

The background of the top half of the page features a dark, wood-grain texture. Two large, dark grey, teardrop-shaped panels are positioned on either side of a central red circle. The text "A WORLD OF INNOVATIONS WITHIN YOUR REACH" is centered within the red circle in a bold, white, sans-serif font.

**A WORLD
OF INNOVATIONS
WITHIN YOUR REACH**

CONSOLIDATED FINANCIAL STATEMENTS
AS AT NOVEMBER 30, 2022



MANAGEMENT'S REPORT

Related to the consolidated financial statements

The consolidated financial statements of Richelieu Hardware Ltd. (the "Corporation") are the responsibility of the Corporation's management. These consolidated financial statements have been prepared by management in accordance with IFRS and approved by the Board of Directors.

The Corporation maintains accounting and internal control systems which, in management's opinion, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Corporation's activities. The Board of Directors fulfills its responsibility regarding the consolidated financial statements, primarily through its Audit Committee. This committee which meets periodically with the Corporation's managers and external auditors, has reviewed the consolidated financial statements of the Corporation and has recommended that they be approved by the Board of Directors.

The consolidated financial statements have been audited by the Corporation's external auditors, Ernst & Young LLP, Chartered Professional Accountants.

Montreal, Canada, January 19, 2023



(Signed) Richard Lord
President and
Chief Executive Officer



(Signed) Antoine Auclair
Vice-President and
Chief Financial Officer

INDEPENDANT AUDITOR'S REPORT

To the shareholders of **Richelieu Hardware Ltd.**

Opinion

We have audited the consolidated financial statements of **Richelieu Hardware Ltd.** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at November 30, 2022 and 2021, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at November 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

Valuation of customer relationships acquired through business acquisitions

During the year, the Group made business acquisitions for an aggregate consideration of \$48.8 million. As part of these business acquisitions, the Group recognized customer relationship intangible assets with a combined fair value of \$18.9 million. The purchase price allocation related to these business acquisitions is disclosed in Note 3 to the consolidated financial statements.

We identified the valuation of the acquisition-date fair value of the customer relationship intangible assets acquired in the business acquisitions as a key audit matter. The fair value of customer relationship intangible assets acquired is determined in reference to valuation inputs including estimates related to forecasted cash flows, such as revenue growth and earnings before interest, taxes, depreciation, and amortization ["EBITDA"] margins, as well as customer attrition and discount rates. These valuation inputs utilized in establishing the fair value of customer relationship intangible assets acquired require significant auditor judgment as well as the involvement of valuation specialists due to the sensitivity of the fair value conclusion to these significant assumptions.

How our audit addressed the key audit matter

Our audit procedures, performed on a sample of customer relationships acquired, included:

- Inspecting the share and asset purchase agreements to obtain an understanding of the transactions and the key terms;
- Involving our valuation specialists to assist in evaluating the valuation methodology selected by management and its application to determine the fair value of the customer relationships acquired;
- Working with our valuation specialists, the core audit team evaluated the reasonableness of the significant valuation assumptions related to forecasted cash flows, such as revenue growth and EBITDA margins, as well as customer attrition and discount rates, by reviewing historical financial data of the targets and benchmarking against other acquisitions made by the Group;
- Performing sensitivity analyses to test the sensitivity of the fair value conclusion to changes in significant assumptions such as revenue growth, customer attrition and discount rates;
- Evaluating the adequacy of the business acquisitions note disclosure included in Note 3 of the accompanying financial statements in relation to this matter.

Other information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained management's discussion and analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

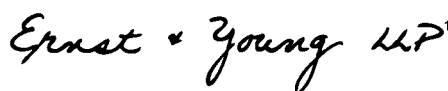
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Francis Guimond.



(Signed) Ernst & Young LLP

Montreal, Canada

January 19, 2023

¹ CPA auditor, CA, public accountancy permit no. A118111

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at November 30 (in thousands of dollars)	Notes	2022 \$	2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		21,220	58,707
Accounts receivable		222,238	199,585
Inventories		660,242	395,464
Prepaid expenses		7,071	5,423
		910,771	659,179
Non-current assets			
Property, plant and equipment	4	54,832	46,239
Intangible assets	5	66,603	53,910
Right-of-use assets	10	116,204	87,013
Goodwill	5	127,457	110,776
Deferred taxes	9	7,998	7,063
		1,283,865	964,180
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft	6	133,208	—
Accounts payable and accrued liabilities	8	169,913	155,009
Income taxes payable	9	10,749	21,281
Current portion of long-term debt	7	5,208	5,339
Current portion of lease obligations	10	29,145	21,174
		348,223	202,803
Non-current liabilities			
Long-term debt	7	859	1,100
Lease obligations	10	95,705	71,880
Deferred taxes	9	10,052	9,868
Other liabilities		9,204	9,592
		464,043	295,243
Equity			
Share capital	8	61,829	54,610
Contributed surplus	8	8,400	7,046
Retained earnings		719,185	590,522
Accumulated other comprehensive income	11	27,743	14,264
Equity attributable to shareholders of the Corporation		817,157	666,442
Non-controlling interests		2,665	2,495
		819,822	668,937
		1,283,865	964,180

Commitments and contingencies [note 10]
See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:


(Signed) Richard Lord
Director


(Signed) Luc Martin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended November 30
[In thousands of dollars, except earnings per share]

