Doman Building Materials Group Ltd.

Consolidated Financial Statements

December 31, 2021 and 2020
(in thousands of Canadian dollars)

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Doman Building Materials Group Ltd.

Opinion

We have audited the consolidated financial statements of Doman Building Materials Group Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of earnings and comprehensive earnings for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the acquisition date fair values of intangible assets and property, plant and equipment related to business acquisition

Description of the matter

We draw attention to Note 6 to the financial statements. On June 4, 2021, the Entity completed the acquisition of certain assets of the Hixson Lumber Sales group of companies ("Hixson") (the "Hixson Acquisition") for total cash consideration of $493,802 thousand. In connection with the Hixson Acquisition, the Entity recorded a customer list intangible asset ("customer list") of $127,929 thousand and property, plant and equipment of $85,385 thousand. The determination of the acquisition-date fair value of the customer list involves significant assumptions related to the future revenues, customer attrition rate, operating margin, and discount rate.

The determination of the acquisition-date fair value of property, plant and equipment involves significant assumptions, including estimates of replacement cost new and physical depreciation. The estimates of replacement cost new and physical depreciation required the expertise of a certified independent third-party appraiser to be engaged by the Entity.

Why the matter is a key audit matter

We identified the evaluation of the acquisition date fair values of the customer list and property, plant and equipment acquired in the Hixson Acquisition as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the customer list and property, plant and equipment. Further, there was a high degree of estimation uncertainty in determining the fair value of the customer list since the discounted cash flow model included significant forward-looking assumptions that could be affected by future economic and market conditions. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures, due to the sensitivity of the Entity's determination of the fair value of the customer list to minor changes to certain significant assumptions. Significant auditor judgment was also required in evaluating the results of our audit procedures regarding the replacement cost new estimates and physical depreciation assumptions for the acquired property, plant and equipment. Further, specialized skills and knowledge were needed to evaluate these estimates.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We evaluated the appropriateness of the future revenue, customer attrition rate and operating margin assumptions by comparing to historical results. We considered changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the assumptions.

- We evaluated the competence, capabilities and objectivity of the certified independent third-party appraiser engaged by the Entity

We involved our valuation professionals with specialized skills and knowledge who assisted in:

- Evaluating the appropriateness of the discount rate by comparing inputs into the discount rate to publicly available market data for comparable entities.
- Assessing the reasonableness of the Entity's replacement cost new estimates of the acquisition-date fair value of acquired property, plant and equipment by comparing the Entity's estimate to market data for comparable assets.
- Assessing the appropriateness of physical depreciation assumptions by comparing the Entity's estimated depreciated cost to a depreciated cost range that was independently developed using market data for comparable assets.
- Evaluating the appropriateness of the valuation model used by the Entity to calculate the fair value of customer list based on the knowledge of the valuation professional.

Evaluation of the goodwill impairment analysis

Description of the matter

We draw attention to Notes 3 and 13 of the financial statements. The goodwill balance is $382,370 thousand. Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise. An impairment loss is recognized in earnings if the carrying amount exceeds its estimate recoverable amount. The recoverable amount of each of the cash generating units has been determined using value in use. To determine value in use, the Company utilized five-year cash flow forecasts using the annual budget approved by the Board of Directors as a basis for such forecasts. Significant assumptions used in the cash flow forecasts include gross margin percentages, terminal value growth rates and after-tax discount rates.

Why the matter is a Key Audit Matter

We identified the evaluation of the goodwill impairment analysis to be a key audit matter. The matter represented an area of focus given the magnitude of goodwill and the sensitivity of the recoverable amount to changes in certain significant assumptions. Significant auditor judgment was required in evaluating the results of our audit procedures. Further, valuation professionals with specialized skills and knowledge were needed to evaluate the discount rates.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We compared the Entity's estimated gross margin percentages and terminal value growth rates to historical gross margin percentages and terminal value growth rates to assess the reasonableness of these assumptions.

- We involved our valuations professionals with specialized skills and knowledge, who assisted in evaluating the discount rate assumptions used in the estimated recoverable amounts, by comparing them against a range of discount rates that were independently developed using publicly available market data for comparable entities.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "Annual Report".

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and the Annual Report filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Andrew James.

Vancouver, Canada
March 3, 2022

Consolidated Statements of Financial Position as at December 31

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

(in thousands of Canadian dollars)	Notes	2021 $	2020 $
Assets			
Current assets			
Cash		**2,333**	1,972
Trade and other receivables	7	**213,132**	131,501
Income taxes receivable	20	**2,036**	1,048
Inventories	8	**405,667**	246,848
Prepaid expenses and deposits		**13,181**	11,474
		636,349	392,843
Non-current assets			
Property, plant and equipment	9	**151,808**	73,686
Right-of-use assets	10	**151,954**	127,835
Timber	11	**47,697**	47,680
Deferred income tax assets	20	**3,390**	2,856
Intangible assets	12	**162,538**	39,256
Goodwill	13	**382,370**	180,808
Other assets		**2,057**	2,260
		901,814	474,381
Total assets		**1,538,163**	867,224
Liabilities			
Current liabilities			
Cheques issued in excess of funds on deposit		**3,034**	6,904
Trade and other payables		**156,696**	114,795
Performance bond obligations	14	**11,233**	10,655
Dividends payable	17	**12,137**	9,352
Income taxes payable	20	**10,823**	13,342
Current portion of loans and borrowings	15	**3,681**	7,023
Current portion of lease liabilities	10	**20,041**	18,452
		217,645	180,523
Non-current liabilities			
Loans and borrowings	15	**665,332**	209,599
Lease liabilities	10	**138,582**	113,877
Reforestation and environmental		**3,389**	1,750
Deferred income tax liabilities	20	**11,723**	14,525
Retirement benefit obligations	16	**3,783**	6,367
		822,809	346,118
Total liabilities		**1,040,454**	526,641
Equity			
Common shares	17	**583,086**	499,597
Contributed surplus		**11,317**	11,150
Foreign currency translation		**10,747**	266
Deficit		**(107,441)**	(170,430)
		497,709	340,583
Total liabilities and equity		**1,538,163**	867,224
Commitments and contingencies	10,29		

Approved by the Board of Directors

(signed) “Amar S. Doman” Director

(signed) “Sam Fleiser” Director

Consolidated Statements of Earnings and Comprehensive Earnings for the years ended December 31

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

(in thousands of Canadian dollars, except per share amounts)	**Notes**	**2021 $**	**2020 $**
Revenue	25,26	**2,543,674**	1,613,804
Cost of sales	18	**2,152,675**	1,357,635
Gross margin from operations		**390,999**	256,169
Expenses			
Distribution, selling and administration	19	**164,065**	113,156
Depreciation and amortization	9,10,12	**55,063**	44,649
		219,128	157,805
Operating earnings		**171,871**	98,364
Finance costs	21	**27,138**	15,706
Acquisition costs		**4,893**	620
Other loss		**1,376**	-
Earnings before income taxes		**138,464**	82,038
Provision for income taxes	20	**31,955**	22,451
Net earnings		**106,509**	59,587
Other comprehensive income (losses)			
Exchange differences on translation of foreign operations(1)		**10,481**	(5,674)
Actuarial gain (loss) from pension and other benefit plans(2)	16,20	**1,921**	(1,912)
Comprehensive earnings		**118,911**	52,001
Net earnings per share			
Basic and Diluted		**1.27**	0.77
Weighted average number of shares			
Basic		**83,554,517**	77,878,231
Diluted		**83,611,759**	77,930,715

1. Item may be reclassified to earnings in subsequent periods.
2. Item will not be reclassified to earnings.

Consolidated Statements of Changes in Equity for the years ended December 31

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

(in thousands of Canadian dollars except share amounts)	Common shares #	Common shares $	Contributed surplus $	Foreign currency translation $	Deficit $	Total $
As at January 1, 2020	77,765,329	498,891	11,066	5,940	(187,579)	328,318
Shares issued pursuant to:						
Restricted Equity Common Share Plan	11,589	35	(35)	-	-	-
Employee Common Share Purchase Plan	158,801	671	-	-	-	671
Share-based compensation charged to operations		-	92	-	-	92
Accrued dividends on unvested restricted shares		-	27	-	(27)	-
Dividends		-	-	-	(40,499)	(40,499)
Comprehensive (loss) earnings for the year		-	-	(5,674)	57,675	52,001
As at December 31, 2020	**77,935,719**	**499,597**	**11,150**	**266**	**(170,430)**	**340,583**
Shares issued pursuant to:						
Public offering of common shares	8,625,000	86,250	-	-	-	86,250
Restricted Equity Common Share Plan	11,496	90	(90)	-	-	-
Employee Common Share Purchase Plan	121,943	829	-	-	-	829
Transaction costs on issue of shares, net of deferred income tax	-	(3,680)	-	-	-	(3,680)
Share-based compensation charged to operations	-	-	229	-	-	229
Accrued dividends on unvested restricted shares	-	-	28	-	(28)	-
Dividends	-	-	-	-	(45,413)	(45,413)
Comprehensive earnings for the year	-	-	-	10,481	108,430	118,911
As at December 31, 2021	**86,694,158**	**583,086**	**11,317**	**10,747**	**(107,441)**	**497,709**

