of total net debt to capital was 17.4%, compared to 15.3% as at March 28, 2010, and the ratio of equity to assets was 65.7%, compared to 61.6%.

UPDATE ON THE CORPORATION'S STRATEGIC ORIENTATION

On February 27, 2008, RONA released its strategic plan for 2008-2011. The plan was conceived to consist of two phases. Phase 1 of the plan focused on productivity, efficiency, and profitability (the "PEP program"), over the 2008-2009 period. On January 25, 2010, RONA unveiled Phase 2 of its strategic plan (the "New World program"), which places renewed emphasis on growth over the 2010-2011 period.

RONA's management made a commitment to provide quarterly updates of the plan's progress in its management report, and an annual update in its annual report and at its annual general meeting. The information below is an update on the progress of Phase 2 in the first quarter of 2011.

1. Customer growth:

Customer growth will be stimulated by numerous initiatives to improve the customer experience – innovative store concepts, new product categories, new private-brand and controlled-brand products, new tools and programs to improve customer loyalty, and new training programs for store employees.

- Last spring, RONAdvantages was improved and made into a permanent program that is now one of the most advantageous customer programs in the industry in Canada. The program is linked with the new RONA credit card for consumers and the number of new cards issued in the first quarter of 2011 under this program was more than triple what was issued under the previous program in 2010. These customers are our most loyal customers; they generally visit our stores more frequently and have a higher basket size than other customers, plus the program shows real clientele acquisition. This new program definitely contributed to gain market share in a difficult market.
- RONA's private-brand and controlled-brand product sales for the year continued to progress, bringing the penetration level of these products to 26%, up from 24% at the end of 2010.
- The ability to meet the needs of commercial and professional customers is growing rapidly as the Commercial and Professional Market division makes significant strides to develop a national platform, largely through strategic acquisitions (for more information on the acquisitions see below) and strong organic growth.
- Two stores were renovated and reopened in the first quarter of 2011, one in Mascouche and one in Anjou, Quebec. These projects involved a total investment of about \$7 million for the two stores, totalling 290,000 square-feet.
- A 100,000 square-foot RONA L'entrepôt store in Gatineau, belonging to the Lacasse family, was renovated and reopened. The project involved an investment of more than \$5 million.
- Three existing RONA stores in the cities of Scarborough and Markham, Ontario combined their operations into a single retail force in order to better deliver a full range of quality products and services to the local communities. This new partnership is in line with the organizational changes implemented in late 2010 in order to help pull together and leverage all the strengths of RONA's unique business model. The changes entail adopting a more integrated approach for the operation and development of the retail network, along with an increased regional focus designed to better address local market needs. These changes are aimed at optimizing the growth and consolidation of the RONA presence in key urban and regional markets in order to become the leader in each of those target markets.

2. Construction of new stores:

RONA has several different store concepts to meet the specific needs of the communities it serves, big or small, urban or not. Be it a totally new store, or the expansion or transformation of an existing one, RONA has a design to meet the needs.

- Since the beginning of 2011, new store construction added about 289,000 square-feet to the network.
 - A new 102,000 square-foot Réno-Dépôt store was opened in Vaudreuil-Dorion, Quebec. The new store represents an investment of close to \$25 million and was built to meet the criteria of the LEED system (Leadership in Energy and Environmental Design) for new buildings.
 - A new 100,000 square-foot Réno-Dépôt store was opened in the Quebec City borough of Sainte-Foy. This is the third store under this banner to serve the Quebec City region. The new retail outlet represents an investment of more than \$20 million and was built to meet the criteria of the LEED system for new buildings.
 - A new 52,000-square-foot store under the Totem banner was opened in Edmonton, Alberta. The new location represents an investment of close to \$20 million in the community and was built to meet the criteria of the LEED system for new buildings. The store is the banner's second to apply for a LEED certification.

- A new 35,000 square-foot store was opened in Repentigny, representing an investment of \$16 million. It is owned jointly by RONA and the Prud'homme family, who has more than 50 years of retail experience in the Lanaudière region.
- A 68,000 square-foot store RONA proximity store will be built in St. John's, Newfoundland and Labrador, representing an investment of about \$20 million, and is scheduled to open in June 2011.

3. Development of the affiliated dealer network:

In addition to recruiting new dealers to the group and helping existing dealers to improve and expand their stores, a key element of development in this area is RONA's newly-minted succession-planning program. It was designed to secure RONA's leadership in the market and sustain the growth of its network. The Corporation's new succession-planning program will help RONA attract next-generation dealer-owners and continue to be the company that offers independent dealer-owners in Canada the best development support.

- Five new affiliated dealer stores were successfully recruited to the RONA network: 3 in Quebec, 1 in Ontario and 1 in BC. These new dealers will add close to \$20 million of annual retail sales to the RONA network. A dealer in Quebec also acquired two points of sales representing close to \$2 million in annual retail sales.
- Matériaux Décoren, an affiliate store, was strategically relocated to a new building on the main commercial strip of Sainte-Marie-de-Beauce, Quebec. The store, owned by RONA affiliate dealer-owners Nathalie Lagrange and Marc-André Drouin, has doubled in size from 7,000 to 15,000 square feet. The store's relocation represents an investment of close to \$10 million.
- TruServ Canada, acquired last November, announced new banners for the over 650 independent retailers it serves across Canada. The goal was to create a banner that could be adapted to different retail formats. The new concept encompasses three banners: TRU Hardware, TRU Building Centres and TRU Farm & Garden. Dealers will be converted to the new banners over the coming months.
- Fifteen new customers joined the TruServ Canada network: 6 in Manitoba, 4 in BC, 3 in Ontario and 2 in Saskatchewan. More than 200 of RONA's affiliated dealers were set up to purchase from distribution network of TruServ Canada.
- More than a year after the introduction of the innovative succession-planning program in late 2009, five young leaders, representing four different projects, were the first selected to receive support from the Development Fund and recently two new projects were presented to the selection committee. This new program combined with the summer retreat is really gaining traction as more than 20 projects are currently under study by our young dealers and could potentially be presented to the selection committee in the coming year.

4. Acquisitions:

Through targeted acquisitions in retail, distribution and commercial and professional sectors, the Corporation will quickly grow different aspects of its operations and capabilities, such as market coverage, brand extension, leverage of existing infrastructure, product offerings, and purchasing power, while also reducing the cyclical nature of the retail business.

- Acquisitions are a key element in achieving the goal of establishing a national platform in the commercial and professional market. In January, through its subsidiary Noble, RONA acquired the assets of La Boutique Plomberie Décoration 25 Inc. It specializes in the retail sales of plumbing products and fixtures with one retail store and one parts outlet located in St-Eustache, Quebec. The company has over 25 years' experience in the specialized plumbing market and counts on an impressive inventory to supply projects for all types of consumers, specialized contractors, plumbers and general contractors. It has a 15,000 square-foot showroom. A major expansion project will add another 10,000 square feet in the months ahead to further improve the service offering to plumbing contractors. It is expected to generate significant buying synergies with the existing Quebec-based companies Plomberie Payette & Perreault and LGC Plomberie, which were acquired in 2010.

OUTLOOK

The Bank of Canada continues to suggest a slow and gradual economic recovery. In its April Monetary Policy Report, it projects that the Canadian economy will expand by 2.9% in 2011 and 2.6% in 2012, compared to 3.1% in 2010. It also sees aggregate demand being in the process of rebalancing towards business investment and net exports, and away from government and household expenditures.

Consumer confidence remains however fragile. With gas and food prices steadily rising and personal debt levels still quite high, it is expected that consumers will continue to be prudent and selective in their spending.

Weather conditions continued to be unfavourable across the country in April, resulting in further delays in consumer spending. These delays are already having a significant impact on second quarter results as we are one month into the quarter. While it is expected that consumer spending which has been put on hold because of the weather may still happen once the weather improves, there is no guarantee that we will fully recuperate delayed spending.

Given the current conditions, the following measures are being implemented to mitigate their negative effects on the financial results:

- intensification of the PEP program with an emphasis on supply chain management and store productivity;
- a \$25 million reduction in CAPEX, along with a strong focus on optimising the existing network across the country through renovation, consolidation and information technology;
- a more selective approach for acquisitions, with more importance being given to short term returns on capital;
- disposal of non-core land and assets; and
- reduction in administrative expenses.

While the present will be managed with great prudence, the Corporation will:

- exploit the opportunities that these market conditions present, particularly in the area of market consolidation;
- pursue organic growth and growth through acquisitions in the retail, commercial and professional, and distribution sectors; and
- focus more on growing at a faster rate the less cyclical and capital intensive sectors of the commercial, professional and distribution sectors, than the retail sector, in order to optimise the return on capital.

It is also expected that, over the coming months, the Corporation should begin to see:

- the benefits of the anticipated synergies relating to the recent acquisitions; and
- the fruits of its integrated and more regionally focused approach in the retail sector.

All the above-mentioned actions and expected benefits should allow RONA to maintain its investment grade profile while continuing to improve its competitive positioning. However, given the first quarter result and current market conditions, management now expects that achieving the double digit bottom line growth financial objective of its New World program will be unlikely in 2011 unless a rapid and sustained improvement in market conditions happens.

SUSTAINABILITY

Sustainable development is a core component of RONA's strategic plan. Key programs have been developed and introduced in response to the Corporation's objectives. In the past few years, RONA has undertaken a number of sustainability initiatives dealing with its products, procurement policies, environmental footprint and corporate governance. Here are new initiatives pursued in the first quarter of 2011:

- Three new stores opened during the first quarter, a new 102,000 square-foot Réno-Dépôt store in Vaudreuil-Dorion, Quebec, a new 100,000 square-foot Réno-Dépôt store in the Quebec City borough of Sainte-Foy and a new 52,000-square-foot store under the Totem banner in Edmonton, Alberta. These stores were built to meet the criteria of the LEED system (Leadership in Energy and Environmental Design) for new buildings.
- In March, the Maple Leaf Sports & Entertainment's (MLSE) Team Up Foundation, in collaboration with the City of Mississauga unveiled plans to refurbish the Burnhamthorpe Community Centre's outdoor rink. The MLSE Team Up Foundation, with the support of MLSE's Corporate Partner RONA, is investing \$25,000 in significant upgrades and improvements to the rink. This marks the seventh such partnership involving RONA. Work on the arena will be completed in the spring with supplies donated by the Corporation. This is a continuation of RONA's long-standing commitment to Canadian sports, both professional and amateur. RONA was a National Partner of the Vancouver 2010 Olympic and Paralympic Games. As well, it will be a National Partner of the Canadian Olympic and Paralympic Teams through the London 2012 Summer Games.

ADDITIONAL INFORMATION

The *Management's Discussion and Analysis (MD&A)* and unaudited interim consolidated financial statements with notes for the first quarter of 2011 can be found in the "Investor Relations" section of the Corporation's website at www.rona.ca and on the SEDAR website at www.sedar.com. The Corporation's Annual Report, along with other information about RONA, including its *Annual Information Form*, can also be found on the RONA and SEDAR websites.

TELEPHONE CONFERENCE WITH THE FINANCIAL COMMUNITY

On Tuesday, May 10, 2011, at 3:30 p.m. (EST), RONA will hold a telephone conference for the financial community. To join the conference, please call 416-340-2216 or 1 866 226-1792. To listen to the call online, please go to <http://webcasts.pgm.net/client/rona/event/145/en/>.

NON-GAAP PERFORMANCE MEASURES

In this report, as in our internal management, we use the concept of "earnings before interest, taxes, depreciation, amortization and non-controlling interest" (EBITDA). We also use the concept of "adjusted gross margin," which corresponds to revenues less the cost of goods sold, plus adjustments for network support.

While EBITDA does not have a definition that is standardized by IFRS, it is widely used in our industry and in financial circles to measure the profitability of operations, excluding tax considerations and the cost and use of capital. Adjusted gross margin is used by RONA's management to analyze the profitability of our network, after adjustments for network support. Given that these measures are not standardized, EBITDA and adjusted gross margin cannot be compared from one company to the next. Still, we establish them in the same way for each of the segments identified, and, unless expressly mentioned, our method does not change over time. EBITDA and adjusted gross margin must not be considered separately or as a substitute for other performance measures calculated according to IFRS, but rather as additional information.

The following table presents a reconciliation of these two measures to IFRS:

Reconciliation of non-GAAP measures (Unaudited, in thousands of dollars, except margins in %)	Quarters ended		\$ change from 2010	% change from 2010
	March 27, 2011	March 28, 2010		
Revenues	918,211	956,920	(38,709)	(4.0%)
Cost of sales	(647,454)	(667,645)	20,191	3.0%
Gross profit	270,757	289,275	(18,518)	(6.4%)
Gross margin (gross profit/revenues)	29.49%	30.23%	-	-74 b.p.
Adjustments for network support ⁽¹⁾	12,895	14,194	(1,299)	(9.2%)
Adjusted gross profit	283,652	303,469	(19,817)	(6.5%)
Adjusted gross margin	30.89%	31.71%	-	-82 b.p.
Selling, general and administrative expenses	(275,589)	(268,711)	(6,878)	(2.6%)
EBITDA	8,063	34,758	(26,695)	(76.8%)
EBITDA margin (EBITDA/revenues)	0.88%	3.63%	-	-275 b.p.
Finance income	(1,371)	(1,014)	357	35.2%
Amortization, depreciation and impairment of non financial assets	(26,297)	(25,567)	(730)	(2.9%)
Operating profit (loss)	(19,605)	8,177	(27,782)	(339.8%)

(1) Correspond to other costs incurred in bringing the inventory to its present location and condition.

FORWARD-LOOKING STATEMENTS

This *News Release* includes “forward-looking statements” that involve risks and uncertainties. All statements other than statements of historical facts included in this *News Release*, including statements regarding the prospects of the industry and prospects, plans, financial position and business strategy of the Corporation may constitute forward-looking statements within the meaning of the Canadian securities legislation and regulations. Investors and others are cautioned that undue reliance should not be placed on any forward-looking statements.

For more information on the risks, uncertainties and assumptions that would cause the Corporation's actual results to differ from current expectations, please also refer to the Corporation's public filings available at www.sedar.com and www.rona.ca. In particular, further details and descriptions of these and other factors are disclosed in the MD&A under the “Risks and uncertainties” section and in the “Risk factors” section of the Corporation's current Annual Information Form.

The forward-looking statements in this *News release* reflect the Corporation's expectations as at May 10, 2011, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ABOUT RONA

RONA is the largest Canadian distributor and retailer of hardware, home renovation and gardening products. RONA operates a network of more than 950 corporate, franchise and affiliate stores of various sizes and formats. With close to 30,000 employees working under its family of banners in every region of Canada and more than 17 million square feet of retail space, the RONA store network generates over \$6 billion in annual retail sales. For more information, please visit www.rona.ca.

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For further information:

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Management's Discussion and Analysis for the First Quarter 2011

13-Week Period ended March 27, 2011

RONA inc. ("RONA," "we" or the "Corporation") is Canada's leading retailer and distributor of home improvement, hardware and gardening products. The Corporation operates or serves a network of more than 950 corporate, franchise and affiliate stores, as well as seventeen hardware and building materials distribution centres.

RONA's revenues include:

- Retail sales generated by its retail corporate stores
- Royalties on franchise retail sales
- A share of retail sales generated by franchise stores in which RONA holds an interest
- Wholesale sales generated by franchise stores (net of RONA's share in these stores)
- Wholesale sales generated by affiliate dealer-owned stores

FINANCIAL STATEMENTS

This *Management's Discussion and Analysis* ("MD&A") should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and related notes for the 13-week period ended March 27, 2011. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as issued by the International Accounting Standards Board (IASB) which are expected to be both in effect at December 25, 2011 and adopted by the Corporation in its annual financial statements, and International Accounting Standard ("IAS") IAS 34, *Interim Financial Reporting*. This is the initial year of application of IFRS for the Corporation, thus it has also applied IFRS 1, *First-time Adoption of International Financial Reporting Standards*. This includes, for comparative purposes, the restatement of financial results for the 13-week period ended March 28, 2010 in accordance with the standards just described. The monetary amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated. RONA has filed these consolidated financial statements with the Canadian Securities Administrators and can be viewed online at www.sedar.com or on RONA's website at www.rona.ca.

NON-GAAP PERFORMANCE MEASURES

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FISCAL YEAR

RONA's fiscal year ends on the last Sunday of each year and usually has 52 weeks. For interim disclosure purposes, quarters end on the last Sunday of March, June, September and December respectively, and have 13 weeks. The fiscal years ended December 27, 2009 and December 26, 2010, include 52 weeks of operations.

UPDATE ON THE CORPORATION'S STRATEGIC ORIENTATION

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- RONA's private-brand and controlled-brand product sales for the year continued to progress, bringing the penetration level of these products to 26%, up from 24% at the end of 2010.

- The ability to meet the needs of commercial and professional customers is growing rapidly as the Commercial and Professional Market division makes significant strides to develop a national platform, largely through strategic acquisitions (for more information on the acquisitions see below) and strong organic growth.
 - Two stores were renovated and reopened in the first quarter of 2011, one in Mascouche and one in Anjou, Quebec. These projects involved a total investment of about \$7 million for the two stores, totalling 290,000 square-feet.
 - A 100,000 square-foot RONA L'entrepôt store in Gatineau, belonging to the Lacasse family, was renovated and reopened. The project involved an investment of more than \$5 million.
 - Three existing RONA stores in the cities of Scarborough and Markham, Ontario combined their operations into a single retail force in order to better deliver a full range of quality products and services to the local communities. This new partnership is in line with the organizational changes implemented in late 2010 in order to help pull together and leverage all the strengths of RONA's unique business model. The changes entail adopting a more integrated approach for the operation and development of the retail network, along with an increased regional focus designed to better address local market needs. These changes are aimed at optimizing the growth and consolidation of the RONA presence in key urban and regional markets in order to become the leader in each of those target markets.
2. **Construction of new stores:**
RONA has several different store concepts to meet the specific needs of the communities it serves, big or small, urban or not. Be it a totally new store, or the expansion or transformation of an existing one, RONA has a design to meet the needs.
- Since the beginning of 2011, new store construction added about 289,000 square-feet to the network.
 - o A new 102,000 square-foot Réno-Dépôt store was opened in Vaudeuil-Dorion, Quebec. The new store represents an investment of close to \$25 million and was built to meet the criteria of the LEED system (Leadership in Energy and Environmental Design) for new buildings.
 - o A new 100,000 square-foot Réno-Dépôt store was opened in the Quebec City borough of Sainte-Foy. This is the third store under this banner to serve the Quebec City region. The new retail outlet represents an investment of more than \$20 million and was built to meet the criteria of the LEED system for new buildings.
 - o A new 52,000-square-foot store under the Totem banner was opened in Edmonton, Alberta. The new location represents an investment of close to \$20 million in the community and was built to meet the criteria of the LEED system for new buildings. The store is the banner's second to apply for a LEED certification.
 - o A new 35,000 square-foot store was opened in Repentigny, representing an investment of \$16 million. It is owned jointly by RONA and the Prud'homme family, who have more than 50 years of retail experience in the Lanaudière region.
 - A 68,000 square-foot store RONA proximity store will be built in St. John's, Newfoundland and Labrador, representing an investment of about \$20 million, and is scheduled to open in June 2011.
3. **Development of the affiliated dealer network:**
In addition to recruiting new dealers to the group and helping existing dealers to improve and expand their stores, a key element of development in this area is RONA's newly-minted succession-planning program. It was designed to secure RONA's leadership in the market and sustain the growth of its network. The Corporation's new succession-planning program will help RONA attract next-generation dealer-owners and continue to be the company that offers independent dealer-owners in Canada the best development support.
- Five new affiliated dealer stores were successfully recruited to the RONA network: 3 in Quebec, 1 in Ontario and 1 in BC. These new dealers will add close to \$20 million of annual retail sales to the RONA network. A dealer in Quebec also acquired two points of sales representing close to \$2 million in annual retail sales.

- Matériaux Décoren, an affiliate store, was strategically relocated to a new building on the main commercial strip of Sainte-Marie-de-Beauce, Quebec. The store, owned by RONA affiliate dealer-owners Nathalie Lagrange and Marc-André Drouin, has doubled in size from 7,000 to 15,000 square feet. The store's relocation represents an investment of close to \$10 million.
- TruServ Canada, acquired last November, announced new banners for the over 650 independent retailers it serves across Canada. The goal was to create a banner that could be adapted to different retail formats. The new concept encompasses three banners: TRU Hardware, TRU Building Centres and TRU Farm & Garden. Dealers will be converted to the new banners over the coming months.
- Fifteen new customers joined the TruServ Canada network: 6 in Manitoba, 4 in BC, 3 in Ontario and 2 in Saskatchewan. More than 200 of RONA's affiliated dealers were set up to purchase from distribution network of TruServ Canada.
- More than a year after the introduction of the innovative succession-planning program in late 2009, five young leaders, representing four different projects, were the first selected to receive support from the Development Fund and recently two new projects were presented to the selection committee. This new program combined with the summer retreat is really gaining traction as more than 20 projects are currently under study by our young dealers and could potentially be presented to the selection committee in the coming year.