	Notes	2022 \$	2021 \$
Sales		1,802,787	1,440,416
Operating expenses excluding amortization	8, 12	1 515,345	1,206,018
Earnings before amortization, financial costs and income taxes		287,442	234,398
Amortization of property, plant and equipment and right-of-use assets	4, 10	38,010	29,059
Amortization of intangible assets	5	10,636	7,898
Financial costs, net		7,144	2,700
		55,790	39,657
Earnings before income taxes		231,652	194,741
Income taxes	9	61,703	52,410
Net earnings		169,949	142,331
Net earnings attributable to:			
Shareholders of the Corporation		168,390	141,764
Non-controlling interests		1,559	567
		169,949	142,331
Net earnings per share attributable to shareholders of the Corporation			
	8		
Basic		3.01	2.54
Diluted		2.99	2.51

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended November 30
[In thousands of dollars]

	Notes	2022 \$	2021 \$
Net earnings		169,949	142,331
Other comprehensive income (loss) that will be reclassified to net earnings			
Exchange differences on translation of foreign operations	11	13,479	(1,220)
Comprehensive income		183,428	141,111
Comprehensive income attributable to:			
Shareholders of the Corporation		181,869	140,544
Non-controlling interests		1,559	567
		183,428	141,111

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended November 30
[In thousands of dollars]

	Attributable to shareholders of the Corporation						Non-controlling interests	Total equity
	Share capital	Con-tributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total			
	\$	\$	\$	\$	\$	\$		
Notes	8	8		11				
Balance as at November 30, 2020	48,522	6,280	480,808	15,484	551,094	3,349	554,443	
Net earnings	—	—	141,764	—	141,764	567	142,331	
Other comprehensive loss	—	—	—	(1,220)	(1,220)	—	(1,220)	
Comprehensive income (loss)	—	—	141,764	(1,220)	140,544	567	141,111	
Shares repurchased	(295)	—	(12,799)	—	(13,094)	—	(13,094)	
Stock options exercised	6,383	(1,225)	—	—	5,158	—	5,158	
Share-based compensation expense	—	1,991	—	—	1,991	—	1,991	
Dividends [note 16]	—	—	(19,374)	—	(19,374)	(511)	(19,885)	
Other liabilities	—	—	—	—	—	(185)	(185)	
Acquisition of non-controlling interests [note 3]	—	—	123	—	123	(725)	(602)	
	6,088	766	(32,050)	—	(25,196)	(1,421)	(26,617)	
Balance as at November 30, 2021	54,610	7,046	590,522	14,264	666,442	2,495	668,937	
Net earnings	—	—	168,390	—	168,390	1,559	169,949	
Other comprehensive income	—	—	—	13,479	13,479	—	13,479	
Comprehensive income	—	—	168,390	13,479	181,869	1,559	183,428	
Shares repurchased	(361)	—	(11,928)	—	(12,289)	—	(12,289)	
Stock options exercised	7,580	(1,296)	—	—	6,284	—	6,284	
Share-based compensation expense	—	2,650	—	—	2,650	—	2,650	
Dividends [note 16]	—	—	(29,083)	—	(29,083)	(493)	(29,576)	
Other liabilities	—	—	(16)	—	(16)	404	388	
Change in fair value of other liabilities	—	—	1,300	—	1,300	(1,300)	—	
	7,219	1,354	(39,727)	—	(31,154)	(1,389)	(32,543)	
Balance as at November 30, 2022	61,829	8,400	719,185	27,743	817,157	2,665	819,822	

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30
[In thousands of dollars]

	Notes	2022 \$	2021 \$
OPERATING ACTIVITIES			
Net earnings		169,949	142,331
Items not affecting cash and cash equivalent			
Amortization of property, plant and equipment and right-of-use assets	4, 10	38,010	29,059
Amortization of intangible assets	5	10,636	7,898
Deferred taxes	9	(594)	(1,216)
Share-based compensation expense	8	2,650	1,991
Financial costs		3,832	2,928
		224,483	182,991
Net change in non-cash working capital balances		(260,652)	(78,585)
		(36,169)	104,406
FINANCING ACTIVITIES			
Repayment of long-term debt		(5,152)	(6,424)
Dividends paid to shareholders of the Corporation	16	(29,083)	(19,374)
Payment of lease obligations		(25,908)	(19,446)
Other dividends paid		(493)	(511)
Common shares issued	8	6,284	5,158
Common shares repurchased for cancellation	8	(12,289)	(13,094)
		(66,641)	(53,691)
INVESTING ACTIVITIES			
Business acquisitions	3	(44,255)	(49,436)
Additions to property, plant and equipment and intangible assets	4, 5	(22,578)	(17,054)
		(66,833)	(66,490)
Effect of exchange rate changes on cash and cash equivalents		(1,052)	554
Net change in cash and cash equivalents		(170,695)	(15,221)
Cash and cash equivalents, beginning of year		58,707	73,928
Cash and cash equivalents and bank overdraft, end of year		(111,988)	58,707
Supplementary information			
Income taxes paid		72,829	36,703
Interest paid, net		7,780	2,700

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2022 and 2021 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

NATURE OF BUSINESS

Richelieu Hardware Ltd. [the “Corporation”] is incorporated under the laws of Quebec, Canada. The Corporation is an importer, manufacturer and a distributor of specialty hardware and complementary products. Its products target an extensive customer base of kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers and hardware retailers including renovation superstores. The Corporation’s head office is located at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, Canada, H4S 1V4.

1. SIGNIFICANT ACCOUNTING POLICIES

The Corporation’s consolidated financial statements, presented in Canadian dollars, have been prepared by management in accordance with International Financial Reporting Standards [“IFRS”]. The Corporation’s accounting policies have been applied consistently to all fiscal years presented in these consolidated financial statements.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management’s best knowledge of current events and actions that the Corporation may undertake in the future and other factors deemed relevant and reasonable.

