DOREL INDUSTRIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 30, 2022 AND 2021

KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Canada

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dorel Industries Inc.

Opinion

We have audited the consolidated financial statements of Dorel Industries Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 30, 2022 and 2021
- the consolidated income statements and consolidated statements of comprehensive income (loss) 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 Company as at December 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Company 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 judgment, were of most significance in our audit of the financial statements for the year ended December 30, 2022. 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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

Evaluation of tax uncertainties

Description of the matter

We draw attention to Note 3 (b) (s) and Note 25 of the financial statements. The Company's income tax provision is based on complex rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities from various jurisdictions. Deferred tax liability estimates and assumptions are periodically reviewed and adjusted as circumstances warrant. Adjustments can result from changes to tax laws, and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and valuing deferred income tax liabilities. The Company's estimates and assumptions surrounding the ultimate resolution of tax uncertainties is a significant management judgment.

Why the matter is a key audit matter

We identified the evaluation of tax uncertainties as a key audit matter. The breadth of the Company's operations and the global complexity of tax regulations required significant auditor judgment and specialized skills and knowledge in evaluating the Company's assessment of uncertainties and judgments in estimating the ultimate taxes the Company will pay. In addition, significant auditor judgment was required in evaluating the results of our procedures regarding the Company's significant management judgment.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter. We involved income tax professionals with specialized skills and knowledge who performed the following:

- Obtained an understanding of the Company's tax structure and evaluated the reasonableness of management's judgments and estimates in the application of tax laws, including statutes and regulations.
- Evaluated the estimates and assumptions used by management in their evaluation of tax uncertainties by developing an independent assessment based on our understanding and interpretation of tax laws.
- Inspected the final conclusion of tax audits with applicable taxation authorities and assessed the expiration of statutes of limitations.

Indefinite Life Intangible assets impairment

Description of the matter

We draw attention to Note 3 (b) (h) (j) and Note 13 of the financial statements The indefinite useful life intangible asset balance is $24.3 million, of which $23.5 million are trademarks related to Dorel Juvenile - Europe (the "CGU"). The Company performs goodwill and indefinite life intangible asset impairment testing on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of the CGU likely exceeds its recoverable amount. The recoverable amount is the higher of the CGU's fair value less cost of disposal and its value in use. In determining the recoverable amount of its CGU, the Company's significant assumptions used to derive the CGU's discounted future cash flows include revenue growth rates, operating margins, tax rates, terminal growth rates and discount rates.

Why the matter is a key audit matter

We identified the evaluation of the trademarks impairment analysis for the CGU as a key audit matter. This matter represented an area of significant risk of misstatement given the high degree of estimation uncertainty in determining the recoverable amount. Significant auditor judgment was required to evaluate the CGU's discounted future cash flows, including revenue growth rates, operating margins, tax rates, terminal growth rates and discount rate assumptions. Minor changes to these assumptions could have a significant effect on the recoverable amount of the CGU and result in impairment charges. As a result, significant auditor judgment requiring specialized skills and knowledge was required in evaluating the results of our procedures.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

- Evaluated the Company's long-term growth rate assumptions for the CGU, by comparing those assumptions to the expected growth rates in the Company's and its peer companies' analyst reports.
- Compared the CGU's future cash flows to historical results. We performed sensitivity analyses to assess the impact of possible changes to the future cash flows and discount rate assumptions on the CGU's recoverable amount.
- Involved a valuation professional with specialized skills and knowledge, who assisted in evaluating the reasonableness of the discount rate assumption used in the determination of the recoverable amount, by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities and reviewed the appropriateness of the model.

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 auditor's report thereon, included in a document likely to be 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 filed with the relevant Canadian Securities Commissions as at the date of this auditor's 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 auditor's report. We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s 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 auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Michael Baratta.

KPMG LLP*

Montréal, Canada

March 13, 2023

*CPA auditor, public accountancy permit No. A120841

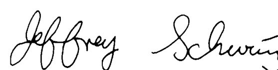
DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 30, 2022 and 2021
(All figures in thousands of US dollars)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents (Note 27)	$ 32,409	$ 52,166
Trade accounts receivable (Note 7)	193,030	258,501
Inventories (Note 8)	421,478	364,684
Income taxes receivable	4,638	6,584
Other assets (Note 14)	27,606	27,948
	679,161	709,883
Assets held for sale (Note 5)	2,676	817,896
	681,837	1,527,779
Non-current assets		
Property, plant and equipment (Note 10)	87,350	87,541
Right-of-use assets (Note 11)	142,427	84,077
Intangible assets (Note 12)	67,087	81,568
Goodwill (Notes 13 and 29)	45,205	45,523
Deferred tax assets (Note 25)	28,536	20,529
Other assets (Note 14)	8,006	4,051
	378,611	323,289
	$ 1,060,448	$ 1,851,068
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 15)	$ 11,946	$ 3,783
Trade and other payables (Note 16)	279,620	343,145
Lease liabilities (Note 11)	33,293	29,546
Income taxes payable	1,849	43,264
Long-term debt (Note 17)	6,591	4,501
Provisions (Note 18)	36,613	33,622
Other liabilities (Note 14)	5,172	7,311
	375,084	465,172
Liabilities directly associated with assets held for sale (Note 5)	–	369,806
	375,084	834,978
Non-current liabilities		
Lease liabilities (Note 11)	129,601	72,709
Long-term debt (Note 17)	250,139	433,836
Net pension and post-retirement defined benefit liabilities (Note 20)	10,866	19,644
Deferred tax liabilities (Note 25)	7,773	10,156
Provisions (Note 18)	2,234	2,541
Other liabilities (Note 14)	3,607	8,204
	404,220	547,090
EQUITY		
Share capital (Note 21)	205,613	204,737
Contributed surplus	36,395	32,287
Accumulated other comprehensive loss	(47,257)	(115,097)
Other equity	27,759	27,759
Retained earnings	58,634	319,314
	281,144	469,000
	$ 1,060,448	$ 1,851,068
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 24)		

See accompanying notes.

ON BEHALF OF THE BOARD

Martin Schwartz, Director



Jeffrey Schwartz, Director

DOREL INDUSTRIES INC.
CONSOLIDATED INCOME STATEMENTS
For the years ended December 30, 2022 and 2021
(All figures in thousands of US dollars, except per share amounts)

	2022	2021
CONTINUING OPERATIONS		
REVENUE (Note 29)	$ 1,570,274	$ 1,758,705
Cost of sales (Notes 6 and 8)	1,365,261	1,464,334
GROSS PROFIT	205,013	294,371
Selling expenses	126,770	125,293
General and administrative expenses	141,780	139,798
Research and development expenses	26,758	28,878
Impairment loss (reversal) on trade accounts receivable (Note 7)	239	(308)
Restructuring costs (Note 6)	8,445	15,982
OPERATING LOSS	(98,979)	(15,272)
Finance expenses (Note 28)	28,999	38,268
LOSS BEFORE INCOME TAXES	(127,978)	(53,540)
Income taxes (recovery) expense (Note 25)		
Current	5,068	59,354
Deferred	(14,133)	(1,059)
	(9,065)	58,295
NET LOSS FROM CONTINUING OPERATIONS	$ (118,913)	$ (111,835)
DISCONTINUED OPERATION		
Income from discontinued operation, net of tax (Note 5 b)	254,876	80,211
NET INCOME (LOSS)	$ 135,963	$ (31,624)
EARNINGS (LOSS) PER SHARE (Note 26)		
Basic	$ 4.18	$ (0.97)
Diluted	$ 4.07	$ (0.97)
LOSS PER SHARE – CONTINUING OPERATIONS (Note 26)		
Basic	$ (3.65)	$ (3.44)
Diluted	$ (3.65)	$ (3.44)

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 30, 2022 and 2021
(All figures in thousands of US dollars)

	2022	2021
NET INCOME (LOSS)	$ 135,963	$ (31,624)
OTHER COMPREHENSIVE INCOME:		
Items that are or may be reclassified subsequently to net income:		
Cumulative translation account:		
Net change in unrealized foreign currency gains (losses) on translation of net investments in foreign operations, net of tax of nil	4,464	(16,550)
Net gains on hedge of net investments in foreign operations, net of tax of nil	3,163	584
Reclassification of CTA upon disposal of subsidiaries (Note 6)	–	10,845
Reclassification of CTA upon the sale of the Sports segment (Note 5)	51,657	–
	59,284	(5,121)
Net changes in cash flow hedges:		
Net change in unrealized gains on derivatives designated as cash flow hedges	4,339	4,383
Reclassification to net income	437	1,089
Reclassification to the related non-financial asset	(2,209)	(1,993)
Deferred income taxes (Note 25)	(771)	(664)
	1,796	2,815
Items that will not be reclassified to net income:		
Defined benefit plans:		
Remeasurements of the net pension and post-retirement defined benefit liabilities (Note 20)	9,304	6,007
Deferred income taxes (Note 25)	(2,544)	(1,554)
	6,760	4,453
TOTAL OTHER COMPREHENSIVE INCOME	67,840	2,147
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 203,803	$ (29,477)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO		
Continuing operations	$ (102,730)	$ (110,643)
Discontinued operation	306,533	81,166
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 203,803	$ (29,477)

See accompanying notes.

DOREL INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 30, 2022 and 2021

(All figures in thousands of US dollars)

	Attributable to equity holders of the Company							
			Accumulated other comprehensive loss					
	Share Capital	Contributed Surplus	Cumulative Translation Account	Cash Flow Hedges	Defined Benefit Plans	Other Equity	Retained Earnings	Total Equity
Balance as at December 30, 2020	$ 204,701	$ 30,054	$ (98,045)	$ (3,946)	$ (15,253)	$ 27,759	$ 350,938	$ 496,208
Total comprehensive loss:								
Net loss	–	–	–	–	–	–	(31,624)	(31,624)
Other comprehensive income (loss)	–	–	(5,121)	2,815	4,453	–	–	2,147
	–	–	(5,121)	2,815	4,453	–	(31,624)	(29,477)
Reclassification from contributed surplus due to settlement of deferred share units (Notes 21 and 22)	36	(36)	–	–	–	–	–	–
Share-based payments (Note 22)	–	2,269	–	–	–	–	–	2,269
Balance as at December 30, 2021	$ 204,737	$ 32,287	$ (103,166)	$ (1,131)	$ (10,800)	$ 27,759	$ 319,314	$ 469,000
Total comprehensive income:								
Net income	–	–	–	–	–	–	135,963	135,963
Other comprehensive income	–	–	59,284	1,796	6,760	–	–	67,840
	–	–	59,284	1,796	6,760	–	135,963	203,803
Reclassification from contributed surplus due to settlement of deferred share units (Notes 21 and 22)	1,375	(2,339)	–	–	–	–	–	(964)
Share-based payments (Note 22)	–	446	–	–	–	–	–	446
Repurchase and cancellation of shares (Note 21)	(499)	–	–	–	–	–	–	(499)
Dividends on common shares (Note 21)	–	–	–	–	–	–	(390,642)	(390,642)
Dividends on deferred share units (Note 21)	–	6,001	–	–	–	–	(6,001)	–
Balance as at December 30, 2022	$ 205,613	$ 36,395	$ (43,882)	$ 665	$ (4,040)	$ 27,759	$ 58,634	$ 281,144