4. Acquisitions:

Through targeted acquisitions in retail, distribution and commercial and professional sectors, the Corporation will quickly grow different aspects of its operations and capabilities, such as market coverage, brand extension, leverage of existing infrastructure, product offerings, and purchasing power, while also reducing the cyclical nature of the retail business.

- Acquisitions are a key element in achieving the goal of establishing a national platform in the commercial and professional market. In January, RONA acquired the assets of La Boutique Plomberie Décoration 25 Inc. It specializes in the retail sales of plumbing products and fixtures with one retail store and one parts outlet located in St-Eustache, Quebec. The company has over 25 years' experience in the specialized plumbing market and counts on an impressive inventory to supply projects for all types of consumers, specialized contractors, plumbers and general contractors. It has a 15,000 square-foot showroom. A major expansion project will add another 10,000 square feet in the months ahead to further improve the service offering to plumbing contractors. It is expected to generate significant buying synergies with the existing Quebec-based companies Plomberie Payette & Perreault and LGC Plomberie, which were acquired in 2010.

ANALYSIS OF CONSOLIDATED RESULTS

The results discussed and analyzed in this section are for the quarter ended March 27, 2011 and, when compared, are compared to the results for the quarter ended March 28, 2010, unless otherwise indicated.

Economic conditions

The Bank of Canada (BoC) estimated in its April 2011 Monetary Policy Report that real GDP in Canada grew at an annual rate of 4.2 per cent in the first quarter of 2011. While better than expected, it is less than the annual rate of 5.5% for the first quarter of 2010. The BoC also stated that aggregate demand is in the process of rebalancing towards business investment and net exports, and away from government and household expenditures.

Residential housing sales activity increased for the third consecutive quarter, but was still below the level of the first quarter of 2010, according to Canadian Real Estate Association (CREA) statistics. Housing starts, according to the Canadian Mortgage and Housing Corporation (CMHC), were down in the first quarter over the same quarter last year by 2.3%, mostly the result of a 30% decline in single housing starts, partly compensated by a 19.3% increase in multi-family dwellings.

Consumer confidence was on the rise in the beginning of the quarter and hit a 3-year high in February, but dropped off in March when, according to the Conference Board of Canada, inflation expectations increased significantly and income expectations soured.

As well, the incentives introduced by various levels of government during 2009 in the form of tax credit programs expired in early 2010. There were no such incentives in effect in the first quarter of 2011.

Revenues

Revenues were \$918.2 million, down \$38.7 million, or 4.0%, while same-store sales were down 12.6%. The decrease was the result of a 6.2% decrease in Retail and Commercial segment revenues, offset by a 1.7% increase in Distribution segment revenues. The decline in same-store sales growth was partly offset by acquisitions, strong demand in the commercial and professional market segment, new store openings, new dealers, and expansion projects from existing dealers.

Gross margin

The gross margin was 29.49%, down 74 basis points while the adjusted gross margin was down by 82 basis points, to 30.89%. The reduction comes from increased promotional activities in the retail sector and a higher weighting of distribution sales in the total sales mix, which was partly compensated by shrink reduction and increased imports and private and controlled brand sales.

EBITDA

EBITDA amounted to \$8.1 million compared to \$34.8 million in the first quarter of 2010, a decrease of \$26.7 million, as the result of a \$22.8 million decrease in the Retail and Commercial segment EBITDA and a \$3.9 million decrease in the Distribution segment EBITDA.

The EBITDA margin was down 275 basis points to 0.88% compared to 3.63% in the first quarter of 2010, reflecting a 333 basis point decrease for the Retail and Commercial segment and a 155 basis point decrease for the Distribution segment. In addition to the negative impact of lower same-store sales, EBITDA and EBITDA margin were affected by higher transportation and warehousing costs. Imports were brought in earlier this year in order to avoid the delays experienced last year. As this quarter's sales were weaker than expected, this had a negative impact. EBITDA and EBITDA margin were also impacted by new store openings and acquisitions, as the EBITDA margins of the acquired companies were lower than those of RONA's existing operations. The margins are expected to improve as synergies are realized in the coming quarters. These downward pressures on margin were partly offset by reduced variable expenses and efficiency improvement measures.

Finance costs and income

Finance costs were \$6.3 million, up \$0.9 million, or 16.0% over the first quarter of 2010. This increase is attributable to a \$15.1 million increase in total debt, which went from \$447.9 million in the first quarter of 2010 to \$463.0 million in the corresponding quarter of 2011. The increase is also attributable to the decrease in the cash position from \$127.3 million in the first quarter of 2010 to \$27.6 million in the first quarter of 2011.

Finance income was up \$0.4 million, from \$1.0 million in the first quarter of 2010 to \$1.4 million in 2011.

Net income

Net income attributable to owners of RONA inc. was down \$19.8 million to a net loss of \$16.8 million, and earnings per share (diluted) were down \$0.15 to a net loss per share (diluted) of \$0.13, reflecting a decrease in operating profit, higher net finance costs, and an increase in non-controlling interests.

ANALYSIS OF SEGMENT RESULTS

The results discussed and analyzed in this section are for the quarter ended March 27, 2011 and, when compared, are compared to the results for the quarter ended March 28, 2010, unless otherwise indicated.

RONA has two reportable segments: (1) distribution, and (2) retail and commercial.

The retail and commercial segment regroups RONA's corporate and franchised stores ("Retail") and its Commercial and Professional Market division ("Commercial").

Key segment figures	Quarter ended			
(In thousands of dollars)	March 27, 2011	March 28, 2010	\$ change from 2010	% change from 2010
Segment revenues				
Retail and commercial	648,331	691,439	(43,108)	(6.2%)
Distribution	551,292	555,957	(4,665)	(0.8%)
Total	1,199,623	1,247,396	(47,773)	(3.8%)
Intersegment revenues and royalties				
Retail and commercial	-	-	-	-
Distribution	(281,412)	(290,476)	9,064	3.1%
Total	(281,412)	(290,476)	9,064	3.1%
Revenues				
Retail and commercial	648,331	691,439	(43,108)	(6.2%)
Distribution	269,880	265,481	4,399	1.7%
Total	918,211	956,920	(38,709)	(4.0%)
EBITDA				
Retail and commercial	(3,539)	19,239	(22,778)	(118.4%)
Distribution	11,602	15,519	(3,917)	(25.2%)
Total	8,063	34,758	(26,695)	(76.8%)
EBITDA margin				
Retail and commercial	(0.55%)	2.78%	-	-333 b.p.
Distribution	4.30%	5.85%	-	-155 b.p.
Total	0.88%	3.63%	-	-275 b.p.

Retail and commercial

Revenues were \$648.3 million, a decrease of \$43.1 million, or 6.2%. Same-store sales were down 12.6%. The decline in same-store sales growth was partly offset by acquisitions, strong demand in the commercial and professional market segment and new store openings.

Same-store sales growth was expected to be lower this year as the first quarter of last year experienced an earlier spring than usual and home renovation tax credit programs were just finishing up. In the first quarter of this year,

- the pendulum swung to the other end of the spectrum and weather conditions were unfavourable, especially in March, when it was colder and there was more rain and snow than usual;
- there were no home renovation tax credit programs this year, and
- there was a drop in consumer confidence from February to March of this year, the most important month of the first quarter, compared to rising consumer confidence in March of 2010.

Retail consumers continue to be prudent and selective in their spending as they attempt to lower their personal debt levels and absorb price increases for gas and food products. This behaviour combined with the above-mentioned

elements, resulted in less traffic through the stores and lower weekend and install sales. However, the average size of the basket was much less impacted than traffic as merchandising and in-store service initiatives, such as the RONAAdvantages program, the fast-growing and highly-recognized private and controlled brands, and the unique RONAeco product line, are working well.

In terms of products, lumber and building materials, as well as paint, flooring and plumbing categories were particularly affected in the quarter as there were more major renovation projects last year because of renovation tax credits and, of those that were being planned for this year, many were likely delayed due to inclement weather. Due to weather conditions, heating products was the best performing category. Private-brand and controlled-brand products continued to do well, with the penetration rate increasing from 24% at the end of 2010 to 26% by the end of the first quarter 2011.

Sales to commercial and professional customers by the specialized Commercial and Professional division, as well as by the retail stores, were particularly strong this year with many infrastructure projects underway and strong housing starts for multiple units. The Corporation's strong service and purchasing power enabled it to continue to gain market share in this segment.

EBITDA was a negative \$3.5 million, a decrease of \$22.8 million and the EBITDA margin decreased by 333 basis points, to a negative 0.55%. In addition to the negative impact of lower same-store sales, EBITDA and EBITDA margin were affected by new store openings and acquisitions, as the EBITDA margins of the acquired companies were lower than those of RONA's existing retail and commercial operations. The margins are expected to improve as synergies are realized in the coming quarters. These downward pressures on margin were partly offset by reduced variable expenses and efficiency improvement measures.

Distribution

Net of intersegment activities, distribution revenues increased 1.7%, or \$4.4 million, to \$269.9 million. While affiliated dealers faced the same sales pressures as the retail division, the decline in revenues resulting from these pressures was more than offset by the acquisition of TruServ Canada, a company with 650,000 square feet of warehousing and distribution space and generating annual hardware distribution sales of over \$100 million, new dealers, and existing dealer expansion projects.

As for the retail division, lumber and building materials, as well as paint, flooring and plumbing categories were particularly weak in the quarter. Heating products was the best performing category.

The distribution segment generated \$11.6 million in EBITDA, a decrease of \$3.9 million, or 25.2%. The EBITDA margin decreased 155 basis points, to 4.30%. While revenues were up, EBTIDA and EBITDA margin were negatively affected by higher transportation and warehousing costs. Imports were brought in earlier this year in order to avoid the delays experienced last year. As this quarter's sales were weaker than expected, this had a negative impact. The EBITDA margin was also affected adversely by the TruServ Canada acquisition. TruServ Canada, when acquired, was operating at a lower margin than Rona's existing operations. This was its first full quarter of operations since the acquisition and margins are expected to improve as synergies are realized in the coming quarters.

CASH FLOWS AND FINANCIAL POSITION

For the quarter ended March 27, 2011, operations used \$161.4 million, compared to \$72.2 million for the quarter ended March 28, 2010. Before changes in working capital, interest received and income taxes paid, operations generated \$0.4 million, compared to \$28.9 million for the same period in 2010. The differences in cash flow relating to changes in working capital items are mainly attributable to an increase in inventory reflecting the opening of new stores, new HVAC lines of products introduced in our Commercial and Professional Market division as well as new categories of products introduced in our retail network, the addition of new private and controlled brand products and imports. As a growing portion of our products are imported, we also wanted to get some products earlier this year to avoid the problematic transportation situation we had to deal with last year with a portion of our imports. The decrease

in working capital is also attributable to an increase in accounts receivable coming from the growth of the Commercial and Professional Market division.

The Corporation continued to exercise disciplined financial management and strictly monitored investments in property, plant and equipment. For the quarter ended March 27, 2011, RONA invested \$22.2 million in capital and intangible assets, \$1.1 million less than the \$23.3 million invested in the first quarter of 2010. These investments were devoted to the expansion of our retail network, including the construction of new stores, renovations and upgrades of existing stores, as well as maintenance. We also allotted part of these investments to ongoing improvements in our information systems, in order to increase our operational efficiency.

With the approval of the Toronto Stock Exchange, during the second quarter of 2010, the Board of Directors of the Corporation has authorized RONA to purchase in the normal course of its activities, from June 21, 2010 to June 20, 2011, up to 3,250,000 common shares, representing 2.5% of its 129,936,351 common shares issued and outstanding on June 7, 2010. Under the issuer bid, the purchases will be made at market prices through the facility of the Toronto Stock Exchange or alternative Canadian trading platforms, in accordance with the rules and policies of the Toronto Stock Exchange. The common shares thereby purchased will be cancelled. The average daily trading volume (ADTV) of the Corporation's common shares was 293,413 on the Toronto Stock Exchange over the first six completed calendar months of the year. Accordingly, since the Corporation is entitled to purchase up to 25% of the ADTV on any trading day, it can purchase 73,353 common shares per day in addition to block trades in accordance with the Toronto Stock Exchange rules. Since the Corporation has the financial flexibility required to execute its growth plan, it will use its normal course issuer bid to eliminate the dilutive effect caused by the issuance of common shares when businesses are acquired. The Corporation believes that the purchase of its common shares represents an effective use of its funds and is in the best interests of the Corporation and its shareholders. Shareholders may obtain a free copy of the documents filed with the Exchange concerning this bid by writing to the Corporate Secretary of the Corporation. In the second and third quarter of 2010, the Corporation repurchased 2,230,067 shares for a total consideration of \$31.6 million in order to avoid dilution caused by the issuance of shares relating to the acquisition of Pierceys.

Cash flow from operations, along with cash available at the beginning of the year, has been used over the period to fund acquisitions, capital expenditures and working capital. As a result, compared to March 28, 2010, net debt was up \$114.8 million. As at March 27, 2011, RONA had \$27.6 million in cash, which will be used over forthcoming quarters to realize various growth projects in Phase 2 of the Corporation's 2008–2011 strategic plan. RONA also has an undrawn committed credit facility of up to \$650 million.

The Board of Directors established a new dividend policy in December and declared on December 8, 2010 a cash dividend of \$0.07 per common share. This dividend was paid on March 25, 2011 to holders of record on March 10, 2011. The Board will review the policy from time to time in light of the Corporation's cash flow, earnings, financial position and other relevant factors.

During the first quarter of 2011, RONA issued Series 6 Class A Preferred Shares for total gross proceeds of \$172.5 million. In the short term, the net proceeds of the offering have been used by RONA to fund working capital requirement. It will then be used to reduce indebtedness, contribute to the funding of future acquisitions and capital projects as well as for general corporate purposes. This issue has further strengthened RONA's balance sheet, diversified its sources of financing and increased its financial flexibility in order to continue to execute the Corporation's strategic plan. Further details regarding these shares may be found in the Corporation's 2011 press releases of February 1, February 22 and March 1.

The table below presents a synopsis of the Corporation's contractual obligations as at March 27, 2011, including off-balance-sheet operating lease agreements used in the normal course of business. The Corporation has also concluded other off-balance-sheet arrangements (such as inventory buyback agreements and guaranteed mortgage loans), which do not appear in the table below. The Corporation has guaranteed mortgages amounting to \$0.5 million.

The terms of these loans extend until 2012 and the net carrying amount of the assets held as security, which mainly include land and buildings, is \$5.5 million. Pursuant to the terms of inventory repurchase agreements, the Corporation is committed towards financial institutions to buy back the inventory of certain customers at an average of 62% of the cost of the inventories to a maximum of \$72.2 million. In the event of recourse, this inventory would be sold in the normal course of the Corporation's operations. These agreements have undetermined periods but may be cancelled by the Corporation on 30 days' notice. In the opinion of Management, the likelihood that significant payments would be incurred as a result of these commitments is low. Finally, letters of credit for imports totalling \$11.9 million were outstanding as at March 27, 2011 for the purchase of various, mainly seasonal, products.

Contractual obligations by term
(as at March 27, 2011)

Contractual obligations	Payments by term (thousands of dollars)				
	Total	Less than 1 year	1-2 years	3-4 years	5 years and more
Long-term loans	433,047	8,190	13,841	4,309	406,707
Obligations under capital leases	2,987	1,586	874	379	148
Operating leases	1,061,727	129,363	233,914	195,220	503,230
Other long-term obligations	27,303	17,803	9,500	-	-
Total	1,525,064	156,942	258,129	199,908	910,085

Outstanding shares
(as at April 28, 2011)

Common shares	130,320,874
Unexercised options	2,157,844
Total	132,478,718

While cash has been used to fund acquisitions and capital expenditures over the past year, RONA's balance sheet has remained strong. On March 27, 2011, the ratio of total net debt to capital was 17.4%, compared to 15.3% as at March 28, 2010, and the ratio of equity to assets was 65.7%, compared to 61.6%.

SUMMARY OF QUARTERLY RESULTS

RONA's results fluctuate significantly from one quarter to another due to the highly seasonal nature of renovation and construction activities. The strongest period of the year is from spring to fall, and over 80% of the Corporation's net annual earnings are generated in the second and third quarters. Furthermore, sales in the first quarter are always lower than in the other three, due to low activity levels in the renovation and construction sectors during the winter. Poor weather conditions can also have a major impact on revenues. With the increase in the proportion of our activities related to the retail sector, the seasonal impact of the first quarter has been more pronounced in 2009, 2010 and 2011 than in previous years. The second quarter is always the strongest of the year, followed by the third quarter.

Consolidated quarterly financial results
(In millions of dollars, except earnings per share)

	2011	2010				2009 ⁽¹⁾			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	918.2	1,139.2	1,319.2	1,404.2	956.9	1,140.9	1,320.5	1,369.9	846.0
EBITDA	8.1	63.7	103.7	133.1	34.8	78.8	105.8	122.9	25.5
EBITDA (excluding unusual items)	8.1	63.7	103.7	133.1	34.8	78.4	111.8	131.1	25.5
Net income attributable to owners of RONA inc. (net loss)	(16.8)	19.2	48.0	66.3	3.0	30.9	49.1	60.8	(2.5)
Net income attributable to owners of RONA inc. (net loss) (excluding unusual items)	(16.8)	19.2	48.0	66.3	3.0	30.6	53.3	66.5	(2.5)
Earnings (loss) per share (\$)	(0.13)	0.15	0.37	0.51	0.02	0.24	0.38	0.51	(0.02)
Earnings (loss) per share (\$) (excluding unusual items)	(0.13)	0.15	0.37	0.51	0.02	0.24	0.41	0.56	(0.02)
Diluted earnings (loss) per share (\$)	(0.13)	0.15	0.36	0.51	0.02	0.24	0.38	0.51	(0.02)
Diluted earnings (loss) per share (\$) (excluding unusual items)	(0.13)	0.15	0.36	0.51	0.02	0.23	0.41	0.55	(0.02)

⁽¹⁾ The selected information that is presented for quarterly periods in fiscal 2009 does not reflect the impact of the adoption of IFRS.

Annual growth in same-store sales
Last nine quarters

Q1-2009	Q2-2009	Q3-2009	Q4-2009	Q1-2010	Q2-2010	Q3-2010	Q4-2010	Q1-2011
-8.5%	-6.2%	-5.3%	+0.7%	+10.8%	+0.9%	-2.3%	-6.4%	-12.6%

The economic recovery which began in the second half of 2009 continued on through 2010 and into 2011. While there was a surge of economic activity in the first quarter of 2010, the pace of economic growth slowed somewhat since then, resulting in positive, but moderate economic growth.

While the economy recovered, consumer confidence experienced a slide over the course of 2010 and into 2011. In the latter half of 2010 and the first quarter of 2011, there was a slowdown in housing market activity, when compared to 2009. This reflects, in part, the impact of the incentives introduced by various levels of government during 2009 in the form of tax credit programs that expired in early 2010.

In early 2009, consumer confidence was at its lowest since January 2005. It improved over the course of 2009, but began dropping off again at the beginning of 2010. It did not drop back to the levels of 2009, but rather stabilized somewhat in the latter half of the year and early 2011 at a level below what had been seen between mid-2006 and early 2008.

Weather also had a particularly significant impact on first quarter results for 2010 and 2011, positively for 2010 which experienced very favourable weather conditions and negatively for 2011 which experienced very unfavourable weather conditions.

OUTLOOK

The Bank of Canada continues to suggest a slow and gradual economic recovery. In its April Monetary Policy Report, it projects that the Canadian economy will expand by 2.9% in 2011 and 2.6% in 2012, compared to 3.1% in 2010. It also sees aggregate demand being in the process of rebalancing towards business investment and net exports, and away from government and household expenditures.

Consumer confidence remains however fragile. With gas and food prices steadily rising and personal debt levels still quite high, it is expected that consumers will continue to be prudent and selective in their spending.

Weather conditions continued to be unfavourable across the country in April, resulting in further delays in consumer spending. These delays are already having a significant impact on second quarter results as we are one month into the quarter. While it is expected that consumer spending which has been put on hold because of the weather may still happen once the weather improves, there is no guarantee that we will fully recuperate delayed spending.

Given the current conditions, the following measures are being implemented to mitigate their negative effects on the financial results:

- intensification of the PEP program with an emphasis on supply chain management and store productivity;
- a \$25 million reduction in CAPEX, along with a strong focus on optimising the existing network across the country through renovation, consolidation and information technology;
- a more selective approach for acquisitions, with more importance being given to short term returns on capital;
- disposal of non-core land and assets; and
- reduction in administrative expenses.

While the present will be managed with great prudence, the Corporation will:

- exploit the opportunities that these market conditions present, particularly in the area of market consolidation;
- pursue organic growth and growth through acquisitions in the retail, commercial and professional, and distribution sectors; and
- focus more on growing at a faster rate the less cyclical and capital intensive sectors of the commercial, professional and distribution sectors, than the retail sector, in order to optimise the return on capital.