The judgments made by management in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and the assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that could potentially result in material adjustments to the carrying amount of assets and liabilities during the following period relate to impairment of inventory, including inventory losses and obsolescence, and require the use of judgment and assumptions that may affect the amounts reported in the consolidated financial statements. The underlying estimates and assumptions are reviewed regularly. Revised accounting estimates, if any, are recognized in the period in which the estimates are revised, as well as in future periods affected by the revisions. Actual results could differ from those estimates.

The Corporation’s consolidated financial statements have been properly prepared within the reasonable limits of materiality, in accordance with the accounting policies summarized below:

Consolidation

The consolidated financial statements include the accounts of Richelieu Hardware Ltd. and its subsidiaries described in note 13. All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with a term of three months or less. Cash and cash equivalents are measured at amortized cost.

Accounts receivable

Accounts receivable are carried at cost, which is equivalent to fair market value on initial recognition. Subsequent measurements are recorded at amortized cost using the effective interest method. For the Corporation, this measurement is usually equivalent to cost due to their short-term maturities. At each period-end, the Corporation estimates the expected credit losses. These expected losses are adjusted to reflect factors that are specific to the accounts receivable, general economic conditions as well as an assessment of both current and forecasted economic conditions prevailing at the reporting date. The evaluation is calculated using the simplified method. The net change in expected credit losses on accounts receivable is recognized in net earnings.

Inventories

Inventories, which consist primarily of finished goods, are valued at the lower of average cost and net realizable value. Net realizable value is the expected selling price in the normal course of business, less estimated costs to sell. The Corporation uses judgment when estimating the effect of certain factors on the net realizable value of inventory, such as inventory obsolescence and losses. The quantity, age and condition of inventory are measured and assessed regularly during the year.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives. The main components have different useful lives and are amortized separately. The amortization method and useful life estimates are reviewed annually.

Buildings	20 years
Leasehold improvements	Lease terms, maximum 5 years
Machinery and equipment	5-10 years
Rolling stock	5 years
Furniture and fixtures	3-5 years
Computer equipmen	3-5 years

Lease

i) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (i.e., the date the underlying asset is available for use) and are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of the lease obligations. The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, which is currently between 2 and 15 years.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)*ii) Lease obligation*

At the commencement date of the lease, the lease obligations are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if applicable. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

Intangible assets

Intangible assets are acquired assets that lack physical substance and meet the specified criteria for recognition apart from property, plant and equipment. Intangible assets consist mainly of purchased or internally developed software, non-competition agreements, customer relationships, and trademarks. Software and customer relationships are amortized on a straight-line basis over their useful lives of 3 and 8-20 years, respectively, while non-competition agreements are amortized over the terms of the agreements which are currently between 2 and 5 years. Trademarks have an indefinite useful life and are therefore not amortized.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and corresponds to the development potential of the acquired businesses, combined with the Corporation's operations and from the expected synergies and expanding of the product offering and distribution network. Goodwill is not amortized.

Impairment of non-current assets

At the end of each reporting period, the Corporation determines whether indicators of impairment exist for its non-current assets, excluding goodwill and intangible assets with indefinite useful lives. If such indicators exist, the non-current assets are tested for impairment. When the impairment test indicates that the carrying amount of the tangible or intangible asset exceeds its recoverable amount, an impairment loss is recognized in net earnings in an amount equal to the excess.

The Corporation is required to test goodwill and intangible assets with indefinite useful lives for impairment at least once a year, whether or not indicators of impairment exist. Impairment tests are carried out on the asset itself, the cash-generating unit ["CGU"] or group of CGUs as at November 30. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and the supporting assets that cannot be wholly allocated to a single CGU are tested for impairment at the group of CGUs level. Impairment tests consist in a comparison between the carrying and recoverable amounts of an asset, CGU or group of CGUs. The recoverable amount is the higher of value in use and fair value less costs to sell. Where the carrying amount exceeds the recoverable amount, an impairment loss equal to the excess is recognized in net earnings, however, the carrying amount of the assets is not reduced below the higher of their fair value less costs to sell and their value in use.

Other than for goodwill, if a reversal of an impairment loss occurs, it must be recognized immediately in net earnings. On reversal of an impairment loss, the increased recoverable amount of an asset must not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized in respect of the asset in prior years. As part of goodwill impairment tests, the Corporation generally uses fair value less costs to sell to estimate the recoverable amount, which is calculated by multiplying earnings before depreciation, amortization, financial charges and taxes ["EBITDA"] of the CGU or group of CGUs by the multiple of the EBITDA from comparable companies whose activities are similar to those of the Corporation. As part of the impairment tests on intangible assets with indefinite useful lives, the Corporation also uses the fair value less costs to sell in order to estimate the recoverable amount, which is calculated according to the relief-from-royalty method. This method involves estimating the fair value of trademarks by reference to royalty levels payable for the use of comparable assets.

Other financial liabilities

Accounts payable, accrued liabilities and long-term debt are initially recorded at fair value. They are subsequently measured at amortized cost using the effective interest method. For the Corporation, this measurement is usually equivalent to cost. Options to purchase non-controlling interests that correspond to the definition of a financial liability are measured at fair value and presented under other liabilities. Gains or losses resulting from revaluation at the end of each period may be recorded in net earnings or in retained earnings. The Company has chosen to record them in retained earnings. The Company has classified the measurement of this fair value as level 3, as it is based on data which are not observable in the market.

Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable, net of returns and discounts granted, and are recognized when control of the goods is transferred to the customer, which occurs when the Corporation satisfies its performance obligation, generally upon delivery of the goods to the customer.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are accounted for based on estimated taxes recoverable or payable that would result from the recovery or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the years in which the temporary differences are expected to reverse. Changes in these balances are recognized in net earnings in the year in which they arise.