Consolidated Statements of Cash Flows for the years ended December 31

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

(in thousands of Canadian dollars)	Notes	2021 $	2020 $
Operating activities			
Net earnings		**106,509**	59,587
Items not affecting cash			
Provision for income taxes	20	**31,955**	22,451
Depreciation and amortization	9,10,12	**55,063**	44,649
Other		**(104)**	664
Income taxes paid		**(38,100)**	(4,181)
Interest paid on loans and borrowings		**(18,647)**	(9,104)
Finance costs	21	**27,138**	15,706
Cash flows from operating activities before changes in non-cash working capital		**163,814**	129,772
Changes in non-cash working capital	24	**(114,521)**	34,400
Net cash flows provided by operating activities		**49,293**	164,172
Financing activities			
Shares issued	17	**87,079**	671
Transaction costs on issue of shares	17	**(5,048)**	-
Dividends paid	17	**(42,628)**	(42,034)
Payment of lease liabilities, including interest	10	**(23,601)**	(24,660)
Issuance of unsecured notes	15	**325,000**	-
Net advances (repayments) on loans and borrowings, excluding unsecured notes		**122,156**	(91,386)
Financing costs on borrowings		**(8,479)**	(301)
Net cash flows provided by (used in) financing activities		**454,479**	(157,710)
Investing activities			
Business acquisitions	6	**(498,326)**	(2,983)
Purchase of property, plant and equipment	9	**(6,865)**	(2,806)
Proceeds from disposition of property, plant and equipment		**1,901**	2,124
Other		**-**	717
Net cash flows used in investing activities		**(503,290)**	(2,948)
Net increase in cash and cash equivalents		**482**	3,514
Foreign exchange difference		**3,749**	(446)
Cash and cash equivalents - beginning of year		**(4,932)**	(8,000)
Cash and cash equivalents - end of year		**(701)**	(4,932)

1. NATURE OF OPERATIONS

Doman Building Materials Group Ltd. (the “Company”) (formerly, “CanWel Building Materials Group Ltd.”) was incorporated in 2009 under the Business Corporations Act (British Columbia). On May 11, 2010, the Company was continued under the laws of Canada pursuant to section 187 of the Canada Business Corporations Act. The Company has limited liability, with its shares publicly listed on the Toronto Stock Exchange (“TSX”). The Company’s head office is located at Suite 1600 – 1100 Melville Street, Vancouver, British Columbia. The Company’s operations commenced in 1989.

The Company operates through its wholly owned subsidiaries, distributing, producing and treating lumber as well as related building materials, and providing other value-add services across Canada and in the United States (“US”).

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and were authorized for issuance on March 3, 2022 by the Board of Directors of the Company.

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

c) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for the following items in the Consolidated Statements of Financial Position:

(i) Standing timber on privately held forest land is characterized as a biological asset and is measured at fair value less costs to sell;

(ii) Derivative financial instruments are measured at fair value; and

(iii) Employee benefit plan assets and liabilities are recognized as the net of the fair value of the plan assets and the present value of the defined benefit obligations on a plan by plan basis.

d) Principles of consolidation

The consolidated financial statements of the Company include the financial statements of the Company and its subsidiaries. Subsidiaries are those entities, which the Company controls by having the power to govern the financial and operational policies of the entity. All intercompany transactions and balances have been eliminated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method, whereby assets obtained, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired business are measured at fair value at the date of acquisition. The acquired business's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under IFRS 3, *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets which are classified as held-for-sale in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, and are recognized and measured at fair value, less costs to sell.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the difference is recognized in income immediately as a gain on bargain purchase. Goodwill is subsequently measured at cost less accumulated impairment losses.

The Company has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Acquisition costs associated with business combination activities are expensed in the period incurred.

b) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot rate prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. Foreign exchange gains are recognized in net earnings.

For each foreign operation, the Company determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. The Company's foreign operations are primarily in the US, and have the US dollar as the functional currency.

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars using the rate of exchange in effect at the reporting date, and their statements of earnings and comprehensive earnings are translated using exchange rates in effect at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income ("OCI"). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in net earnings.

c) Hedge of net investment in foreign operations

As a result of the Company's recent acquisition activities, the Company has applied the following accounting policy effective for the year ended December 31, 2021:

Financial liabilities denominated in foreign currencies are from time to time designated as a hedge of the Company's net investments in foreign operations.

Foreign currency differences arising on the revaluation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in OCI to the extent that the hedge is effective, and presented in the Foreign currency translation in Equity. To the extent that the hedge is ineffective, such differences are recognized in net earnings.

When the Company terminates the designation of the hedging relationship and discontinues its use of hedge accounting, any accumulated unrealized foreign exchange differences remaining in the Foreign currency translation and subsequent unrealized foreign exchange differences are recorded in net earnings. When the hedged net investment is disposed of, the relevant amount in the Foreign currency translation is reclassified to net earnings.

d) Property, plant and equipment

Property, plant and equipment ("PPE") are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	3%
Leasehold improvements	based on lease term
Machinery and equipment	10% to 33%
Automotive equipment	30%
Computer equipment and systems development	20% to 33%

Depreciation begins when an asset is placed in use. Land is not depreciated.

An item of PPE is derecognized upon disposal when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in earnings.

The Company conducts an annual assessment of the residual balances, useful lives, depreciation methods being used for PPE and impairment losses (as applicable), and any changes arising from the assessment are applied by the Company prospectively.

e) Timber

Standing timber on privately held forest land that is managed for timber production is characterized as a biological asset. At each reporting date, the biological asset is valued at its fair value less costs to sell with any change therein, including the impact of growth and harvest, recognized in cost of sales for the period. Costs to sell include all estimated costs that would be necessary to sell the assets. The valuation model is performed with reference to independent third party valuators and recent comparatives of standing timber sales, costs of sustainable forest management, timber pricing, harvest volume and timing assumptions, and the resulting net present value of future cash flows for standing timber. Harvested timber is transferred to inventory at its fair value less costs to sell at the date the timber is harvested.

Land under the standing timber is measured at cost and included in PPE.

f) Leases

(i) Lessees

At inception of a contract, an assessment is made as to whether a contract is, or contains a lease. A contract is, or contains a lease if the contract offers the right to control the use of a specific asset, for a period of time, in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the following criteria are considered:

- The contract involves the use of an identified asset that is physically distinct or represents substantially all of the capacity of a physically distinct asset. No asset is identified if the supplier of the asset has substantive substitution rights;
- Whether the Company has the right to obtain substantially all of the economic benefits from the asset throughout the agreement term; and
- Whether the Company has the right to direct the use of the asset and change how and for what purpose the asset is used.

A right-of-use asset and a corresponding lease liability are recognized at the date a leased asset is available for use by the Company. Assets and liabilities arising from the lease determination are initially measured on a present value basis of the following payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the lessee under any residual value guarantees;
- The exercise of a purchase option if the lessee is reasonably certain to exercise that option;
- Restoration costs; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate is used to calculate present value. The Company’s borrowing rate is the rate that the Company (the lessee) would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the starting point in determining the discount rate, and makes adjustments based on the lease term, if required.

The lease term determined by the Company is comprised of the non-cancellable period of the lease contract, as well as options to terminate or extend the lease term if the exercise of either option is reasonably certain.

Right-of-use assets are subsequently measured at cost less depreciation on a straight-line basis and reduced to reflect impairment losses (if any) and adjusted for any remeasurement of the lease liability. After the lease commencement date, lease liabilities are measured at amortized cost using the effective interest method, which increases the liability amount to reflect interest on the lease liability, reduces the liability carrying amount to reflect lease payments made and also reflects any remeasurement or lease modifications. If a remeasurement to the lease liability is deemed necessary, a corresponding adjustment is also made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss over the respective lease terms. Short-term leases are leases with a lease term of 12 months or less. Low value assets are comprised of items such as computers, cellular phones and miscellaneous office support related items.

Some distribution and treatment plant facilities leases contain extension options exercisable by the Company. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

(ii) Lessors

At lease inception, the Company determines whether each lease is a finance lease or an operating lease. To classify each lease, an assessment is made as to whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset, including an assessment of whether the lease term covers the majority of the asset's useful life. If it is determined that substantially all of the risks and rewards of ownership have been transferred, the lease is accounted for as a finance lease; otherwise it is accounted for as an operating lease.

Such leases do not represent a significant source of revenue for the Company.

g) Intangible assets

All intangible assets acquired by the Company through business acquisitions are recorded at fair value on the date of acquisition. Intangible assets that have indefinite lives are measured at cost less accumulated impairment losses. Intangible assets that have finite useful lives are subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets comprise of brand recognition and customer relationships, which are amortized on a straight-line basis over 10 years. Amortization rates are reviewed annually to ensure they are aligned with estimates of remaining economic useful lives of the associated intangible assets.

h) Pension and other post-employment benefits

For defined benefit pension plans and other post-retirement benefits, the net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected unit credit method. The determination of benefit expense requires assumptions such as the discount rate to measure obligations, the projected age of employees upon retirement, the expected rate of future compensation, and the expected health care cost trend rate. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Actual results will differ from results that are estimated based on assumptions. All past service costs arising from plan amendments are recognized immediately in earnings when the plan amendment occurs or when related restructuring costs are recognized, if earlier.

The asset or liability recognized in the statement of financial position is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for asset ceiling impairment or additional liabilities due to onerous minimum funding requirement under International Financial Reporting Interpretations Committee (“IFRIC”) 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, International Accounting Standard (“IAS”) 19, *The Limit on a Defined Benefit Asset*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the value of the defined benefit obligation. The remeasurement of fair value of plan assets compared to expected values, together with remeasurement on plan obligations from assumption changes or experience adjustments are recognized immediately in OCI. For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan.