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 30, 2022 and 2021
(All figures in thousands of US dollars)

	2022	2021
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income (loss)	$ 135,963	$ (31,624)
Items not involving cash:		
Depreciation and amortization (Notes 5 and 28)	71,218	84,188
Reversal of prior year impairment losses on intangible assets (Note 5)	–	(72,900)
Unrealized losses (gains) arising on financial assets and financial liabilities classified at fair value through profit or loss	514	(616)
Share-based payments (Note 22)	446	49
Defined benefit pension and post-retirement costs (Note 20)	3,529	4,507
Net loss (gain) on disposal of property, plant and equipment and intangible assets and on lease modifications	2,424	(602)
Gain on sale of the Sports segment (Note 5)	(260,732)	–
Restructuring costs (Note 6)	(139)	11,149
Finance expenses (Notes 5 and 28)	29,276	47,729
Income taxes (recovery) expense (Notes 5 and 25)	(5,375)	67,530
Net changes in balances related to operations (Note 27)	(42,079)	(26,403)
Income taxes paid	(49,859)	(30,778)
Income taxes received	1,642	1,412
Interest paid	(20,123)	(34,252)
Interest received	282	430
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(133,013)	19,819
FINANCING ACTIVITIES		
Net increase (decrease) of bank indebtedness (Note 27)	8,276	(27,381)
(Repayments) increase of long-term debt (Notes 17 and 27)	(185,026)	55,593
Financing costs (Note 27)	(1,116)	(7,544)
Prepayment fee (Notes 17 and 28)	(6,375)	–
Net payment from settlement of interest rate swaps (Note 27)	(431)	(1,124)
Payments of lease liabilities (Note 11)	(32,567)	(43,235)
Shares repurchased (Note 21)	(499)	–
Dividends on common shares (Note 21)	(390,642)	–
CASH USED IN FINANCING ACTIVITIES	(608,380)	(23,691)
INVESTING ACTIVITIES		
Acquisition of business (Note 9)	–	(10,893)
Additions to property, plant and equipment (Notes 10 and 27)	(19,933)	(28,683)
Disposals of property, plant and equipment (Note 10)	106	242
Additions to intangible assets (Notes 12 and 27)	(7,713)	(7,586)
Net proceeds on sale of assets held for sale	–	6,061
Gross proceeds on sale of subsidiaries (Note 6)	–	55,000
Net proceeds on sale of the Sports segment (Note 5)	788,580	–
Deconsolidation of cash and cash equivalents related to the Sports segment (Note 5)	(26,145)	–
CASH PROVIDED BY INVESTING ACTIVITIES	734,895	14,141
Effect of foreign currency exchange rate changes on cash and cash equivalents	(13,259)	3,662
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,757)	13,931
Cash and cash equivalents, beginning of year	52,166	38,235
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 27)	$ 32,409	$ 52,166

See accompanying notes.

NOTE 1 – NATURE OF OPERATIONS

Dorel Industries Inc. (the "Company") is a global consumer products company which designs, manufactures or sources, markets and distributes a diverse portfolio of powerful product brands through its Dorel Home and Dorel Juvenile segments. Dorel Sports segment is presented as discontinued operation – refer to Note 5. The principal geographic markets for the Company's products are the United States, Europe, Latin America, Canada and Asia. The principal activities of the Company are described in Note 29. The Company, whose shares are traded on the Toronto Stock Exchange ("TSX"), is incorporated and domiciled in Canada. The registered office is in Westmount, Québec.

The Company's reporting segments are based on two distinctive lines of activities which include:

Reporting segment	Principal revenue generating activities
Dorel Home	From the sale of ready-to-assemble furniture and home furnishings which include metal folding furniture, futons, children's furniture, step stools, hand trucks, ladders, outdoor furniture and other imported furniture items.
Dorel Juvenile	From the sale of children's accessories which include infant car seats, strollers, high-chairs and infant health and safety aids.

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

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

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

	Measurement basis
Derivative financial instruments	Fair value
Share-based payment arrangements	In accordance with IFRS 2, *Share-Based Payment*
Assets held for sale	At the lower of the carrying amount and fair value less costs to sell
Business combinations: identifiable assets acquired and liabilities assumed	At fair value at acquisition date
Net pension and post-retirement defined benefit liabilities	Net total of plan assets measured at fair value less the discounted present value of the defined benefit obligations
Lease liabilities	Present value of future lease payments
Debt	Present value of future debt payments
Product liability	Present value of the outflow of resources required to settle the obligation

These consolidated financial statements were authorized by the Company's Board of Directors for issue on March 13, 2023.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements of all years presented and have been applied consistently by the Company's entities. Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the 2022 consolidated financial statements presentation.

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 30, 2022 and 2021. The Company consolidates a 100% interest in all its subsidiaries from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee, exposure, or rights to, variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are prepared with the same reporting period of the Company.

The accounting policies of subsidiaries are aligned with the policies of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

b) Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenue and expenses, and disclosure of contingent assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary and in any future periods affected. Actual results could differ from those estimates and such differences could be material.

While preparing these consolidated financial statements, management exercised judgment in connection with the uncertainty in the macro-economic environment, including the duration and magnitude of the COVID-19 pandemic, the ability to control resurgences and new variants worldwide and other recent macro-economic events and conditions, including inflationary pressures, changes in consumer spending, exchange rate fluctuations and increases in interest rates on the Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions which are subject to significant uncertainties. The extent to which the uncertainty in the macro-economic environment will impact the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. Accordingly, actual results could differ materially from the uncertainty in the macro-economic environment-related estimates and assumptions made by management in the preparation of these consolidated financial statements.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The most critical judgments and significant estimates and assumptions in applying the accounting policies are described below:

- *Basis of preparation of the consolidated financial statements:*

  At each reporting period, management assesses the basis of preparation of the consolidated financial statements. These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

- *Impairment testing of goodwill and intangible assets with indefinite useful lives:*

  Significant management estimates are required to determine both fair value and value in use of a cash generating unit (CGU) to which goodwill and intangible assets with indefinite useful lives are allocated. Estimates of fair value, selling costs or the discounted future cash flows related to the CGUs are required. Differences in estimates could affect whether goodwill or intangible assets with indefinite useful lives are in fact impaired and the dollar amount of that impairment.

- *Provisions and contingent liabilities:*

  A provision is recognized if the Company has a present legal or constructive obligation, as a result of past events, that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation for product liability, accrual of product warranties, liabilities for potential litigation claims and settlements. Management must use judgment in determining whether all three of the conditions have been met to recognize a provision or instead whether a contingent liability is in existence at the reporting date.

  Management formulates a reliable estimate for the obligation once the applicable criteria have been satisfied to recognize the liability. Management’s estimate is based on the likelihood and timing of economic outflows, discount rates, historical experience, nature of provision, opinions of legal counsel and other advisors and if there is a claim amount.

- *Income taxes:*

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

- *Revenue recognition: sales returns and other customer programs:*

  At contract inception, the Company estimates customer programs and incentive offerings that give rise to variable consideration. Estimated amounts of variable consideration are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. The amount of revenue recognized is adjusted for expected returns, which are estimated by management based on the historical data for the related types of goods sold.

- *Impairment loss allowance for trade accounts receivable:*

  The Company recognizes an impairment loss allowance for expected credit losses on trade accounts receivable, using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

- *Inventory valuation:*

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

- *Determining the lease term of contracts with extension options and termination options:*

  The Company determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgment in assessing whether it is reasonably certain to exercise its options to extend its leases or to not exercise its options to terminate its leases, by considering all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Company.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue Recognition

The Company generally recognizes revenue at a point in time for all its reporting segments when control over a product is transferred to a customer. This usually occurs either upon shipment or delivery of the goods. The majority of the Company's contracts across all reporting segments are contracts with customers in which the sale of goods is the only performance obligation.

Customer Programs and Incentive Offerings

Some contracts with customers provide customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. These give rise to variable consideration and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. The estimates are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. Revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

d) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less.

e) Inventories

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

- the purchase price and other costs directly related to the acquisition of materials;
- the costs directly related to the conversion of materials to finished goods, such as direct labour and an allocation of fixed and variable production overheads, including manufacturing depreciation expense. The allocation of fixed production overheads to the cost of inventories is based on a normal range of capacity of the production facilities. Normal capacity is the average production expected to be achieved over a number of periods under normal circumstances; and
- transfers from other comprehensive income (loss) of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed, limited to the amount of the original write-down.

f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, such as the purchase price or manufacturing cost, capitalized borrowing costs, as well as other costs incurred in bringing the asset to its present location and condition. Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are recognized as an expense as incurred.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment are depreciated as follows:

	Method	Rates/useful lives
Buildings and improvements	Straight-line	20 to 40 years
Machinery and equipment	Declining balance	15%
Moulds	Straight-line	3 to 5 years
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Vehicles	Declining balance	30%
Leasehold improvements	Straight-line	Over the lesser of the useful life and the term of the lease

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

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

g) Leases

At inception, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease, i.e. the date the underlying asset is available for use.

Right-of-Use Assets

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. Cost of right-of-use assets is comprised of:

- the initial measurement amount of the lease liabilities recognized;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract.

Right-of-use assets are depreciated on a straight-line basis over the lesser of i) the estimated useful life of the underlying assets; and ii) the lease term. They are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date over the lease term. The present value of the lease payments is determined using the lessee's incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is a function of the lessee's incremental borrowing rate, the nature of the underlying asset, the geographic location of the asset, the length of the lease and the currency of the lease contract. At the commencement date, lease payments generally include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index (e.g. based on inflation index) or a specified rate, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease. Lease payments also include amounts expected to be paid under residual value guarantees and the exercise price of a purchase option if the Company is reasonably certain to exercise that option.

Variable lease payments that do not depend on an index or a specified rate are not included in the measurement of lease liabilities but instead are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments arising from a change in an index or specified rate, if there is a modification to the lease terms and conditions, a change in the estimate of the amount expected to be payable under residual value guarantee, or if the Company changes its assessment of whether it will exercise a termination, extension or purchase option. The remeasurement amount of the lease liabilities is recognized as an adjustment to the right-of-use asset, or in the consolidated income statement when the carrying amount of the right-of-use asset is reduced to zero.

h) Intangible Assets

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

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which the expenditure relates. All other expenditures are recognized as an expense as incurred.

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets with finite useful lives are amortized as follows:

	Method	Useful lives
Customer relationships	Straight-line	9 to 25 years
Supplier relationship	Straight-line	10 years
Patents	Straight-line	4 to 18 years
Software licenses	Straight-line	3 to 10 years
Deferred development costs	Straight-line	2 to 5 years

Trademarks

Trademarks acquired as part of business combinations and registered trademarks are considered to have an indefinite useful life. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, on October 31, or more frequently if an impairment indicator is identified, either individually or at the CGU level.

Research and Development Costs

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

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

Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project.