It is also expected that, over the coming months, the Corporation should begin to see:

- the benefits of the anticipated synergies relating to the recent acquisitions; and
- the fruits of its integrated and more regionally focused approach in the retail sector.

All the above-mentioned actions and expected benefits should allow RONA to maintain its investment grade profile while continuing to improve its competitive positioning. However, given the first quarter result and current market conditions, management now expects that achieving the double digit bottom line growth financial objective of its New World program will be unlikely in 2011 unless a rapid and sustained improvement in market conditions happens.

SUSTAINABILITY

Sustainable development is a core component of RONA's strategic plan. Key programs have been developed and introduced in response to the Corporation's objectives. In the past few years, RONA has undertaken a number of sustainability initiatives dealing with its products, procurement policies, environmental footprint and corporate governance. Here are new initiatives pursued in the first quarter of 2011:

- Three new stores opened during the first quarter, a new 102,000 square-foot Réno-Dépôt store in Vaudreuil-Dorion, Quebec, a new 100,000 square-foot Réno-Dépôt store in the Quebec City borough of Sainte-Foy and a new 52,000-square-foot store under the Totem banner in Edmonton, Alberta. These stores were built to meet the criteria of the LEED system (Leadership in Energy and Environmental Design) for new buildings.
- In March, the Maple Leaf Sports & Entertainment's (MLSE) Team Up Foundation, in collaboration with the City of Mississauga unveiled plans to refurbish the Burnhamthorpe Community Centre's outdoor rink. The MLSE Team Up Foundation, with the support of MLSE's Corporate Partner RONA, is

investing \$25,000 in significant upgrades and improvements to the rink. This marks the seventh such partnership involving RONA. Work on the arena will be completed in the spring with supplies donated by the Corporation. This is a continuation of RONA's long-standing commitment to Canadian sports, both professional and amateur. RONA was a National Partner of the Vancouver 2010 Olympic and Paralympic Games. As well, it will be a National Partner of the Canadian Olympic and Paralympic Teams through the London 2012 Summer Games.

RISKS AND UNCERTAINTIES

No major change has occurred since the publication of the *Annual Management's Discussion and Analysis for the year ended December 26, 2010*.

CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted IFRS for its 2011 fiscal year as required by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. The Corporation provided information on its transition to IFRS in its 2010 Annual Management's Discussion and Analysis. The assessments and impacts discussion in the 2010 Annual Management's Discussion and Analysis remain largely unchanged.

The Corporation has provided a detailed explanation of the impacts of this transition in Note 23 of the Corporation's first quarter 2011 unaudited interim consolidated financial statements ("Note 23"). Note 23 includes reconciliations of the Corporation's balance sheet and shareholders' equity from Canadian GAAP to IFRS as at December 26, 2010, March 28, 2010 and December 28, 2009, and its fiscal 2010 net income and comprehensive income for the 52 weeks ended December 26, 2010 and 13 weeks ended March 28, 2010. Explanations of the individual impacts of adopting IFRS identified in the reconciliations are also provided, as are the Corporation's elections under IFRS 1 "First-time Adoption of International Financial Reporting Standards". For a description of the significant accounting policies, please refer to Note 3 of the Corporation's interim Consolidated Financial Statements.

Future Accounting Standards

Financial instruments

In November 2009, the IASB issued new IFRS 9, *Financial Instruments*, that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides guidance on the classification and measurement of financial assets. In October 2010, the IASB amended IFRS 9 to add guidance on the classification and measurement of financial liabilities, and requirements for the derecognition of financial assets and financial liabilities. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation is currently determining the effect of adopting these new requirements on its consolidated financial statements.

Other standards have been published but have no impact for the Corporation.

SIGNIFICANT ACCOUNTING ESTIMATES

No major change has occurred since the publication of the *Annual Management's Discussion and Analysis for the year ended December 26, 2010*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the first quarter of 2011, no change to internal control over financial reporting has occurred that has materially affected, or is reasonably likely to have materially affected, such control.

FORWARD-LOOKING STATEMENTS

This MD&A includes “forward-looking statements” that involve risks and uncertainties. All statements other than statements of historical facts included in this MD&A, including statements regarding the prospects of the industry and prospects, plans, financial position and business strategy of the Corporation may constitute forward-looking statements within the meaning of the Canadian securities legislation and regulations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “plan,” “foresee,” “believe” or “continue” or the negatives of these terms or variations of them or similar terminology. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Forward-looking statements do not take into account the impact that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Corporation’s business. For example, they do not include the impact of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Investors and others are cautioned that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that would cause the Corporation’s actual results to differ from current expectations please refer to the Corporation’s public filings available at www.sedar.com and www.rona.ca. In particular, further details and descriptions of these and other factors are disclosed in this MD&A under the “Risks and Uncertainties” section and in the “Risk Factors” section of the Corporation’s current Annual Information Form.

The forward-looking statements in this MD&A reflect the Corporation’s expectations as at May 10, 2011, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ADDITIONAL INFORMATION

This MD&A was prepared on May 10, 2011. The reader will find additional information concerning RONA, including the Corporation’s Annual Information Form, on the Corporation’s website at www.rona.ca or on the SEDAR website at www.sedar.com.

Marie-Claude Lalonde (signed)

Marie-Claude Lalonde
Vice President and Corporate Controller
and Chief Financial Officer by interim

Robert Dutton (signed)

Robert Dutton
President and
Chief Executive Officer



**Consolidated Financial Statements
March 27, 2011 and March 28, 2010
(unaudited)**

RONA inc.
Consolidated Income Statements
Statements of Comprehensive Income

Thirteen-week periods ended March 27, 2011 and March 28, 2010
(Unaudited and in thousands of Canadian dollars, except per share amounts)

Consolidated Income Statements

	2011	2010
Revenues (Note 4)	\$ 918,211	\$ 956,920
Operating profit (loss) (Note 6)	(19,605)	8,177
Finance income	1,371	1,014
Finance costs	(6,287)	(5,421)
	(4,916)	(4,407)
Income (loss) before income tax expense	(24,521)	3,770
Income tax expense (Note 7)	6,866	(1,125)
Net income (loss)	\$ (17,655)	\$ 2,645
Net income attributable to:		
Owners of RONA inc.	\$ (16,761)	\$ 3,041
Non-controlling interests	(894)	(396)
	\$ (17,655)	\$ 2,645
Net earnings (loss) per share attributable to owners of RONA inc. (Note 21)		
Basic and diluted	\$ (0.13)	\$ 0.02

Consolidated Statements of Comprehensive Income

Net income (loss)	\$ (17,655)	\$ 2,645
Other comprehensive income (loss) net of taxes :		
Cash flow hedges		
– Loss for the period	(732)	(366)
– Reclassification to income or loss	1,574	–
Total comprehensive income (loss)	\$ (16,813)	\$ 2,279
Total comprehensive income (loss) attributable to:		
Owners of RONA inc.	\$ (15,919)	2,675
Non-controlling interests	(894)	(396)
	\$ (16,813)	\$ 2,279

The related notes form an integral part of these interim consolidated financial statements.

RONA inc.

Consolidated Statements of Changes in Equity

March 27, 2011, March 28, 2010 and December 26, 2010

(Unaudited and in thousands of Canadian dollars)

	Share capital ^(a)	Retained earnings	Contributed surplus	Cash flow hedge reserve	Total attributable to owners of RONA inc.	Non- controlling interests	Total equity
Balance, December 26, 2010	\$ 632,614	\$ 1,234,933	\$ 11,137	\$ (1,217)	\$ 1,877,467	\$ 35,809	\$ 1,913,276
Transactions with owners							
Issuance in exchange for cash	172,550	—	—	—	172,550	—	172,550
Issuance under stock option plans	785	—	(204)	—	581	—	581
Dividends declared on common shares	—	(2)	—	—	(2)	—	(2)
Dividends on preferred shares	—	(807)	—	—	(807)	—	(807)
Fees related to issuance of preferred shares, net of related income tax recovery of \$1,482	—	(4,026)	—	—	(4,026)	—	(4,026)
Compensation cost relating to stock option plans	—	—	258	—	258	—	258
Deposits on common share subscriptions received	396	—	—	—	396	—	396
Deposits on common share subscriptions refunded	(75)	—	—	—	(75)	—	(75)
Other	—	—	—	—	—	72	72
Total transactions with owners	173,656	(4,835)	54	—	168,875	72	168,947
Loss for the period	—	(16,761)	—	—	(16,761)	(894)	(17,655)
Other comprehensive income (loss):							
Cash flow hedges							
- Current year losses	—	—	—	(732)	(732)	—	(732)
- Reclassification to income or loss	—	—	—	1,574	1,574	—	1,574
Total comprehensive income (loss) for the period	—	(16,761)	—	842	(15,919)	(894)	(16,813)
Balance, March 27, 2011	\$ 806,270	\$ 1,213,337	\$ 11,191	\$ (375)	\$ 2,030,423	\$ 34,987	\$ 2,065,410

(a) Additional detail of share capital is provided in note 16.

The related notes form an integral part of these interim consolidated financial statements.

RONA inc.**Consolidated Statements of Changes in Equity**

March 27, 2011, March 28, 2010 and December 26, 2010

(Unaudited and in thousands of Canadian dollars)

	Share capital ^(a)	Retained earnings	Contributed surplus	Cash flow hedge reserve	Total attributable to owners of RONA inc.	Non- controlling interests	Total equity
Balance, December 28, 2009	\$ 603,756	\$1,125,235	\$ 13,138	\$ –	\$ 1,742,129	\$ 32,761	\$ 1,774,890
Transactions with owners							
Issuance in exchange for cash	15	–	–	–	15	–	15
Issuance under stock option plans	112	–	(6)	–	106	–	106
Compensation cost relating to stock option plans	–	–	303	–	303	–	303
Deposits on common share subscriptions received	471	–	–	–	471	–	471
Deposits on common share subscriptions refunded	(28)	–	–	–	(28)	–	(28)
Other	(18)	–	–	–	(18)	(53)	(71)
Total transactions with owners	552	–	297	–	849	(53)	796
Profit (loss) for the period	–	3,041	–	–	3,041	(396)	2,645
Other comprehensive income (loss):							
Cash flow hedges							
- Current year losses	–	–	–	(366)	(366)	–	(366)
- Reclassification to income or loss	–	–	–	–	–	–	–
Total comprehensive income (loss) for the period	–	3,041	–	(366)	2,675	(396)	2,279
Balance, March 28, 2010	\$ 604,308	\$ 1,128,276	\$ 13,435	\$ (366)	\$ 1,745,653	\$ 32,312	\$ 1,777,965

(a) Additional detail of share capital is provided in note 16.

The related notes form an integral part of these interim consolidated financial statements.

RONA inc.**Consolidated Statements of Changes in Equity**

March 27, 2011, March 28, 2010 and December 26, 2010

(Unaudited and in thousands of Canadian dollars)

	Share capital ^(a)	Retained earnings	Contributed surplus	Cash flow hedge reserve	Total attributable to owners of RONA inc.	Non- controlling interests	Total equity
Balance, December 28, 2009	\$ 603,756	\$ 1,125,235	\$ 13,138	\$ –	\$ 1,742,129	\$ 32,761	\$ 1,774,890
Transactions with owners							
Issuance in exchange for cash	370	–	–	–	370	–	370
Issuance under stock option plans	661	–	(62)	–	599	–	599
Issuance as payment for a business acquisition	35,722	–	–	–	35,722	–	35,722
Repurchase of common shares	(10,790)	(17,666)	(3,153)	–	(31,609)	–	(31,609)
Dividends declared on common shares ^(b)	–	(9,119)	–	–	(9,119)	–	(9,119)
Cash dividends paid by a subsidiary to non-controlling interests	–	–	–	–	–	(2,450)	(2,450)
Compensation cost relating to stock option plans	–	–	1,214	–	1,214	–	1,214
Deposits on common share subscriptions received	2,772	–	–	–	2,772	–	2,772
Deposits on common share subscriptions refunded	(28)	–	–	–	(28)	–	(28)
Other	151	–	–	–	151	33	184
Total transactions with owners	28,858	(26,785)	(2,001)	–	72	(2,417)	(2,345)
Profit for the period	–	136,483	–	–	136,483	5,465	141,948
Other comprehensive income (loss):							
Cash flow hedges							
- Current year losses	–	–	–	(1,490)	(1,490)	–	(1,490)
- Reclassification to income or loss	–	–	–	273	273	–	273
Total comprehensive income (loss) for the period	–	136,483	–	(1,217)	135,266	5,465	140,731
Balance, December 26, 2010	\$ 632,614	\$ 1,234,933	\$ 11,137	\$ (1,217)	\$ 1,877,467	\$ 35,809	\$ 1,913,276

(a) Additional detail of share capital is provided in note 16.

(b) During 2010, RONA inc. declared a dividend of \$0.07 per share.

The related notes form an integral part of these interim consolidated financial statements.

RONA inc.**Consolidated Statements of Cash Flow**

Thirteen-week periods ended March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

	2011	2010
Operating activities		
Income (loss) before income tax expense	\$ (24,521)	\$ 3,770
Adjustments:		
Depreciation, amortization and impairment of non-financial assets (Note 6)	26,297	25,567
Change in fair value of derivative financial instruments	(210)	(133)
Net gains on disposal of assets	(474)	(93)
Stock-based compensation expenses	(647)	1,510
Difference between amounts paid for post-employment benefits and current period expenses	(289)	(1,995)
Other	277	320
	433	28,946
Net change in working capital	(141,987)	(91,499)
	(141,554)	(62,553)
Interest received	711	612
Income taxes paid	(20,584)	(10,281)
Cash flow from operating activities	(161,427)	(72,222)
Investing activities		
Business acquisitions (Note 8)	(4,062)	(3,062)
Acquisition of property, plant and equipment	(16,340)	(17,315)
Acquisition of intangible assets	(5,827)	(5,958)
Acquisition of other financial assets	(2,572)	–
Proceeds on disposal of property, plant and equipment	437	325
Proceeds on disposal of other financial assets	1,617	401
Interest received	196	402
Cash flow from investing activities	(26,551)	(25,207)
Financing activities		
Bank loans	2,577	4,342
Other long-term debt	651	–
Repayment of other long-term debt	(10,555)	(5,800)
Proceeds from issue of common shares	951	564
Proceeds from issue of preferred shares	172,500	–
Fees related to issue of preferred shares	(5,508)	–
Dividends on common shares	(9,121)	–
Interest paid	(11,523)	(13,590)
Cash flow from financing activities	139,972	(14,484)
Net decrease in cash	(48,006)	(111,913)
Cash, beginning of period	75,577	239,257
Cash, end of period	\$ 27,571	\$ 127,344

The related notes form an integral part of these interim consolidated financial statements.

RONA inc.**Consolidated Statements of Financial Position**

As at March 27, 2011, March 28, 2010, December 26, 2010 and December 28, 2009

(Unaudited and in thousands of Canadian dollars)

	2011 March 27	2010 March 28	2010 December 26	2009 December 28
Assets				
Current				
Cash	\$ 27,571	\$ 127,344	\$ 75,577	\$ 239,257
Trade and other receivables	365,784	319,990	299,889	248,201
Other financial assets	2,578	2,820	2,245	2,644
Current tax assets	23,171	14,032	–	2,436
Inventory (Note 5)	1,074,066	926,648	905,467	725,810
Prepaid expenses	25,447	27,190	17,955	18,114
Current assets	1,518,617	1,418,024	1,301,133	1,236,462
Non-current				
Other financial assets	11,746	10,790	9,644	11,118
Property, plant and equipment	882,986	828,584	885,044	827,883
Non-current assets held for sale (Note 10)	16,203	11,080	16,474	11,080
Goodwill (Note 11)	533,355	456,623	529,094	455,572
Intangible assets	127,741	104,768	128,223	106,157
Other non-current assets (Note 12)	3,737	4,133	3,967	4,406
Deferred tax assets	51,710	50,293	48,407	51,830
Total assets	\$ 3,146,095	\$ 2,884,295	\$ 2,921,986	\$ 2,704,508
Liabilities				
Current				
Bank loans	\$ 4,520	\$ 9,553	\$ 1,943	\$ 5,211
Trade and other payables	541,956	585,203	454,166	409,764
Dividends payable	796	–	9,119	–
Current tax liabilities	–	–	3,379	–
Derivative financial instruments	513	957	1,653	776
Provisions (Note 14)	5,262	5,813	4,625	7,002
Instalments on long-term debt	25,634	10,864	21,151	9,996
Current liabilities	578,681	612,390	496,036	432,749
Non-current				
Long-term debt	432,807	427,479	444,333	430,524
Other non-current liabilities (Note 13)	29,342	27,689	29,292	27,859
Provisions (Note 14)	4,080	10,292	4,539	10,762
Deferred tax liabilities	35,775	28,480	34,510	27,724
Total liabilities	1,080,685	1,106,330	1,008,710	929,618
Equity				
Share capital (Note 16)	806,270	604,308	632,614	603,756
Retained earnings	1,213,337	1,128,276	1,234,933	1,125,235
Contributed surplus	11,191	13,435	11,137	13,138
Accumulated other comprehensive income	(375)	(366)	(1,217)	–
Total equity attributable to owners of RONA inc.	2,030,423	1,745,653	1,877,467	1,742,129
Non-controlling interests	34,987	32,312	35,809	32,761
Total equity	2,065,410	1,777,965	1,913,276	1,774,890
Total liabilities and equity	\$ 3,146,095	\$ 2,884,295	\$ 2,921,986	\$ 2,704,508

The related notes form an integral part of these interim consolidated financial statements.

RONA inc.

Notes to Interim Consolidated Financial Statements

as at March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

1. Reporting Entity

RONA inc., a corporation headquartered at 220 Chemin du Tremblay, Boucherville, Quebec, Canada is regulated by the *Business Corporations Act* (Quebec) (formerly Part 1A of the *Companies Act* (Quebec)). The common shares are listed on the Toronto Stock Exchange.

The Corporation's consolidated financial statements for the thirteen-week periods ended March 27, 2011 and March 28, 2010 include financial data for the Corporation and its subsidiaries (collectively referred to as the "Corporation" and individually referred to as the "Corporation's entities") and the Corporation's share of the jointly controlled entities.

The Corporation is a distributor and a retailer of hardware, home improvement and gardening products in Canada.

2. Basis of Presentation

(a) General information, first-time adoption of IFRS and declaration of conformity with IAS 34

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which are expected to be both in effect at December 25, 2011 and adopted by the Corporation in its annual financial statements. The accounting policies described herein have been applied on a consistent basis for all reported periods, unless otherwise indicated. Previously, the consolidated financial statements of the Corporation were prepared according to Canadian GAAP in effect before the changeover ("GAAP").

These are the Corporation's initial interim consolidated financial statements prepared in the initial year of application of IFRS and the Corporation has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

Note 23 explains how the transition to IFRS affected the Corporation's reported financial positions, results and cash flows.

(b) Measurement basis

These consolidated financial statements were prepared under the historical cost basis, except for the revaluation of certain financial instruments at estimated fair value.

(c) Functional and reporting currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of RONA inc. and all the Corporation's entities. All financial information presented in Canadian dollars is rounded to the nearest thousand.

RONA inc.

Notes to Interim Consolidated Financial Statements

as at March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

2. Basis of Presentation (continued)

(d) Use of estimates and judgments

When preparing the financial statements, the Corporation's management undertakes a number of judgments, estimates and assumptions about recognition and measurement of amounts recorded in the financial statements and notes to financial statements.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided in the following notes:

- Note 3(d) – Inventory impairment, including loss and obsolescence
- Note 3(e) – Supplier rebate estimates
- Note 3(k) – Goodwill, property, plant and equipment and intangible assets impairment
- Note 3(l) – Lease classification
- Note 3(n) – Deferred tax assets and liability estimates and current tax assets and liabilities
- Note 3(o) – Provisions, contingent liabilities and contingent assets estimates
- Note 3(q) (r) (s) – Share-based payment measurement
- Note 3(u) – Allowance for doubtful accounts estimate
- Note 3(x) – Employee benefits estimates

These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from those estimates.

(e) Seasonal fluctuations

The interim period results of operations do not necessarily reflect results for the full year because of seasonal fluctuations that characterize the hardware, home improvement and gardening products industry. Since the seasonal fluctuations result in significant variances for certain assets and liabilities, a Statement of Financial Position as at March 28, 2010 is also presented for comparative purposes.

(f) Fiscal year

The Corporation's fiscal year includes 52 weeks and ends on the last Sunday of December.

(g) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

RONA inc.

Notes to Interim Consolidated Financial Statements

as at March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

2. Basis of Presentation (continued)

(h) Effect of new accounting standards issued but not yet effective

Financial instruments

In November 2009, the IASB issued new IFRS 9, *Financial Instruments*, that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides guidance on the classification and measurement of financial assets. In October 2010, the IASB amended IFRS 9 to add guidance on the classification and measurement of financial liabilities, and requirements for the derecognition of financial assets and financial liabilities. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation is currently determining the effect of adopting these new requirements on its consolidated financial statements.