Deferred tax assets are recognized to the extent that it is probable that the Corporation will have future taxable income against which these tax assets may be offset. In determining these deferred tax assets, assumptions are considered, such as the period for tax loss carrying forwards to be completely used up and the level of future taxable income in accordance with tax planning strategies.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Foreign currency translation**

Monetary assets and liabilities of the Corporation are translated at the exchange rate in effect at the end of the reporting period and the other items in the statements of financial position and earnings are translated at the exchange rates in effect at the date of transaction. Foreign exchange gains and losses are recognized in net earnings in the year in which they arise.

The assets and liabilities of the U.S. subsidiary are translated into Canadian dollars at the exchange rate in effect at the end of the reporting period. Revenues and expenses are translated at the rate in effect at the date of transaction. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

Derivative financial instruments

The Corporation periodically enters into foreign exchange forward contracts with financial institutions to partially hedge the effects of fluctuations in foreign exchange rates related to foreign currency liabilities, as well as to hedge anticipated purchase transactions.

The Corporation enters into equity swaps to reduce its exposure on net earnings related to the fluctuations in the Corporation's share price relating to its deferred share unit plan.

The Corporation does not use derivatives for speculative purposes. The Corporation uses hedge accounting only when IFRS documentation criteria are met. Derivative financial instruments designated as cash flow hedges are measured at fair value, which is the instruments' approximate settlement value at market rates. Gains and losses on remeasurement at each year-end are recorded in comprehensive income. If the instrument is not designated and documented as a hedge, changes in fair value are recognized in the statement of consolidated earnings for the year. Assets or liabilities related to derivative financial instruments are included in *Accounts receivable* or *Accounts payable and accrued liabilities* in the consolidated statements of financial position.

Fair value measurements hierarchy

Fair value measurements of financial asset and liabilities recognized at fair value in the consolidated statements of financial position or whose fair value is presented in the notes to the consolidated financial statements are categorized in accordance with the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Share-based payment

The Corporation offers a stock option plan to its officers and key employees. The subscription price of each share issuable under the plan is equal to the weighted average market price of the shares for the five (5) business days prior to the day the option was granted and must be paid in full at the time the option is exercised. Options vest at a rate of 25% per year starting one year after grant date and expire on the tenth anniversary of the grant date. The Corporation recognizes stock-based compensation and other share-based payments in net earnings using the fair value method for stock options granted with a corresponding increase recorded in contributed surplus. The Black & Scholes model is used to determine the grant date fair value of stock options. The application of this method is based on different assumptions such as risk-free interest rate, expected life, volatility and dividend yield as described in note 8.

Deferred share unit plan

The Corporation offers a deferred share unit ["DSU"] plan to its directors who can elect to receive part or all of their compensation in DSUs. The value of DSUs is redeemable for cash only when a director ceases to be a member of the Board. The number of DSUs granted to a director equals the compensation amount to be converted in DSUs divided by the average closing price of the shares for the five (5) business days immediately preceding the date of the payment. The DSU liability is measured at fair value at each closing date on the basis of the number of outstanding share units and the market price of the Corporation's common shares and is included in *Accounts payable and accrued liabilities*. The Corporation has entered into equity swaps to reduce its exposure on net earnings related to the fluctuations of the Corporation's share price. The net effect of the equity swaps mostly offsets the impact of the change in the Corporation's share price and is included in the *Operating expenses excluding amortization*.

Net earnings per share

Net earnings per share are calculated based on the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method and take into account all the elements that have a dilutive effect.

2. NEW ACCOUNTING POLICIES

At the date of approval of the financial statements, no new applicable standards or interpretation of existing standards or new amendments that have been published need to be adopted by the Corporation.

3. BUSINESS ACQUISITIONS**2022**

On September 2, 2022, the Corporation closed a transaction pertaining to the acquisition of all issued and outstanding share capital of Quincaillerie Deno, a distributor of specialized hardware products operating one distribution center located in Anjou, QC.

Effective December 31, 2021, the Corporation acquired the principal net assets of Compi Distributors, a distributor of specialized hardware operating four distribution centers in St. Louis, MO, Kansas City, MO, Ozark, MO and Springfield, IL.

Effective December 31, 2021, the Corporation acquired the principal net assets of HGH Hardware Supply, a distributor of specialized hardware operating four distribution centers, one in Birmingham, AL, one in Nashville, TN and two in Atlanta, GA.

Effective December 31, 2021, the Corporation acquired the principal net assets of National Builders Hardware, a distributor of specialized hardware operating one distribution center in Portland, OR.

Sales of \$113.9 million have been generated by these acquisitions since their completion. Had these acquisitions been made on December 1, 2021, management believes that sales included in the consolidated statement of earnings would have totalled approximately \$127.9 million.

3. BUSINESS ACQUISITIONS (CONT'D)**2021**

Effective March 29, 2021, the Corporation acquired the principal net assets of Ontario Building Supply, a decorative panel and related products distributor operating one distribution center in Rochester, New York.

Effective April 5, 2021, the Corporation acquired all issued and outstanding share capital of Caplan Industries Inc. doing business as Task Tools, a distributor of power tool accessories and related products serving retailers in Canada and the U.S. from two centers in British Columbia and Ontario.

Effective June 1, 2021, the Corporation acquired all issued and outstanding share capital of Uscan Industrial Fasteners Ltd, a distributor of industrial screws, bolts and industrial fasteners for the retailer's market in Canada, which operates one distribution center located in Quebec.