Payments to defined contribution plans are expensed as incurred.

i) Share-based compensation

Certain employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted. The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the shares (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company’s best estimate, at such time, of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for the period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in net earnings as share-based compensation and the corresponding amount is recognized in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

j) Financing costs

The Company's borrowings are recorded net of financing costs, which are deferred at inception and subsequently amortized over the term of the debt. Interest expense is calculated using the effective interest rate method.

k) Inventories

Inventories are stated at the lower of cost and net realizable value ("NRV"). Cost is determined using the weighted average cost method, net of vendor rebates, and includes materials, freight and, where applicable, treatment and processing costs, chemicals, direct labour and overhead. NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

The cost of timber transferred from standing timber to inventory is its fair value less costs to sell at the date of harvest.

l) Performance bonds

Certain subsidiaries of the Company issue bonds to guarantee performance and payment by certain contractors to whom the Company may supply materials. The bonds require cash to be periodically remitted to the Company from project owners or their lenders, upon satisfaction that the bonded contractor has met certain conditions of the related construction contract. The funds are disbursed to the project's contractor subject to the Company's satisfaction as to the progression and completion of the contracted work. Proceeds received by the Company in excess of funds disbursed are recorded in liabilities until such time as the related project is completed.

m) Income tax

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in net earnings for the year. Deferred tax relating to items recognized outside of net earnings is recognized in correlation to the underlying transaction, either in OCI or directly in equity.

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

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences from the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

At each reporting period, temporary differences are evaluated. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. The recognized deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Earnings per share

Basic earnings per share are computed by dividing the net earnings for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding share options and restricted equity common shares, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options that are used to purchase common shares at the average market price during the year.

o) Financial instruments

(i) Non-derivative financial instruments

The Company's non-derivative financial instruments are comprised of trade and other receivables, cheques issued in excess of funds on deposit, trade and other payables, performance bonds, dividends payable, senior unsecured notes, revolving loan facility, non-revolving term loan, promissory notes and finance lease liabilities.

Financial instruments are initially recognized at fair value plus, for instruments not measured at fair value on an ongoing basis, any directly attributable transaction costs. Subsequent to the initial recognition, financial instruments are measured at fair value or amortized cost.

The Company has classified or designated its financial instruments as follows:

- Trade and other receivables are subsequently measured at amortized cost.
- Cheques issued in excess of funds on deposit, trade and other payables, performance bonds, dividends payable, senior unsecured notes, revolving loan facility, non-revolving term loan, promissory notes and finance lease liabilities are subsequently measured at amortized cost.

(ii) Derivative financial instruments

The Company at times uses derivative financial instruments for economic hedging purposes in managing lumber price risk and foreign exchange risk through the use of futures contracts and options. These derivative financial instruments are designated as fair value through profit and loss with changes in fair value being recorded in net earnings.

p) Fair value measurement

The Company measures derivative financial instruments at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

q) Equity

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

Contributed surplus includes the compensation cost relating to the Company's share-based payment transactions. It also includes the difference between the cost of repurchased shares and the average book value.

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

r) Revenue recognition

The Company recognizes revenue from the sale of building products from its network of distribution centres across Canada and the US. The Company owns wood treatment and processing facilities that produce specialty products for sale through its distribution network that also generate revenue through the provision of these services to external customers. Provisions of services from the Company's facilities to external customers are presented as services in the sales category.

Revenue from the sale of products and services is recognized, net of discounts and customer rebates, at the point in time the transfer of control of the related products has taken place (based on shipping or delivery terms as specified in the sales contract), and collectability is reasonably assured. Transfer of control typically occurs when goods are collected from the Company's facilities by the carrier.

s) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

A provision for an onerous contract is recognized when the economic benefits 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 Company recognizes any impairment loss that has occurred on the assets dedicated to that contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as finance costs.

Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates at that date.

t) Impairment

(i) Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company recognizes in earnings, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice.

(ii) Non-financial assets

The carrying amounts of the Company's PPE and intangible assets that have a finite life are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise. The Company's annual impairment testing date for goodwill is December 31.

If any such indication exists or when annual impairment testing for an asset is required, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit (the lowest level of identifiable cash inflows) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset group or cash-generating unit. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings for the year.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

u) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the Chief Executive Officer.

The Company operates as a wholesale distributor of building materials and home renovation products, including value-added services such as lumber pressure treating.

Based on products offered, production processes involved, and how financial information is produced internally for the purposes of making operating decisions, the Company operates as one reportable segment, with the remaining smaller operations categorized as Other.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Significant areas requiring estimates are goodwill and related impairment testing, valuation of timber, certain actuarial and economic assumptions used in the determination for the cost and accrued benefit obligations of employee future benefits, inventory valuation and obsolescence, deferred tax assets and liabilities valuation, classification of lease agreements and judgments regarding the determination of reportable segments.

a) Business combinations and goodwill

Management uses judgment in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination, which requires making assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the acquired intangible assets and property, plant and equipment generally require the most judgment. Changes in any of these assumptions or estimates used in determining the fair values of these acquired assets could impact the amounts recorded at the date of the business combination.

Any goodwill resulting from a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill at December 31, 2021 relates to the Company’s acquisitions of various businesses. Goodwill is not amortized but is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the recoverable amount of a cash-generating unit to the underlying carrying value of that cash-generating unit’s net assets, including goodwill. Significant estimates are required in determining the recoverable amount of each cash-generating unit, including a discount rate, a growth rate and revenue projections. When the carrying amount of the cash-generating unit exceeds its fair value, the recoverable amount of goodwill related to the cash-generating unit is compared to its carrying value and excess of carrying value is recognized as an impairment loss (Note 13).

b) Timber

At each reporting date, timber is valued at fair value less costs to sell with any change therein, including the impact of growth and harvest, recognized in net earnings for the year. Significant judgment is used in determining the fair value with reference to independent third party valuators and recent comparatives of standing timber sales, costs of sustainable forest management, timber pricing, harvest volume and timing assumptions, the discount rate used, and the resulting net present value of future cash flows for standing timber.

c) Employee future benefits

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future (Note 16).

(i) Discount rate

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity profiles that are similar to the underlying cash flows of the defined benefit obligation.

(ii) Other assumptions

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates.

d) Inventory valuation

Under IFRS, inventories must be recognized at the lower of cost or their NRV, which is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. IFRS requires that the estimated NRV be based on the most reliable evidence available at the time the estimates are made of the amounts that inventories are expected to realize. The measurement of an inventory write-down to NRV is based on the Company's best estimate of the NRV and expected future sale or consumption of inventories. Due to the economic environment and continued volatility in the home-building market, there is uncertainty as to whether the NRV of the inventories will remain consistent with those used in our assessment of NRV at period end. As a result, there is the risk that a write-down of on-hand and unconsumed inventories could occur in future periods. Also, a certain portion of inventory may become damaged or obsolete. A slow moving reserve is recorded, as required, based on an analysis of the length of time product has been in inventory and historical rates of damage and obsolescence (Note 18).

Inventory includes harvested timber, the cost of which is based on its fair value less costs to sell, and forms a component of the carrying value of timber inventory. Harvested timber is subsequently processed into logs and carried at the lower of cost or NRV. Significant judgment is used in determining the fair value of timber with reference to independent third party valuators and recent comparatives of standing timber sales.

e) Income taxes

At each statement of financial position date, a deferred income tax asset may be recognized for all deductible temporary differences, unused tax losses and income tax reductions, to the extent that their realization is probable. The determination of this requires significant judgment. This evaluation includes review of the ability to carryback operating losses to offset taxes paid in prior years; the carryforward periods of the losses; and an assessment of the excess of fair value over the tax basis of the Company's net assets. If based on this review it is not probable such assets will be realized, then no deferred income tax asset is recognized (Note 20).

f) Leases

When assessing the lease agreement, certain estimates and assumptions need to be made and applied, which include, but are not limited to, the determination of the expected lease term and minimum lease payments, the assessment of the likelihood of exercising options and estimation of the fair value of the lease property (Note 10).

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The following is an overview of accounting standard changes the Company will be required to adopt in future years.

IAS 37, *Provisions, contingent liabilities and contingent assets*

Amendments to IAS 37 specify which costs should be included in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparative figures are not restated. The Company does not expect the impact of these amendments on its consolidated financial statements to be material.

IAS 1, *Presentation of financial statements*

On January 23, 2020, the International Accounting Standards Board ("IASB") issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*, providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after January 1, 2022, however, their effective date has been delayed to January 1, 2023. The Company will continue to evaluate the impact of these amendments on its consolidated financial statements.

IAS 8, *Accounting policies, changes in accounting estimates and errors*

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amends IAS 8. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. The Company will continue to evaluate the impact of these amendments on its consolidated financial statements.

6. BUSINESS ACQUISITIONS

Hixson Acquisition

On June 4, 2021, the Company completed the acquisition of certain assets of the Hixson Lumber Sales group of companies (“Hixson”) (the “Hixson Acquisition”), a leading wholesaler and manufacturer of lumber and treated lumber, operating in the Central United States.

Total purchase consideration comprised of US$408,000, on a cash-free and debt-free basis. The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired was based on the exchange rate as at the date of the Hixson Acquisition.

The Company engaged a valuations expert to assist with the determination of estimated fair value for acquired property, plant and equipment. The valuation model used consisted of a market comparison technique and cost technique which considers market prices for similar assets when they are available, and depreciated replacement cost when they are not. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The key assumptions used in the estimation of depreciated replacement cost are the asset’s estimated replacement cost at the time of acquisition and estimated remaining useful life.