Following initial recognition of the deferred development costs as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Deferred development costs are expensed immediately if capitalized projects are not completed.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Business Combinations and Related Goodwill

Business Combinations and Related Goodwill

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

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

Subsequent Recognition of Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is not amortized but tested for impairment at least annually, on October 31, and upon the occurrence of an indication of impairment.

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

j) Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication of impairment exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal and its value in use.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. The Company defines its CGUs based on the way it internally monitors and derives economic benefits from the acquired goodwill.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount immediately. Impairment losses are recognized in the consolidated income statements. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis but no lower than the individual assets' fair value.

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

In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded companies or other available fair value indicators. The Company assesses the uncertainty of these estimates by making sensitivity analyses.

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

k) Discontinued Operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative consolidated income statement is restated as if the operation had been discontinued from the start of the comparative year. As a result, the Company's discontinued operation is excluded from the net income (loss) from continuing operations and is presented as a single amount as income (loss) from discontinued operation, net of tax, in the consolidated income statements.

l) Assets Held for Sale

Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated while classified as held for sale. Assets held for sale are classified within this category if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets.

m) Foreign Currency

Foreign Currency Transactions

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

Foreign Currency Translation

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

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

n) Financial Instruments

All financial instruments, including derivatives, are recognized in the consolidated statement of financial position initially at fair value when the Company becomes a party to the contractual obligations of the instrument. Transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are not subsequently recognized at fair value are added/deducted from the financial asset/liability and are amortized using the effective interest rate method over the expected life of the related asset/liability.

Financial Assets

On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A financial asset is subsequently measured at amortized cost using the effective interest method and net of any impairment loss.

The financial assets of the Company that are measured at amortized cost consist of cash and cash equivalents, trade accounts receivable, other receivables, costs relating to revolving bank loans and other financial assets (excluding derivative financial assets). Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated income statement.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Financial Assets

The Company has elected to measure loss allowances for trade accounts receivable at an amount equal to lifetime ‘expected credit losses’ (“ECLs”).

The Company measures loss allowances for other receivables in accordance with the following model:

- When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment, including forward-looking information. The Company assumes that the credit risk on a financial asset has increased if it is more than 30 days past due.

The Company considers a financial asset to be in default when either:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company of actions such as recovering inventory or the Company’s credit insurance (if any); or
- the financial asset is more than 90 days past due;

as the Company’s historical experience indicates that financial assets that meet either of the above criteria generally have a higher risk of not being recoverable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

i. Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). The Company establishes an impairment loss allowance on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area, customer credit rating and number of days past due. ECLs are discounted at the effective interest rate of the financial asset.

ii. Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Examples of events that could occur are:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

It may not be possible to identify a single discrete event; instead, the combined effect of several events may cause financial assets to become credit-impaired.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade accounts receivable are presented separately in the consolidated income statements.

iv. Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Derecognition of Financial Assets

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

Financial Liabilities and Equity Instruments

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

On initial recognition, the Company classifies its financial liabilities as subsequently measured at either amortized cost or fair value. A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies bank indebtedness, trade and other payables, long-term debt and other financial liabilities (excluding its derivative financial liabilities) as financial liabilities measured at amortized cost. Interest expense and foreign exchange gains and losses are recognized in the consolidated income statement.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs and applicable income taxes.

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

Derecognition of Financial Liabilities

Financial liabilities are derecognized when the obligations under the liabilities are discharged, cancelled, expired or are replaced by a new liability with substantially modified terms. Any gain or loss on derecognition is recognized in the consolidated income statement when incurred.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Derivative Financial Instruments and Hedge Accounting

Derivative Financial Instruments

The Company uses forward exchange contracts and interest rate swap agreements to hedge its foreign currency and interest rate risk exposures. The Company classifies interest rate swap agreements and foreign exchange contracts used for hedging as fair value-hedging instruments, and other foreign exchange contracts as fair value through profit or loss. The Company designates certain foreign exchange contracts and interest rate swap agreements as hedging instruments to hedge the variability in cash flows associated with highly probable forecasted transactions arising from changes in foreign exchange rates and interest rates. The Company also uses non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation. Any derivative instrument that does not qualify for hedge accounting is measured at fair value at each reporting date and the changes in fair value are included in net income.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash Flow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (loss) and accumulated in the cash flow hedges reserve in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income (loss) is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net income in the same consolidated income statement caption as the hedged item when realized.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for a cash flow hedge is discontinued, the amount that has been accumulated in the cash flow hedges reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to net income in the same period or periods as the hedged expected future cash flows affect net income.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the cash flow hedges reserve are immediately reclassified to net income.

Net Investment Hedges

When a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses is recognized in other comprehensive income (loss) and presented in the cumulative translation account within equity. Any ineffective portion of the foreign exchange gains and losses is recognized immediately in the consolidated income statement. The amount recognized in other comprehensive income (loss) is reclassified to net income as a reclassification adjustment on disposal of the foreign operation.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Employee Benefits

Short-Term Employee Benefits

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

Pension Plans

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

Defined Contribution Plans

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

Defined Benefit Plans

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

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

The fair value of plan assets are deducted from the defined benefit obligation to arrive at the net liability. Plan assets are measured at fair value as at the statement of financial position date. Past service costs arising from plan amendments are recognized in operating income in the year that they arise. Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets, excluding interest, and any changes in the effect of the asset ceiling, if any, are recognized in other comprehensive income (loss) in the period in which they arise.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension expense consists of the following:

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

Post-Retirement Benefits Other Than Pensions

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

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

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

q) Share-Based Payments

Directors' Deferred Share Units (equity-settled)

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

Executive Deferred Share Units (equity-settled)

For the Executive Deferred Share Unit Plan ("EDSU Plan") offered to its executive officers, the Company records an expense within general and administrative expenses with a corresponding increase to contributed surplus when the units are granted which is on the last business day of each month of the Company's fiscal year in the case of salary and on the date on which the bonus is, or would otherwise be, paid to the participant in the case of bonus. The amount corresponds to the portion of salary or bonus elected to be paid in the form of deferred share units.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Restricted Share Unit Plan (cash-settled)

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

Performance Share Units (cash-settled)

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

r) <u>Government Assistance</u>

Government assistance is recognized when there is reasonable assurance that it will be received and the Company will comply with all of the conditions associated with the assistance. Government grants related to an expense or a waiver of expenses are recognized as a reduction of related expense for which the grant is intended to compensate. Government grants related to the construction or acquisition of an asset are recognized as a deduction of the carrying amount of the related asset.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Income Taxes

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

Current Income Taxes

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

Deferred Income Taxes

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets and deferred tax liabilities are recognized on the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

t) Provisions

Provisions are recognized when:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, current market assessments of the time value of money and the risks specific to the liability. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Product Liability

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

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

The recorded liability represents the Company's total estimated exposure related to current and future product liability incidents. The Company reviews periodically its recorded product liability provisions and any adjustment is recorded in general and administrative expenses at that time.

Warranty Provisions

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

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

Employee Compensation

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

Restructuring Provision

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

Other Provisions

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

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions concern numerous cases not material individually. Reversal of such provisions refers to cases resolved in favour of the Company. The timing of cash outflows of litigation provisions is uncertain as it depends upon the outcome of the proceedings. These provisions are therefore not discounted because their present value would not represent meaningful information.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Earnings Per Share ("EPS")

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

v) Fair Value Determination

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

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

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

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

NOTE 4 – FUTURE ACCOUNTING CHANGES

New standards and amendments to existing standards have been issued by the IASB, which are mandatory but not yet effective for the year ended December 30, 2022. The new standards and amendments have not been applied in preparing these consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Company is currently evaluating the impact of adopting the amendment on the Company's consolidated financial statements.

Definition of Accounting Estimates (Amendments to 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 apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The Company is currently evaluating the impact of adopting the amendment on the Company's consolidated financial statements.

NOTE 4 – FUTURE ACCOUNTING CHANGES (continued)

Accounting Policy Disclosures (Amendments to IAS 1)
The amendments change the requirements with regards to disclosure of accounting policies. The amendments require companies to disclose the material accounting policies rather than the significant accounting policies and also clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The adoption of the amendments is not expected to have a material impact on the Company's consolidated financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments apply for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted. The adoption of the amendments is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 5 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

On October 11, 2021, the Company entered into a definitive agreement to sell its Sports segment to Pon Holdings B.V. for total consideration of $810,000 in cash, payable to Dorel at closing. The sale was subject to customary closing conditions, including receipt of applicable regulatory approvals and the absence of any material adverse changes with respect to Dorel Sports until closing. The sale was not subject to any financing conditions. The transaction consisted of the sale by Dorel of 100% of the shares of its indirect wholly owned subsidiary companies comprising its Sports segment as well as certain related assets.

On January 4, 2022, the Company completed the sale of the Sports segment for $810,000 (subject to post-closing adjustments). Dorel used part of the proceeds for the payment of a special dividend of $12.00 per share (refer to Note 21) and to repay long-term debt (refer to Note 17).

The transaction resulted in a gain of $260,732 reflected in income from discontinued operation, net of tax for the year ended December 30, 2022. Transaction and other costs related to the sale of the Sports segment in the amount of $51,893 were recorded in the year ended December 30, 2021.

NOTE 5 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATION (continued)

a) Details of the impact of the transaction

	January 4, 2022
Proceeds	$ 810,000
Post-closing adjustments	(21,420)
Net proceeds (1)	$ 788,580
Derecognition of assets, liabilities and CTA:	
Deconsolidation of cash and cash equivalents related to the Sports segment	$ (26,145)
Trade accounts receivable	(176,769)
Inventories	(303,823)
Property, plant and equipment	(29,961)
Right-of-use assets	(65,578)
Intangible assets	(204,505)
Other	(43,677)
Total assets previously classified as assets held for sale	(824,313)
Trade and other payables	236,406
Lease liabilities	71,544
Non-convertible debenture	19,307
Other	47,010
Total liabilities previously classified as liabilities directly associated with the assets held for sale	374,267
Reclassification of CTA upon the sale of the Sports segment	(51,657)
Gain on sale of the Sports segment	$ 260,732

(1) All the proceeds have been received.

NOTE 5 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATION (continued)

b) Results of discontinued operation

The Sports segment was classified as held for sale and as a discontinued operation as at September 30, 2021. Income from discontinued operation, net of tax reported in the consolidated income statements for the years ended December 30, 2022 and 2021 are as follows:

	2022	2021
Revenue	$ 602	$ 1,171,981
Cost of sales	648	911,743
Gross profit	(46)	260,238
Selling expenses	369	95,618
General and administrative expenses (1)	1,472	133,918
Research and development expenses	10	5,290
Impairment reversal on trade accounts receivable	(8)	(595)
Reversal of prior year impairment losses on intangible assets	–	(72,900)
Operating (loss) profit from operating activities	(1,889)	98,907
Finance expenses	277	9,461
(Loss) profit from operating activities before income taxes	(2,166)	89,446
Income taxes expense	3,690	9,235
(Loss) profit from operating activities, net of tax	(5,856)	80,211
Gain on sale of the Sports segment	260,732	–
Income from discontinued operation, net of tax	$ 254,876	$ 80,211
Earnings per share (Note 26)		
Basic	$ 7.83	$ 2.47
Diluted	$ 7.63	$ 2.43
Depreciation and amortization included in the income from discontinued operation, net of tax:	$ –	$ 15,494
Interest on lease liabilities included in finance expenses	$ –	$ 2,090

(1) The year ended December 30, 2021 results include transaction and other costs related to the sale of the Sports segment in the amount of $51,893.