Other standards have been published but have no impact for the Corporation.

3. Significant Accounting Policies

The accounting policies described below were applied consistently by all of the Corporation's entities.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries.

(i) Subsidiaries

A subsidiary is an entity controlled by the Corporation. RONA inc. obtains and exercises control through more than half of the voting rights for all its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date of acquisition of control until the date the control ends.

RONA inc.

Notes to Interim Consolidated Financial Statements

as at March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

3. Significant Accounting Policies (continued)

(a) Basis of consolidation (continued)

(ii) Jointly controlled entities

Entities whose economic activities are controlled jointly by the Corporation and other venturers independent of the Corporation (joint ventures) are accounted for using the proportionate consolidation method, whereby the Corporation's share of the assets, liabilities, income and expenses is included with similar items, line by line, in the consolidated financial statements.

(iii) Eliminated transactions in the financial statements

Assets and liabilities, transactions, income and expenses from intercompany transactions are eliminated in the preparation of the consolidated financial statements.

(iv) Non-controlling interests

Non-controlling interests included in equity represent the portion of a subsidiary's profit or net assets that is not held by the Corporation. Income or loss and each component of other comprehensive income are allocated to the owners of RONA inc. and to non-controlling interests. Total comprehensive income is attributed to the owners of RONA inc. and to non-controlling interests in accordance with their respective shareholdings even if this results in the non-controlling interests having a deficit balance.

(b) Business combinations

Business combinations after the transition date are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognized, regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values. Goodwill is the excess of the fair value of the consideration transferred over the fair value of RONA inc.'s share in the acquiree's net identifiable assets on the date of acquisition. Any excess of the identifiable net assets over the consideration transferred is recognized in income or loss immediately.

The consideration transferred by the Corporation to acquire control of a subsidiary is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Corporation, including the fair value of all the assets and liabilities resulting from a contingent consideration arrangement. Acquisition-related cost are expensed as incurred.

RONA inc.

Notes to Interim Consolidated Financial Statements

as at March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, rebates and trade and quantity discounts. The Corporation recognizes revenue at the time of sale in stores or upon delivery of the merchandise, when the sale is accepted by the customer and when collection is reasonably assured.

Revenue also includes various services provided by the Corporation, such as product installation and delivery. Revenue from the rendering of services is measured at the fair value of the consideration received or receivable. The Corporation recognizes revenue when the commercial obligations have been fulfilled, the services have been accepted by the customer and collection is reasonably assured.

Revenue also includes royalties received from franchised stores. Royalties are measured as a percentage of revenue and are recognized as earned and when collection is reasonably assured.

Interest income and expenses relating to receivables and loans and advances are reported on an accrual basis using the effective interest method.

(d) Inventory valuation

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventory to its present location and condition, including realized gains or losses on qualifying cash flow hedges of foreign currency inventory purchases.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable estimated selling expenses.

Estimating the impact of certain factors on the net realizable value of inventory, such as obsolescence and losses of inventory, requires a high level of judgment. Inventory quantities, age and condition are measured and assessed regularly throughout the year.

(e) Vendor rebates

The Corporation records cash consideration received from vendors as a reduction in the price of vendors' products and reflects it as a reduction of cost of goods sold and the related inventory in the consolidated income statement and consolidated statement of financial position. Certain exceptions apply where the cash consideration received is either a reimbursement of incremental selling costs incurred by the reseller or a payment for goods or services supplied to the vendor, in which case the rebate is reflected as a reduction of operating expenses.

The Corporation recognizes these rebates when receipt is more likely than not and the amounts can be reasonably estimated.

To determine probability and estimated receipts, the Corporation uses actual purchases during the period, attainment of purchase forecasts and contractual terms and conditions. The assumptions are reassessed each period.

RONA inc.

Notes to Interim Consolidated Financial Statements

as at March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

3. Significant Accounting Policies (continued)

(f) Customer rebates

The Corporation records cash consideration paid to customers as a reduction in the selling price of the product and presents it as a reduction to sales of goods in the consolidated income statement.

The Corporation recognizes these rebates when receipt is more likely than not and the amounts can be reasonably estimated.

(g) Property, plant and equipment

Property, plant and equipment are recognized at cost including capitalized interest, if applicable. When items of property, plant and equipment have different useful lives, they are recognized separately.

Borrowing costs to finance the construction of an item of property, plant and equipment that takes a substantial period of time to get ready for use are capitalized from the date the work is undertaken until the date activities that are necessary to prepare the asset for its intended use are all substantially completed. The capitalization of borrowing and other similar costs is suspended during prolonged periods in which the active development is suspended.

Depreciation begins when the items of property, plant and equipment are available for use and is recognized on a straight-line basis in order to depreciate the cost of the assets, less their residual values, over their estimated useful lives which are the following:

Parking lots	15 years
Buildings	15 to 40 years
Leasehold improvements	Lease term
Furniture and equipment	8 to 20 years
Computer hardware	5 years
Assets under finance leases	5 to 10 years

Depreciation methods, useful lives and residual values are reassessed annually.

The Corporation owns some properties that are leased to affiliated merchants in the RONA group. These properties are not considered as investment property because they are used in the supply of goods and the operations of these merchants generate cash flows that are not solely attributable to these properties. Accordingly, they are presented with property, plant and equipment.

Land for future development is held for eventual development as a real estate asset to be occupied by its owners.

RONA inc.

Notes to Interim Consolidated Financial Statements

as at March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

3. Significant Accounting Policies (continued)

(h) Non-current assets held for sale

A non-current asset or group of assets which the Corporation intends to sell is classified as held for sale and presented separately in the statement of financial situation if the following conditions are met:

- Its sale within one year is highly probable;
- The asset (or group of assets) is available for immediate sale in its present condition;
- Management is committed to a plan to sell the asset (or group of assets) and there is an active program to locate a buyer for sale at a price that is reasonable in relation to its current fair value.

Assets held for sale are measured at the lower of their carrying amount immediately before their classification as assets held for sale and their fair value less cost to sell. An asset that is classified as held for sale is no longer depreciated.

(i) Intangible assets

Software, trademarks with finite useful lives, dealer recruitment costs, customer relationships and preferential price leases are carried at cost less accumulated amortization and accumulated impairment losses. Acquired computer software is capitalized on the basis of the costs incurred to acquire licences and install the specific software.

Amortization is calculated on the cost of the asset less its residual value. Software is amortized on a straight-line basis over periods ranging from four to ten years. Trademarks are amortized on a straight-line basis over periods ranging from five to seven years. Dealer recruitment costs are amortized on a straight-line basis over a period of five years. Customer relationships are amortized on a straight-line basis over a period of ten years. Preferential price leases are amortized on a straight-line basis over the term of the lease. The amortization method, useful life and residual values are reviewed annually.

Trademarks with indefinite useful lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Amortization of intangible assets is included in depreciation, amortization and impairment of non-financial assets in the consolidated income statement.

Borrowing costs are capitalized in intangible assets using the same method as for property, plant and equipment.

(j) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identifiable and recorded separately. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it is impaired. Goodwill is measured at cost less accumulated impairment losses.

RONA inc.

Notes to Interim Consolidated Financial Statements

as at March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

3. Significant Accounting Policies (continued)

(k) Impairment of non-current assets

At the end of each reporting period, the carrying amounts of property, plant and equipment and intangible assets with finite useful lives are assessed to determine if there is any evidence that an asset is impaired. If there is such evidence, the recoverable amount of the asset is estimated. The recoverable amount of goodwill, intangible assets with indefinite useful lives or that are not ready for use is estimated on the same date each year.

The recoverable amount of an asset or a cash generating unit is the higher of value-in-use and fair value less costs to sell. To determine value-in-use, expected future cash flows are discounted using a before-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the process of measuring expected future cash flows, the Corporation makes assumptions about future operating profit. These assumptions relate to future events and circumstances. Although the assumptions are based on market information available at the time of the assessment, actual results may vary.

Assets that cannot be tested individually for the impairment test are grouped into the smallest group of assets that generates cash inflows through continued use that are largely independent of the cash inflows from other assets or groups of assets ("cash-generating unit" or "CGU"). For the impairment test of goodwill, CGUs to which goodwill has been allocated are grouped so that the level at which the impairment is tested represents the lowest level at which management monitors goodwill for internal management purposes. CGU groupings are limited to the operating sector. Goodwill acquired in a business combination is allocated to CGU groups that are expected to benefit from synergies of the related business combination.

The Corporation's corporate assets do not generate separate cash flows. If there is evidence that a corporate asset is impaired, the recoverable amount is determined for the CGU to which the corporate asset belongs. Impairments are recorded when the carrying amount of an asset or its CGU is higher than its recoverable amount. Impairment charges are recognized in income or loss.

Impairment losses recognized for a CGU (or group of units) first reduce the carrying amount of any goodwill allocated to that CGU and then reduce the carrying amounts of the other assets of the CGU (or group of units) pro rata on the basis of the carrying amount of each asset in the CGU (or group of units).

An impairment loss recognized for goodwill may not be reversed. On each reporting date, the Corporation assesses if there is an indication that impairment losses recognized in previous periods for other assets have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized.

RONA inc.

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3. Significant Accounting Policies (continued)

(l) Leased assets

Leases in which substantially all the risks and rewards of ownership of an asset are transferred to the Corporation are classified as finance leases. On initial recognition, the leased asset is carried at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Following initial recognition, the asset is carried using the applicable accounting method for that type of asset.

All other leases are operating leases and, accordingly, the related leased asset is not included in the Corporation's consolidated statement of financial position. Lease payments under an operating lease are recognized in income or loss on a straight-line basis over the lease term. Lease benefits are recognized as a reduction of total lease expenses over the lease term. Deferred lease incentives are recognized on a straight-line basis over the lease term.

(m) Other non-current assets

Financing costs relate to credit facilities and are amortized on a straight-line basis over the financing term over a period of six years.

(n) Income taxes

Income tax expense includes current tax and deferred tax. Income tax expense is recognized in income or loss, except where it relates to items that are recognized directly in other comprehensive income or in equity, in which case it is recognized directly in other comprehensive income or equity.

Current taxes are taxes that are expected to be paid on taxable income for the year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period and include any income tax adjustment in respect of prior years.

Deferred income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

The Corporation recognizes an income tax expense in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon enacted or substantively enacted tax laws and estimates of future taxable income. To the extent estimates differ from the actual amounts determined when preparing the final tax returns, earnings would be affected in a subsequent period.

In interim periods, the income tax provision is based on an estimate of how much earnings will be in a full year by jurisdiction. The estimated average annual effective income tax rates are re-estimated at each interim reporting date, based on full year projections of earnings by jurisdiction. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods.

RONA inc.**Notes to Interim Consolidated Financial Statements**

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3. Significant Accounting Policies (continued)**(o) Provisions, contingent liabilities and contingent assets**

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events for an amount that can be estimated reliably, and it is likely that an outflow of economic resources will be required to settle the obligation. Provisions that expire in more than 12 months are determined by discounting expected future cash flows if the effect of discounting is material, at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for an onerous contract is recognized when the economic benefits expected to be received under the contract are less than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating or performing the contract. Before establishing a provision, the Corporation recognizes any impairment loss that has occurred on the assets dedicated to that contract.

A guarantee provision is recognized when the related goods or services are sold. The provision is based on historical data on guarantees.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. In a business combination, contingent liabilities are recognized based on the purchase price allocation between identifiable assets acquired and liabilities assumed through the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Probable receipts of economic benefits for the Corporation that do not yet meet an asset recognition criteria are treated as contingent assets that are not recognized in the statement of financial position.

If all or a portion of the expenditure required to settle a provision is reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when it is virtually certain that reimbursement will be received if the entity settles the obligation.

(p) Other non-current liabilities

Other liabilities include deferred lease obligations resulting from the recognition, by the Corporation, of the rental expense on a straight-line basis over the lease term when leases contain a predetermined fixed escalation of the minimum rent.

(q) Stock option plans

Compensation expense related to options issued by the Corporation is measured at the fair value of the options at the grant date and recognized over the applicable stock option vesting period, which is the expected service period of the employees. The compensation expense credit is attributed to contributed surplus when the expense is recognized in income or loss.

RONA inc.

Notes to Interim Consolidated Financial Statements

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(Unaudited and in thousands of Canadian dollars)

3. Significant Accounting Policies (continued)

(q) Stock option plans (continued)

Compensation expense recognized is adjusted to reflect the number of options that has been estimated by management for which conditions attaching to service will be fulfilled as of the grant date until the vesting date so that the ultimately recognize expense corresponds to the options that have actually vested. When options are exercised or shares are purchased, any consideration received from employees as well as the related compensation cost recorded as contributed surplus are credited to share capital.

(r) Share unit plan for officers

The Corporation offers a restricted share unit plan (RSU) to officers and key employees of the Corporation. The RSUs are vested over a maximum term of three years based on performance targets.

The fair value of RSUs is recognized as a compensation expense on a straight-line basis over the vesting period based on the forecasted attainment of predetermined targets. The RSUs are revalued at fair value at the end of each reporting period until the vesting date using the market price of the Corporation's common shares. Fair value changes are accounted for as compensation expense with a corresponding charge to trade and other payables.

(s) Share unit plan for directors

Members of the Corporation's Board of Directors, who are not Corporation's management, may elect to receive all or a portion of their annual fees in the form of deferred share units (DSUs). The DSU compensation liability is recognized at fair value based on the number of units outstanding and the market value of the Corporation's common shares. Fair value changes are recognized as compensation expense with a corresponding charge to trade and other payables.

(t) Foreign currency

Foreign currency transactions are translated into the Corporations's functional currency, the Canadian dollar, using the exchange rate prevailing at the date of the transactions.

Foreign currency denominated monetary assets and liabilities are translated into the functional currency using the exchange rates prevailing at the closing date.

Non-monetary items are translated at the historical rates of exchange. Revenues and expenses are translated at the rates of exchange in effect on the transaction date or at the average exchange rates for the period.

Foreign exchange gains and losses resulting from the settlement of transactions and from the remeasurement of monetary and non-monetary items at the closing date are recognized in income or loss.

RONA inc.

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3. Significant Accounting Policies (continued)

(u) Financial instruments

Financial assets and liabilities are initially recognized at fair value plus transaction costs directly attributable to the acquisition or issue of a financial asset or liability and subsequent measurement depends on their classification as described below:

- Cash, trade and other receivables and loans and advances (included in other non-current financial assets) are classified as loans and receivables. Cash, trade and other receivables are recorded at amortized cost which generally corresponds to initial measurement less any allowance for doubtful accounts. Loans and advances are subsequently measured at amortized cost using the effective interest method.
- Bank loans, trade and other payables and long-term debt are classified as other financial liabilities and are measured at amortized cost using the effective interest method.

With the exception of transactions costs associated with the revolving credit which are presented as other non-current assets, transaction costs associated with financial liabilities measured at amortized cost are carried as a reduction in the carrying amount of the related financial liability.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. All financial assets except for those measured at fair value through income or loss are subject to review for impairment at least at each reporting date.

(v) Derivative financial instruments and cash flow hedges

The Corporation uses derivative financial instruments to manage foreign exchange risk. The Corporation does not use derivative financial instruments for speculative or trading purposes.

At the initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and the hedged instrument, the risk management objective and the strategy for undertaking the hedge and how the effectiveness of the hedging relationship will be assessed. At the inception of the hedge and on an ongoing basis, the Corporation assesses if the hedge is expected to be “highly effective” in achieving offsetting changes in fair value or cash flows of the hedged items throughout the periods for which the hedge is designated.

Derivatives are carried initially at fair value, attributable transaction costs are recognized in income or loss as incurred. After initial recognition, derivatives are measured at fair value and resulting changes are recognized as follows.

RONA inc.

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3. Significant Accounting Policies (continued)

(v) Derivative financial instruments and cash flow hedges (continued)

When a derivative is designated as a hedging instrument for a hedge of the risk of changes in cash flows attributable to a particular risk associated with a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the cash flow hedge reserve in equity. The amount recognized in other comprehensive income is reclassified to the income statement over the period in which the hedged cash flows affect income; the amount is recognized in the same line of comprehensive income as the hedged item. Any ineffective portion of fair value changes of the derivative is recognized immediately in income or loss.

When a hedge no longer meets the criteria for hedge accounting, expires, is sold, cancelled, exercised or when its designation is cancelled, the Corporation discontinues hedge accounting prospectively. The cumulative loss or gain at that date in other comprehensive income remains in the hedge reserve in equity until the forecast transaction occurs. When the hedged item is a non-financial asset, the associated cumulative loss or gain recognized in other comprehensive income is transferred to the initial cost of the asset when recognized. If the forecast transaction is no longer expected to occur, the balance of other comprehensive income is transferred immediately to income or loss. In other cases, the associated loss or gain recognized in other comprehensive income is transferred to income or loss over the periods in which the hedged item affects income or loss.

(w) Equity

Share capital represents the amount received on issuance. When the securities are issued on a business acquisition, the amount recognized is the fair value at the acquisition date.

The treasury share reserve includes the cost of the Corporation's shares held by joint ventures.

Deposits on common share subscriptions represent amounts received during the year from affiliated and franchised merchants in accordance with commercial agreements.

Retained earnings include all current and prior period retained profits. Also included are fees related to the issuance of shares, net of income tax recoveries.

Contributed surplus includes the compensation cost relating to the Corporation's stock option plans. It also includes gains on the disposal of RONA inc.'s common shares by the subsidiaries and joint ventures.

The cash flow hedge reserve consists of the effective portion of the cumulative net change in the fair value of a hedging instrument in a cash flow hedge associated with unrealized hedging transactions.

Non-controlling interests consist of the subsidiary's equity that the Corporation does not hold directly or indirectly.

Dividends on common shares attributable to shareholders are presented in other liabilities when approved prior to the reporting date.

Cumulative dividends on preferred shares are classified as other liabilities and are recognized with the passage of time.

RONA inc.

Notes to Interim Consolidated Financial Statements

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(Unaudited and in thousands of Canadian dollars)

3. Significant Accounting Policies (continued)

(x) Employee benefits

Defined benefit plans

The liability recognized in the statement of financial position for the defined benefit plans is the present value of the defined benefit obligations at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs and certain adjustments, as described below:

- Unrecognized amount due to the maximum limit of the asset.
- Liability recognized for minimum financing requirements

The actuarial determination of the accrued defined benefit obligations for pension uses the projected unit credit method, and management's best estimate of expected salary escalation, retirement ages of employees and the mortality rate. The Corporation's obligations under the defined benefit plans are measured separately for each plan by estimating the amount of employees' future benefits acquired for services rendered during the current and prior periods.

Discount rates for obligations are determined with reference to the market rate of return, at the closing date, by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets is amortized over the average remaining service period of the active employees and recognized in income or loss.

The amount recognized as a defined benefit plan asset cannot exceed the limit represented by total unrecognized net actuarial losses accrued, unrecognized past service cost and discounted value of any economic benefit available as future plan refund or decrease of future plan contributions. All minimum financing requirements applicable to the Corporation's plans are taken into account to calculate the present value of economic benefits. An additional liability is recognized in the amount of the minimum financing obligation for defined benefit plans when the Corporation does not have an unconditional right to the surplus. Changes in the obligation recorded during the year are recognized in income or loss.

The expected return on plan assets is based on the fair value of the plan assets and is recognized in income or loss.

Past service costs from plan amendments are deferred and included in income or loss on a straight-line basis over the average remaining period until the benefits become vested. If benefit entitlements vest immediately, the benefit cost is recognized immediately in income or loss.

RONA inc.

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(Unaudited and in thousands of Canadian dollars)

3. Significant Accounting Policies (continued)

(x) Employee benefits (continued)

Defined contribution plans

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions to an independent entity and will have no legal or constructive obligations to pay further contributions.

Contributions to defined contribution plans are included in employee benefits expense over periods in which the services are rendered by employees.

(y) Earnings per share and information pertaining to number of shares

Basic and diluted earnings per share are presented for common shares, calculated by dividing net income attributable to the parent Corporation's common shareholders by the weighted average number of common shares outstanding during the period, adjusted by the number of treasury shares.

Diluted earnings per share are calculated taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date.

(z) Segment information

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Corporation. Results for all segments for which discrete financial information is available are regularly reviewed by the Corporation's President and Chief Executive Officer to make decisions about resources to be allocated to the segments and assess their performance.

In identifying reportable operating segments, management uses differences in products and services offered. Operating segments have been combined because they share economic characteristics, similar products and clients. Revenue from the distribution segment is provided from supply activities to affiliated, franchised and corporate stores. Retail and commercial segment revenue is provided from the sale of various products and services directly to consumers.

The accounting policies that apply to the operating segments are the same as those described in accounting policies. The Corporation accounts for intersegment operations in the ordinary course of business at fair value.