The Company applied the multi-period excess earnings method in determining the fair value of the customer list intangible asset recognized on acquisition. The multi-period excess earnings method considers the present value of incremental after-tax cash flows expected to be generated by the customer relationships after deducting contributory asset charges. The key assumptions used in applying this valuation technique include: the forecasted revenues relating to Hixson’s existing customers at the time of acquisition; the forecasted attrition rates relating to these customers; forecasted operating margins; and the discount rate.

Details of the fair value of the consideration transferred and the fair value of the identifiable assets at the date of the above noted acquisition were as follows (in thousands of Canadian dollars):

	Notes	**June 4, 2021** *(as previously reported)* $	**Revisions**[1] $	**June 4, 2021** *(as revised)* $
Fair value of purchase consideration				
Cash consideration		493,802	-	493,802
Fair value of assets acquired				
Inventory		85,083	-	85,083
Property, plant and equipment	9	96,512	(11,127)	85,385
Intangible assets (customer lists)	12	132,149	(4,221)	127,928
Intangible assets (brand)	12	3,683	-	3,683
Right-of-use assets	10	249	34	283
Total identifiable net assets at fair value		317,676	(15,314)	302,362
Goodwill arising on acquisition		176,126	15,314	191,440
Assets acquired		493,802	-	493,802

1. The provisional purchase price allocation is preliminary and subject to change up to a period of one year from June 4, 2021, upon finalization of fair value determinations. Fair value determinations were updated during the fourth quarter of 2021, based on additional information available at that time. The Company will continue to monitor and evaluate the condition of the acquired assets and does not anticipate a material revision prior to its scheduled finalization during the second quarter of 2022.

Goodwill recognized is primarily attributed to expected synergies arising from the Hixson Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.

From the date of the Hixson Acquisition, for the period commencing June 4, 2021, the acquired business contributed $540,079 of revenue and $8,245 of net earnings to the Company's consolidated results. If the Hixson Acquisition had taken place at the beginning of the year, unaudited consolidated revenue for the year ended December 31, 2021 would have been approximately $3,185,000 and net earnings of the Company would have been approximately $145,000.

Directly attributable acquisition-related costs of $4,548 have been expensed in the Consolidated Statement of Earnings for the year ended December 31, 2021.

L.A. Lumber Acquisition

On June 22, 2021, the Company completed the acquisition of certain assets of Fontana Wood Preserving, Inc. and Fontana Wholesale Lumber, Inc. (through the Company's wholly owned subsidiary, and now doing business as, L.A. Lumber Treating, Ltd. “L.A. Lumber”) (the “L.A. Lumber Acquisition”).

(in thousands of Canadian dollars)

The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired and liabilities assumed was based on the exchange rate as at the date of the acquisition.

The purchase price was allocated to inventory, property, plant and equipment, right-of-use assets and lease liabilities, and goodwill, which was primarily attributable to the expected synergies arising from the L.A. Lumber Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.

The purchase price and the impact on net earnings and revenue related to the L.A. Lumber Acquisition was not material to the Company.

Island Truss Acquisition

On November 9, 2020, the Company completed the acquisition of a truss design and manufacturing plant, including the related equipment and business, formerly owned by Vickers Island Truss, Ltd. ("Island Truss") (the "Island Truss Acquisition") in Kauai, Hawaii.

The majority of the purchase price was allocated to goodwill, which was primarily attributable to the expected synergies arising from the acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for income tax purposes.

The purchase price and the impact on net earnings and revenue related to the Island Truss Acquisition was not material to the Company.

7. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise primarily from sales of building materials to customers. These are summarized as follows:

	2021 **$**	**2020** **$**
Trade receivables	**202,825**	123,278
Allowance for doubtful accounts	**(991)**	(562)
Net trade receivables	**201,834**	122,716
Other receivables	**11,298**	8,785
Total trade and other receivables	**213,132**	131,501

(in thousands of Canadian dollars)

The aging analysis of trade and other receivables was as follows:

	2021 $	2020 $
Neither past due nor impaired	**202,593**	121,449
Past due but not impaired:		
Less than 1 month	**5,134**	5,194
1 to 3 months	**4,940**	4,408
3 to 6 months	**465**	450
Total trade and other receivables	**213,132**	131,501

Activity in the Company's provision for doubtful accounts was as follows:

	2021 $	2020 $
Balance at January 1	**562**	856
Accruals during the year	**572**	44
Accounts written off	**(146)**	(343)
Foreign exchange difference	**3**	5
Balance at December 31	**991**	562

Further information on the valuation of trade and other receivables is disclosed in Note 29.

8. INVENTORIES

	2021 $	2020 $
Inventories held for resale	**335,131**	182,723
Inventories held for processing	**70,536**	64,125
	405,667	246,848

The expenses related to the sale of inventories were recorded in cost of sales, as described in Note 18. Further information on the valuation of inventories is disclosed in Note 29.

(in thousands of Canadian dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Land $	Buildings, leasehold improvements and roads $	Machinery, automotive and other equipment $	Computer equipment and systems development $	Total $
Cost					
Cost at January 1, 2020	31,762	22,807	90,911	5,613	151,093
Additions	109	1,224	1,308	165	2,806
Additions arising on acquisition (Note 6)	-	-	194	-	194
Disposals	(633)	-	(8,798)	(85)	(9,516)
Foreign exchange difference	-	(68)	(543)	(12)	(623)
Cost at December 31, 2020	31,238	23,963	83,072	5,681	143,954
Additions	-	1,970	4,018	877	6,865
Additions arising on acquisitions (Note 6)	4,935	11,342	70,838	-	87,115
Disposals	(103)	(625)	(9,291)	(491)	(10,510)
Foreign exchange difference	235	539	3,239	-	4,013
Cost at December 31, 2021	**36,305**	**37,189**	**151,876**	**6,067**	**231,437**
Accumulated depreciation					
Accumulated depreciation at January 1, 2020	-	5,744	50,379	4,498	60,621
Depreciation	-	2,084	12,967	648	15,699
Disposals	-	-	(5,588)	(78)	(5,666)
Foreign exchange difference	-	(34)	(346)	(6)	(386)
Accumulated depreciation at December 31, 2020	-	7,794	57,412	5,062	70,268
Depreciation	-	3,450	15,184	283	18,917
Disposals	-	(618)	(8,543)	(489)	(9,650)
Foreign exchange difference	-	4	89	1	94
Accumulated depreciation at December 31, 2021	**-**	**10,630**	**64,142**	**4,857**	**79,629**
Net book value at December 31, 2020	31,238	16,169	25,660	619	73,686
Net book value at December 31, 2021	**36,305**	**26,559**	**87,734**	**1,210**	**151,808**

(in thousands of Canadian dollars)

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company enters into various leases for the operation of its business, including distribution facilities, treatment plant facilities, computer equipment, light vehicles, forklifts and other equipment as required to operate efficiently.

During the year ended December 31, 2021, the Company revised certain assumptions regarding determination of the expected lease term, minimum lease payments and assessment of the likelihood of exercising extension options with respect to several of the Company's facility leases. These revised assumptions were treated as a lease modification and resulted in a remeasurement, which increased the existing right-of-use assets and lease liabilities by $21,804.

Right-of-use assets

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer equipment $	Total $
As at January 1, 2020	106,536	14,537	425	121,498
Additions	4,232	4,277	-	8,509
Additions arising on acquisition (Note 6)	824	-	-	824
Modifications and remeasurements	20,289	-	-	20,289
Amortization	(17,070)	(4,765)	(166)	(22,001)
Disposals	-	(3)	-	(3)
Foreign exchange movements	(1,151)	(130)	-	(1,281)
Balance at December 31, 2020	113,660	13,916	259	127,835
Additions	6,093	2,643	31	8,767
Additions arising on acquisitions (Note 6)	15,202	-	-	15,202
Modifications and remeasurements	21,715	89	-	21,804
Amortization	(16,889)	(4,806)	(145)	(21,840)
Disposals	-	(68)	-	(68)
Foreign exchange movements	299	(46)	1	254
Balance at December 31, 2021	**140,080**	**11,728**	**146**	**151,954**

1. Includes agreements related to distribution, wood treatment and office facility leases.
2. Includes forklifts, light vehicles and other heavy equipment leases.

(in thousands of Canadian dollars)

Lease liabilities

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer equipment $	Total $
As at January 1, 2020	108,813	14,771	425	124,009
Additions	4,232	4,277	-	8,509
Additions arising on acquisition (Note 6)	824	-	-	824
Modifications and remeasurements	20,289	-	-	20,289
Disposals	(46)	(44)	-	(90)
Finance costs	4,104	541	15	4,660
Lease payments	(19,375)	(5,109)	(176)	(24,660)
Foreign exchange movements	(1,054)	(158)	-	(1,212)
Balance at December 31, 2020	117,787	14,278	264	132,329
Additions	6,093	2,643	31	8,767
Additions arising on acquisitions (Note 6)	14,919	-	-	14,919
Modifications and remeasurements	21,715	89	-	21,804
Disposals	-	(128)	-	(128)
Finance costs	3,870	440	8	4,318
Lease payments	(18,311)	(5,134)	(156)	(23,601)
Foreign exchange movements	202	14	(1)	215
Balance at December 31, 2021	146,275	12,202	146	158,623
Less: current portion	(15,357)	(4,590)	(94)	(20,041)
	130,918	**7,612**	**52**	**138,582**

1. Includes agreements related to distribution, wood treatment and office facility leases.
2. Includes forklifts, light vehicles and other heavy equipment leases.

Right-of-use assets and corresponding lease liabilities entered into during the year have been recorded using the Company's incremental borrowing rate, ranging between 1.5% and 5.0%.