Prior to the reclassification as assets held for sale as at September 30, 2021, the Company concluded that the transaction to sell the Sports segment was an indication that previously recognized impairment losses in the Sports segment may no longer exist or may have decreased. The Company calculated the assets' recoverable amount and recorded a reversal of previously recognized impairment losses of $72,900 on trademarks of Dorel Sports – Mass markets CGU ($9,059), Dorel Sports – Independent bike dealers (IBD) CGU ($52,500) and Dorel Sports – Caloi CGU ($11,341).

NOTE 5 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATION (continued)

c) Cash flows provided by (used in) discontinued operation

Cash flows from discontinued operation reported in the consolidated statements of cash flows for the years ended December 30, 2022 and 2021 are as follows:

	2022	2021
Net cash provided by (used in) operating activities	$ 7,404	$ (31,220)
Net cash provided by financing activities	–	34,985
Net cash provided by (used in) investing activities (1)	762,364	(9,693)
Net cash flows for the year	$ 769,768	$ (5,928)

(1) Includes the net proceeds on sale of the Sports segment of $788,580 and the deconsolidation of cash and cash equivalents related to the Sports segment of $(26,145) in the year ended December 30, 2022.

d) Assets held for sale

Assets held for sale	Total
Balance, December 30, 2021	$ 817,896
Adjustments to assets related to the Sports segment	6,417
Sale of the Sports segment	(824,313)
Addition (1)	2,676
Balance, December 30, 2022	$ 2,676

(1) During the fourth quarter of 2022, one property was made available for sale within the Dorel Juvenile segment.

Liabilities directly associated with the assets held for sale	Total
Balance, December 30, 2021	$ 369,806
Adjustments to liabilities related to the Sports segment	4,461
Sale of the Sports segment	(374,267)
Balance, December 30, 2022	$ –

NOTE 6 – RESTRUCTURING COSTS

The expenses recorded in the consolidated income statements related to the restructuring costs from continuing operations consist of the following:

	TOTAL		Dorel Home		Dorel Juvenile	
	2022	2021	2022	2021	2022	2021
Inventory markdowns (1)	$ –	$ 13,668	$ –	$ –	$ –	$ 13,668
Other associated costs	–	395	–	–	–	395
Recorded within gross profit	$ –	$ 14,063	$ –	$ –	$ –	$ 14,063
Employee severance and termination benefits	$ 5,262	$ 4,100	$ –	$ –	$ 5,262	$ 4,100
Loss on disposal of subsidiaries (1)	–	8,551	–	–	–	8,551
Loss on disposals of assets held for sale (1)	–	172	–	–	–	172
Curtailment gain on net pension defined benefit liabilities (Note 20) (1)	(212)	(346)	–	–	(212)	(346)
Write-down (reversal) of property, plant and equipment (1)	73	(51)	–	–	73	(51)
Other associated costs	3,322	3,556	–	322	3,322	3,234
Recorded within a separate line in the consolidated income statements	$ 8,445	$ 15,982	$ –	$ 322	$ 8,445	$ 15,660
Total restructuring costs	**$ 8,445**	**$ 30,045**	**$ –**	**$ 322**	**$ 8,445**	**$ 29,723**

(1) Non-cash expenses for a total amount of ($139) (2021 - $21,994).

Dorel Home segment

During the year ended December 30, 2021, Dorel Home segment incurred acquisition-related costs of $322 in connection with the Notio Living business acquisition (refer to Note 9). These costs have been included in other associated costs within restructuring costs.

Dorel Juvenile segment

During 2019, Dorel Juvenile segment initiated a restructuring program across several regions, whose main objective was to simplify the organization and optimize its global footprint in order to improve its competitive position in the marketplace. These restructuring initiatives were expected to be completed in 2020, however, in light of the COVID-19 pandemic, some initiatives were delayed and were only completed in 2021, for which employee severance and termination benefits were recorded during the year. In 2021, Dorel also initiated restructuring initiatives to streamline the activities of its domestic sales business in Shanghai, China and as such, inventory markdowns were recorded relating to these initiatives.

NOTE 6 – RESTRUCTURING COSTS (continued)

Sale of manufacturing facilities in Zhongshan and Huangshi, China

On March 31, 2021, the Company completed the sale of its juvenile products manufacturing facility in Zhongshan, China, for gross proceeds of $51,000, which was received in 2021. Disposition-related costs of this transaction amounted to $1,424 and was recorded in the loss on disposal of subsidiaries within restructuring costs. The Company continued to recognize revenues and expenses of this subsidiary until its disposal on March 31, 2021.

In December 2021, Dorel completed the sale of its remaining juvenile products manufacturing facility in Huangshi, China, for gross proceeds of $4,917, of which $4,000 was received in 2021 and the balance in 2022. Disposition-related costs of this transaction amounted to $322 and was recorded in the loss on disposal of subsidiaries within restructuring costs. The Company continued to recognize revenues and expenses of this subsidiary until its disposal on December 30, 2021.

The loss on disposal of subsidiaries within restructuring costs of $8,551 includes the effect of the reclassification of a loss on CTA for an amount of $10,845 presented in the statements of comprehensive income (loss). The assets included in these subsidiaries were mainly composed of property, plant and equipment with a net book value of $30,574 and right-of-use assets of $14,108.

The disposal of these manufacturing facilities was in line with the main objective pursued by the restructuring program initiated in 2019 of optimizing Dorel Juvenile segment’s global footprint.

2021 Restructuring Plan

In the fourth quarter of 2021, a new restructuring program was approved for the Dorel Juvenile United States and European markets. In the United States, several operating divisions were combined into one organization. The expected principal benefits of this change is in the sales and marketing area where process harmonization and the creation of a more nimble organization is expected to reduce costs and bring efficiencies. In Europe, with the successful conclusion of the first phase of restructuring that was initiated in 2019, further cost savings opportunities were identified enabled by the supplier new product co-development program and the consolidation of manufacturing into one European factory. This restructuring program has been pursued in 2022, for which additional restructuring costs were recorded, and was completed in 2022.

NOTE 7 – TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable consist of the following:

	2022	2021
Trade accounts receivable – gross	$ 200,830	$ 266,600
Impairment loss allowance (Note 19)	(7,800)	(8,099)
	$ 193,030	$ 258,501

The movement in the impairment loss allowance with respect to trade accounts receivable was as follows:

	2022	2021
Balance, beginning of year	$ 8,099	$ 19,627
Net remeasurement of impairment loss allowance	239	(903)
Uncollectible accounts written-off	(551)	(2,505)
Effect of foreign currency exchange rate changes	13	(878)
Reclassified to assets held for sale	–	(7,242)
Balance, end of year	$ 7,800	$ 8,099

NOTE 8 – INVENTORIES

Inventories consist of the following:

	2022	2021
Raw materials	$ 79,383	$ 67,111
Work in process	3,167	3,046
Finished goods	338,928	294,527
	$ 421,478	$ 364,684

Amounts recognized as cost of sales in the consolidated income statements include mainly the Company's cost of inventories recognized as an expense. Cost of sales also includes the following inventory related expenses:

	2022	2021
Write-downs of inventories as a result of net realizable value being lower than cost (including amounts presented in Note 6)	$ 13,661	$ 25,086
Reversal of inventory write-downs recognized in previous years	$ 7,311	$ 4,588

NOTE 9 – BUSINESS ACQUISITION

2021 acquisition: Notio Living

On November 30, 2021, the Company acquired Notio Living, an ecommerce home furnishings firm based in Holstebro, Denmark, for an amount of $16,964 (net of assumed debt of $1,488), of which $10,893 was paid at closing and $405 in March 2022. The remaining balance, which is non-interest bearing, is payable in 2 equal instalments of $2,833 in February 2023 and February 2024.

By achieving certain annual earnings before interest, taxes, depreciation and amortization, additional earnouts could be paid in cash during the next two years.

At the acquisition date, the Company recorded an amount of $1,253 as a contingent consideration liability representing the present value of the expected payout in cash for the earnouts in the next two years. As at December 30, 2022, the contingent consideration has been remeasured and a gain of $251 on the change in fair value has been recorded in finance expenses. The contingent consideration liability is included in Level 3 of the fair value hierarchy. The fair value was determined considering the expected earnout payments, discounted to present value using a risk-adjusted discount rate of 15%.

The acquisition has been accounted for using the acquisition method with the results of the operations of Notio Living being included in the consolidated financial statements since the date of acquisition.

Acquisition-related costs of $322 have been recognized as an expense within general and administrative expenses in the consolidated income statements within the Home segment (refer to Note 6).

The fair value of the consideration transferred of $18,217 was allocated to the following identifiable assets acquired: goodwill for an amount of $4,601, customer relationships for an amount of $7,600 and net working capital for an amount of $6,016. The goodwill is attributed to the workforce, know-how and expected supply chain cost synergies and was allocated to the Dorel Home segment. Goodwill and intangible assets are deductible for tax purposes.

For the one month ended December 30, 2021, Notio Living contributed revenue of $1,703 and an insignificant net income amount to Dorel’s consolidated results from continuing operations. If the acquisition had occurred on December 31, 2020, management estimates that consolidated revenue would have been $1,791,654 and the consolidated net loss from continuing operations for the year ended December 30, 2021 would have been $111,792. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on December 31, 2020.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and improvements	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leashold improvements	Assets not yet in service (1)	Vehicles	Total
Balance as at December 30, 2020	$ 5,184	$ 92,852	$ 124,649	$ 182,610	$ 16,321	$ 66,638	$ 27,852	$ 7,825	$ 2,553	$ 526,484
Additions	–	1,056	1,812	1,402	1,236	2,747	767	22,882	35	31,937
Disposals	–	(34,603)	(30,275)	(18,627)	(3,106)	(3,872)	(2,084)	–	(283)	(92,850)
Transfer from assets not yet in service	91	330	792	5,783	1,302	1,849	1,507	(11,654)	–	–
Reclassified to assets held for sale (Note 5)	(1,112)	(7,008)	(10,595)	(23,138)	(6,327)	(18,589)	(11,164)	(5,561)	(1,487)	(84,981)
Effect of foreign currency exchange rate changes	(290)	(194)	(1,465)	(4,580)	(423)	(793)	(954)	(1,171)	(185)	(10,055)
Balance as at December 30, 2021	$ 3,873	$ 52,433	$ 84,918	$ 143,450	$ 9,003	$ 47,980	$ 15,924	$ 12,321	$ 633	$ 370,535
Additions	–	199	433	1,031	611	1,076	274	17,297	101	21,022
Disposals	–	–	(1,197)	(337)	(206)	(1,750)	(490)	–	(55)	(4,035)
Transfer from assets not yet in service	–	1,827	8,494	4,015	198	1,787	70	(16,391)	–	–
Reclassified to assets held for sale (Note 5)	(1,896)	(6,925)	–	–	–	–	–	–	–	(8,821)
Effect of foreign currency exchange rate changes	(89)	787	(128)	(3,197)	(126)	(1,139)	(578)	(28)	132	(4,366)
Balance as at December 30, 2022	$ 1,888	$ 48,321	$ 92,520	$ 144,962	$ 9,480	$ 47,954	$ 15,200	$ 13,199	$ 811	$ 374,335

(1) Assets not yet in service relate mainly to machinery, equipment, and moulds.