Effective July 5, 2021, the Corporation acquired, through a newly incorporated subsidiary ("Newco"), 100% of the issued and outstanding share capital of Inter-Co Inc., in partial consideration of which a participation equivalent to 25% of the share capital of Newco has been issued in the name of the sellers. Inter-Co Inc. is a distributor of Division 10 products intended for the construction industry in Canada and the U.S. operating five distribution centers, three in the United States (Arizona, Ohio and Texas) and two in Canada (Ontario).

Effective September 1, 2021, the Corporation acquired all issued and outstanding share capital of Cook Fasteners Inc., a distributor of industrial screws and bolts operating one distribution center in Mississauga, Ontario.

Effective September 20, 2021, the Corporation acquired the principal net assets of Industrial Plywood, a distributor of panels and related products operating two distribution centers in Pennsylvania.

Summary of acquisitions

The preliminary purchase price allocations, at the transaction dates, are summarized as follows:

	2022	2021
	\$	\$
Current assets acquired	21,924	34,508
Property, plant and equipment and right-of-use assets	11,351	6,702
Intangible assets [Note 5]	19,778	18,653
Goodwill [Note 5]	15,013	25,751
	68,066	85,614
Current liabilities assumed	(10,257)	(13,174)
Non current liabilities assumed	(8,777)	(4,269)
Deferred tax liabilities	(271)	(4,400)
Non controlling interests	—	(7,589)
Net assets acquired	48,761	56,182
Consideration		
Cash, net of cash acquired	44,255	48,834
Consideration payable [Note 7]	4,506	7,348
	48,761	56,182

Goodwill deductible for tax purposes with regard to these acquisitions amounts to \$13,500 [\$648 in 2021]. On March 1, 2021, the Corporation acquired from a minority shareholder an additional 5% interest in the voting shares of Menuiserie des Pins Ltée, increasing its ownership interest to 85%, for a cash consideration of \$602.

Preliminary purchase price allocations are subject to fair value adjustments to assets, liabilities and goodwill until the estimation process is complete. The final allocation of the purchase price should be completed as soon as management has gathered all the information available and deemed necessary to finalize the calculation, in particular for intangible assets, no later than 12 months after the acquisition date.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Machinery and equipment	Rolling stock	Furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost	3,760	30,568	8,555	49,505	19,694	17,604	16,728	146,414
Accumulated amortization	—	(22,411)	(6,563)	(32,880)	(13,549)	(16,025)	(14,066)	(105,494)
Net carrying amount as at November 30, 2020	3,760	8,157	1,992	16,625	6,145	1,579	2,662	40,920
Acquisitions	—	829	1,155	6,078	3,492	762	3,643	15,959
Business acquisitions [note 3]	—	—	—	127	182	437	69	815
Amortization	—	(1,130)	(793)	(4,122)	(2,601)	(941)	(1,778)	(11,365)
Effect of changes in foreign exchange rates	—	—	(7)	(25)	(47)	(8)	(3)	(90)
Net carrying amount as at November 30, 2021	3,760	7,856	2,347	18,683	7,171	1,829	4,593	46,239
Cost	3,760	31,378	9,476	54,949	22,706	17,970	20,021	160,260
Accumulated amortization	—	(23,522)	(7,129)	(36,266)	(15,535)	(16,141)	(15,428)	(114,021)
Net carrying amount as at November 30, 2021	3,760	7,856	2,347	18,683	7,171	1,829	4,593	46,239
Acquisitions (dispositions)	(79)	208	2,400	8,015	6,060	1,283	2,888	20,775
Business acquisitions [note 3]	—	—	56	182	279	36	12	565
Amortization	—	(1,044)	(981)	(5,110)	(3,283)	(929)	(2,261)	(13,618)
Effect of changes in foreign exchange rates	—	—	123	393	278	52	25	871
Net carrying amount as at November 30, 2022	3,681	7,020	3,945	22,163	10,495	2,271	5,257	54,832
Cost	3,681	31,296	12,227	63,906	29,156	19,671	23,023	182,960
Accumulated amortization	—	(24,276)	(8,282)	(41,743)	(18,661)	(17,400)	(17,766)	(128,128)
Net carrying amount as at November 30, 2022	3,681	7,020	3,945	22,163	10,495	2,271	5,257	54,832

5. INTANGIBLE ASSETS AND GOODWILL

	Software	Non-competition agreements	Customer relationships	Trademarks	Total	Goodwill
	\$	\$	\$	\$	\$	\$
Cost	11,100	5,791	64,956	6,509	88,356	85,197
Accumulated amortization	(8,537)	(5,403)	(32,173)	—	(46,113)	—
Net carrying amount as at November 30, 2020	2,563	388	32,783	6,509	42,243	85,197
Acquisitions	1,095	—	—	—	1,095	—
Business acquisitions [note 3]	—	1,247	16,836	570	18,653	25,751
Amortization	(944)	(399)	(6,555)	—	(7,898)	—
Effect of changes in foreign exchange rates	(10)	(2)	(137)	(34)	(183)	(172)
Net carrying amount as at November 30, 2021	2,704	1,234	42,927	7,045	53,910	110,776
Cost	12,186	7,002	81,424	7,045	107,657	110,776
Accumulated amortization	(9,482)	(5,768)	(38,497)	—	(53,747)	—
Net carrying amount as at November 30, 2021	2,704	1,234	42,927	7,045	53,910	110,776
Acquisitions	1,803	—	—	—	1,803	—
Business acquisitions [note 3]	—	833	18,945	—	19,778	15,013
Amortization	(894)	(676)	(9,066)	—	(10,636)	—
Effect of changes in foreign exchange rates	4	34	1,570	140	1,748	1,668
Net carrying amount as at November 30, 2022	3,617	1,425	54,376	7,185	66,603	127,457
Cost	13,997	8,040	103,230	7,185	132,452	127,457
Accumulated amortization	(10,380)	(6,615)	(48,854)	—	(65,849)	—
Net carrying amount as at November 30, 2022	3,617	1,425	54,376	7,185	66,603	127,457

5. INTANGIBLE ASSETS AND GOODWILL (CONT'D)

For impairment test purposes, the carrying amounts of goodwill and intangible assets have been allocated to CGUs or groups of CGUs. The carrying amounts of goodwill for the two groups of CGUs that are significant in comparison with the total carrying amount of goodwill are \$95.2 million and \$30 million, while \$2.3 million is allocated to another CGU. The carrying amounts of intangible assets with indefinite useful lives are allocated across multiple CGUs or groups of CGUs that are not individually significant in comparison with the total carrying amount of intangible assets with indefinite useful lives.