4. Revenues

	2011	2010
Sales of goods	\$ 905,296	\$ 942,457
Rendering of services	8,398	9,489
Royalties received	4,517	4,974
Total revenues	\$ 918,211	\$ 956,920

RONA inc.**Notes to Interim Consolidated Financial Statements**

as at March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

5. Inventory

For the thirteen-week period ended March 27, 2011, an amount of \$647,454 in inventory was expensed in the income statement (\$667,645 in 2010).

For the thirteen-week period ended March 27, 2011, an inventory write-down charge of \$6,839 (\$7,584 in 2010) was recognized in the consolidated income statement. No reversal of previous write-downs was recognized.

6. Supplemental Revenue and Expense Information**6.1 Operating profit (loss)**

	2011	2010
Revenues	\$ 918,211	\$ 956,920
Cost of sales	(647,454)	(667,645)
Gross profit	270,757	289,275
Selling, general and administrative expenses	(295,444)	(285,684)
Net gains on disposal of assets	474	93
Other income	4,608	4,493
Operating profit (loss)	\$ (19,605)	\$ 8,177

6.2 Depreciation, amortization and impairment of non-financial assets

	2011	2010
Depreciation of property, plant and equipment	\$ 19,228	\$ 17,017
Depreciation of leasehold property included in property, plant and equipment	965	631
Amortization of intangible assets	5,961	7,684
Amortization of other non-current assets	143	235
Total depreciation, amortization and impairment of non-financial assets	\$ 26,297	\$ 25,567

RONA inc.**Notes to Interim Consolidated Financial Statements**

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(Unaudited and in thousands of Canadian dollars)

6. Supplemental Revenue and Expense Information (continued)**6.3 Employee benefits expense**

	2011	2010
Salaries	\$ 123,032	\$ 113,418
Defined benefit expense	371	68
Defined contribution expense	2,226	2,343
Stock-based compensation expense	(722)	1,510
Other fringe benefits	28,799	25,995
Total employee benefits expense	\$ 153,706	\$ 143,334

7. Income Tax

The consolidated effective tax rate from continuing operations was 28.00% and 29.85%, respectively, for the thirteen-week periods ended March 27, 2011 and March 28, 2010. The effective income tax rate change is primarily attributable to the change in the Corporation's combined statutory income tax rate.

Income tax information for the year ended December 26, 2010 is provided in note 23.14.

8. Business Acquisitions

On January 31, 2011, the Corporation acquired the assets of La Boutique Plomberie Décoration 25 inc. in Quebec. The company is a retailer of basic and finishing plumbing products. This acquisition is another step toward establishing a national platform in the commercial and professional market and should generate significant buying synergies with the existing operations in this segment. The company operates in the retail and commercial sector.

In addition, on January 24, 2011, the Corporation acquired the minority interests in the assets of a store previously held by one of its 51%-owned subsidiaries.

During the thirteen-week period ended March 28, 2010, the Corporation acquired two companies in the retail and commercial sector through asset purchases.

RONA inc.**Notes to Interim Consolidated Financial Statements**

as at March 27, 2011 and March 28, 2010

(Unaudited and in thousands of Canadian dollars)

8. Business Acquisitions (continued)

These acquisitions were for a total consideration of \$6,818 (\$6,456 in 2010). Direct acquisition costs of \$251 were recognized in selling, general and administrative expenses for the thirteen-week period ended March 27, 2011 (\$259 in 2010). The Corporation financed these acquisitions from its existing credit facilities.

The results of operations of these companies are consolidated from their date of acquisition.

The preliminary purchase price allocation of these acquisitions was established as follows:

	2011	2010
Trade and other receivables	\$ 211	\$ 1,835
Inventory	1,319	3,563
Other current assets	5	14
Property, plant and equipment	2,065	327
Goodwill on acquisition	4,261	1,051
Intangible assets	12	418
Current liabilities	(565)	(752)
Non-controlling interests	(490)	–
Total cost of acquisitions	6,818	6,456
Less: Balances of purchase prices	(2,756)	(3,394)
Cash consideration paid	\$ 4,062	\$ 3,062

The Corporation expects that an amount of \$3,105 (\$1,037 in 2010) of goodwill will be deductible for tax purposes.

Trade and other receivables have been recognized at fair value, which was not materially different from gross contractual amounts receivable or expected receipts.

Purchase price allocations related to the acquisitions may be subject to adjustment pending completion of the final valuations.

9. Vendor Rebates

For the thirteen-week period ended March 27, 2011, the Corporation recognized \$4,631 (\$4,123 in 2010) for which the conditions for receiving the vendor rebates have not all been fulfilled. The amount was estimated on the basis that the necessary conditions for obtaining the rebates are satisfied.

RONA inc.**Notes to Interim Consolidated Financial Statements**

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10. Non-current Assets Held for Sale

The Corporation intends to dispose of property, plant and equipment held for sale within one year. These are primarily land and buildings in the retail and commercial store segment which are no longer used in operations and for which the Corporation has established a detailed plan to sell.

The change in non-current assets held for sale is as follows:

	2011
	As at March 27
Balance, December 26, 2010	\$ 16,474
Additions	—
Disposals	(271)
Impairment charge	—
Reclassification to property, plant and equipment	—
Balance, March 27, 2011	<u>\$ 16,203</u>

	2010
	As at March 28
Balance, December 28, 2009	\$ 11,080
Additions	—
Disposals	—
Impairment charge	—
Reclassification to property, plant and equipment	—
Balance, March 28, 2010	<u>\$ 11,080</u>

	2010
	As at December 26
Balance, December 28, 2009	\$ 11,080
Additions	10,089
Disposals	(500)
Impairment charge	—
Reclassification to property, plant and equipment	(4,195)
Balance, December 26, 2010	<u>\$ 16,474</u>

RONA inc.**Notes to Interim Consolidated Financial Statements**

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10. Non-current Assets Held for Sale (continued)

	2011	2010	2010	2009
	As at March 27	As at March 28	As at December 26	As at December 28
Non-current assets held for sale				
Land	\$ 15,427	\$ 9,713	\$ 15,427	\$ 9,713
Buildings	776	1,367	1,047	1,367
	\$ 16,203	\$ 11,080	\$ 16,474	\$ 11,080

11. Goodwill

	2011
	As at March 27
Balance, December 26, 2010	\$ 529,094
Acquisition through business combination (Note 8)	4,261
Balance, March 27, 2011	\$ 533,355

	2010
	As at March 28
Balance, December 28, 2009	\$ 455,572
Acquisition through business combination (Note 8)	1,051
Balance, March 28, 2010	\$ 456,623

	2010
	As at December 26
Balance, December 28, 2009	\$ 455,572
Acquisition through business combination	74,040
Disposals	(518)
Balance, December 26, 2010	\$ 529,094

Goodwill information for the year ended December 26, 2010 is provided in note 23.14.

RONA inc.**Notes to Interim Consolidated Financial Statements**

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12. Other Non-current Assets

	2011	2010	2010	2009
	As at March 27	As at March 28	As at December 26	As at December 28
At unamortized cost				
Revolving credit financing costs	\$ 1,391	\$ 2,204	\$ 1,540	\$ 2,432
Defined benefit plan assets	2,028	1,595	2,108	1,630
Other	318	334	319	344
Balance, end of period	\$ 3,737	\$ 4,133	\$ 3,967	\$ 4,406

Amortization of other non-current assets amounts to \$143 for the thirteen-week period ended March 27, 2011 (\$235 in 2010).

13. Other Non-current Liabilities

	2011	2010	2010	2009
	As at March 27	As at March 28	As at December 26	As at December 28
Deferred lease obligations due to straight-line basis	\$ 23,363	\$ 20,651	\$ 22,943	\$ 19,993
Defined benefit plan assets	5,979	7,038	6,349	7,866
Balance, end of period	\$ 29,342	\$ 27,689	\$ 29,292	\$ 27,859

RONA inc.**Notes to Interim Consolidated Financial Statements**

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14. Provisions, Contingent Liabilities and Contingent Assets

	Litigation	Onerous contracts	Product warranties	Total
Balance, December 26, 2010	\$ 3,222	\$ 5,757	\$ 185	\$ 9,164
Provisions created during the period	670	–	86	756
Provisions used during the period	(163)	(333)	(59)	(555)
Provisions reversed during the period	(102)	–	–	(102)
Accretion expense	–	79	–	79
Balance, March 27, 2011	3,627	5,503	212	9,342
Current	3,627	1,423	212	5,262
Non-current	–	4,080	–	4,080
	\$ 3,627	\$ 5,503	\$ 212	\$ 9,342

	Litigation	Onerous contracts	Product warranties	Total
Balance, December 28, 2009	\$ 3,004	\$ 14,340	\$ 420	\$ 17,764
Provisions created during the period	361	–	287	648
Provisions used during the period	(211)	(1,061)	(80)	(1,352)
Provisions reversed during the period	(792)	–	(163)	(955)
Accretion expense	–	–	–	–
Balance, March 28, 2010	2,362	13,279	464	16,105
Current	2,362	2,987	464	5,813
Non-current	–	10,292	–	10,292
	\$ 2,362	\$ 13,279	\$ 464	\$ 16,105

	Litigation	Onerous contracts	Product warranties	Total
Balance, December 28, 2009	\$ 3,004	\$ 14,340	\$ 420	\$ 17,764
Provisions created during the period	2,887	1,923	2,003	6,813
Provisions used during the period	(887)	(7,994)	(1,377)	(10,258)
Provisions reversed during the period	(1,782)	(2,944)	(861)	(5,587)
Accretion expense	–	432	–	432
Balance, December 26, 2010	3,222	5,757	185	9,164
Current	3,222	1,218	185	4,625
Non-current	–	4,539	–	4,539
	\$ 3,222	\$ 5,757	\$ 185	\$ 9,164

RONA inc.**Notes to Interim Consolidated Financial Statements**

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14. Provisions, Contingent Liabilities and Contingent Assets (continued)

Various claims and litigation arise in the course of the Corporation's activities and its insurers have taken up the Corporation's defence in some of these cases.

The litigation period depends on the negotiation procedures. Provisions are recognized based on best estimates of the resolution of the litigation. Management does not expect that the outcome of these claims and litigation will have a material and adverse effect on the Corporation's results and deemed its allowances adequate in this regard.

In 2008, the Corporation's management approved a detailed closure plan for two stores in the retail and commercial segment. One store was closed during 2008 and the second during the second quarter of 2009. Following the closure, a provision for onerous contracts was recognized for non-cancellable operating leases for commercial stores it no longer used at a 5.5% discount rate. The provisions were estimated using market data and contractual obligations at the time of initial recognition. In 2010, an agreement was reached with one lessor to cancel the lease. The lease still in effect expires in 2024.

Guarantee provisions relate to private brand products and are estimated using historical data on similar product guarantees. Management forecasts indicate that most of the provision will be supported in the following periods.

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15. Guarantees

In the ordinary course of business, the Corporation reaches agreements that could meet the definition of “guarantees”.

The Corporation guarantees mortgages for an amount of \$549. The terms of these loans extend until 2012 and the net carrying amount of the assets held as security, which mainly include land and buildings, is \$5,499.

Pursuant to the terms of inventory repurchase agreements, the Corporation is committed towards financial institutions to buy back the inventory of certain customers at an average of 62% of the cost of the inventories to a maximum of \$72,152. In the event of recourse, this inventory would be sold in the ordinary course of the Corporation's operations. These agreements have undetermined periods but may be cancelled by the Corporation with a 30-day advance notice. In the opinion of management, the likelihood that significant payments would be incurred as a result of these commitments is low.

16. Share Capital

Authorized

Unlimited number of shares

Common without par value

Class A preferred shares, without par value, issuable in series

Series 5, non-cumulative dividend equal to 70% of prime rate, redeemable, at the Corporation's option, at their issuance price

Series 6, cumulative dividend of 5.25% fixed for the first five years, redeemable, at the Corporation's option, at their issuance price

Class B preferred shares, 6% non-cumulative dividend, redeemable, at the Corporation's option, at their par value of \$1 each

Class C preferred shares, issuable in series

Series 1, non-cumulative dividend equal to 70% of prime rate, redeemable, at the Corporation's option, at their par value of \$1,000 each

Class D preferred shares, without par value, 4% cumulative dividend, redeemable, at the Corporation's option, at their issuance price. Since 2003, they are redeemable at their issuance price over a maximum period of ten years on the basis of 10% per year

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16. Share Capital (continued)**Issued and fully paid:**

The following table presents changes in the number of outstanding shares and their carrying amount:

	As at March 27, 2011									
	Common shares		Preferred shares		Treasury shares		Deposits on common share subscriptions ^(a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	130,071,782	\$ 630,264	–	\$ –	(73 334)	\$ (424)	–	\$ 2,774	129,998,448	\$ 632,614
Issuance in exchange for cash	3,583	50	6,900,000	172,500	–	–	–	–	6,903,583	172,550
Issuance under stock option plans	43,775	785	–	–	–	–	–	–	43,775	785
Issuance in exchange for common share subscription deposits	193,683	2,748	–	–	(3,647)	(51)	–	(2,697)	190,036	–
Deposits on common share subscriptions received	–	–	–	–	–	–	–	396	–	396
Deposits on common share subscriptions refunded	–	–	–	–	–	–	–	(75)	–	(75)
Balance, end of period	130,312,823	\$ 633,847	6,900,000	\$ 172,500	(76,981)	\$ (475)	–	\$ 398	137,135,842	\$ 806,270

(a) Deposits on common share subscriptions represent amounts received during the period from affiliated and franchised merchants in accordance with commercial agreements. These deposits are exchanged for common shares on an annual basis. If the subscription deposits had been exchanged for common shares as at March 27, 2011, the number of outstanding common shares would have increased by 27,867.

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16. Share Capital (continued)**Issued and fully paid (continued):**

The following table presents changes in the number of outstanding shares and their carrying amount:

As at March 28, 2010

	Common shares		Treasury shares		Deposits on common share subscriptions ^(a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	129,653,383	\$ 600,459	(80,251)	\$ (524)	–	\$ 3,821	129,573,132	\$ 603,756
Issuance in exchange for cash	922	15	–	–	–	–	922	15
Issuance under stock option plans	26,325	112	–	–	–	–	26,325	112
Issuance in exchange for common share subscription deposits	250,979	3,842	(3,381)	(51)	–	(3,791)	247,598	–
Deposits on common share subscriptions received	–	–	–	–	–	471	–	471
Deposits on common share subscriptions refunded	–	–	–	–	–	(28)	–	(28)
Other	–	–	(752)	(18)	–	–	(752)	(18)
Balance, end of period	129,931,609	\$ 604,428	(84,384)	\$ (593)	–	\$ 473	129,847,225	\$ 604,308

(a) Deposits on common share subscriptions represent amounts received during the period from affiliated and franchised merchants in accordance with commercial agreements. These deposits are exchanged for common shares on an annual basis. If the subscription deposits had been exchanged for common shares as at March 28, 2010, the number of outstanding common shares would have increased by 30,093.

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16. Share Capital (continued)**Issued and fully paid (continued):**

The following table presents changes in the number of outstanding shares and their carrying amount:

As at December 26, 2010

	Common shares		Treasury shares		Deposits on common share subscriptions ^(a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	129,653,383	\$ 600,459	(80,251)	\$ (524)	–	\$ 3,821	129,573,132	\$ 603,756
Issuance in exchange for cash	27,895	370	–	–	–	–	27,895	370
Issuance under stock option plans	139,525	661	–	–	–	–	139,525	661
Issuance as payment for a business acquisition	2,230,067	35,722	–	–	–	–	2,230,067	35,722
Issuance in exchange for common share subscription deposits	250,979	3,842	(3,381)	(51)	–	(3,791)	247,598	–
Redemption of common shares	(2,230,067)	(10,790)	–	–	–	–	(2,230,067)	(10,790)
Deposits on common share subscriptions received	–	–	–	–	–	2,772	–	2,772
Deposits on common share subscription refunded	–	–	–	–	–	(28)	–	(28)
Other	–	–	10,298	151	–	–	10,298	151
Balance, end of period	130,071,782	\$ 630,264	(73,334)	\$ (424)	–	\$ 2,774	129,998,448	\$ 632,614

- (a) Deposits on common share subscriptions represent amounts received during the period from affiliated and franchised merchants in accordance with commercial agreements. These deposits are exchanged for common shares on an annual basis. If the subscription deposits had been exchanged for common shares as at December 26, 2010, the number of outstanding common shares would have increased by 199,123.

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17. Stock-based Compensation

Stock option plans

Stock option plan of May 1, 2002

On May 1, 2002, the Corporation adopted a stock option plan for designated senior executives pursuant to which options for a maximum of 3,740,000 common shares may be granted. Options granted under the plan may be exercised since the Corporation made a public share offering on November 5, 2002. As at March 27, 2011, the exercise price of the 2,920,000 options granted upon adoption of the plan is \$3.47 and of this number, 1,770,500 options were exercised (1,670,500 options in 2010).

The fair value of each option granted was estimated at the grant date using the Black-Scholes option pricing model.

No compensation cost was expensed with respect to this plan for the thirteen-week periods ended March 27, 2011 and March 28, 2010.

Stock option plan of October 24, 2002

Since October 24, 2002, the Corporation has another stock option plan for designated senior executives of the Corporation and for certain designated directors. The total number of common shares which may be issued pursuant to the plan will not exceed 10% of the common shares issued and outstanding less the number of shares subject to options granted under the stock option plan of May 1, 2002. These options become vested at 25% per year, if the market price of the common share has traded, for at least 20 consecutive trading days during the twelve-month period preceding the grant anniversary date, at a price equal to or higher than the grant price plus a premium of 8% compounded annually.

As a result of changes adopted on March 8, 2007, this plan is no longer applicable to the designated directors of the Corporation and the Board of Directors may adopt the most appropriate terms and conditions relative to each type of grant. Since March 8, 2007, the Board has approved option grants with vesting over a four-year period following the anniversary date of the grants at 25% per year.

As at March 27, 2011, the 3,182,352 options (2,857,452 options in 2010) granted have exercise prices ranging from \$10.62 to \$26.87 in 2011 and 2010 and of this number, 150,175 options (93,200 options in 2010) have been exercised, 619,758 options (606,576 options in 2010) have expired and 568,350 options (410,575 options in 2010) have been forfeited.

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17. Stock-based Compensation (continued)**Stock option plans (continued)*****Stock option plan of October 24, 2002 (continued)***

The weighted average fair value of stock options granted of \$4.95 (\$4.57 in 2010) was estimated for each option tranche at the grant date using the Black-Scholes option pricing model on the basis of the following weighted average assumptions for the options granted during the period:

	2011	2010
Share price at date of grant	\$ 14.26	\$ 15.61
Risk-free interest rate	2.92 to 3.35 %	1.83 to 2.90 %
Expected share price volatility	27.60 to 28.13 %	28.5 to 31.6 %
Expected dividend rate	1.00 %	0 %
Expected life	7 to 10 years	3 to 6 years
Exercise price at date of grant	\$ 14.33	\$ 15.44

The expected volatility is estimated for each award tranche, taking into account the average historical volatility of the share price over a period that is commensurate with the expected term of the options granted.

Compensation cost expensed with respect to this plan amounts to \$258 for the thirteen-week period ended March 27, 2011 (\$303 in 2010).

A summary of the situation of the Corporation's stock option plans and the changes that occurred during the period is presented below:

	2011	
	As at March 27	
	Options	Weighted average exercise price
Outstanding, beginning of period	2,727,794	\$ 9.99
Granted	324,900	14.33
Exercised	(43,775)	13.27
Expired	—	—
Forfeited	(15,350)	20.77
Outstanding, end of period	2,993,569	10.36
Options exercisable, end of period	2,170,994	\$ 9.08

The weighted average price of the common shares acquired by option holders having exercised 43,775 options (26,325 options in 2010) for the thirteen-week period ended March 27, 2011 is \$14.42 (\$15.40 in 2010).

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17. Stock-based Compensation (continued)**Stock option plans (continued)**

		2010 As at March 28
	Options	Weighted average exercise price
Outstanding, beginning of period	2,966,852	\$ 10.47
Granted	381,700	15.44
Exercised	(26,325)	4.01
Expired	(318,576)	21.52
Forfeited	(7,050)	12.18
Outstanding, end of period	2,996,601	9.98
Options exercisable, end of period	2,087,419	\$ 8.35

		2010 As at December 26
	Options	Weighted average exercise price
Outstanding, beginning of period	2,966,852	\$ 10.47
Granted	381,700	15.44
Exercised	(139,525)	4.30
Expired	(331,758)	21.53
Forfeited	(149,475)	13.04
Outstanding, end of period	2,727,794	9.99
Options exercisable, end of period	1,968,644	\$ 8.57

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17. Stock-based Compensation (continued)**Stock option plans (continued)**

The following table summarizes information relating to stock options outstanding as at March 27, 2011:

Exercise price	Expiration date	Number of options outstanding	Number of options exercisable
\$3.47	January 1, 2012	1,149,500	1,149,500
\$10.62	March 11, 2019	412,450	205,500
\$14.18	March 1, 2018	169,900	127,425
\$14.29	December 16, 2013	378,900	378,900
\$14.33	March 7, 2021	324,900	—
\$15.44	March 9, 2020	331,000	82,750
\$20.27	December 22, 2014	89,750	89,750
\$21.78	September 1, 2016	4,394	4,394
\$23.58	March 8, 2017	132,775	132,775
		2,993,569	2,170,994

Share unit plan for officers

The Corporation offers a share unit plan to officers and key employees of the Corporation under which restricted share units (RSUs) are granted. The RSUs are vested over a maximum term of three years based on performance targets. The RSUs are recognized as a compensation expense on a straight-line basis over the vesting period based on the forecasted attainment of targets.