Accumulated depreciation and impairment losses	Land	Buildings and improvements	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leashold improvements	Assets not yet in service	Vehicles	Total
Balance as at December 30, 2020	$ –	$ 35,910	$ 90,857	$ 156,635	$ 12,072	$ 57,737	$ 24,482	$ –	$ 1,949	$ 379,642
Depreciation for the year (Notes 5 and 28)	–	2,720	4,205	11,528	1,260	3,203	1,149	–	160	24,225
Disposals	–	(12,067)	(21,118)	(17,614)	(2,586)	(3,454)	(2,022)	–	(350)	(59,211)
Write-down (2)	–	–	(51)	–	–	–	–	–	–	(51)
Reclassified to assets held for sale (Note 5)	–	(1,835)	(5,365)	(18,639)	(3,866)	(14,832)	(9,312)	–	(1,171)	(55,020)
Effect of foreign currency exchange rate changes	–	59	(893)	(3,961)	(278)	(660)	(824)	–	(34)	(6,591)
Balance as at December 30, 2021	$ –	$ 24,787	$ 67,635	$ 127,949	$ 6,602	$ 41,994	$ 13,473	$ –	$ 554	$ 282,994
Depreciation for the year (Notes 5 and 28)	–	1,388	3,374	7,717	820	2,652	706	–	73	16,730
Disposals	–	–	(1,061)	(283)	(168)	(1,619)	(472)	–	(55)	(3,658)
Write-down (reversal) (2)	–	–	–	73	–	–	–	–	–	73
Reclassified to assets held for sale (Note 5)	–	(6,174)	–	–	–	–	–	–	–	(6,174)
Effect of foreign currency exchange rate changes	–	1,061	(193)	(2,789)	43	(690)	(470)	–	58	(2,980)
Balance as at December 30, 2022	$ –	$ 21,062	$ 69,755	$ 132,667	$ 7,297	$ 42,337	$ 13,237	$ –	$ 630	$ 286,985

(2) Includes amounts presented in Note 6.

Net book value	Land	Buildings and improvements	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leashold improvements	Assets not yet in service	Vehicles	Total
Balance as at December 30, 2021	$ 3,873	$ 27,646	$ 17,283	$ 15,501	$ 2,401	$ 5,986	$ 2,451	$ 12,321	$ 79	$ 87,541
Balance as at December 30, 2022	$ 1,888	$ 27,259	$ 22,765	$ 12,295	$ 2,183	$ 5,617	$ 1,963	$ 13,199	$ 181	$ 87,350

NOTE 11 – LEASES

The Company has entered into lease contracts mainly for buildings and machinery and equipment, which expire at various dates until the year 2034. Some leases have extension options and/or termination options included in the contracts for various terms. Some lease payments are based on changes in local price indices, sales or actual space used. The lease contracts do not impose any financial covenants.

a) Right-of-use assets

	Land use rights	Land and buildings	Machinery and equipment	Other	Total
Balance as at December 30, 2020	$ 14,206	$ 143,013	$ 3,737	$ 5,105	$ 166,061
Additions, reassessment of lease liabilities and lease modifications	–	33,542	4,085	2,638	40,265
Business acquisition (Note 9)	–	2,385	–	44	2,429
Depreciation for the year (Notes 5 and 28)	(98)	(35,810)	(1,942)	(2,573)	(40,423)
Disposal of subsidiaries (Note 6)	(14,108)	–	–	–	(14,108)
Reclassified to assets held for sale (Note 5)	–	(59,499)	(3,202)	(2,877)	(65,578)
Effect of foreign currency exchange rate changes	–	(4,260)	(136)	(173)	(4,569)
Balance as at December 30, 2021	$ –	$ 79,371	$ 2,542	$ 2,164	$ 84,077
Additions, reassessment of lease liabilities and lease modifications	–	96,988	953	674	98,615
Depreciation for the year (Note 28)	–	(33,780)	(1,525)	(1,202)	(36,507)
Effect of foreign currency exchange rate changes	–	(3,399)	(168)	(191)	(3,758)
Balance as at December 30, 2022	$ –	$ 139,180	$ 1,802	$ 1,445	$ 142,427

NOTE 11 – LEASES (continued)

b) Lease liabilities

The following table summarizes the lease liabilities amounts recognized in the consolidated statement of financial position:

	2022	2021
Current	$ 33,293	$ 29,546
Non-current	129,601	72,709
Total	$ 162,894	$ 102,255

The reconciliation of movements of lease liabilities to cash flows arising from financing activities is as follows:

		Cash used in financing activities	Cash used in operating activities	Non-cash changes					
	Balance, beginning of the year	Payments	Interest paid	Additions, reassessment of lease liabilities and lease modifications	Reclassified to assets held for sale (Note 5)	Business acquisition (Note 9)	Interest expense	Effect of foreign currency exchange rate changes	Balance, end of year
Balance as at December 30, 2021	$ 180,052	$ (43,235)	$ (6,377)	$ 39,536	$ (71,544)	$ 2,429	$ 6,475	$ (5,081)	$ 102,255
Balance as at December 30, 2022	$ 102,255	$ (32,567)	$ (5,945)	$ 97,873	$ –	$ –	$ 5,945	$ (4,667)	$ 162,894

c) Amounts from continuing operations recognized in the consolidated income statement

	2022	2021
Depreciation of right-of-use assets (Note 28)	$ 36,507	$ 32,080
Interest expense on lease liabilities (Note 28)	$ 5,945	$ 4,385
Expense related to variable lease payments not included in the measurement of lease liabilities	$ 8,963	$ 6,388
Loss (gain) related to lease modifications	$ 2	$ (204)
Foreign exchange (gain) loss on lease liabilities – lease contracts denominated in a currency different from the functional currency of the lessee	$ (1,379)	$ 448

NOTE 11 – LEASES (continued)

d) Cash outflow for leases recognized in the consolidated statement of cash flows

		2022		2021
Operating activities:				
Cash outflow for variable lease payments not included in the measurement of lease liabilities – included within net loss	$	9,016	$	9,175
Cash outflow for interest portion of lease liabilities – included within interest paid		5,945		6,377
	$	14,961	$	15,552
Financing activities:				
Cash outflow for principal portion of lease liabilities	$	32,567	$	43,235
Total cash outflow for leases	$	47,528	$	58,787

e) Maturity analysis – contractual undiscounted cash flows of lease liabilities

		2022		2021
Less than 1 year	$	39,324	$	32,655
Between 1 and 5 years		120,445		57,906
More than 5 years		23,153		24,265
Total contractual undiscounted cash flows of lease liabilities	$	182,922	$	114,826

As at December 30, 2022, the Company had undiscounted future lease payments of nil (2021 – $81) related to leases not yet commenced to which it was committed, which are not reflected in the measurement of lease liabilities.

f) Extension options and termination options

The following table summarizes the potential undiscounted future lease payments that have not been reflected in the measurement of lease liabilities as at December 30, 2022 and 2021 as it was not reasonably certain that the leases would be extended or not be terminated.

		2022		2021
Extension options	$	89,775	$	34,940
Termination options (net of payments for penalties for terminating the leases)	$	15	$	53

NOTE 12 – INTANGIBLE ASSETS

Cost

	Trademarks	Customer relationships	Supplier relationship	Patents	Software licenses	Deferred development costs	Total
Balance as at December 30, 2020	$ 328,704	$ 139,748	$ 1,500	$ 24,387	$ 33,221	$ 129,292	$ 656,852
Additions – internally developed	–	–	–	260	3,413	4,549	8,222
Additions – externally acquired	–	–	–	–	1,176	–	1,176
Additions through acquisition of business (Note 9)	–	7,600	–	–	–	–	7,600
Reclassified to assets held for sale (Note 5)	(210,327)	(51,437)	(1,500)	(2,133)	(12,578)	–	(277,975)
Disposals	–	–	–	(606)	(3,504)	(17,295)	(21,405)
Effect of foreign currency exchange rate changes	(8,755)	(4,256)	–	(481)	(1,355)	(7,072)	(21,919)
Balance as at December 30, 2021	$ 109,622	$ 91,655	$ –	$ 21,427	$ 20,373	$ 109,474	$ 352,551
Additions – internally developed	–	–	–	432	830	4,164	5,426
Additions – externally acquired	–	–	–	–	1,317	898	2,215
Disposals	–	–	–	(1,793)	(2,061)	(1,659)	(5,513)
Effect of foreign currency exchange rate changes	(3,982)	(2,393)	–	168	(1,066)	(4,992)	(12,265)
Balance as at December 30, 2022	$ 105,640	$ 89,262	$ –	$ 20,234	$ 19,393	$ 107,885	$ 342,414

Accumulated depreciation and impairment losses

	Trademarks	Customer relationships	Supplier relationship	Patents	Software licenses	Deferred development costs	Total
Balance as at December 30, 2020	$ 178,422	$ 121,158	$ 1,500	$ 19,582	$ 17,707	$ 92,966	$ 431,335
Amortization for the year (Notes 5 and 28)	–	3,083	–	887	3,635	11,935	19,540
Reversal of prior year impairment losses on intangible assets (Note 5)	(72,900)	–	–	–	–	–	(72,900)
Reclassified to assets held for sale (Note 5)	(12,342)	(49,100)	(1,500)	(2,133)	(8,395)	–	(73,470)
Disposals	–	–	–	(601)	(882)	(13,139)	(14,622)
Effect of foreign currency exchange rate changes	(7,834)	(4,257)	–	(413)	(957)	(5,439)	(18,900)
Balance as at December 30, 2021	$ 85,346	$ 70,884	$ –	$ 17,322	$ 11,108	$ 86,323	$ 270,983
Amortization for the year (Notes 5 and 28)	–	2,597	–	1,023	4,302	10,059	17,981
Disposals	–	–	–	(1,793)	(486)	(1,123)	(3,402)
Effect of foreign currency exchange rate changes	(4,027)	(1,861)	–	213	(500)	(4,060)	(10,235)
Balance as at December 30, 2022	$ 81,319	$ 71,620	$ –	$ 16,765	$ 14,424	$ 91,199	$ 275,327

Net book value

	Trademarks	Customer relationships	Supplier relationship	Patents	Software licenses	Deferred development costs	Total
Balance as at December 30, 2021	$ 24,276	$ 20,771	$ –	$ 4,105	$ 9,265	$ 23,151	$ 81,568
Balance as at December 30, 2022	$ 24,321	$ 17,642	$ –	$ 3,469	$ 4,969	$ 16,686	$ 67,087

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

Goodwill and intangible assets with indefinite useful lives (trademarks) acquired through business combinations are allocated to CGUs or to groups of CGUs.