6. BANK INDEBTEDNESS

As at November 30, 2022 and 2021, the Corporation has lines of credit with authorized amounts of C\$150 million [2021 - C\$65 million] and US\$56 million [2021 - US\$6 million], bearing interest at the bank's prime and BSBY rate plus 1.05%, which were respectively 5.95% and 5% as at November 30, 2022 [2.45% and 3.75% as at November 30, 2021]. These lines of credit are renewable annually. As at November 30, 2022, amounts of C\$85 million and US\$36 were drawn on these lines of credit [2021, no amount was drawn on these lines of credit].

7. LONG-TERM DEBT

	2022	2021
	\$	\$
Non-interest bearing business acquisition considerations payable, including US\$1,805	6,067	6,439
Current portion of long-term debt	5,208	5,339
Long-term debt	859	1,100

The long-term portion of the debt is payable in 2 equal payments, in 2024 and 2025.

8. SHARE CAPITAL

Authorized

Unlimited number of:

- Common shares, participating, entitling the holder to one vote per share.
- Non-voting first and second ranking preferred shares issuable in series, the characteristics of which are to be determined by the Board of Directors.

Changes in common shares are summarized as follows:

	Number of shares (in thousands)	\$
Outstanding, November 30, 2020	55,894	48,522
Issued	264	6,383
Repurchased	(316)	(295)
Outstanding, November 30, 2021	55,842	54,610
Issued	271	7,580
Repurchased	(327)	(361)
Outstanding, November 30, 2022	55,786	61,829

During fiscal 2022, the Corporation issued 271,000 common shares [263,925 in 2021] at a weighted average exercise price of \$23.19 per share [\$19.54 in 2021] pursuant to the exercise of stock options under the stock option plan. The weighted average share price on the market at the date of exercise was \$47.96 [\$41.74 in 2021]. In addition, during fiscal 2022, the Corporation, through a normal course issuer bid, repurchased 327,329 common shares for cancellation in consideration for \$12,289 [316,374 common shares for a consideration of \$13,094 in 2021], which resulted in a premium on the redemption in the amount of \$11,928 recognized as a reduction of retained earnings [premium of \$12,799 in 2021].

Stock option plan

Changes in stock options are summarized as follows:

	Number of options (in thousands)	Weighted average share price \$
Outstanding, November 30, 2020	1,699	24.81
Granted	289	34.84
Exercised	(264)	19.54
Cancelled	(33)	30.25
Outstanding, November 30, 2021	1,691	27.14
Granted	276	43.57
Exercised	(271)	23.19
Cancelled	(16)	34.03
Outstanding, November 30, 2022	1,680	30.50

The table below summarizes information regarding the stock options outstanding as at November 30, 2022:

Range in exercise price (in dollars)	Options outstanding			Exercisable options	
	Number of options (in thousands)	Weighted average remaining period (in years)	Weighted average exercise price (in dollars)	Number of options (in thousands)	Weighted average exercise price (in dollars)
12.71 - 17.25	52	0.74	13.75	51	13.75
17.26 - 23.50	201	2.94	21.07	201	21.07
23.51 - 32.00	652	5.89	26.70	476	26.34
32.01 - 43.57	775	7.57	37.25	305	33.22
	1,680	6.16	30.50	1,033	26.72

During fiscal 2022, the Corporation granted 276,000 stock options [289,000 in 2021] with an average exercise price of \$43.57 per share [\$34.84 in 2021] and an average fair value of \$12.37 per option [\$9.04 in 2021] as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.2% [0.8% in 2021], an expected volatility of 23.1% [22.9% in 2021], a risk-free interest rate of 1.84% [0.80% in 2021] and an expected life of 6.23 years [6.94 years in 2021] and 17,125 options were cancelled [31,875 in 2021]. For the year ended November 30, 2022, compensation expense related to stock options amounted to \$2,650 [\$1,991 in 2021] and is recognized under *Operating expenses excluding amortization*.

Deferred share unit plan

The financial liability resulting from the DSU plan of \$8,940 [\$8,949 as at November 30, 2021] is presented under the *Accounts payable and accrued liabilities*. As at November 30, 2022, the fair value of the equity swaps amounted to an asset of \$618 and is presented under *Accounts receivable* [a liability of \$164 as at November 30, 2021 and presented under *Accounts payable and accrued liabilities*]. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market data. The compensation expense for the DSUs for the year ended November 30, 2022 amounted to \$861 [\$819 in 2021] and is recognized under *Operating expenses excluding amortization*.

8. SHARE CAPITAL (CONT'D)

Number of DSUs	2022	2021
Outstanding, beginning of year	211,409	193,445
Granted	14,137	17,964
Outstanding, end of year	225,546	211,409

Share purchase plan

Compensation expense related to the share purchase plan amounted to \$1,096 for the year ended November 30, 2022 [\$813 in 2021] and is recognized under *Operating expenses excluding amortization*.