(in thousands of Canadian dollars)

Lease commitments

Future undiscounted payments due under the terms of all agreements, including these leases, were as follows (including certain leases with related parties, as disclosed in Note 22):

Years ending December 31	$
2022	26,338
2023	25,030
2024	21,462
2025	16,380
2026	12,090
Thereafter	74,178
	175,478

11. TIMBER

	2021 $	2020 $
Balance at January 1	**47,680**	48,800
Reforestation provision on harvested land	**584**	368
Harvested timber transferred to inventory in the year	**(2,353)**	(1,720)
Change in fair value	**1,786**	232
Balance at December 31	**47,697**	47,680

The Company's private timberlands comprise an area of approximately 45,983 hectares ("ha") of land as at December 31, 2021 (2020 - 45,983 ha), with standing timber consisting of mixed-species softwood forests.

For the years ended December 31, 2021 and 2020, the fair value measurement for the Company's standing timber, as disclosed above, had been categorized as Level 3 fair value (as defined in Note 23).

The Company's valuation model consists of a discounted cash flow analysis, which considers the present value of the net cash flows expected to be generated by the private timberlands over a period of 20 years. The expected net cash flows were discounted using a risk-adjusted discount rate of 9.5% (2020 - 9.5%).

(in thousands of Canadian dollars)

12. INTANGIBLE ASSETS

	Canadian Operations $	US Operations $	Value-added services $	Total $
Cost				
Cost at January 1, 2020	10,000	54,168	10,039	74,207
Disposal	-	-	(50)	(50)
Foreign exchange difference	-	(1,068)	-	(1,068)
Cost at December 31, 2020	10,000	53,100	9,989	73,089
Disposal	(10,000)	-	-	(10,000)
Additions arising on acquisitions (Note 6)	-	131,611	-	131,611
Foreign exchange difference	-	6,029	-	6,029
Cost at December 31, 2021	**-**	**190,740**	**9,989**	**200,729**
Accumulated amortization				
Accumulated amortization at January 1, 2020	9,917	16,427	1,154	27,498
Amortization	83	5,705	1,161	6,949
Foreign exchange difference	-	(614)	-	(614)
Accumulated amortization at December 31, 2020	10,000	21,518	2,315	33,833
Disposal	(10,000)	-	-	(10,000)
Amortization	-	13,182	1,124	14,306
Foreign exchange difference	-	52	-	52
Accumulated amortization at December 31, 2021	**-**	**34,752**	**3,439**	**38,191**
Net intangible assets at December 31, 2020	-	31,582	7,674	39,256
Net intangible assets at December 31, 2021	**-**	**155,988**	**6,550**	**162,538**

13. GOODWILL

	Canadian operations $	US operations $	Value-added services $	Total $
Balance at January 1, 2020	62,624	80,450	35,347	178,421
Additions arising on acquisition (Note 6)	-	4,047	-	4,047
Foreign exchange difference	-	(1,660)	-	(1,660)
Balance at December 31, 2020	62,624	82,837	35,347	180,808
Additions arising on acquisitions (Note 6)	-	193,232	-	193,232
Foreign exchange difference	-	8,330	-	8,330
Balance at December 31, 2021	**62,624**	**284,399**	**35,347**	**382,370**

(in thousands of Canadian dollars)

The Company performed its annual test for goodwill impairment as at December 31, 2021. The recoverable amount of each of the cash-generating units has been determined using a value-in-use model. The Company utilized five-year cash flow forecasts using the annual budget approved by the Board of Directors as a basis for such forecasts. Cash flow forecasts beyond that of the budget were prepared using a stable growth rate for future periods. These forecasts were based on historical data and future trends expected by the Company.

The Company's valuation model also takes into account working capital and capital investments required to maintain the condition of the assets.

Forecasted cash flows were discounted using after-tax rates of approximately 8% in all cash-generating units for the purpose of the annual impairment test. Other significant assumptions used in the estimation of the recoverable amounts included the terminal value growth rate of 2%, and gross margins ranging between 5% and 27%.

Based on the impairment tests, the fair value of each of the cash-generating units exceeded their carrying amounts. As a result, no provision for impairment of goodwill was recorded.

There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating units' net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has given its best estimate of future economic and market conditions.

14. PERFORMANCE BOND OBLIGATIONS

The Company assumes performance bond obligations related to certain construction projects. Proceeds temporarily received by the Company in excess of payments with respect to outstanding projects' performance bonds are outlined below.

	2021	**2020**
	$	**$**
Funds received on bonding obligations(1)	**73,619**	88,041
Payments made on bonding obligations(1)	**(62,799)**	(77,755)
Receipts in excess of payments	**10,820**	10,286
Provision for loss on bonds	**413**	369
	11,233	10,655

1. Funds received and disbursed, from contract commencement to reporting date.

(in thousands of Canadian dollars)

Activity in the Company's performance bond obligations was as follows:

	2021 $	2020 $
Balance at January 1	10,655	12,778
Net receipts (payments) on bonding obligations during the year	582	(1,948)
Change in provision for loss on bonds	46	(23)
Foreign exchange difference	(50)	(152)
Balance at December 31	**11,233**	10,655

Total gross bonding contracts on all outstanding projects at December 31, 2021 were $115,433 (December 31, 2020 - $133,386).

The Company manages risk associated with exposure to loss on these performance bond obligations through rigorous underwriting practices which include reviewing construction estimates, evaluating contractors' experience and financial condition, managing bond proceeds assigned to the Company, and obtaining security or personal guarantees from contracted parties for certain performance bond obligations.

15. LOANS AND BORROWINGS

	2021 $	2020 $
Total loans and borrowings		
Unsecured notes(1)	**376,881**	58,095
Revolving loan facility(1)	**273,931**	130,467
Non-revolving term loan(1)	**17,187**	19,770
Promissory notes	**1,014**	3,018
Equipment term loan, equipment line and other loans(1)	**-**	5,272
Total loans and borrowings	**669,013**	216,622
Current portion of loans and borrowings		
Non-revolving term loan	**2,667**	2,667
Promissory notes	**1,014**	2,100
Equipment term loan, equipment line and other loans	-	2,256
Total current portion of loans and borrowings	**3,681**	7,023
Non-current portion of loans and borrowings	**665,332**	209,599

1. Amounts reflect financing costs net of amortization totaling $10,035 as at December 31, 2021 and $3,866 as at December 31, 2020.

During the year ended December 31, 2021, certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations and an unrealized foreign exchange loss of $12,978 was recognized in Foreign currency translation in OCI.

Private placement of senior unsecured notes

On May 10, 2021, the Company completed a private placement offering of senior unsecured notes (the "2026 Unsecured Notes") denominated in principal amounts of one thousand dollars, resulting in gross proceeds of $325,000. The offering was underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc., and including National Bank Financial Inc. and RBC Dominion Securities Inc.

The 2026 Unsecured Notes accrue interest at the rate of 5.25% per annum, payable on a semi-annual basis, maturing on May 15, 2026. Cash proceeds raised from the 2026 Unsecured Notes, net of issuance costs, were used for reducing the Company's existing loans and borrowings.

Amendment of revolving loan facility

On June 4, 2021, the Company amended its existing revolving loan facility. The maximum credit available was increased from $360,000 to $500,000. The maturity date of December 6, 2024 remained unchanged.

(in thousands of Canadian dollars)

Terms and repayment schedule

The terms and conditions of the outstanding loan facilities were as follows:

				December 31, 2021		December 31, 2020	
	Currency	Nominal interest rate %	Maturity	Face value $	Carrying amount $	Face value $	Carrying amount $
2023 Unsecured notes(1)	CDN	6.375	Oct 9, 2023	**60,000**	**58,772**	60,000	58,095
2026 Unsecured notes(2)	CDN	5.25	May 15, 2026	**325,000**	**318,109**	-	-
Revolving loan facility(3)	CDN	Based on Canadian prime rate or Canadian Dollar Offered Rate	Dec 6, 2024	**24,343**	**24,198**	118,839	117,300
Revolving loan facility(3)	USD	Based on US prime rate or London Interbank Offered Rate	Dec 6, 2024	**251,233**	**249,733**	13,206	13,167
Non-revolving term loan(4)	CDN	Based on Canadian prime rate or Canadian Banker's Acceptance Rate	Dec 6, 2024	**17,458**	**17,187**	20,125	19,770
Promissory notes(5)	USD	Various	Dec 3, 2021 - Nov 9, 2023	**1,014**	**1,014**	3,018	3,018
Equipment loans and other(6)	CDN	Various	Dec 31, 2020 - Jul 1, 2025	**-**	**-**	5,300	5,272
Total loans and borrowings				**679,048**	**669,013**	220,488	216,622

1. Publicly traded on the TSX under the symbol DBM.NT.A. Includes a non-call protection of three years with a declining call schedule thereafter; interest is payable semi-annually ("2023 Unsecured Notes").
2. Non-publicly traded; interest is payable semi-annually.
3. Maximum credit available is $500,000 (2020 - $360,000). Amount advanced under the facility at any time is limited to a defined percentage of inventories and trade receivables, less certain reserves. The facility is secured by a first charge over the Company's assets and an assignment of trade receivables and requires that certain covenants be met by the Company.
4. Principal is amortized over 15 years and is payable in quarterly instalments. The loan is secured by a first charge against the Company's timberlands and certain other assets, and a subordinated charge over the Company's remaining assets and, and requires that certain covenants be met by the Company.
5. Various unsecured promissory notes were issued as partial consideration for acquisitions.
6. The loans were secured by a first charge against the specific equipment being financed under this arrangement, and a subordinated charge over the Company's other assets.