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

	Goodwill		Trademarks	
	2022	**2021**	**2022**	**2021**
Dorel Juvenile – Europe	$ –	$ –	$ 23,450	$ 23,450
Dorel Juvenile – Brazil	–	–	871	826
Dorel Home	45,205	45,523	–	–
Total	$ 45,205	$ 45,523	$ 24,321	$ 24,276

The continuity of goodwill by segment is presented in Note 29.

The Company performs goodwill and indefinite life intangible asset impairment testing on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of the CGU or group of CGUs likely exceeds its recoverable amount. Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which goodwill or trademarks are allocated and comparing it to the CGUs' carrying amount.

On October 31, 2022, the Company performed its annual impairment testing of goodwill and trademarks. As the recoverable amounts of the CGUs were equal to higher than their carrying amount, no impairment loss was recorded.

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

Valuation techniques and key assumptions used

The recoverable amount has been defined as the higher of the value in use and the fair value less costs of disposal.

Value in use

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

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

The value in use was determined by using discounted cash flow projections from financial budgets approved by senior management. The Company projected revenue growth rates, operating margins, capital expenditures and working capital for a period of five years and applied a terminal long-term growth rate thereafter. In arriving at its forecasts, the Company considered past experience, economic trends such as GDP growth and inflation, as well as industry and market trends. The projections also took into account the expected impact from new product initiatives, customer retention and the maturity of the market in which each CGU operates.

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

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

Fair value less costs of disposal

The market approach was used which assumes that companies operating in the same industry will share similar characteristics and that company fair values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate fair value. Under the market approach, fair value is calculated based on earnings before finance expenses, income taxes, depreciation and amortization (“EBITDA”) multiples, earnings before finance expenses and income taxes (“EBIT”) multiples and sales multiples of benchmark companies comparable to the businesses in each CGU. Data for the benchmark companies was obtained from publicly available information. If there is no binding sales agreement or active market for the asset or CGU, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU. The market approach is most sensitive to the selection of multiples of benchmark companies used and applied premiums or discounts to derive the multiple used in the determination of the fair value.

Key assumptions used in calculations

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

			2022
	Basis used as recoverable amount	**Pre-tax Discount Rate**	**Terminal Growth Rate**
Dorel Juvenile – Europe	Value in use	17.43%	2.00%
Dorel Home	Value in use	14.41%	2.00%

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

			2021
	Basis used as recoverable amount	**Pre-tax Discount Rate/Multiple**	**Terminal Growth Rate/Control Premium**
Dorel Juvenile – Europe	Value in use	12.61%	2.00%
Dorel Home	Fair value less costs to sell	9.2x EBITDA	30.00%

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

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

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the recoverable amount calculation would have the following effects for the year ended December 30, 2022, assuming that all other variables remained constant:

	Increase in basis points of pre-tax discount rate (or minimum multiple) that would result in carrying value equal to recoverable amount	**Decrease in basis points of terminal long-term growth rate (or minimum multiple) that would result in carrying value equal to recoverable amount**
Dorel Juvenile – Europe	107	790
Dorel Home	199	880

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the recoverable amount calculation would have had the following effects for the year ended December 30, 2021, assuming that all other variables remained constant:

	Increase in basis points of pre-tax discount rate (or minimum multiple) that would result in carrying value equal to recoverable amount	**Decrease in basis points of terminal long-term growth rate (or minimum multiple) that would result in carrying value equal to recoverable amount**
Dorel Juvenile – Europe	171	230
Dorel Home	(1)	(1)

(1) It would take a multiple of 4.7x EBITDA for the carrying amount to be equal to its recoverable amount.

NOTE 14 – OTHER ASSETS AND OTHER LIABILITIES

Other assets consist of the following:

	2022	2021
Prepaid expenses	$ 23,889	$ 22,556
Sales tax receivable	5,721	5,622
Other receivables	4,185	2,669
Other financial assets	1,493	593
Other	324	559
	$ 35,612	$ 31,999
Current	$ 27,606	$ 27,948
Non-current	$ 8,006	$ 4,051

Other liabilities consist of the following:

	2022	2021
Sales tax payable	$ 4,188	$ 4,929
Contingent consideration (Note 9)	912	1,299
Contract liabilities	268	532
Other financial liabilities	3,044	4,908
Other	367	3,847
	$ 8,779	$ 15,515
Current	$ 5,172	$ 7,311
Non-current	$ 3,607	$ 8,204

NOTE 15 – BANK INDEBTEDNESS

	2022			2021		
	Available	Used (1)	Average Interest Rates	Available	Used (2)	Average Interest Rates
Bank lines of credit	$ 20,489	$ 11,946	5.89%	$ 30,641	$ 3,783	1.64%

(1) $5,318 are secured by trade accounts receivable representing a carrying value of $2,375.
(2) $1,838 are secured by trade accounts receivable representing a carrying value of $2,524.

The availability of these funds is dependent on the Company continuing to meet the financial covenants of its credit agreements. Financial covenants have been met as at December 30, 2022 and 2021.

NOTE 16 – TRADE AND OTHER PAYABLES

	2022	2021
Trade creditors and accruals	$ 251,075	$ 296,769
Salaries payable	21,114	39,613
Other accrued liabilities	7,431	6,763
	$ 279,620	$ 343,145

NOTE 17 – LONG-TERM DEBT

The terms and conditions of outstanding loans are as follows:

				2022		2021	
	Currency	Nominal interest rate	Maturity date	Face value	Carrying amount	Face value	Carrying amount
Senior unsecured notes, interest payable on the last business day of each quarter	USD	7.50%	July 19, 2024	$ –	$ –	$127,500	$125,126
Senior secured asset based revolving credit facility bearing interest at various rates, averaging 4.16% (2021 – 2.74%), total availability of $300,000 ($325,909 from October 11, 2022 until April 11, 2024)	USD/EUR/ CAD	Variable rates plus a variable margin	June 11, 2026	210,542	208,420	305,931	302,124
Debt financing repayable on a monthly basis	CAD	2.75%	October 31, 2037	33,703	33,703	–	–
Balance of sale on acquisition of Notio Living, bearing no interest (Note 9)	USD	n/a	February 2024	5,666	5,666	6,076	6,076
Other				8,941	8,941	5,011	5,011
Total outstanding loans				$ 258,852	$ 256,730	$ 444,518	$ 438,337
Current portion					(6,591)		(4,501)
					$ 250,139		$ 433,836

Senior secured asset based revolving credit facility ("ABL facility")

On June 11, 2021, the Company entered into a two-year $450,000 ABL facility with institutional lenders led by Bank of Montreal as lead arranger, administrative agent and sole bookrunner. On January 4, 2022, following the sale of its Sports segment, the Company amended the ABL facility to reduce the total availability to $300,000. This ABL facility, which is guaranteed by certain of Dorel's subsidiaries had an initial maturity date of two years from the date of the initial advance (June 11, 2021). On May 3, 2022, the Company amended its ABL facility agreement to extend the term until June 11, 2026. On October 11, 2022, the Company further amended its ABL facility agreement to increase the total availability to $325,909. The increased availability began on October 11, 2022 and ends on April 11, 2024.

The total amount accessible to the company is dependent upon the calculation of the borrowing base, which is based on accounts receivable and inventories. The amounts borrowed bear interest at variable rates based on the Eurodollar rate, the bankers' acceptance rate, the prime rate, the Federal funds effective rate, the US base rate, the Canadian prime rate, the Dutch tranche Euro offered rate and the Dutch tranche USD offered rate, plus a variable margin.

As at December 30, 2022, the Company was compliant with all of the terms and conditions of the ABL facility.

NOTE 17 – LONG-TERM DEBT (continued)

Debt financing

In October 2022, Dorel concluded the sale of its building in Cornwall, Ontario, the location of a Dorel Home ready-to-assemble manufacturing facility for $33,872 (CAD $46,137) and subsequently entered into a 15-year lease with the new owner, starting November 1, 2022. The Company concluded that the transaction did not qualify as a sale under *IFRS 15, Revenue from contracts with customers*, and as a result, the Company initially recognized a debt financing of $33,872 for the proceeds received. The monthly lease payments are allocated between interest expense and principal repayment of the debt financing during the contractual period of 15 years. Based on the expected future cash flows, the calculated effective interest rate was established at 2.75% and will be used to recognize interest expense during the lease agreement. The Company didn't derecognize the underlying asset and continued depreciating the asset as if it was the legal owner.

Senior unsecured notes

On January 4, 2022, following the sale of its Sports segment, the Company used a portion of the proceeds received to completely reimburse the balance of the senior unsecured notes (refer to Note 5), including a prepayment fee of $6,375 recognized in finance expenses in the year ended December 30, 2022 (refer to Note 28).

NOTE 18 – PROVISIONS

	Product liability (1)	Warranty provision (2)	Employee compensation	Restructuring provision (Note 6)	Other provisions	Total
Balance as at December 30, 2021	$ 24,997	$ 2,625	$ 1,163	$ 3,606	$ 3,772	$ 36,163
Arising during the year	15,833	3,597	116	8,555	1,739	29,840
Utilized	(6,714)	(1,197)	(66)	(10,665)	(123)	(18,765)
Unused amounts reversed	(7,856)	(284)	(137)	(35)	–	(8,312)
Effect of foreign currency exchange rate changes	–	(36)	(101)	85	(27)	(79)
Balance as at December 30, 2022	$ 26,260	$ 4,705	$ 975	$ 1,546	$ 5,361	$ 38,847
Current as at December 30, 2022	$ 26,260	$ 4,705	$ –	$ 1,546	$ 4,102	$ 36,613
Non-current as at December 30, 2022	–	–	975	–	1,259	2,234
	$ 26,260	$ 4,705	$ 975	$ 1,546	$ 5,361	$ 38,847
Current as at December 30, 2021	$ 24,997	$ 2,625	$ –	$ 3,606	$ 2,394	$ 33,622
Non-current as at December 30, 2021	–	–	1,163	–	1,378	2,541
	$ 24,997	$ 2,625	$ 1,163	$ 3,606	$ 3,772	$ 36,163

(1) Given the nature of the risks, it is not possible to estimate when any liabilities may have to be settled, thus product liability provisions have been presented as current.

(2) It is expected that most of these costs will be incurred in the next financial year, thus warranty provision has been presented as current.

NOTE 19 – FINANCIAL INSTRUMENTS

Financial instruments – carrying values and fair values

Fair value disclosure

The Company has determined that the fair value of its current financial assets and liabilities approximates their respective carrying amounts as at the reporting dates because of their short-term nature. For long-term debt bearing interest at variable rates, the fair value is considered to approximate the carrying amount. For long-term debt bearing interest at fixed rates, the fair value is estimated using level 2 inputs in the fair value hierarchy based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity. The fair value of long-term debt bearing interest at fixed rates approximates its carrying value as at December 30, 2022. The fair value of long-term debt bearing interest at fixed rates as at December 30, 2021 was $138,721 with a corresponding carrying amount of $130,136.