The RSUs are revalued at fair value at the end of each reporting period until the vesting date using the market price of the Corporation's common shares. Fair value changes are accounted for as compensation expense with a corresponding charge to trade and other payables. RSUs that have been vested will be payable, at the Corporation's option, in cash or common shares, purchased on the secondary market, with an aggregate value equal to the amount that would otherwise have been paid in cash.

	2011 As at March 27	2010 As at March 28	2010 As at December 26
Number of restricted share units:			
Outstanding, beginning of period	935,325	682,540	682,540
Granted	390,000	438,800	449,725
Expired	(113,000)	—	(66,340)
Forfeited	(15,700)	—	(130,600)
Outstanding, end of period	1,196,625	1,121,340	935,325

For the thirteen-week period ended March 27, 2011, a reversal of \$1,212 was recorded in the consolidated income statement (expense of \$916 in 2010).

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17. Stock-based Compensation (continued)**Share unit plan for directors**

The Corporation offers a deferred share unit (DSU) plan for external directors. Under this plan, directors may elect to receive in the form of DSUs any percentage up to 100% of their fees payable in respect of serving as director.

When a director elects to participate in this plan, the Corporation credits the director's account for a number of units equal to the deferred compensation divided by the average closing market price of the common shares of the Corporation during the five trading days immediately preceding the last day of each reporting period of the Corporation. Fair market value changes are accounted for as a compensation expense with a corresponding charge to trade and other payables in the consolidated statement of financial position. DSUs granted under this plan are redeemable and the value of the units is payable only when the unitholder ceases to be a director.

	2011	2010	2010
	As at March 27	As at March 28	As at December 26
Number of deferred share units:			
Outstanding, beginning of period	172,781	149,139	149,139
Granted	14,481	11,969	50,173
Units paid	—	—	(26,531)
Outstanding, end of period	187,262	161,108	172,781

The expense recorded in the consolidated income statement for the thirteen-week period ended March 27, 2011 is \$307 (\$291 in 2010).

18. Post-employment Benefits

The Corporation maintains seven defined contribution plans (six in 2010) and five defined benefit plans (five in 2010). The most significant defined benefit plans are primarily based on final salary. The Corporation does not offer post-employment health insurance plans.

Post-employment benefits information for the year ended December 26, 2010 is provided in note 23.14.

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19. Information on Joint Ventures

Interests in joint ventures may not be comparable from one year to another since the Corporation can dispose of its interests and can purchase interests in new joint ventures. Moreover, the latter may not have a complete financial year.

The Corporation's main joint ventures are listed below:

	2011	2010
Northumberland Building Materials Ltd.	49.90%	49.90%
9065-9129 Québec inc.	49.00%	49.00%
9051-5107 Québec inc.	42.10%	42.10%
9171-4220 Québec inc.	20.00%	20.00%

The Corporation's share in the assets, liabilities, income (loss) and cash flows relating to its interests in joint ventures is as follows:

	2011	2010
Current assets	\$ 10,084	\$ 12,900
Non-current assets	14,150	13,881
Current liabilities	6,028	7,505
Non-current liabilities	7,720	7,987
Revenues	5,913	9,189
Income (loss) before finance costs, amortization, depreciation and impairment of non-financial assets and income tax expense	(21)	171
Net loss	(217)	(122)
Cash flows from operating activities	(314)	(1,208)
Cash flows from investing activities	(217)	(987)
Cash flows from financing activities	528	218

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20. Segment Information

	2011			2010		
	Retail and commercial	Distribution	Total	Retail and commercial	Distribution	Total
Segment revenues	\$ 648,331	\$ 551,292	\$ 1,199,623	\$ 691,439	\$ 555,957	\$ 1,247,396
Intersegment revenues and royalties	–	(281,412)	(281,412)	–	(290,476)	(290,476)
Revenues from external customers	648,331	269,880	918,211	691,439	265,481	956,920
Income (loss) before finance costs, amortization, depreciation and impairment of non-financial assets and income tax expense	(3,539)	11,602	8,063	19,239	15,519	34,758
Finance income			(1,371)			(1,014)
Amortization, depreciation and impairment of non-financial assets			(26,297)			(25,567)
Operating profit (loss)			(19,605)			8,177
Finance income			1,371			1,014
Finance costs			(6,287)			(5,421)
Income (loss) before income tax expense			\$ (24,521)			\$ 3,770

The above information is reported regularly to the chief operating decision maker, the President and Chief Executive Officer.

RONA inc.

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21. Earnings per Share

The table below shows the calculation of basic and diluted net earnings (loss) per share:

	2011	2010
Net earnings (loss) attributable to owners of RONA inc.	\$ (16,761)	\$ 3,041
Dividends on preferred shares, including related income taxes	(807)	–
Net earnings (loss) attributable to participating shares	(17,568)	3,041
Number of shares (in thousands)		
Weighted average number of shares used to compute basic net earnings (loss) per share attributable to owners of RONA inc.	130,200.7	129,826.4
Effect of dilutive stock options ^(a)	–	1,163.3
Weighted average number of shares used to compute diluted net earnings (loss) per share attributable to owners of RONA inc.	130,200.7	130,989.7
Net earnings (loss) per share attributable to owners of RONA inc. – basic and diluted	\$ (0.13)	\$ 0.02

(a) As at March 27, 2011, 2,993,569 common share stock options (638,051 options in 2010) were excluded from the calculation of diluted net earnings (loss) per share attributable to the Corporation's owners since these options have an antidilutive effect.

22. Related Party Transactions

Transactions with key management personnel

Key management of the Corporation are the members of the Board of Directors, which includes the President and Chief Executive Officer, and Senior Vice-Presidents. For the thirteen-week periods ended March 27, 2011 and March 28, 2010, their compensation includes the following:

	2011	2010
Short-term employee benefits	\$ 780	\$ 1,044
Post-employment benefits	174	140
Share-based payments	1,265	828
	\$ 2,219	\$ 2,012

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22. Related Party Transactions (continued)

Transactions with key management personnel (continued)

Short-term employee benefits consist of a lump-sum cash payment, directors' fees and fees for Board of Directors members. The remuneration of the President and Chief Executive Officer and the Senior Vice-Presidents consists primarily of a salary and a short-term incentive bonus based on individual performance measurements and corporate objectives. The President and Chief Executive Officer and the Senior Vice-Presidents are also entitled to various indirect benefits, such as an automobile allowance, health care and financial planning services.

For the President and Chief Executive Officer, post-employment benefits are a basic defined benefit plan and a complementary defined benefit plan. Benefits under these plans are calculated on years of service, multiplied by 2% of three-year average best earnings (subject to applicable limits).

The Senior Vice-Presidents' pension plan consists of a basic defined contribution plan and a complementary defined benefit plan. Since January 1, 2000, amounts accrue annually in the basic plan up to the maximum amount authorized by the tax authorities. Retirement income for the Vice-Presidents under the basic plan, in combination with the complementary plan, should be equivalent to the annual accumulation since January 1, 2000 of 18% of the annual salary paid in a given year plus an annual yield. The complementary plan provides for vesting of the employer's contribution over ten years and certain non-competition restrictions.

Share-based payments consist of the RSUs, DSUs and stock options described in note 17.

Transactions with subsidiaries and joint ventures

RONA inc. is the party that exercises ultimate control of the Corporation.

Transactions between the Corporation and its subsidiaries, that are related parties, are eliminated in consolidation and are not presented in this note.

Transactions between the Corporation and its joint ventures, that are related parties, that were not eliminated in consolidation, are summarized below:

	2011	2010
Sales of merchandise	\$ 8,939	\$ 19,168
Leases	414	553
Trade and other receivables	5,816	10,041

Unless otherwise indicated, none of the transactions contain special characteristics or conditions.

RONA inc.

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22. Related Party Transactions (continued)

Transactions with subsidiaries and joint ventures (continued)

The Corporation's main subsidiaries, which are all Canadian, are listed below:

	2011	2010
RONA Revy inc.	100%	100%
Totem Building Supplies Ltd.	100%	100%
4536631 Canada inc.	100%	100%
4338553 Canada inc.	100%	100%
7594828 Canada inc.	100%	–
Buildrite Centres inc.	100%	–
220 Real Estate Limited Partnership	100%	100%

23. First-time Adoption of IFRS

These are the Corporation's first interim consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is December 28, 2009.

The Corporation's IFRS accounting policies presented in note 3 have been applied in preparing the consolidated financial statements for the thirteen-week periods ended March 27, 2011 and March 28, 2010.

The Corporation has applied IFRS 1 in preparing the consolidated statement of financial position as at December 28, 2009. The effects of the transition to IFRS on equity, comprehensive income and reported cash flows are presented and further explained in the tables of this note.

First-time Adoption exceptions and exemptions

Upon transition, IFRS 1 requires certain mandatory exceptions and permits certain optional exemptions to retrospective application.

The following mandatory exceptions apply to the Corporation:

- The estimates used by the Corporation under IFRS on the date of transition to IFRS and for the comparative period are consistent with the estimates used under GAAP at the same date, adjusted for accounting policy differences where necessary;
- Transactions entered into before the date of transition to IFRS were not retrospectively designated as hedges;
- The Corporation will prospectively attribute total comprehensive income to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;
- The Corporation will apply the derecognition provisions in IAS 39, *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after the date of transition as permitted by an amendment to IFRS 1 issued in October 2010 and early-applied as of December 28, 2009.

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23. First-time Adoption of IFRS (continued)

First-time Adoption exceptions and exemptions (continued)

The Corporation will apply the following exemptions:

- The Corporation has elected not to apply IFRS 3, *Business Combinations* retrospectively to business combinations that occurred before the date of transition (December 28, 2009). See note 23.3 for an explanation of the effect of this exemption;
- The Corporation has elected to recognize all cumulative actuarial gains and losses for its defined benefit plans at the date of transition. From the date of transition, the Corporation's accounting policy is to use the 'corridor' approach and split actuarial gains and losses into an unrecognized and a recognized portion. Further, the Corporation has elected to use the exemption not to disclose defined benefit plan surplus/deficit and experience adjustments before the date of transition (see note 23.7);
- The Corporation has elected not to apply retrospectively the recognition of borrowing costs relating to qualifying assets. It has derecognized borrowing costs included in construction projects and certain software development projects at the date of transition (see notes 23.1(a) and 23.2);
- The Corporation has elected not to apply IFRS 2, *Share-based Payments* retrospectively, to options granted before November 7, 2002 and to options granted after November 7, 2002 that vested before the date of transition (see note 23.8).

Presentation differences

Certain presentation differences between GAAP and IFRS have no impact on reported income or total equity.

As shown in the following tables, some line items are described differently under IFRS compared to GAAP, although the assets and liabilities included in these line items are unaffected.

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23. First-time Adoption of IFRS (continued)

Reconciliation of equity

Equity as at December 26, 2010, March 28, 2010 and the date of transition can be reconciled to the amounts reported under previous GAAP as follows:

	Note	2010 As at December 26 \$	2010 As at March 28 \$	2009 As at December 28 \$
Equity under GAAP		\$ 1,921,610	\$ 1,782,911	\$ 1,779,039
Increase (decrease) in reported equity due to differences between GAAP and IFRS				
Property, plant and equipment – derecognition of certain costs capitalized to property, plant and equipment under GAAP but which do not meet the capitalization criteria under IFRS	23.1(a)	(16,279)	(12,442)	(11,916)
Property, plant and equipment – derecognition of interest capitalized during the site construction period	23.1(a)	(18,223)	(18,202)	(18,262)
Depreciation of property, plant and equipment – impact of disaggregation of certain items of property, plant and equipment and retrospective application of specific depreciation rates to each component	23.1(b)	2,814	1,527	978
Additional depreciation of property, plant and equipment to reflect the start of depreciation once the item of property, plant and equipment is available for use	23.1(b)	(3,201)	(2,794)	(2 478)
Impairment of assets – impairment of leasehold improvements	23.1(c)	(4,207)	(4,636)	(4,763)
Intangible assets – derecognition of interest capitalized during the implementation period of certain software	23.2	(1,832)	(1,994)	(2,045)
Goodwill – derecognition of acquisition costs	23.3	(3,494)	(152)	–
Goodwill – difference in value of shares issued to finance the acquisition	23.3	722	–	–
Leases – reversal of deferred gains on sale and leaseback transactions	23.4	10,179	11,038	11,324
Leases – reversal of deferred transaction costs to financial position relating to sale and leaseback transactions	23.4	(2,345)	(2,545)	(2,612)
Financial instruments – reversal of embedded derivatives recognized on some purchase orders	23.5	(1,905)	(1,576)	(1,253)
Provisions – adjustment of provision for onerous contract	23.6	(1,553)	–	–
Defined benefit plans – recognition of unamortized actuarial gains or losses on the date of transition and reclassification of a defined contribution plan as defined benefit plan	23.7	(13,428)	(11,459)	(11,235)
Defined benefit plans – impact of the maximum limit on an asset	23.7	(1,003)	(1,069)	(1,419)
Defined benefit plans – impact of minimum funding requirements	23.7	(4,959)	(6,191)	(6,270)
Consolidated financial statements – presentation of non-controlling interests in equity and impact of retaining non-controlling interests in subsidiaries with a deficit balance	23.9	35,920	32,500	32,761
Income taxes – income taxes on above adjustments	23.10	14,460	13,049	13,041
		(8,334)	(4,946)	(4,149)
Equity under IFRS		\$ 1,913,276	\$ 1,777,965	\$ 1,774,890

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23. First-time Adoption of IFRS (continued)

The total effect on the statement of financial position is presented in the following tables:

		As at December 26, 2010			
Former wording	Note	GAAP	Effect of transition to IFRS	IFRS	New wording
ASSETS					ASSETS
Current assets					Current
Cash		\$ 75,577	\$ –	\$ 75,577	Cash
	23.1(a) /				
	23.1(d) / 23.3 /				
Accounts receivable	23.13	303,836	(3,947)	299,889	Trade and other receivables
	23.13	–	2,245	2,245	Other financial assets
Inventory		905,467	–	905,467	Inventory
Prepaid expenses		17,955	–	17,955	Prepaid expenses
Derivative financial instruments	23.5	1,905	(1,905)	–	
Future income taxes	23.10	12,869	(12,869)	–	
		1,317,609	(16,476)	1,301,133	Current assets
Long-term assets					Non-current
Investments	23.1(d)	10,488	(844)	9,644	Other financial assets
Fixed assets	23.1	918,273	(33,229)	885,044	Property, plant and equipment
Fixed assets held for sale	23.1	20,177	(3,703)	16,474	Non-current assets held for sale
Goodwill	23.3	531,675	(2,581)	529,094	Goodwill
Intangible assets	23.1(d) / 23.2	118,747	9,476	128,223	Intangible assets
Other assets	23.2 / 23.4 /	31,043	(27,076)	3,967	Other non-current assets
	23.7				
Future income taxes	23.10	27,065	21,342	48,407	Deferred tax assets
		\$ 2,975,077	\$ (53,091)	\$ 2,921,986	Total assets

RONA inc.

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23. First-time Adoption of IFRS (continued)

		As at December 26, 2010			
Former wording	Note	GAAP	Effect of transition to IFRS	IFRS	New wording
LIABILITIES					
Current liabilities					LIABILITIES
Bank loans		\$ 1,943	\$ –	\$ 1,943	Current
Accounts payable and accrued liabilities	23.6 / 23.7	462,351	(8,185)	454,166	Bank loans
Dividends payable		9,119	–	9,119	Trade and other payables
Income taxes payable		3,634	(255)	3,379	Dividends payable
Derivative financial instruments		1,653	–	1,653	Current tax liabilities
	23.6	–	4,625	4,625	Derivative financial instruments
Future income taxes	23.10	3,691	(3,691)	–	Provisions
Instalments on long-term debt		21,151	–	21,151	
		503,542	(7,506)	496,036	Instalments on long-term debt
Long-term liabilities					Current liabilities
Long-term debt		444,333	–	444,333	Non-current
Other long-term liabilities	23.4 / 23.7	33,121	(3,829)	29,292	Long-term debt
	23.6	–	4,539	4,539	Other non-current liabilities
Future income taxes	23.10	36,551	(2,041)	34,510	Provisions
Non-controlling interest	23.9	35,920	(35,920)	–	Deferred tax liabilities
		1,053,467	(44,757)	1,008,710	Total liabilities
Shareholders' equity					
Capital stock	23.3	631,892	722	632,614	Equity
Retained earnings		1,278,244	(43,311)	1,234,933	Share capital
Contributed surplus	23.8	11,474	(337)	11,137	Retained earnings
Accumulated other comprehensive income	23.5	–	(1,217)	(1,217)	Contributed surplus
		1,921,610	(44,143)	1,877,467	Accumulated other comprehensive income
	23.9		35,809	35,809	Total equity attributable to owners of RONA inc.
		1,921,610	(8,334)	1,913,276	Non-controlling interests
		\$ 2,975,077	\$ (53,091)	\$ 2,921,986	Total equity
					Total liabilities and equity

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23. First-time Adoption of IFRS (continued)

		As at March 28, 2010			
Former wording	Note	GAAP	Effect of transition to IFRS	IFRS	New wording
ASSETS					
Current					ASSETS Current
Cash		\$ 127,344	\$ –	\$ 127,344	Cash
Accounts receivable	23.13	322,810	(2,820)	319,990	Trade and other receivables
	23.13	–	2,820	2,820	Other financial assets
Income taxes receivable	23.10	13,935	97	14,032	Current tax assets
Inventory	23.5	927,132	(484)	926,648	Inventory
Prepaid expenses		27,190	–	27,190	Prepaid expenses
Derivative financial instruments	23.5	1,092	(1,092)	–	
Future income taxes	23.10	15,281	(15,281)	–	
		1,434,784	(16,760)	1,418,024	Current assets
Long-term assets					Non-current
Investments	23.1	11,645	(855)	10,790	Other financial assets
Fixed assets	23.1	862,003	(33,419)	828,584	Property, plant and equipment
Fixed assets held for sale	23.1	13,349	(2,269)	11,080	Non-current assets held for sale
Goodwill	23.3	456,775	(152)	456,623	Goodwill
Intangible assets	23.2	95,836	8,932	104,768	Intangible assets
Other assets	23.2 / 23.4 / 23.7	29,578	(25,445)	4,133	Other non-current assets
Future income taxes	23.10	26,862	23,431	50,293	Deferred tax assets
		<u>\$ 2,930,832</u>	<u>\$ (46,537)</u>	<u>\$ 2,884,295</u>	Total assets

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23. First-time Adoption of IFRS (continued)

		As at March 28, 2010			
Former wording	Note	GAAP	Effect of transition to IFRS	IFRS	New wording
LIABILITIES					LIABILITIES
Current liabilities					Current
Bank loans		\$ 9,553	\$ –	\$ 9,553	Bank loans
Accounts payable and accrued liabilities	23.6 / 23.7	601,597	(16,394)	585,203	Trade and other payables
Derivative financial instruments		957	–	957	Derivative financial instruments
	23.6	–	5,813	5,813	Provisions
Future income taxes	23.10	4,426	(4,426)	–	
Instalments on long-term debt		10,864	–	10,864	Instalments on long-term debt
		627,397	(15,007)	612,390	Current liabilities
Long-term liabilities					Non-current
Long-term debt		427,479	–	427,479	Long-term debt
Other long-term liabilities	23.4 / 23.7	31,689	(4,000)	27,689	Other non-current liabilities
	23.6	–	10,292	10,292	Provisions
Future income taxes	23.10	28,856	(376)	28,480	Deferred tax liabilities
Non-controlling interest	23.9	32,500	(32,500)	–	
		1,147,921	(41,591)	1,106,330	Total liabilities
Shareholders' equity					Equity
Capital stock		604,308	–	604,308	Share capital
Retained earnings		1,164,831	(36,555)	1,128,276	Retained earnings
Contributed surplus	23.8	13,772	(337)	13,435	Contributed surplus
Accumulated other comprehensive income	23.5	–	(366)	(366)	Accumulated other comprehensive income
		1,782,911	(37,258)	1,745,653	Total equity attributable to owners of RONA inc.
	23.9	–	32,312	32,312	Non-controlling interests
		1,782,911	(4,946)	1,777,965	Total equity
		\$ 2,930,832	\$ (46,537)	\$ 2,884,295	Total liabilities and equity

RONA inc.