The Company was not in breach of any of its covenants during the year ended December 31, 2021.

16. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Defined benefit pension plans

The Company sponsors two non-contributory defined benefit pension plans: one a registered pension plan for salaried employees and the other a non-registered historical pension plan for certain retired executives. Both plans provide benefits based on years of service and historical highest average salary. The plans were closed to new participants effective August 1, 2000. The Company amended the registered defined benefit pension plan effective January 1, 2005 to reduce the benefit formula for future years of service and to allow members of the defined benefit pension plan to participate in the defined contribution plan. In respect of the non-registered historical executive pension plan, the Company has issued letters of credit amounting to $1,305 (2020 - $1,330) based on actuarial estimates determined annually.

The most recent actuarial valuation of the registered pension plan for funding purposes was as at December 31, 2019. The next actuarial valuation for the registered pension plan is required to be performed as at December 31, 2022.

Annuity contracts

At December 31, 2021, total buy-in annuities purchased to date represented 72% (2020 - 72%) of the defined benefit pension plan obligation which was fully hedged against changes in future discount rates and longevity risk (potential increases in life expectancy of plan members).

Defined contribution plans

The Company sponsors defined contribution plans for eligible employees. Pension expense for the defined contribution plans for the year ended December 31, 2021 amounted to $1,119 (2020 - $1,271) and was included in distribution, selling and administration expenses.

Post-retirement benefits other than pensions

The Company provides extended health care benefits and pays provincial medical plan premiums on behalf of qualifying employees. The Company also pays for the dental benefits of certain retirees who had been employed at a predecessor company.

Total cash payments

Total cash payments for employee future benefits for 2021, consisting of cash contributed by the Company to defined benefit plans, defined contribution plans, and other post-retirement benefits, were $1,669 (2020 - $1,897), with no solvency deficiency contributions.

Included in total cash payments, based on 2021 experience, the Company expects the 2022 contributions for its defined benefit plans to be approximately $180. Solvency deficiency contributions are not required.

(in thousands of Canadian dollars)

The status of the defined benefit pension and post-retirement benefit plans were as follows:

	Pension benefit plan		Other benefit plans	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Net benefit expense				
Current service cost	**331**	414	**-**	-
Non-investment expenses	**120**	120	**-**	-
Interest cost on benefit obligation	**1,191**	1,416	**50**	63
Expected return on plan assets	**(1,092)**	(1,361)	**-**	-
Net benefit expense	**550**	589	**50**	63
Defined benefit obligation				
Defined benefit obligation at January 1	**52,889**	48,248	**2,266**	2,179
Current service cost	**331**	414	**-**	-
Interest cost on benefit obligation	**1,191**	1,416	**50**	63
Benefits paid	**(3,332)**	(2,914)	**(164)**	(237)
Actuarial (gains) losses on obligation	**(2,724)**	5,725	**(70)**	261
Defined benefit obligation at December 31	**48,355**	52,889	**2,082**	2,266
Plan assets				
Fair value of plan assets at January 1	**48,788**	46,722	**-**	-
Expected return on plan assets	**1,092**	1,361	**-**	-
Employer contributions	**386**	389	**164**	237
Non-investment expenses	**(120)**	(120)	**-**	-
Benefits paid	**(3,332)**	(2,914)	**(164)**	(237)
Actuarial (losses) gains on plan assets	**(160)**	3,350	**-**	-
Fair value of plan assets at December 31	**46,654**	48,788	**-**	-
Net benefit liability				
Fair value of plan assets at December 31	**46,654**	48,788	**-**	-
Accrued benefit obligation at December 31	**(48,355)**	(52,889)	**(2,082)**	(2,266)
Net benefit liability	**(1,701)**	(4,101)	**(2,082)**	(2,266)

(in thousands of Canadian dollars)

The Company has recorded net benefit expense and actuarial gains as follows:

	Pension benefit plan		Other benefit plans	
	2021 **$**	2020 $	**2021** **$**	2020 $
Distribution, selling and administration				
Current service cost	**331**	414	**-**	-
Non-investment expenses	**120**	120	**-**	-
	451	534	**-**	-
Finance costs				
Interest cost on benefit obligation	**1,191**	1,416	**50**	63
Expected return on plan assets	**(1,092)**	(1,361)	**-**	-
	99	55	**50**	63
Other comprehensive income (losses)				
Actuarial gains (losses) on obligation due to changes in financial assumptions	**2,724**	(4,070)	**81**	(378)
Actuarial (losses) gains on obligation due to changes in demographic assumptions	**-**	(1,116)	**-**	216
Actuarial losses on obligation due to changes in experience	**-**	(539)	**(11)**	(99)
Actuarial (losses) gains on plan assets	**(160)**	3,350	**-**	-
	2,564	(2,375)	**70**	(261)

Assets

The weighted average asset allocation of the defined benefit plan consisted of:

	2021 **%**	2020 %
Annuity	**74**	78
Debt securities	**23**	18
Short-term securities	**3**	4
	100	100

(in thousands of Canadian dollars)

The major categories of plan assets of the fair value of the total plan assets were as follows:

	2021 %	2020 %
Annuity	**74**	78
Unquoted investments (pooled funds)	**26**	22
	100	100

Significant assumptions

The significant weighted average assumptions used were as follows:

	Pension benefit plan		Other benefit plans	
	2021 %	2020 %	2021 %	2020 %
Accrued benefit obligation as of December 31				
Discount rate	**2.80**	2.30	**2.80**	2.30
Rate of compensation increase	**3.25**	3.25		
Benefit costs for year ended December 31				
Discount rate	**2.30**	3.00	**2.30**	3.00
Rate of compensation increase	**3.25**	3.25		

Assumed health care cost trend rates at December 31 were as follows:

	2021	2020
Health care initial cost trend rate	**7.0%**	7.0%
Health care ultimate cost trend date	**3.5%**	3.5%
Year that the rate reaches the ultimate trend rate	**2037**	2037

The mortality assumptions were based on the 2014 Canadian Pensioners Mortality Private table with generational projection using mortality improvement scale CPM-B and adjusted for size of pensions.

Sensitivity analysis

A one-percentage point change in the assumed rate of increase in health care costs would have the following effects:

	Other benefit plans			
	2021		2020	
	Increase $	Decrease $	Increase $	Decrease $
Effect on the defined benefit obligation	**189**	**(211)**	240	(220)
Effect on the aggregate current service cost and interest cost	**5**	**(6)**	6	(5)

(in thousands of Canadian dollars)

A one-percentage point change in the assumed discount rate would have the following effects:

	Pension benefit plan		Other benefit plans	
	Increase $	Decrease $	Increase $	Decrease $
2021				
Effect on the defined benefit obligation	**(4,759)**	**5,754**	**(143)**	**162**
Effect on the aggregate current service cost and interest cost for the next year	**241**	**(299)**	**15**	**(17)**
2020				
Effect on the defined benefit obligation	(5,509)	6,690	(172)	190
Effect on the aggregate current service cost and interest cost for the next year	279	(360)	16	(19)

The average duration of the defined benefit plan obligation at December 31, 2021 was 11 years.

17. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of common and preferred shares with no par value.

Public offering of common shares

On May 11, 2021, the Company completed a public offering of 7,500,000 common shares, by way of a short form prospectus, at a price of $10.00 each for gross proceeds of $75,000, with an underwriters' option to purchase up to an additional 1,125,000 common shares at the same price (the "Option") (collectively, the "Public Offering"). The entire Option was exercised and the aggregate gross proceeds were $86,250. The Public Offering was pursuant to a bought deal underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc. and National Bank Financial Inc.

Cash proceeds raised from the Public Offering, net of issuance costs, were used for reducing the Company's existing loans and borrowings.

Normal Course Issuer Bid ("NCIB")

On November 24, 2021, the Company renewed its NCIB with respect to its common shares. Under the terms of the NCIB, the Company may purchase for cancellation up to an authorized number of common shares over a twelve-month period. Shares acquired will be at the market price of the shares at the time of acquisition.

(in thousands of Canadian dollars)

Since the inception of the NCIB, the Company's NCIB activity was as follows:

Effective period	Authorized #	Repurchased #	Expired #	Remaining authorized #
November 26, 2018 - November 25, 2019	6,085,605	142,200	5,943,405	-
November 26, 2019 - November 25, 2020	5,995,340	-	5,995,340	-
November 26, 2020 - November 25, 2021	5,972,461	-	5,972,461	-
November 26, 2021 - November 25, 2022	6,825,000	-	-	6,825,000
As at December 31, 2021		**142,200**	**17,911,206**	**6,825,000**

Upon the cancellation of the common shares, the difference between the consideration paid for the repurchased shares and the average carrying value of the common shares is credited to contributed surplus.

Restricted Equity Common Share Plan ("RECSP")

Outstanding Restricted Share Units ("RSUs") pursuant to the RECSP were as follows:

	Years ended December 31, 2021 #	2020 #
Balance at January 1	**53,424**	-
Granted	**11,496**	59,388
Additional RSUs earned as notional dividends	**3,818**	5,625
Vested and converted to common shares during the period	**(11,496)**	(11,589)
Balance at December 31	**57,242**	53,424

Compensation expense in respect of RSUs for the year ended December 31, 2021 was $229 (2020 - $92).

Employee Common Share Purchase Plan ("ECSPP")

For the year ended December 31, 2021, the Company issued 121,943 (2020 - 158,801) common shares from treasury for gross proceeds of $829 (2020 - $671), pursuant to the ECSPP.