Net earnings per share

Basic and diluted net earnings per share were calculated based on the following number of shares:

(in thousands)	2022	2021
Weighted average number of shares outstanding - Basic	55,925	55,896
Dilutive effect under stock option plan	420	570
Weighted average number of shares outstanding - Diluted	56,345	56,466

The computation of diluted net earnings per share did not take into account the weighted average of 271,000 stock options [nil in 2021] since their exercise price being higher than the average price of the shares for the period would have had an anti-dilutive effect.

9. INCOME TAXES

The main components of the income tax expense were as follows:

	2022	2021
	\$	\$
Current	62,297	53,626
Deferred:		
Related to temporary differences	(593)	(1,169)
Deferred tax related to changes in tax rates	(1)	(47)
	61,703	52,410

The effective income tax rate differs from the combined statutory rates for the following reasons:

	2022	2021
	%	%
Combined statutory rates	26.62%	26.60%
Income taxes at combined statutory rates	61,666	51,801
Increase (decrease) resulting from:		
Impact of statutory rates differences for the subsidiaries	(434)	(422)
Share-based compensation	554	420
Non-deductible expenses and other	(82)	658
Changes related to tax laws and tax rates	(1)	(47)
	61,703	52,410

Deferred taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The major components of deferred tax assets and liabilities of the Corporation were as follows:

	2022	2021
	\$	\$
Deferred taxes		
Reserve for tax purposes deductible only upon disbursement and other tax attributes	14,520	11,542
Excess of the net carrying value of property, plant and equipment over their tax value	(5,558)	(2,638)
Excess of the net carrying value of intangible assets and goodwill over their tax value	(13,332)	(13,310)
Right-of-use assets and lease obligations	2,316	1,601
Net amount	(2,054)	(2,805)

The net deferred taxes included the following as at November 30 :

	2022	2021
	\$	\$
Deferred tax assets	7,998	7,063
Deferred tax liabilities	(10,052)	(9,868)
	(2,054)	(2,805)

Changes in deferred taxes for the years ended November 30 are detailed as follows:

	2022	2021
	\$	\$
Balance at the beginning of the year, net	(2,805)	76
In net earnings	594	1,216
Business acquisitions [note 3]	(271)	(4,400)
Other	428	303
Balance at the end of the year, net	(2,054)	(2,805)

As at November 30, 2022, the Corporation had \$87,545 of taxable temporary differences related to investments in subsidiaries [\$25,080 in 2021]. Deferred tax liabilities were not recognized in respect of such taxable temporary differences as the Corporation controls the decisions affecting the realization of such liabilities and does not expect these temporary differences to reverse in the foreseeable future. However, if the earnings are distributed in the form of dividends or otherwise, the Corporation may be subject to corporate income tax or withholding tax in Canada and/or abroad.

10. COMMITMENTS AND CONTINGENCIES**Foreign exchange forward contracts**

As at November 30, 2022, the Corporation held the following foreign exchange forward contracts having maturity dates in December 2022 and January 2023.

Type	Devise	Taux de change moyen
Purchase	€5,400	1.37

Lease obligations

As at November 30, 2022	\$
Less than one year	29,747
Between 1 and 5 years	88,948
More than 5 years	44,966
	163,661

During fiscal 2022, right-of-use assets additions amounted to \$49,983 [\$32,089 in 2021]. Amortization of right-of-use assets of \$24,392 [\$17,694 in 2021] and Interest on lease obligation of \$3,832 [\$2,928 in 2021] are included in the consolidated statement of earnings for the year ended November 30, 2022.

Claims

In the normal course of business, various proceedings and claims are instituted against the Corporation. Management believes that any forthcoming settlement in respect of these claims will not have a material effect on the Corporation's financial position or consolidated net earnings.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

The accumulated other comprehensive income, including the following items and their variances, were as follows:

	2022	2021
	\$	\$
Balance, beginning of year	14,264	15,484
Exchange differences on translation of foreign operations	13,479	(1,220)
Balance, end of year	27,743	14,264

12. FINANCIAL INSTRUMENTS AND OTHER INFORMATION**Fair value**

The carrying value of long-term debt approximates its fair value because of the short maturity on balance of sale payable. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market data.

As at November 30, 2022, the fair value of the foreign exchange forward contracts amounted to an asset of \$193 [an asset of \$59 as at November 30, 2021], representing the approximate amount the Corporation would receive on settlement of these contracts at spot rates. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data.

Credit risk

The Corporation sells its products to numerous customers in Canada, and in a lesser proportion in the United States. Credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Corporation. The average days outstanding of accounts receivable, as at November 30, 2022 and 2021 are deemed acceptable given the industry in which the Corporation operates.

The Corporation performs ongoing credit evaluation of customers and generally does not require collateral. The allowance for doubtful accounts for the years ended November 30 is as follows:

	2022	2021
	\$	\$
Balance, beginning of year	6,171	6,613
Allowance for doubtful accounts	1,897	860
Write-offs	(1,084)	(1,375)
Exchange rate variations and other	465	73
Balance, end of year	7,449	6,171

The aging of the accounts receivable is as follows :

	2022	2021
	\$	\$
Current	157,785	142,779
Past due 1-30 days	45,370	41,824
Past due more than 30 days	26,532	21,153
Allowance for doubtful accounts	(7,449)	(6,171)
	222,238	199,585

The balance of accounts receivable of the Corporation that are overdue for more than 60 days, but which were not provided for, totaled \$5,722 [\$4,765 in 2021]. As at November 30, 2022 and 2021, no customer accounted for more than 10% of the total accounts receivable.