Fair value measurement

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing the fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Should any of the inputs to these models or changes in assumptions about these factors occur, this could affect the reported fair value of financial instruments. The Company's financial assets and liabilities measured at fair value consist of derivative financial instruments. The balance of the Company's derivative financial assets and liabilities are not significant as at December 30, 2022 and 2021.

Management of risks arising from financial instruments

In the normal course of business, the Company is subject to various risks relating to foreign exchange, interest rate, credit and liquidity. The Company manages these risk exposures on an ongoing basis. In order to limit the effects of changes in foreign exchange rates on its revenues, expenses and cash flows, the Company can avail itself of various derivative financial instruments. The Company's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience. The following analysis provides a measurement of risks arising from financial instruments.

Foreign Exchange Rate Risk

The Company's main source of foreign exchange rate risk is due to sales and purchases of goods denominated in currencies other than the functional currency of each of the Company's entities. Fluctuations in the respective foreign exchange rates relative to the functional currency of each of the Company's entities will create volatility in the Company's cash flows and in the reported amounts in its consolidated income statements. The Company's financial debt mainly consists of long-term debt issued in US dollars for which no foreign currency hedging is required.

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

Most short-term lines of credit, overdrafts and long-term debt used by the Company's entities are in the currency of the borrowing entity and therefore carry no foreign exchange rate risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to foreign exchange rate risk and some are used to hedge net investments in their foreign subsidiaries. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of each of the Company's entities at the rates of exchange at each financial position date, the impact of which is reported as a foreign exchange gain or loss in the consolidated income statements. In order to mitigate the foreign exchange rate risk, from time to time, the Company uses various derivative financial instruments such as swaps, options, futures and forward contracts to hedge against adverse fluctuations in foreign currency rates.

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

The following tables provide an indication of the Company's significant foreign currency exposures of financial assets and liabilities denominated in currencies other than the functional currency of each of the Company's entities, as well as the amount of revenue and expenses that were denominated in foreign currencies other than the functional currency of each of the Company's entities. The tables below do not consider the effect of foreign exchange contracts. Amounts are presented in the equivalent US $.

			2022			2021
	USD	CAD	EUR	USD	CAD	EUR
Cash and cash equivalents	$ 1,582	$ 994	$ 448	$ 7,306	$ 823	$ 173
Trade accounts receivable	7,332	5,624	7,599	8,969	2,513	2,725
Trade and other payables	(40,153)	(6,477)	(333)	(40,515)	(5,553)	(684)
Long-term debt	(38,924)	(40,460)	–	–	(44,860)	–
Inter-company loans	(89,030)	–	7,467	(82,021)	–	3,209
Consolidated statement of financial position net exposure excluding derivatives	$ (159,193)	$ (40,319)	$ 15,181	$ (106,261)	$ (47,077)	$ 5,423

			2022			2021
	USD	CAD	EUR	USD	CAD	EUR
Revenue	$ 32,750	$ 31,706	$ 23,516	$ 28,887	$ 32,253	$ 2,322
Expenses	149,756	94,812	35,839	154,748	97,317	52,922
Net exposure	$ (117,006)	$ (63,106)	$ (12,323)	$ (125,861)	$ (65,064)	$ (50,600)

Net foreign exchange loss from continuing operations amounting to $5,174 (2021 – $6,499) was recognized in the consolidated income statements during 2022.

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

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

		2022		2021
	Year-to-date average rate	**Reporting date rate**	**Year-to-date average rate**	**Reporting date rate**
CAD to USD	0.7683	0.7387	0.7978	0.7888
EUR to USD	1.0517	1.0705	1.1826	1.1351
BRL to USD	0.1937	0.1892	0.1853	0.1794

Based on the Company's foreign currency exposures noted above and the foreign exchange contracts in effect in 2022 and 2021, varying the above foreign exchange rates to reflect a 5 percent weakening of the currencies, other than the functional currency of each of the Company's entities, would have the following effects, assuming that all other variables remained constant:

			2022			2021
Source of variability from changes in foreign exchange rates	**USD**	**CAD**	**EUR**	**USD**	**CAD**	**EUR**
Financial instruments, including foreign exchange contracts for which the Company does not apply hedge accounting	$ 7,348	$ 2,016	$ (686)	$ 5,056	$ 4,256	$ (202)
Revenue and expenses	5,850	3,155	550	6,286	3,253	2,415
Increase (decrease) on pre-tax income	$ 13,198	$ 5,171	$ (136)	$ 11,342	$ 7,509	$ 2,213
Decrease on other comprehensive income (loss)	$ (633)	$ –	$ –	$ (132)	$ –	$ (96)

An assumed 5 percent strengthening of the currencies, other than the functional currency of each of the Company's entities, would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Cash flow hedges – Foreign exchange contracts

The Company enters into foreign exchange contracts to manage its foreign currency exposure associated with forecasted inventory purchases or other types of expenses. Most of the Company's foreign exchange contracts are designated as hedging instruments in cash flow hedges of forecast inventory purchases or other types of expenses.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of the expected highly probable forecast transactions, i.e. notional amount and expected payment date. The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts is identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

The main source of ineffectiveness in the hedge relationships are the:

- effect of the counterparty's and the Company's own credit risk on the fair value of the foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates;
- difference in the timing of cash flows of the hedged items and hedging instruments; and
- changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The total notional amount of the Company's outstanding foreign exchange contracts was $18,738 (2021 – $51,779). The fair value of the Company's derivative financial instruments relating to commitments to buy and sell foreign currencies through foreign exchange contracts is not material as at December 30, 2022 and 2021.

Net investment hedges

A foreign currency exposure also arises from the net investment in foreign subsidiaries, as a result of the translation of the net investment into the functional currency of their parent entity. Two of the Company's subsidiaries (having a EUR functional currency) have designated a USD inter-company loan and a portion of their ABL facility as the hedging instruments in the hedge of their respective foreign net investments (having a US dollar functional currency), in order to mitigate their exposure to the US dollar foreign exchange rate risk on these net investments. Gains or losses on the retranslation of these hedging instruments are transferred to other comprehensive income (loss) to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged items and the hedging instruments as the net investments create a translation risk that will match the foreign exchange rate risk on the USD inter-company loan and the portion of the ABL facility (the "hedging instruments"). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged risk components. The hedge ineffectiveness will arise when the amount of the net investments in the foreign subsidiaries becomes lower than the amount of the related hedging instruments.

As at December 30, 2022, the carrying amounts of the inter-company loan and the ABL facility designated as hedging instruments were $4,061 (2021 – $19,173) and $5,000 (2021 – $35,000), respectively. The impact of these hedging instruments and the hedged items on the consolidated statements of financial position was not material as at December 30, 2022 and 2021.

Interest Rate Risk

The Company is exposed to interest rate fluctuations, related primarily to its ABL facility, for which amounts drawn are subject to variable rates in effect at the time of borrowing, plus a margin. The Company manages its interest rate exposure by entering into swap agreements consisting of exchanging variable rates for fixed rates for an extended period of time. All other long-term debts have fixed interest rates and are therefore not exposed to interest rate risk.

In 2019, the Company entered into an interest rate swap agreement and has designated this interest rate swap as a cash flow hedge for which it uses hedge accounting. A summary of the interest rate swap agreement designated as hedging instruments is as follows:

		2022			2021
Fixed rate	Notional amount	Maturity	Fixed rate	Notional amount	Maturity
2.32%	$ 50,000	April 9, 2024	2.32%	$ 50,000	April 9, 2024

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

The impact of the hedging instruments on the consolidated statements of financial position is not material as at December 30, 2022 and 2021.

Credit Risk

Credit risk stems primarily from the potential inability of clients or counterparties to discharge their obligations and arises primarily from the Company's trade accounts receivable. The Company may also have credit risk relating to cash and cash equivalents, foreign exchange contracts and interest rate swap agreements resulting from defaults by counterparties, which it manages by entering into financial instruments with a variety of creditworthy parties. When entering into foreign exchange contracts and interest rate swap agreements, the counterparties are large Canadian and International banks.

The credit risk to which the Company is exposed arises principally from the Company's trade accounts receivables. Substantially all trade accounts receivable arise from the sale to the retail industry. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. In addition, a portion of the total trade accounts receivable is insured against possible losses. The carrying amount of the Company's financial assets represents the maximum exposure to credit risk.

In 2022, sales to two major customers accounted for respectively 29.5% and 16.7%, for an aggregate of 46.2% of the Company's total revenue from continuing operations (2021 – two customers accounted for 34.2% and 13.4%, for an aggregate of 47.6%). As at December 30, 2022, two customers accounted for respectively 24.0% and 28.4%, for an aggregate of 52.4% of the Company's total trade accounts receivable balance (2021 – two customers accounted for respectively 31.7% and 15.9%, for an aggregate of 47.6% of the Company's total trade accounts receivable balance).

The Company's exposure to credit risk for trade accounts receivable by geographic area, based on the location of the selling entity, was as follows:

	2022	2021
Canada	$ 10,135	$ 10,605
United States	105,513	160,914
Europe	39,992	51,531
Latin America	31,649	27,805
Asia	808	1,232
Other countries	4,933	6,414
	$ 193,030	$ 258,501

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

	2022	2021
Mass-market retailers	$ 144,004	$ 196,990
Specialty/independent stores	49,026	61,511
	$ 193,030	$ 258,501

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

The Company recognizes an impairment loss allowance for expected credit losses ("ECLs") on trade accounts receivable, using a probability-weighted estimate of credit losses. The Company establishes an impairment loss allowance on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area, customer credit rating and number of days past due. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. In its assessment of the impairment loss allowance as at December 30, 2022, the Company considered the uncertainty in the macro-economic environment on its ECL assessment, including the risk of default of its customers given the economic uncertainty caused by the COVID-19 pandemic and inflationary pressures.

The following table provides information about the exposure to credit risk and ECLs for trade accounts receivable. The ECLs were calculated based on actual credit loss experience and informed credit assessment, including forward-looking information.

				2022
	Weighted-average loss rate	**Trade accounts receivable - gross**	**Impairment loss allowance**	**Trade accounts receivable - net**
Current (not past due)	0.8%	$ 148,924	$ (1,265)	$ 147,659
Past due 0-30 days	1.4%	28,734	(397)	28,337
Past due 31-60 days	3.4%	5,685	(193)	5,492
Past due 61-90 days	2.4%	2,962	(71)	2,891
Past due over 90 days	40.4%	14,525	(5,874)	8,651
		$ 200,830	$ (7,800)	$ 193,030

				2021
	Weighted-average loss rate	**Trade accounts receivable - gross**	**Impairment loss allowance**	**Trade accounts receivable - net**
Current (not past due)	0.6%	$ 212,806	$ (1,278)	$ 211,528
Past due 0-30 days	0.8%	31,149	(255)	30,894
Past due 31-60 days	2.0%	6,879	(138)	6,741
Past due 61-90 days	4.1%	2,943	(121)	2,822
Past due over 90 days	49.2%	12,823	(6,307)	6,516
		$ 266,600	$ (8,099)	$ 258,501

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk of being unable to honor financial commitments by the deadlines set out under the terms of such commitments. The Company manages liquidity risk through the management of its capital structure and operating requirements. It also manages liquidity risk by continuously monitoring actual and projected cash flows matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions not in the ordinary course of business, including acquisitions or other major investments or divestitures.