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23. First-time Adoption of IFRS (continued)

		As at December 28, 2009			
Former wording	Note	GAAP	Effect of transition to IFRS	IFRS	New wording
ASSETS					
Current					Current
Cash		\$ 239,257	\$ –	\$ 239,257	Cash
Accounts receivable	23.13	250,845	(2,644)	248,201	Trade and other receivables
	23.13	–	2,644	2,644	Other financial assets
Income taxes receivable		2,436	–	2,436	Current tax assets
Inventory	23.5	726,262	(452)	725,810	Inventory
Prepaid expenses		18,114	–	18,114	Prepaid expenses
Derivative financial instruments	23.5	801	(801)	–	
Future income taxes	23.10	15,914	(15,914)	–	
		1,253,629	(17,167)	1,236,462	Current assets
Long-term assets					Non-current
Investments	23.1	11,978	(860)	11,118	Other financial assets
Fixed assets	23.1	861,302	(33,419)	827,883	Property, plant and equipment
Fixed assets held for sale	23.1	13,242	(2,162)	11,080	Non-current assets held for sale
Goodwill	23.3	455,572	–	455,572	Goodwill
Intangible assets	23.2	96,885	9,272	106,157	Intangible assets
Other assets	23.2 / 23.4 / 23.7	29,682	(25,276)	4,406	Other non-current assets
Future income taxes	23.10	27,593	24,237	51,830	Deferred tax assets
		\$ 2,749,883	\$ (45,375)	\$ 2,704,508	Total assets

RONA inc.

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23. First-time Adoption of IFRS (continued)

As at December 28, 2009					
Former wording	Note	GAAP	Effect of transition to IFRS	IFRS	New wording
LIABILITIES					LIABILITIES
Current liabilities					Current
Bank loans		\$ 5,211	\$ –	\$ 5,211	Bank loans
Accounts payable and accrued liabilities	23.6 / 23.7	427,817	(18,053)	409,764	Trade and other payables
Derivative financial instruments		776	–	776	Derivative financial instruments
	23.6	–	7,002	7,002	Provisions
Future income taxes	23.10	4,900	(4,900)	–	
Instalments on long-term debt		9,996	–	9,996	Instalments on long-term debt
		448,700	(15,951)	432,749	Current liabilities
Long-term liabilities					Non-current
Long-term debt		430,524	–	430,524	Long-term debt
Other long-term liabilities	23.4 / 23.7	31,317	(3,458)	27,859	Other non-current liabilities
	23.6	–	10,762	10,762	Provisions
Future income taxes	23.10	27,542	182	27,724	Deferred tax liabilities
Non-controlling interest	23.9	32,761	(32,761)	–	
		970,844	(41,226)	929,618	Total liabilities
Shareholders' equity					Equity
Capital stock		603,756	–	603,756	Share capital
Retained earnings		1,161,808	(36,573)	1,125,235	Retained earnings
Contributed surplus	23.8	13,475	(337)	13,138	Contributed surplus
		1,779,039	(36,910)	1,742,129	Total equity attributable to owners of RONA inc.
	23.9	–	32,761	32,761	Non-controlling interests
		1,779,039	(4,149)	1,774,890	Total equity
		\$ 2,749,883	\$ (45,375)	\$ 2,704,508	Total liabilities and equity

RONA inc.**Notes to Interim Consolidated Financial Statements**

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23. First-time Adoption of IFRS (continued)**Reconciliation of total comprehensive income**

Total comprehensive income for the year ended December 26, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

	Note	2010
Comprehensive income under GAAP		\$ 143,221
Increase (decrease) in reported income due to differences between GAAP and IFRS		
Property, plant and equipment – derecognition of certain costs capitalized to property, plant and equipment under GAAP but which do not meet the capitalization criteria under IFRS	23.1(a)	(4,364)
Property, plant and equipment – impact of derecognition of interest capitalized during the site construction period	23.1(a)	39
Depreciation of property, plant and equipment – impact of disaggregation of certain items of property, plant and equipment and retrospective application of specific depreciation rates to each component	23.1(b)	1,837
Additional depreciation of property, plant and equipment to reflect the start of depreciation once the item of property, plant and equipment is available for use	23.1(b)	(723)
Impairment of assets – impact of impairment of leasehold improvements on depreciation	23.1(c)	556
Intangible assets – derecognition of interest capitalized during the implementation period of certain software	23.2	213
Goodwill – derecognition of acquisition costs	23.3	(4,062)
Leases – reversal of deferred gains on sale and leaseback transactions, net of the reversal of related deferred transaction costs to financial position	23.4	(879)
Financial instruments – reversal of embedded derivatives recognized on some purchase orders	23.5	(652)
Provisions – adjustment of provision for onerous contract	23.6	(1,553)
Defined benefit plans – impact of the recognition of unamortized actuarial gains or losses on the date of transition, impact of the maximum limit on an asset and impact of minimum funding requirements	23.7	(466)
Consolidated financial statements – impact of retaining non-controlling interests for subsidiaries with a deficit balance	23.9	111
Consolidated financial statements – elimination of non-controlling interests which are no longer deducted from comprehensive income		5,465
Income taxes – income taxes on above adjustments	23.10	1,505
Income taxes – income taxes on other comprehensive income	23.5	483
		(2,490)
Total comprehensive income under IFRS		\$ 140,731

RONA inc.**Notes to Interim Consolidated Financial Statements**

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(Unaudited and in thousands of Canadian dollars)

23. First-time Adoption of IFRS (continued)**Reconciliation of total comprehensive income (continued)**

Total comprehensive income for the thirteen-week period ended March 28, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

	Note	2010
Comprehensive income under GAAP		\$ 3,023
Increase (decrease) in reported income due to differences between GAAP and IFRS		
Property, plant and equipment – derecognition of certain costs capitalized to property, plant and equipment under GAAP but which do not meet the capitalization criteria under IFRS	23.1(a)	(526)
Property, plant and equipment – impact of derecognition of interest capitalized during the site construction period	23.1(a)	60
Depreciation of property, plant and equipment – impact of disaggregation of certain items of property, plant and equipment and retrospective application of specific depreciation rates to each component	23.1(b)	550
Additional depreciation of property, plant and equipment to reflect the start of depreciation once the item of property, plant and equipment is available for use	23.1(b)	(316)
Impairment of assets – impact of impairment of leasehold improvements on depreciation	23.1(c)	127
Intangible assets – derecognition of interest capitalized during the implementation period of certain software	23.2	51
Goodwill – derecognition of acquisition costs	23.3	(259)
Leases – reversal of deferred gains on sale and leaseback transactions, net of the reversal of related deferred transaction costs to financial position	23.4	(219)
Financial instruments – reversal of embedded derivatives recognized on some purchase orders	23.5	(323)
Defined benefit plans – impact of the recognition of unamortized actuarial gains or losses on the date of transition, impact of the maximum limit on an asset and impact of minimum funding requirements	23.7	205
Consolidated financial statements – impact of retaining non-controlling interests for subsidiaries with a deficit balance	23.9	188
Consolidated financial statements – elimination of non-controlling interests which are no longer deducted from comprehensive income		(396)
Income taxes – income taxes on above adjustments	23.10	(31)
Income taxes – income taxes on other comprehensive income	23.5	145
		(744)
Total comprehensive income under IFRS		\$ 2,279

RONA inc.
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23. First-time Adoption of IFRS (continued)

The total effect on the statement of comprehensive income is presented in the following table:

Former wording	Note	For the thirteen-week period ended March 28, 2010			New wording
		GAAP	Effect of transition to IFRS	IFRS	
Sales	23.11	\$ 951,427	\$ 5,493	\$ 956,920	Revenues
Operating income	23.1 / 23.2 / 23.3 / 23.4 / 23.5 / 23.7 / 23.9 / 23.11	8,128	49	8,177	Operating profit
Finance income		1,014	–	1,014	Finance income
Interest on long-term debt and bank loans		(5,421)	–	(5,421)	Finance costs
		(4,407)	–	(4,407)	
Earnings before income taxes and non-controlling interests		3,721	49	3,770	Income before income tax expense
Income taxes	23.10	(1,094)	(31)	(1,125)	Income tax expense
Earnings before non-controlling interest		2,627	18	2,645	
Non-controlling interest	23.9	396	(396)	–	
Net earnings		3,023	(378)	2,645	Net income
Other comprehensive income, net of taxes:					Other comprehensive income, net of taxes:
Cash flow hedges					Cash flow hedges
- profit (loss) for the period	23.5	–	(366)	(366)	- income (loss) for the period
- reclassification to earnings		–	–	–	- reclassification to income or loss
Comprehensive income		\$ 3,023	\$ (744)	\$ 2,279	Total comprehensive income
Comprehensive income attributable to:					Total comprehensive income attributable to:
Shareholders		\$ 3,023	\$ (348)	\$ 2,675	Owners of RONA inc.
	23.9	–	(396)	(396)	Non-controlling interests
		\$ 3,023	\$ (744)	\$ 2,279	

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23. First-time Adoption of IFRS (continued)

The total effect on the statement of comprehensive income is presented in the following table:

Former wording	Note	For the year ended December 26, 2010			New wording
		GAAP	Effect of transition to IFRS	IFRS	
Sales	23.11	\$ 4,799,865	\$ 19,724	\$ 4,819,589	Revenues
Operating income	23.1 / 23.2 / 23.3 / 23.4 / 23.5 / 23.6 / 23.7 / 23.9	228,731	(6,703)	222,028	Operating profit
Finance income		4,394	–	4,394	Finance income
Interest on long-term debt and bank loans	23.1	(22,521)	(1,540)	(24,061)	Finance costs
		(18,127)	(1,540)	(19,667)	
Earnings before income taxes and non-controlling interests		210,604	(8,243)	202,361	Profit before income tax expense
Income taxes	23.10	(61,918)	1,505	(60,413)	Income tax expense
Earnings before non-controlling interest		148,686	(6,738)	141,948	
Non-controlling interest	23.9	(5,465)	5,465	–	
Net earnings		143,221	(1,273)	141,948	Net income
Other comprehensive income, net of taxes:					Other comprehensive income, net of taxes:
Cash flow hedges					Cash flow hedges
- profit (loss) for the period	23.5	–	(1,490)	(1,490)	- income (loss) for the period
- reclassification to earnings	23.5	–	273	273	- reclassification to income or loss
Comprehensive income		\$ 143,221	\$ (2,490)	\$ 140,731	Total comprehensive income
Comprehensive income attributable to:					Total comprehensive income attributable to:
Shareholders		\$ 143,221	\$ (7,955)	\$ 135,266	Owners of RONA inc.
	23.9	–	5,465	5,465	Non-controlling interests
		\$ 143,221	\$ (2,490)	\$ 140,731	

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23. First-time Adoption of IFRS (continued)**Notes to reconciliation of equity and comprehensive income****23.1 Property, plant and equipment***(a) Derecognition of certain costs and borrowing costs capitalized to property, plant and equipment*

Under GAAP, certain costs had been capitalized to the cost of property, plant and equipment which do not meet the criteria for capitalization under IFRS and consequently have been derecognized. This resulted in a decrease in the following line items:

	2010 As at December 26	2010 As at March 28	2009 As at December 28
Property, plant and equipment	\$ (13,541)	\$ (11,118)	\$ (10,703)
Non-current assets held for sale	(1,801)	(1,324)	(1,213)
Trade and other receivables	(937)	–	–
Impact of transition to IFRS	\$ (16,279)	\$ (12,442)	\$ (11,916)

As a result, operating profit decreased by \$2,823 as at December 26, 2010 (\$526 for the thirteen-week period ended March 28, 2010) and financing costs increased by \$1,540 as at December 26, 2010 (\$0 for the period ended March 28, 2010).

At the date of transition, the Corporation elected to apply the IFRS 1 exemption on borrowing costs and derecognized all capitalized interest related to construction projects before the date of transition. This resulted in a decrease in the following line items:

	2010 As at December 26	2010 As at March 28	2009 As at December 28
Property, plant and equipment	\$ (16,321)	\$ (17,253)	\$ (17,313)
Non-current assets held for sale	(1,902)	(949)	(949)
Impact of transition to IFRS	\$ (18,223)	\$ (18,202)	\$ (18,262)

Depreciation under IFRS is based on the adjusted amount, which results in a \$39 increase in operating profit for the year ended December 26, 2010 (\$60 for the thirteen-week period ended March 28, 2010).

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23. First-time Adoption of IFRS (continued)

Notes to reconciliation of equity and comprehensive income (continued)

23.1 Property, plant and equipment (continued)

(b) Depreciation and amortization

In order to comply with IFRS, the Corporation retrospectively amended the recognition of items of property, plant and equipment having different useful lives to recognize them separately. The Corporation therefore retrospectively calculated the depreciation of building components. As a result, the net carrying amount of property, plant and equipment increased by \$2,814 as at December 26, 2010 (\$1,527 as at March 28, 2010, \$978 as at December 28, 2009) and the depreciation expense decreased by \$1,837 for the year ended December 26, 2010 (\$550 for the thirteen-week period ended March 28, 2010).

Additionally, under IFRS, depreciation begins when the asset is available for use whereas under GAAP depreciation commences when the asset is utilized by the Corporation. This resulted in a \$3,201 decrease in property, plant and equipment as at December 26, 2010 (\$2,794 as at March 28, 2010, \$2,478 as at December 28, 2009) and a \$723 increase in the depreciation expense for the year ended December 26, 2010 (\$316 for the thirteen-week period ended March 28, 2010).

(c) Impairment losses recognized at the date of transition

The Corporation applied IAS 36, *Impairment of Assets*, in determining whether any impairment losses arose at the date of transition to IFRS.

GAAP uses a two-step approach for impairment testing to determine the recoverable amount. First, a recoverability test is performed by comparing the undiscounted expected future cash flows to be derived from the asset to its carrying amount. If the asset fails the recoverability test, then an impairment loss is calculated as the excess of the asset's carrying amount over its fair value. IFRS recognizes an impairment loss if the recoverable amount is less than the carrying amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Value in use is the present value of estimated future cash flows expected from continuing use of the asset.

Accordingly, as at December 26, 2010, a cumulative impairment loss of \$4,207 (\$4,636 as at March 28, 2010, \$4,763 as at December 28, 2009) was recognized to reduce the value of leasehold improvements to two stores in the retail and commercial store segment in a loss position and whose value in use determined using a pre-tax discount rate of 13.0% is below the carrying amount. Under IFRS, depreciation is calculated using the adjusted amount, thereby resulting in a \$556 decrease in depreciation expense for the year ended December 26, 2010 (\$127 for the thirteen-week period ended March 28, 2010).

RONA inc.

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23. First-time Adoption of IFRS (continued)

Notes to reconciliation of equity and comprehensive income (continued)

23.1 Property, plant and equipment (continued)

(d) Presentation differences

A building leased to an affiliated merchant of the RONA group and used in the supply of goods has been classified as an item of property, plant and equipment rather than an investment property. An amount of \$844 as at December 26, 2010 (\$855 as at March 28, 2010, \$860 as at December 28, 2009) has therefore been reclassified from other financial assets to property, plant and equipment.

As at December 26, 2010 an amount of \$573 related to a project in progress was reclassified from Trade and other receivables to property, plant and equipment (\$383) and intangible assets (\$190) (\$0 as at March 28, 2010 and December 28, 2009).

(e) Summary of transition-related adjustments

Property, plant and equipment is adjusted as follows:

	Ref	2010 As at December 26	2010 As at March 28	2009 As at December 28
Derecognition of certain costs capitalized to property, plant and equipment	a)	\$ (13,541)	\$ (11,118)	\$ (10,703)
Derecognition of interest capitalized prior to transition date	a)	(16,321)	(17,253)	(17,313)
Disaggregation of certain items of property, plant and equipment and retrospective application of specific depreciation rates	b)	2,814	1,527	978
Additional depreciation once an item of property, plant and equipment is available for use	b)	(3,201)	(2,794)	(2,478)
Asset impairment – impairment loss on leasehold improvements	c)	(4,207)	(4,636)	(4,763)
Reclassification of a building leased to a merchant	d)	844	855	860
Reclassification of an amount related to a project in progress	d)	383	–	–
Impact of transition to IFRS		\$ (33,229)	\$ (33,419)	\$ (33,419)

23.2 Intangible assets

The Corporation elected to apply the exemption in IFRS 1 for borrowing costs and derecognized all interest capitalized during the implementation period of certain software which commenced before the date of transition. This resulted in a \$1,832 reduction in intangible assets as at December 26, 2010 (\$1,994 as at March 28, 2010, \$2,045 as at December 28, 2009). Amortization under IFRS is based on the revalued amount, thereby resulting in a \$213 decrease in amortization expense for the year ended December 26, 2010 (\$51 for the thirteen-week period ended March 28, 2010).

For consistency with IFRS presentation, \$11,118 in dealer recruitment costs as at December 26, 2010 (\$10,926 as at March 28, 2010, \$11,317 as at December 28, 2009), have been reclassified from other non-current assets to intangible assets.

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23. First-time Adoption of IFRS (continued)

Notes to reconciliation of equity and comprehensive income (continued)

23.3 Goodwill and business combinations

The Corporation has elected to not restate business combinations that occurred before the date of transition. Consequently, the other specifications of the exemption were applied and no adjustment was required at transition for intangible assets included in goodwill or those which do not meet the criteria for capitalization under IFRS. At the date of transition and as at December 26, 2010, this goodwill was tested for impairment based on conditions prevailing at those dates, and no impairment was identified. The amount of goodwill recognized upon transition has therefore not been adjusted.

Acquisition costs associated with business combinations during the year ended December 26, 2010 were derecognized under IFRS. This resulted in a \$3,303 decrease in goodwill (\$152 as at March 28, 2010), a \$192 decrease in trade and other receivables (\$0 as at March 28, 2010 and December 28, 2009), a \$4,062 decrease in operating profit for the year ended December 26, 2010 (\$259 for the thirteen-week period ended March 28, 2010) and a \$567 decrease in income tax expense (\$107 for the thirteen-week period ended March 28, 2010).

During the second quarter ended June 27, 2010, goodwill and share capital were increased by \$722 (\$0 as at March 28, 2010 and December 28, 2009) for the difference in the value of the Corporation's shares under IFRS issued to finance the business acquisition and their value under GAAP. Since these shares were issued as payment for a business combination, under GAAP, their value is based on market prices in effect several days preceding and following the closing date of the transaction. Under IFRS, shares issued for a business combination are valued using the acquisition date fair value of the shares.

23.4 Leases

For all sale and leaseback transactions at fair value, which result in an operating lease for the lessee, all gains must be immediately recorded in income or loss under IFRS. Under GAAP, these gains are deferred and recorded in income over the lease term. As at December 26, 2010, other non-current liabilities were reduced by \$10,179 (\$11,038 as at March 28, 2010, \$11,324 as at December 28, 2009) and deferred transaction costs on sale and leaseback transactions recognized in other non-current assets were reduced by \$2,345 (\$2,545 as at March 28, 2010, \$2,612 as at December 28, 2009). Operating profit was reduced by \$879 for the year ended December 26, 2010 (\$219 for the thirteen-week period ended March 28, 2010).

23.5 Financial instruments

Under IFRS, a foreign currency derivative embedded in a purchase contract that provides for payments drawn in a relatively stable, liquid currency that is routinely used for trade outside the country where the transaction takes place cannot be accounted for separately. Under GAAP, entities could choose whether to account for embedded derivatives separately. Under GAAP, the Corporation had elected to account for them separately and, accordingly, derecognized \$1,905 in derivative financial instruments presented in assets as at December 26, 2010 (\$1,092 as at March 28, 2010, \$801 as at December 28, 2009), reduced inventory by \$0 (\$484 as at March 28, 2010, \$452 as at December 28, 2009), and decreased operating profit by \$652 for the year ended December 26, 2010 (\$323 for the thirteen-week period ended March 28, 2010).

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23. First-time Adoption of IFRS (continued)**Notes to reconciliation of equity and comprehensive income (continued)****23.5 Financial instruments (continued)**

In early 2010, to recognize the changes in the fair value of hedge instruments in the same accounting period as the currency gains and losses related to disbursements, the Corporation introduced a cash flow hedge accounting strategy for IFRS purposes only. This resulted in a \$1,700 increase in operating profit and a \$1,217 decrease in other comprehensive income, net of a \$483 deferred tax expense, for the year ended December 26, 2010 (\$511 and \$366, respectively, net of a \$145 deferred tax expense, for the thirteen-week period ended March 28, 2010).

23.6 Provisions

As at December 26, 2010, trade and other payables in the amount of \$7,612 (\$16,105 as at March 28, 2010, \$17,764 as at December 28, 2009) were reclassified to provisions to present provisions separately as required under IFRS.