Market risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in US dollars and euros. Operating expenses include, for the year ended November 30, 2022, an exchange gain of \$7,437 [gain of \$3,244 in 2021].

The Corporation's policy is to maintain purchase prices and selling prices of its commercial activities by mitigating its exposure through the use of derivative financial instruments. To protect its operations from exposure to exchange rate fluctuations, foreign exchange contracts are used. Major exchange rate risks are covered by a centralized cash flow management. Exchange rate risks are managed in accordance with the Corporation's policy on exchange rate risk management. The goal of this policy is to protect the Corporation's profits by reducing the exposure to exchange rate fluctuations. The Corporation's policy does not allow speculative trades.

As at November 30, 2022, a decrease of 5% of the Canadian dollar against the US dollar and the euro on translation of monetary assets and liabilities, all other variables remaining the same, would have increased consolidated net earnings by \$2,487 [\$685 as at November 30, 2021] and would have increased other comprehensive income by \$9,661 [\$7,019 as at November 30, 2021]. The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments as at November 30, 2022.

Liquidity risk

The Corporation manages its risk of not being able to settle its financial liabilities when required by taking into account its operational needs and by using different financing tools, as required. In recent years, the Corporation has financed its growth, business acquisitions, share repurchases and payout to shareholders using mainly the cash generated by the operating activities and through its lines of credit when necessary.

Interest rate risk

The Corporation is exposed to interest rate risk associated with the use of its credit lines.

12. FINANCIAL INSTRUMENTS AND OTHER INFORMATION (CONT'D)

Operating expenses excluding amortization

	2022	2021
	\$	\$
Inventories from the distribution, imports and manufacturing activities recognized as an expense	1,295,533	1,030,869
Salaries and related charges	213,897	166,269
Other charges	5,915	8,880
	1,515,345	1,206,018

An expense of \$10,106 [\$6,486 in 2021] for inventory obsolescence was included in Inventories from the distribution, imports and manufacturing activities.

13. RELATED PARTY INFORMATION

Scope of consolidation

Names	Country of incorporation	Equity interest %	Voting rights %
Richelieu America Ltd.	United States	100	100
Richelieu Finances Ltée ⁽¹⁾	Canada	100	100
Cedan industries Inc.	Canada	100	100
Distributions 20/20 Inc.	Canada	100	100
Provincial Woodproducts Ltd.	Canada	85	85
Menuiserie des Pins Ltée	Canada	85	85
Interco division 10 Inc.	Canada	75	75

(1) Richelieu Finances Ltée is the owner of 100% of Richelieu Hardware Canada Ltd.

Key management personnel compensation

	2022	2021
	\$	\$
Short-term employee benefits	4,720	4,266
Other long-term benefits	742	633
Share-based compensation	678	687
	6,140	5,586

Accounts payable and accrued liabilities include a retirement allowance amounting to \$4,400 [\$3,920 as at November 30, 2021] payable to one member of the key management personnel.

14. GEOGRAPHIC INFORMATION

During the year ended November 30, 2022, nearly 60% of sales had been made in Canada [66% in 2021]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to C\$728,113 [C\$495,580 in 2021] and US\$562,468 [US\$395,605 in 2021].

As at November 30, 2022, out of the total amount in property, plant and equipment, \$19,635 [\$9,582 in 2021] is located in the United States. In addition, as at November 30, 2022, intangible assets and goodwill located in the United States amounted to C\$30,037 and C\$30,190, respectively [respectively C\$13,514 and C\$14,954 in 2021], and US\$22,236 and US\$22,350, respectively [respectively US\$10,565 and US\$11,690 in 2021]. Of the total amount of right-of-use assets, \$74,495 [November 30, 2020 - \$45,993] was located in the United States.

15. CAPITAL MANAGEMENT

The Corporation's objectives are:

- Maintain a low debt ratio to preserve its capacity to pursue its growth both internally and through acquisitions; and
- Provide an adequate shareholders return.

The Corporation manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. As at November 30, 2022, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 0.7% [1.0% as at November 30, 2021] [Long-term debt/Equity];
- Return on average shareholder's equity of 22.7% over the last 12 months [23.3% for the year ended November 30, 2021].

The Corporation's capital management objectives remained unchanged from the previous fiscal year.

16. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the year ended November 30, 2022, the Corporation paid four quarterly dividends of \$0.13 per common share [four quarterly dividends of \$0.07 per common share and a special dividend of \$0.0667 per share in 2021] for a total amount of \$29,083 [\$19,374 in 2021]. On January 19, 2023, the Board of Directors approved the payment of a quarterly dividend of \$0.15 per common share for the first quarter of 2023.

17. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended November 30, 2022 (including comparative figures) were approved for issue by the Board of Directors on January 19, 2023.

18. SUBSEQUENT EVENTS

Effective January 1, 2023, the Company acquired all issued and outstanding share capital of Unigrav Inc. and Usimm Inc., two companies offering custom products, including a 3D scanning service, for the architectural and industrial market, respectively located in Drummondville and Montreal, QC.

Effective January 4, 2023, the Corporation acquired all issued and outstanding share capital of Quincaillerie Rabel Inc., a specialty hardware distributor operating one distribution center in Terrebonne, QC and, effective January 6, 2023, the Corporation acquired all issued and outstanding share capital of Trans-World Distributing Ltd., a distributor of industrial fasteners for the industrial market operating one distribution center in Dartmouth, NS.

Taken collectively, these transactions, which have been concluded for an aggregate cash consideration of \$19.5 million, subject to certain conditions, will generate sales estimated at \$18 million annually.

19. COMPARATIVE FIGURES

Some figures disclosed for the year ended November 30, 2021, have been reclassified to conform to the presentation adopted for the year ended November 30, 2022.