Subsequent to December 31, 2021, the Company issued 96,034 shares under the ECSPP for gross proceeds of $632.

(in thousands of Canadian dollars)

Dividends

The following dividends were declared and paid by the Company:

	2021				2020			
	Declared				Declared			
	Record date	Per share $	Amount $	Payment date	Record date	Per share $	Amount $	Payment date
Quarter 1	Mar 31, 2021[1]	0.16	12,479	Apr 15, 2021	Mar 31, 2020	0.14	10,897	Apr 15, 2020
Quarter 2	Jun 30, 2021	0.12	10,395	Jul 15, 2021	Jun 30, 2020	0.14	10,898	Jul 15, 2020
Quarter 3	Sep 30, 2021	0.12	10,402	Oct 15, 2021	Sep 30, 2020	0.12	9,352	Oct 15,2020
Quarter 4	Dec 31, 2021	0.14	12,137	Jan 14, 2022	Dec 31, 2020	0.12	9,352	Jan 15, 2021
		0.54	**45,413**			**0.52**	**40,499**	

1. Includes the regular quarterly dividend of $0.12 per share and a one-time special dividend of $0.04 per share

The Company is continually assessing its dividend policy in the context of overall profitability, cash flows, capital requirements, general economic conditions and other business needs. Accordingly, on November 4, 2021, the Company announced a dividend increase beginning with the dividend payable on January 14, 2022, to shareholders of record on December 31, 2021, increasing its quarterly dividend from $0.12 to $0.14 per share.

Previously, on June 15, 2020, in connection with financial precautions for the Pandemic (as described in Note 29), the Company announced a dividend reduction beginning with the dividend payable on October 15, 2020, to shareholders of record on September 30, 2020, reducing its quarterly dividend from $0.14 to $0.12 per share.

In addition to the regular quarterly dividends in 2021, the Company paid a one-time special dividend of $0.04 per share on April 15, 2021, to shareholders of record at the close of business on March 31, 2021.

18. COST OF SALES

Cost of sales includes the following costs:

	2021 $	2020 $
Purchased, treated, and manufactured building materials	**2,103,838**	1,307,527
Salaries and benefits	**21,713**	25,627
Timber and related products	**24,504**	22,650
Inventory provisions	**2,264**	1,292
Others	**356**	539
	2,152,675	1,357,635

(in thousands of Canadian dollars)

19. DISTRIBUTION, SELLING AND ADMINISTRATION COSTS

Distribution, selling and administration costs include the following:

	2021 $	2020 $
Salaries and benefits	**110,189**	78,635
Building occupancy costs	**28,308**	14,370
Office and miscellaneous	**13,829**	9,829
Travel, promotion and entertainment	**7,028**	5,263
Professional and management fees	**4,711**	5,059
	164,065	113,156

20. INCOME TAXES

Income tax for the Company consisted of the following:

Consolidated Statements of Earnings

	2021 $	2020 $
Current income tax expense	**34,589**	23,832
Deferred income tax recovery	**(2,634)**	(1,381)
	31,955	22,451

Consolidated Statements of Comprehensive Earnings

	2021 $	2020 $
Deferred tax expense (recovery) related to items recorded in OCI during the year		
Actuarial gains (losses)	**713**	(724)

The Company's effective income tax rate differs from the statutory income tax rate. The difference arises from the following items:

	2021 $	2020 $
Earnings before income taxes	**138,464**	82,038
Income tax at statutory rates	**37,539**	21,923
Adjustment to deferred tax assets related to changes in tax rates	**(5)**	(87)
Permanent differences and other	**(5,579)**	615
Income tax expense	**31,955**	22,451

(in thousands of Canadian dollars)

Temporary differences that give rise to deferred income tax assets and liabilities were as follows:

	2021 $	**2020 $**
Deferred income tax (liabilities) assets:		
Property, plant and equipment	**(3,368)**	(5,646)
Timber	**(9,804)**	(9,499)
Pensions and other post-retirement benefits	**1,009**	1,717
Non-capital losses	**5,395**	6,811
Reserves	**6,286**	3,726
Intangible assets and goodwill	**(7,851)**	(8,778)
Net deferred income tax liabilities	**(8,333)**	(11,669)

Net deferred income tax liabilities consisted of the following:

	2021 $	**2020 $**
Deferred income tax assets	**3,390**	2,856
Deferred income tax liabilities	**(11,723)**	(14,525)
Net deferred income tax liabilities	**(8,333)**	(11,669)

At December 31, 2021, the Company had approximately $35,729 of Canadian non-capital losses that may be available for deduction against taxable income in future years. These losses expire as follows:

	$
2029	345
2030	3,438
2031	5,843
2032	1,310
2033	1,566
Thereafter	23,227
	35,729

At December 31, 2021, approximately $15,000 of these non-capital losses have not been recognized as deferred income tax assets.

(in thousands of Canadian dollars)

21. FINANCE COSTS

Finance costs include the following:

	2021 $	2020 $
Loans and borrowings	**20,575**	9,824
Lease liabilities	**4,318**	4,660
Other	**(208)**	(301)
Net cash interest	**24,685**	14,183
Amortization of financing costs	**2,304**	1,405
Interest on net defined benefit liability	**149**	118
	27,138	15,706

22. RELATED PARTY TRANSACTIONS

Transactions

The Company had transactions with related parties in the normal course of operations at amounts as agreed between the related parties as follows:

	2021 $	2020 $
Leased distribution(1) and treatment facilities(2)	**4,181**	3,983
Purchase of product(3)	**3,772**	2,888
Management fees and other(4)	**1,258**	876
Professional fees and other(5)	**742**	534

1. Paid to a company controlled by a member of key management personnel who is a director and officer of the Company, or a close family member of that person's family.
2. Paid to a company solely controlled by a director and officer of the Company.
3. Paid to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in.
4. Paid to a company controlled by a member of key management personnel who is also a director and officer of the Company.
5. Paid to a company controlled by an officer of the Company.

(in thousands of Canadian dollars)

Commitments with related parties

Future undiscounted minimum payments under the terms of the leases with companies, in which a member of key management personnel who is also a director and officer of the Company has an interest in, are as follows:

Years ending December 31	$
2022	4,188
2023	4,206
2024	3,926
2025	2,455
2026	1,896
Thereafter	11,900
	28,571

Payable to related parties

As at December 31, 2021, trade and other payables included amounts due to related parties as follows:

	2021 $	**2020 $**
Purchase of product(1)	**219**	131
Management fees and other(2)	**37**	42
Professional fees and other(3)	**312**	112

1. Owing to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in.
2. Owing to a company controlled by a member of key management personnel who is also a director and officer of the Company.
3. Owing to a company controlled by an officer of the Company.

Compensation of key management personnel

Compensation of key management was reported on the accrual basis of accounting consistent with the amounts recognized on the consolidated statement of earnings. Key management includes the Company's Board of Directors, the Chief Executive Officer, the President, and the Chief Financial Officer. Compensation awarded to key management is summarized as follows:

	2021 $	**2020 $**
Salaries and other benefits	**4,746**	3,221
Share-based compensation	**90**	92
	4,836	3,313

(in thousands of Canadian dollars)

23. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

The carrying amounts of non-derivative financial instruments approximate fair value, with the exception of the following:

	December 31, 2021		December 31, 2020	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
2023 Unsecured notes[(1)]	**58,772**	**61,800**	58,095	60,780
2026 Unsecured notes[(2)]	**318,109**	**315,250**	-	-
Revolving loan facility	**273,931**	**275,576**	130,467	132,045
Non-revolving term loan	**17,187**	**17,458**	19,770	20,125

1. Publicly traded on the TSX under the symbol DBM.NT.A. Maturity date is October 9, 2023 with interest rate of 6.375%.
2. Non-publicly traded, with a maturity date of May 15, 2026 and interest rate at 5.25%.

The following methods and assumptions were used to determine the estimated fair value of each class of financial instrument:

- The fair values of cash, trade and other receivables, cheques issued in excess of funds on deposit, trade and other payables, performance bond obligations and dividends payable were comparable to their carrying amounts, given the short maturity periods.

- The fair value of the Company's publicly traded 2023 Unsecured Notes was based on the quoted active market price at December 31, 2021.

- The fair value of the Company's non-publicly traded 2026 Unsecured Notes was based on a price quoted by an independent investment brokerage.

- The fair values of the Company's revolving loan facility and non-revolving term loan approximate their carrying values as they bear interest at variable rates based on current market rates. The fair values have been estimated as the carrying values excluding unamortized financing costs.

- The fair values of the Company's promissory notes and lease liabilities approximate their carrying values as they bear interest that approximates current market rates.

IFRS 13, *Fair Value Measurement* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset and liability, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

All of the Company's financial instruments are categorized as Level 2 fair values, with the exception of the Company's publicly traded 2023 Unsecured Notes, which are categorized as Level 1.

The expenses resulting from financial assets and liabilities recorded in net earnings are as disclosed in Note 21.

Derivative financial instruments

From time to time, the Company uses derivative financial instruments for economic hedging purposes in managing lumber price risk and foreign exchange risk through the use of futures contracts and options. Derivative instruments are measured at fair value through profit and loss with changes in fair value recorded in net earnings

As at December 31, 2021, the Company held no outstanding foreign exchange contracts (December 31, 2020 - US$2,600) for economic hedging purposes. Additionally, the Company held a nominal amount of lumber futures contracts.