Following the closure of two stores in the retail and commercial segment in 2008, a provision for onerous contracts was recognized for non-cancellable operating leases for commercial stores the Corporation no longer uses.

Under GAAP, when the contract is an operating lease, the fair value of the obligation at the date when the asset ceases to be utilized is based on rents receivable under the terms of the contract reduced by estimated sublease payments that could reasonably be obtained for the asset even when the entity has no intention of entering into a sublease contract.

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23. First-time Adoption of IFRS (continued)**Notes to reconciliation of equity and comprehensive income (continued)****23.6 Provisions (continued)**

Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the provision must be reviewed at the end of each reporting period. The provision recognized must be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. During the third quarter ended September 26, 2010, the Corporation reviewed its assumptions, including the subleasing assumptions, which resulted in an increase in the following:

	2010 As at December 26	2010 As at March 28	2009 As at December 28
Reclassification of trade and other payables to current provisions	\$ 4,094	\$ 5,813	\$ 7,002
Impact of revised assumptions related to provisions including subleasing assumptions	531	—	—
Impact of transition to IFRS on current provisions	\$ 4,625	\$ 5,813	\$ 7,002

	2010 As at December 26	2010 As at March 28	2009 As at December 28
Reclassification of trade and other payables to non-current provisions	\$ 3,518	\$ 10,292	\$ 10,762
Impact of revised assumptions related to provisions including subleasing assumptions	1,021	—	—
Impact of transition to IFRS on non-current provisions	\$ 4,539	\$ 10,292	\$ 10,762

Operating profit was reduced by \$1,553 for the year ended December 26, 2010 (\$0 for the thirteen-week period ended March 28, 2010).

23.7 Pension and other employee obligations

At the date of transition, the Corporation elected to apply the IFRS 1 exemption and elected to recognize all cumulative actuarial gains and losses in retained earnings. This resulted in a \$12,582 decrease in the defined benefit asset (\$10,116 as at March 28, 2010, \$9,928 as at December 28, 2009) and a \$0 increase in other non-current liabilities (\$132 as at March 28, 2010, \$185 as at December 28, 2009), representing the unamortized net actuarial loss as at December 26, 2010. One pension plan, classified as defined contribution under GAAP, has been reclassified as defined benefit under IFRS, resulting in a \$1,418 increase in non-current liabilities (\$1,500 as at March 28, 2010, \$1,411 as at December 28, 2009) and a \$573 reduction in trade and other payables as at December 26, 2010 (\$289 as at March 28, 2010 and as at December 28, 2009).

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23. First-time Adoption of IFRS (continued)

Notes to reconciliation of equity and comprehensive income (continued)

23.7 Pension and other employee obligations (continued)

The Corporation may no longer recognize a defined benefit asset if it does not have an unconditional right to the surplus in the event of the closure of the plan, for example, and if it does not have the right to reduce future contributions. As a result, following adoption of IFRS, the Corporation reversed the defined benefit asset balance of \$1,003 as at December 26, 2010 (\$1,069 as at March 28, 2010, \$1,419 as at December 28, 2009).

Under IFRS, an entity must record an additional liability equivalent to the minimum funding obligation for defined benefit plans if it does not have an unconditional right to the surplus, which resulted in a \$4,931 increase in the Corporation's other non-current liabilities (\$5,406 as at March 28, 2010, \$6,270 as at December 28, 2009) and a \$28 decrease in other assets as at December 26, 2010 (\$785 as at March 28, 2010, \$0 as at December 28, 2009).

Adjustments to pension and other employee obligations led to a \$466 decrease in operating profit for the year ended December 26, 2010 (\$205 increase for the thirteen-week period ended March 28, 2010).

23.8 Share-based payment

IFRS 2, *Share-based Payment*, requires that stock option grant tranches with different vesting dates be recognized separately and fair value determined for each grant. As at December 26, 2010, compensation cost was recalculated using the new method, which led to a \$337 reduction in contributed surplus (\$337 as at March 28, 2010 and as at December 28, 2009).

23.9 Consolidation

Non-controlling interests are presented differently under IFRS than under GAAP. In the statement of financial position, they are classified in equity, separately from equity attributable to the owners of RONA inc. and they are presented in net income and then as an attribution of net income.

Under IAS 27, *Consolidated and Separate Financial Statements* and the mandatory exception in IFRS 1, from the date of transition, the subsidiaries' income or loss is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Under GAAP, the Corporation recognized an additional expense in income to offset the deficit balance of the non-controlling interests. Accordingly, as at December 26, 2010, the Corporation adjusted non-controlling interests in equity through a \$111 reduction (\$188 as at March 28, 2010) and increased operating profit in the same amount for the year ended December 26, 2010 and for the thirteen-week period ended March 28, 2010.

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23. First-time Adoption of IFRS (continued)**Notes to reconciliation of equity and comprehensive income (continued)****23.10 Income taxes**

The following table shows the effect of transition adjustments on the Corporation's current and deferred tax assets and liabilities:

	2010 As at December 26	2010 As at March 28	2009 As at December 28
Property, plant and equipment	\$ 10,042	\$ 9,369	\$ 9,548
Intangible assets	535	542	568
Leases	(2,077)	(2,252)	(2,436)
Financial instruments	541	448	348
Pension and other employee obligations	5,019	4,845	5,013
Provisions	400	—	—
Other	—	97	—
Total	\$ 14,460	\$ 13,049	\$ 13,041
Increase in current tax assets	\$ —	\$ 97	\$ —
Increase in deferred tax assets	8,473	8,150	8,323
Decrease in current tax liabilities	255	—	—
Decrease in deferred tax liabilities	5,732	4,802	4,718
Total	\$ 14,460	\$ 13,049	\$ 13,041

A \$1,505 decrease in income tax expenses was recognized in income or loss for the year ended December 26, 2010 (additional expense of \$31 for the thirteen-week period ended March 28, 2010) for income tax on all previously mentioned adjustments.

Additionally, \$12,869 in deferred tax amounts (\$15,281 as at March 28, 2010, \$15,914 as at December 28, 2009) in current assets and \$3,691 (\$4,426 as at March 28, 2010, \$4,900 as at December 28, 2009) in current liabilities have been reclassified in non-current assets and non-current liabilities respectively in accordance with the IFRS presentation as at December 26, 2010.

23.11 Revenue

Revenue in the amount of \$19,724 for the year ended December 26, 2010 (\$5,493 for the thirteen-week period ended March 28, 2010) has been reclassified to conform to the presentation under IFRS related to not offsetting revenues and expenses.

RONA inc.**Notes to Interim Consolidated Financial Statements**

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23. First-time Adoption of IFRS (continued)**23.12 Statement of cash flows**

Interest received has been classified in operating cash flows and investing cash flows according to their nature. Interest paid has been classified in financing cash flows because it is a cost of obtaining financial resources.

There are no other significant differences between the statements of cash flows under IFRS and under GAAP.

23.13 Presentation

Other current financial assets in the amount of \$2,245 as at December 26, 2010 (\$2,820 as at March 28, 2010, \$2,644 as at December 28, 2009), previously presented with trade and other receivables are now presented separately.

23.14 Additional annual disclosures under IFRS

Certain annual financial information under IFRS for the year ended December 26, 2010 which had not been presented in the annual financial statements under GAAP is presented below. Certain information normally disclosed in annual financial statements under IFRS has been omitted or condensed as it was not considered significant and essential for the comprehension of the financial data of the interim period presented.

RONA inc.

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23. First-time Adoption of IFRS (continued)

23.14 Additional annual disclosures under IFRS (continued)

(a) Property, Plant and Equipment

	Land and parking lots	Buildings	Leasehold improvements	Furniture and equipment	Computer hardware	Projects in process ^(a)	Land for future development	Assets under finance leases		Total
								Furniture and equipment	Computer hardware	
Cost	\$ 207,872	\$ 276,215	\$ 199,846	\$ 358,615	\$ 102,022	\$ 64,505	\$ 75,491	\$ 15,076	\$ 20,198	\$1,319, 840
Accumulated depreciation	21,509	56,992	100,174	208,742	76,762	1,019	–	8,227	18,532	491, 957
Balance, December 28, 2009	186,363	219,223	99,672	149,873	25,260	63,486	75,491	6,849	1,666	827,883
Depreciation for the period	(4,888)	(11,380)	(17,883)	(34,368)	(10,922)	(163)	–	(1,239)	(705)	(81,548)
Acquisitions through business combinations	12,395	12,512	1,846	6,145	608	35	–	–	–	33,541
Other acquisitions	905	3,451	9,618	31,813	7,684	47,729	7,258	–	–	108,458
Finance leases	–	–	–	–	–	–	–	176	–	176
Disposals of property, plant and equipment	(454)	(308)	(786)	(715)	(304)	(125)	–	(8)	(1)	(2,701)
Transfers between classes of property, plant and equipment	55,917	9,253	29,104	2,777	(97)	(49,657)	(46,828)	(530)	61	–
Other changes	(6,583)	(688)	(1,712)	10,378	1,633	(3,355)	1,922	(1,555)	(805)	(765)
Total changes	57,292	12,840	20,187	16,030	(1,398)	(5,536)	(37,648)	(3,156)	(1,450)	57,161
Balance, December 26, 2010	243,655	232,063	119,859	165,903	23,862	57,950	37,843	3,693	216	885,044
Cost	271,475	307,212	235,077	397,191	100,434	59,132	37,843	12,704	15,428	1,436,496
Accumulated depreciation	27,820	75,149	115,218	231,288	76,572	1,182	–	9,011	15,212	551,452
Balance, December 26, 2010	\$ 243,655	\$ 232,063	\$ 119,859	\$ 165,903	\$ 23,862	\$ 57,950	\$ 37,843	\$ 3,693	\$ 216	\$ 885,044

(a) Projects in process include the costs related to the construction of the buildings which will be used for store operations and distribution centres.

RONA inc.**Notes to Interim Consolidated Financial Statements**

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23. First-time Adoption of IFRS (continued)**23.14 Additional annual disclosures under IFRS (continued)****(a) Property, Plant and Equipment (continued)**

For the year ended December 26, 2010, capitalized interest on property plant and equipment amounted to \$3,534 (\$738 in 2010).

The weighted average rate used in determining capitalizable borrowing costs was 5.55% for the 2010 period.

(b) Goodwill

For the purpose of the annual impairment testing as at December 26, 2010, goodwill is allocated to the following CGUs, which are the units expected to benefit from the synergies of the business combinations:

	2010 As at December 26
Corporate and franchised stores	\$ 387,745
Commercial and professional stores	49,517
Distribution	91,832
Goodwill allocation	<u>\$ 529,094</u>

The carrying amount of trademarks with an indefinite useful life was allocated to two CGU groups as at December 26, 2010, i.e. \$2,321 to the commercial and professional stores CGU group and \$400 to the distribution CGU group.

As at December 26, 2010, the amount of goodwill was tested for impairment. The carrying amount of the CGU groups has been determined using the value in use. To determine value in use, five-year cash flow forecasts were prepared using the budget and strategic plan approved by the Board of Directors. Cash flow forecasts for periods beyond that of the budget and strategic plan were prepared using a stable growth rate for future periods, not exceeding the rate of long term average growth of the Corporation's sectors of activity. These forecasts were based on historical data and future trends expected by the Corporation.

For the impairment test carried out as at December 26, 2010 management's key assumptions were annual increases in same-store sales of 3.0% for the first five years and 2.5% thereafter. The same assumptions were used for the three CGU groups.

The Corporation's valuation model also takes account of working capital and capital investments to maintain the condition of the assets of each group of CGU.

Forecast cash flows are discounted using pre-tax rates ranging from 11.9% to 13.0% which reflect current market assessments of the time value of money and the risks specific to the asset.

The fair value of each group of CGU was higher than its carrying amount. The sensitivity analysis indicated that no reasonably possible changes in the assumptions would cause the carrying amount of each group of CGU to exceed its recoverable amount.

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23. First-time Adoption of IFRS (continued)**23.14 Additional annual disclosures under IFRS (continued)****(c) Intangible Assets**

	Trademarks with finite useful lives	Trademarks with indefinite useful lives	Software	Dealer recruitment costs	Customer relationships	Preferential price leases	Total
Cost	\$ 2,174	\$ 2,321	\$ 165,730	\$ 20,293	\$ –	\$ –	\$ 190,518
Accumulated amortization	1,348	–	74,037	8,976	–	–	84,361
Balance, December 28, 2009	826	2,321	91,693	11,317	–	–	106,157
Amortization for the period	(226)	–	(21,260)	(4,564)	(4)	(158)	(26,212)
Acquisition through business combinations	–	400	5,234	–	274	418	6,326
Internally generated acquisitions	–	–	35,948	–	–	–	35,948
Other acquisitions	–	–	1,761	4,365	–	–	6,126
Other changes	–	–	(122)	–	–	–	(122)
Total changes	(226)	400	21,561	(199)	270	260	22,066
Balance, December 26, 2010	600	2,721	113,254	11,118	270	260	128,223
Cost	2,174	2,721	216,281	24,658	450	418	246,702
Accumulated amortization	1,574	–	103,027	13,540	180	158	118,479
Balance, December 26, 2010	\$ 600	\$ 2,721	\$ 113,254	\$ 11,118	\$ 270	\$ 260	\$ 128,223

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23. First-time Adoption of IFRS (continued)**23.14 Additional annual disclosures under IFRS (continued)****(c) Intangible assets (continued)****Amortization**

Amortization of intangible assets is included in depreciation, amortization and impairment of non-financial assets in the consolidated income statement.

For the year ended December 26, 2010, capitalized interest on software amounted to \$715 and the weighted average rate used in determining capitalizable borrowing costs was 5.55%

Intangible assets with indefinite useful lives

These assets are comprised of trademarks designated as such according to the following criteria:

- Long-term return outlook
- Age of the trademark
- Global positioning of the trademark in its market in terms of volume of activity and awareness.

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23. First-time Adoption of IFRS (continued)**23.14 Additional annual disclosures under IFRS (continued)****(d) Income taxes****Income tax expense**

The relationship between the expected tax expense based on the Corporation's effective tax rate 30.06% as at December 26, 2010 and the reported tax expense in income or loss can be reconciled as follows, also showing major components of tax expense:

	2010 As at December 26
Income before income tax expense	\$ 202,361
Corporation's tax rate	30.06%
Expected tax expense	60,836
Non-deductible costs	75
Other	(498)
Income tax expense	\$ 60,413
Current tax expense	
Current tax expense for the period	\$ 48,760
Prior period adjustments	—
Total current tax expense	\$ 48,760
Deferred tax expense	
Recognition and reversal of temporary differences	\$ 11,442
Decrease in tax rate	211
Total deferred tax expense	\$ 11,653
Total income tax expense	\$ 60,413

Income taxes recognized in other comprehensive income

	2010 As at December 26
Before tax	\$ (1,700)
Deferred tax income	483
Net of tax	\$ (1,217)

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23. First-time Adoption of IFRS (continued)**23.14 Additional annual disclosures under IFRS (continued)****(d) Income taxes (continued)****Deferred tax assets and liabilities****Deferred tax assets and liabilities recognized:**

	As at December 26, 2010		
	Assets	Liabilities	Net
Non-capital losses	\$ 9,203	\$ —	\$ 9,203
Capital losses	58	—	58
Direct costs related to business acquisitions	81	—	81
Expenses not deducted	9,909	—	9,909
Property, plant and equipment and intangible assets	17,344	(20,406)	(3,062)
Goodwill	380	(9,928)	(9,548)
Share issue expenses	1,216	—	1,216
Deferred revenues	6,241	—	6,241
Incentive payments received	—	(1,638)	(1,638)
Pension plans	1,252	(261)	991
Other	2,723	(2,277)	446
Net deferred tax assets (liabilities)	\$ 48,407	\$ (34,510)	\$ 13,897

Changes in temporary differences during the period:

	Balance as at December 28, 2009	Income	Business combinations	Other comprehensive income	Balance as at December 26, 2010
Non-capital losses	\$ 10,107	\$ (2,018)	\$ 1,114	\$ —	\$ 9,203
Capital losses	272	(214)	—	—	58
Direct costs related to business acquisitions	338	(257)	—	—	81
Expenses not deducted	11,576	(1,667)	—	—	9,909
Property, plant and equipment and intangible assets	1,446	(4,218)	(290)	—	(3,062)
Goodwill	(6,576)	(2,972)	—	—	(9,548)
Share issue expenses	1,633	(417)	—	—	1,216
Deferred revenue	5,612	629	—	—	6,241
Incentive payments received	(2,408)	770	—	—	(1,638)
Pension plans	1,694	(703)	—	—	991
Other	412	(586)	137	483	446
Net deferred tax assets	\$ 24,106	\$ (11,653)	\$ 961	\$ 483	\$ 13,897

All deferred tax assets have been recognized in the statement of financial position, including deductible temporary differences, tax losses and unused tax credits.

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23. First-time Adoption of IFRS (continued)**23.14 Additional annual disclosures under IFRS (continued)****(e) Post-employment benefits**

The Corporation measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. Actuarial valuations are performed on defined benefit plans for funding purposes every year.

Combined information relating to the defined benefit pension plans is as follows:

	2010 As at December 26
Accrued benefit obligations	
Balance, beginning of the period	\$ 45,216
Current service cost	713
Contributions by plan participants	425
Interest cost	2,812
Benefits paid	(2,079)
Actuarial loss	4,837
Balance, end of period	51,924
Plan assets	
Fair value, beginning of period	46,669
Expected return on plan assets	2,885
Actuarial losses	(98)
Employer contributions	3,812
Contributions by plan participants	425
Benefits paid	(2,079)
Fair value, end of period	51,614
Funding status - deficit	(310)
Unrecognized net actuarial loss	2,031
Unrecognized amount due to the limit on the asset	(1,003)
Liability recognized for minimum funding requirements	(4,959)
Defined benefit liability	\$ (4,241)

The expense for defined contribution pension plans is \$9,867 for the year ended December 26, 2010.

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23. First-time Adoption of IFRS (continued)**23.14 Additional annual disclosures under IFRS (continued)****(e) Post-employment benefits (continued)**

The above amounts are solely for plans that are not fully funded.

The following defined pension asset (liability) is included in the Corporation's statement of financial position:

	2010 As at December 26
Defined benefit asset included in other non-current assets	\$ 2,108
Defined benefit liability included in other non-current liabilities	(6,349)
Defined benefit liability	\$ (4,241)

Plan assets do not include any financial instrument or asset occupied or used by the Corporation and are allocated between the following main investment classes:

	2010 As at December 26
Equity instruments	58 %
Debt instruments	42 %
	100 %

The total defined benefit expense recognized in income or loss for the year ended December 26, 2010 is as follows:

	2010 As at December 26
Current service cost	\$ 713
Interest cost	2,812
Expected return on plan assets	(2,885)
Effect of the limit on the asset	2,904
Change in liability recognized for minimum funding requirements	(1,727)
Defined benefit expense	\$ 1,817

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23. First-time Adoption of IFRS (continued)**23.14 Additional annual disclosures under IFRS (continued)****(e) Post-employment benefits (continued)****Actuarial assumptions**

The significant weighted average actuarial assumptions adopted in measuring the defined benefit obligations and total expense for the defined benefit plans for the year ended December 26, 2010 are as follows:

	2010 As at December 26
Defined benefit obligations	
Discount rate	5.50 %
Rate of compensation increase	3.60 %
Employee benefit costs	
Discount rate	6.25 %
Expected return on plan assets	6.00 %
Rate of compensation increase	3.60 %

The total expected return on plan assets is calculated using the total asset portfolio rather than the yields on the individual classes of assets and is based exclusively on historical yields.

The effective return on plan assets is \$2,787 for the year ended December 26, 2010.

Mortality assumptions are based on statistics and mortality tables published in Canada, i.e. the UP94 mortality table projected dynamically using the AA scale.

These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions have led to the amounts determined as the Corporation's defined benefit obligations for the reporting periods under review and should be regarded as management's best estimate. However, the actual outcome may vary.

Based on historical data, the Corporation expects contributions in the range of \$3,700 to \$4,200 to be paid for 2011.

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(Unaudited and in thousands of Canadian dollars)

23. First-time Adoption of IFRS (continued)**23.14 Additional annual disclosures under IFRS (continued)****(e) Post-employment benefits (continued)**

The changes in the Corporation's defined benefit plans can also be summarized as follows (amounts prior to the transition date are not presented since the Corporation applies the IFRS 1 exemption):

	2010	
	As at December 26	
Defined benefit obligations	\$	51,924
Fair value of plan assets		51,614
Plan deficit	\$	(310)
Experience-related adjustments		
Plan assets	\$	(98)
Plan liabilities	\$	233

24. Events after the Reporting Period

There were no significant adjusting or non-adjusting events between the end of the reporting period and the date when the financial statements were authorized for issue.

25. Authorization of Financial Statements

The unaudited interim consolidated financial statements for the thirteen-week period ended March 27, 2011 (including comparative figures) were authorized by the Board of Directors on May 10, 2011.