During the year ended December 31, 2021, the Company had an outstanding foreign exchange contract to purchase $200,000 US dollars at an exchange rate of 1.21665 (2020 - $nil), which completed during the year and was used as partial consideration for the Hixson Acquisition (Note 6). A loss of $1,270 was recognized on this contract and was recorded in Other loss.

When held by the Company, these derivative financial instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for commodities and currencies. As trading activities are closely monitored and restricted by senior management, including limits for a maximum number of outstanding contracts at any point in time, the risk of a material credit loss on these financial instruments is considered low.

Hedge of investment in foreign operations

Certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations. During the year ended December 31, 2021, the Company recorded an unrealized foreign exchange loss of $12,978 (2020 - $nil), arising on revaluation of hedged foreign currency debt in Foreign currency translation in OCI during the period.

Financial risk management

The Company's activities result in exposure to a variety of financial risks from its financial assets and financial liabilities, including risks related to credit, interest rates, currency, liquidity and wood product prices.

Financial assets include trade and other receivables, which are measured at amortized cost. Financial liabilities include cheques issued in excess of funds on deposit, trade and other payables, performance bond obligations, dividends payable, unsecured notes, revolving loan facility, non-revolving term loan, promissory notes and lease liabilities. All financial liabilities are measured at amortized cost.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management, which seeks to minimize any potential adverse effects on the Company's financial performance.

(in thousands of Canadian dollars)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises primarily from the Company's trade and other receivables. The Company grants credit to its customers in the normal course of operations. To limit its exposure to credit risk, the Company performs ongoing evaluations of the credit quality of its customers and follows diligent credit granting and collection procedures. Purchase limits are established for each customer and are reviewed regularly.

The Company regularly reviews the collectability of its trade accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts.

As at December 31, 2021, trade accounts receivable, excluding other receivables, were as follows:

	$
Current	198,938
Past due over 60 days	3,887
Trade receivables	202,825
Less: Allowance for doubtful accounts	(991)
	201,834

As at December 31, 2021, the maximum exposure to credit risk, including both trade and other receivables, was $213,132 (December 31, 2020 - $131,501), representing the carrying value amount of financial instruments classified as trade and other receivables.

Interest rate risk

The Company is exposed to interest rate risk through its variable rate revolving loan facility and non-revolving term loan (Note 15). Based on the Company's average variable rate debt balances during the year ended December 31, 2021, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of $2,021 in annual net earnings.

Currency risk

Currency risk is the risk that changes in market prices of foreign exchange rates will affect the Company's earnings or the value of its holdings of financial instruments. The Company is exposed to currency risk on the US dollar components of its revolving loan facility, as well as revenues and purchase transactions that are denominated in US dollars.

As at December 31, 2021 the Company had US dollar drawings under its Revolving loan facility of US$205,105 (2020 - US$nil), which had been designated as a hedge against the Company's net investment in its foreign operations.

As at December 31, 2021, a $0.05 increase in the US dollar versus the Canadian dollar would have an insignificant impact on net earnings, and an increase in Other comprehensive earnings of approximately $20,000.

(in thousands of Canadian dollars)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk by having appropriate credit facilities available at all times. In addition, the Company continuously monitors and reviews both actual and forecasted cash flows. The Company is exposed to refinancing risks, as there can be no assurance that the Company will be able to secure credit on the same terms or amount when the facility expires.

Other price risk

Other price risk is defined as the potential adverse impact on earnings and economic value due to price movement and volatilities. The Company is exposed to other price risk with respect to certain construction materials. The Company closely monitors construction materials prices.

24. CHANGES IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital had the following impact on cash flows during the years ended December 31:

	2021 **$**	**2020** **$**
Trade and other receivables	**(83,450)**	(32,163)
Inventories	**(68,581)**	35,833
Prepaid expenses and deposits	**697**	(2,439)
Trade and other payables	**36,197**	35,140
Performance bond obligations	**616**	(1,971)
	(114,521)	34,400

25. REVENUE

The following table presents disaggregated revenues for the Company in categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows were affected by economic factors.

	2021			**2020**		
	Building Materials $	**Other $**	**Total $**	**Building Materials $**	**Other $**	**Total $**
Primary geographic markets						
Canada	1,324,990	33,289	**1,358,279**	1,010,215	29,451	**1,039,666**
US	1,179,899	5,496	**1,185,395**	567,615	6,523	**574,138**
	2,504,889	38,785	**2,543,674**	1,577,830	35,974	**1,613,804**
Revenue categories						
Products	2,504,738	38,785	**2,543,523**	1,574,441	35,974	**1,610,415**
Services	151	-	**151**	3,389	-	**3,389**
	2,504,889	38,785	**2,543,674**	1,577,830	35,974	**1,613,804**

(in thousands of Canadian dollars)

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of $7,034 as at December 31, 2021 (December 31, 2020 - $4,359), related to these future performance obligations (unearned revenues). These amounts are included in trade and other payables in the Consolidated Statement of Financial Position.

The Company has sold products to certain customers who each contribute greater than 10% of its revenues. During the year ended December 31, 2021, one customer individually accounted for revenues in excess of 10%, purchasing an aggregate of $617,919 (2020 - $522,777, representing two customers).

26. SEGMENTED INFORMATION

The Company operates as a wholesale distributor of building materials and home renovation products, including value-added services such as lumber pressure treating.

Based on products offered, production processes involved, and how financial information is produced internally for the purposes of making operating decisions, the Company operates as one reportable segment, with the remaining smaller operations categorized as *Other*.

Business segment revenues and specified expenses were as follows:

	2021			2020		
	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Revenue	2,504,889	38,785	**2,543,674**	1,577,830	35,974	**1,613,804**
Specified expenses						
Depreciation and amortization	49,126	5,937	**55,063**	35,057	9,592	**44,649**
Finance costs	25,790	1,348	**27,138**	14,396	1,310	**15,706**
Net earnings (loss)	106,569	(60)	**106,509**	65,202	(5,615)	**59,587**
Purchase of property, plant and equipment	6,046	819	**6,865**	2,336	470	**2,806**

Business segment long-term assets were as follows:

	2021				2020			
	Building Materials $	Other $	Percent %	Consolidated $	Building Materials $	Other $	Percent %	Consolidated $
Canada	177,847	97,336	31	**275,183**	177,270	103,078	59	**280,348**
US	626,631	-	69	**626,631**	194,033	-	41	**194,033**
Long-term assets	804,478	97,336	100	**901,814**	371,303	103,078	100	**474,381**

(in thousands of Canadian dollars)

The percentage of total revenue from external customers from product groups was as follows:

	2021 %	2020 %
Construction materials	**74**	65
Specialty and allied	**22**	29
Other	**4**	6
	100	100

27. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide dividends to shareholders and benefits for other stakeholders. The Company includes debt and equity, comprising shareholders' capital, contributed surplus, deficit and cumulative dividends on shares, in the definition of capital.

The Company seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital structure. It does this by maintaining appropriate debt levels in relation to its working capital and other assets in order to provide the maximum dividends to shareholders commensurate with the level of risk. Also, the Company utilizes its debt capabilities to buy back shares, where appropriate, in order to maximize cash distribution rates for remaining shareholders.

The Company manages the capital structure and adjusts it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase shares in the market, issue new shares, or sell assets to reduce debt.

The Company's policy over the long-term, is to dividend all available cash from operations to shareholders after provision for cash required for maintenance of capital expenditures and other reserves considered advisable by the Company's directors. The Company has eliminated the impact of seasonal fluctuations by equalizing quarterly dividends.

There are no externally imposed capital requirements and the Company's loan agreements do not contain any capital maintenance covenants.

There were no changes to the Company's approach to capital management during the current year.

28. SEASONALITY

The Company's revenues are subject to seasonal variances that fluctuate in accordance with the normal home building season. The Company generally experiences higher revenues in the second and third quarters compared to the first and fourth quarters. This creates a timing difference between free cash flow earned and dividends paid. While the Company has leveled dividends to provide a regular income stream to shareholders over the course of a year, the second and third quarters have historically been the Company's most profitable.

29. CONTINGENCIES

Global pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus (specifically identified as “COVID-19”) a global pandemic (the “Pandemic”). COVID-19’s impact on global markets has been significant through the year ended December 31, 2021, and as the situation continues to rapidly evolve, the magnitude of its effects on the economy and on the Company’s financial and operational performance, is uncertain at this time.

At the time these consolidated financial statements were authorized for issuance, the Company has been classified as an essential service for the majority of its operations in Canada and the US, and therefore has not been required to shut down. Additionally, certain jurisdictions in which the Company’s customers operate have re-opened. However, due to the uncertainty of the spread of COVID-19, these or other markets may be required to close in the future. The Company has taken steps to mitigate the Pandemic’s impact on its customers, operations and cash flows by optimizing its working capital, implementing working hour reductions, and staggering or rotating employee interactions, deferring or eliminating certain non-essential operating expenditures, minimizing capital expenditures and evaluating ongoing cost savings opportunities and adjusting regular quarterly dividends, when required (as discussed in Note 17).

The Company will continue to closely monitor the COVID-19 situation and should the duration, spread or intensity of the Pandemic further develop, the supply chain, market pricing and customer demand could be affected.

These factors may further impact the Company’s operating plan, its liquidity and cash flows, its operating results and the valuation of its long-lived assets, inventory and trade and other receivables.

Product liability and other claims

During the normal course of business, certain product liability and other claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims, where applicable, and, based on current knowledge, believes that they are without merit and does not expect that the outcome of any of these matters, in consideration of insurance coverage maintained, or the nature of the claims, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or future earnings of the Company.

30. COMPARATIVE FIGURES

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

Doman®

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