Capital management

The Company's objectives in managing capital are to provide sufficient liquidity to support its operations while generating a reasonable return to shareholders, give the flexibility to take advantage of growth and development opportunities of the business and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk.

The Company's capital structure is composed of net debt and equity. Net debt consists of interest-bearing debt less cash and cash equivalents. The Company's use of capital is to finance working capital requirements, capital expenditures, business acquisitions, payment of dividends, as well as share repurchases. The Company currently funds these requirements out of its internally generated cash flows and with funds drawn from its senior secured asset based revolving credit facility.

The Company manages its capital structure in light of changes in economic conditions and following the terms and conditions of its senior secured asset based revolving credit facility. In order to maintain or adjust the capital structure, the Company may elect to adjust the amounts of dividends paid to shareholders, return capital to its shareholders, issue new shares, repurchase its shares or increase/decrease net debt. The Company is not subject to any significant externally imposed capital requirements.

Assessing liquidity requires significant judgement and although no assurance can be provided, the Company does not expect a liquidity problem in the foreseeable future whether from future cash flows from operations or availability under existing and renegotiated banking arrangements.

The following table summarizes the contractual maturities of financial liabilities of the Company as at December 30, 2022, excluding future interest payments but including accrued interest:

	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Bank indebtedness	$ 11,946	$ 11,946	$ –	$ –	$ –
Trade and other payables	279,620	279,620	–	–	–
Long-term debt:					
ABL facility	210,542	–	–	210,542	–
Debt financing	33,703	1,527	3,183	3,426	25,567
Balance of sale	5,666	2,833	2,833	–	–
Other	8,941	2,231	4,864	1,846	–
Other liabilities:					
Other financial liabilities	3,044	778	1,618	648	–
Total	$ 553,462	$ 298,935	$ 12,498	$ 216,462	$ 25,567

For the contractual undiscounted cash flows of lease liabilities, refer to Note 11 e).

NOTE 20 – PENSION AND POST-RETIREMENT BENEFIT PLANS

Certain of the Company's subsidiaries maintain defined benefit plans and defined contribution plans for their employees.

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

The changes in net liability arising from defined benefit obligations are as follows:

		2022		2021
	Pension benefits	Post-retirement benefits	Pension benefits	Post-retirement benefits
Present value of the defined benefit obligations under wholly or partially funded plans:				
Balance, beginning of year	$ 73,782	$ 4,557	$ 81,719	$ 5,417
Current service cost	2,755	–	3,634	–
Interest cost	1,386	105	1,222	100
Participant contributions	594	–	681	–
Benefits paid	(2,088)	(307)	(2,730)	(360)
Effect of foreign currency exchange rate changes	(1,825)	–	(2,248)	–
Remeasurement gains recognized in other comprehensive income (loss)	(25,754)	(816)	(8,135)	(600)
Restructuring giving rise to curtailments (Note 6)	(212)	–	(346)	–
Transfers	–	–	(15)	–
Balance, end of year	$ 48,638	$ 3,539	$ 73,782	$ 4,557
Plan assets:				
Fair value, beginning of year	$ 58,860	$ –	$ 61,065	$ –
Interest income on plan assets	1,167	–	967	–
Remeasurement losses recognized in other comprehensive income (loss)	(17,110)	–	(2,527)	–
Employer contributions	1,886	307	3,644	360
Participant contributions	594	–	681	–
Benefits paid	(2,088)	(307)	(2,730)	(360)
Effect of foreign currency exchange rate changes	(1,315)	–	(1,646)	–
Additional charges	(450)	–	(518)	–
Transfers	–	–	(76)	–
Fair value, end of year	$ 41,544	$ –	$ 58,860	$ –
Effect of asset ceiling (1)	$ (233)	$ –	$ (165)	$ –
Net liability arising from defined benefit obligations	$ (7,327)	$ (3,539)	$ (15,087)	$ (4,557)

(1) Includes effect of foreign currency exchange rate changes.

NOTE 20 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

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

		2022		2021
	Pension benefits	Post-retirement benefits	Pension benefits	Post-retirement benefits
Remeasurement gains (losses) recognized in other comprehensive income:				
Return on plan assets (excluding amounts included in net interest expense)	$ (17,110)	$ –	$ (2,527)	$ –
Actuarial losses arising from changes in demographic assumptions	(216)	–	(159)	(23)
Actuarial gains arising from changes in financial assumptions	18,098	754	5,212	142
Actuarial gains arising from experience adjustments	7,872	62	3,082	481
Change in the effect of asset ceiling	(77)	–	31	–
	$ 8,567	$ 816	$ 5,639	$ 600

		2022		2021
	Pension benefits	Post-retirement benefits	Pension benefits	Post-retirement benefits
Remeasurement gains (losses) accumulated in other comprehensive loss:				
Balance, beginning of year	$ (6,391)	$ (7,299)	$ (11,798)	$ (7,899)
Recognized during the year in other comprehensive income	8,567	816	5,639	600
Effect of foreign currency exchange rate changes	(79)	–	(232)	–
Balance, end of year	$ 2,097	$ (6,483)	$ (6,391)	$ (7,299)

		2022		2021
	Pension benefits	Post-retirement benefits	Pension benefits	Post-retirement benefits
Changes in the asset ceiling:				
Balance, beginning of year	$ (165)	$ –	$ (209)	$ –
Change in the effect of asset ceiling	(77)	–	31	–
Effect of foreign currency exchange rate changes	9	–	13	–
Balance, end of year	$ (233)	$ –	$ (165)	$ –

The Company’s asset ceiling represents the present value of future economic benefits available in the form of reductions in future contributions.

NOTE 20 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

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

	2022		2021	
	Pension benefits	**Post-retirement benefits**	**Pension benefits**	**Post-retirement benefits**
Current service cost	$ 2,755	$ –	$ 3,634	$ –
Net interest expense	219	105	255	100
Additional charges	450	–	518	–
Effect of curtailments (Note 6)	(212)	–	(346)	–
Net retirement expense for the year	$ 3,212	$ 105	$ 4,061	$ 100
Actual return on plan assets	$ (15,943)	$ –	$ (1,560)	$ –

Other than the curtailment gain presented within the restructuring and other costs (Note 6), the pension and post-retirement expense is recognized within general and administrative expenses and cost of sales.

Under the Company's defined contribution plans, total expense was $3,089 (2021 – $5,725) and is recorded within the appropriate headings of expenses by function. Total cash payments for employee future benefits for 2022, consisting of cash contributed by the Company to its funded plans, cash contributed to its defined contribution plans and benefits paid directly to beneficiaries for unfunded plans, was $5,282 (2021 – $9,729).

Actuarial assumptions and sensitivity analysis

Weighted-average assumptions used to determine benefit obligations:

	Pension benefits		Post-retirement benefits	
	2022	**2021**	**2022**	**2021**
Discount rate (1)	4.24%	1.81%	4.87%	2.42%
Rate of compensation increase	2.10%	2.09%	n/a	n/a

(1) During the 2022 year, the Company remeasured its net defined benefit obligations, with the assistance of independent actuaries.

NOTE 20 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

Weighted-average assumptions used to determine net periodic cost:

	Pension benefits		Post-retirement benefits	
	2022	2021	2022	2021
Discount rate	1.93%	1.53%	2.42%	1.92%
Rate of compensation increase	2.09%	2.11%	n/a	n/a
Post-retirement mortality at age 65 for current pensioners (male)	19.4 years	19.5 years	19.1 years	19.1 years
Post-retirement mortality at age 65 for current pensioners (female)	22.4 years	22.4 years	21.6 years	21.6 years
Post-retirement mortality at age 65 for current pensioners aged 45 (male)	21.0 years	21.0 years	20.7 years	20.7 years
Post-retirement mortality at age 65 for current pensioners aged 45 (female)	23.9 years	23.3 years	23.1 years	23.1 years

At December 30, 2022, the weighted-average duration of the defined benefit obligations was 16.7 years for the pension benefits (2021 – 19.4 years) and 7.9 years for the post-retirement benefits (2021 – 9.2 years).

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

	Pension benefits 2022		Post-retirement benefits 2022		Pension benefits 2021		Post-retirement benefits 2021	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	$ (1,749)	$ 1,860	$ (68)	$ 71	$ (3,339)	$ 3,593	$ (102)	$ 106
Rate of compensation increase (0.5% movement)	$ 293	$ (283)	n/a	n/a	$ 767	$ (729)	n/a	n/a

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the net periodic cost by the amounts shown below.

	Pension benefits 2022		Post-retirement benefits 2022		Pension benefits 2021		Post-retirement benefits 2021	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	$ (141)	$ 124	$ 8	$ 14	$ (298)	$ 329	$ 10	$ 16
Rate of compensation increase (0.5% movement)	$ 33	$ (55)	n/a	n/a	$ 106	$ (99)	n/a	n/a

NOTE 20 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

The assumed health care cost trend used for measurement of the accumulated post-retirement benefit obligation is 7.5% in 2022, decreasing gradually to 4.5% in 2029 and remaining at that level thereafter.

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

	2022		2021	
	Increase	Decrease	Increase	Decrease
Effect on total of service and interest cost	$ 7	$ (6)	$ 8	$ (7)
Effect on post-retirement benefit obligation	$ 190	$ (169)	$ 305	$ (267)

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

The measurement date used for plan assets, pension benefits and post-retirement benefits was December 30. The most recent actuarial valuations for the pension plans and post-retirement benefit plans are dated January 1, 2022. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2022, and the next required valuation will be as of January 1, 2023.

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

	2022		2021	
Debt securities				
Mutual funds - fixed income securities				
United States	$ 16,864	40%	$ 14,778	25%
Total debt securities	$ 16,864	40%	$ 14,778	25%
Other				
Insurance contracts	$ 10,403	25%	$ 20,395	35%
Mutual funds - specialty	1,556	4	1,956	3
Total other	$ 11,959	29%	$ 22,351	38%
Equity securities				
Canada	$ 167	1%	$ 282	1%
United States	7,149	17	11,287	19
Europe	1,880	5	2,204	4
International	3,078	7	4,302	7
Total equity securities	$ 12,274	30%	$ 18,075	31%
Cash and cash equivalents	$ 447	1%	$ 3,656	6%
Total	$ 41,544	100%	$ 58,860	100%

NOTE 20 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

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

The Company expects $1,506 in contributions to be paid to the funded defined benefit plans and $357 in benefits to be paid for the unfunded plans in 2023.

Other

Certain of the Company's subsidiaries have elected to act as a self-insurer for certain costs related to all active employee health and accident programs. The expense for the year ended December 30, 2022 was $4,444 (2021 – $10,288) under this self-insured benefit program.

NOTE 21 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

The share capital of the Company is as follows:

Authorized

- An unlimited number of preferred shares without nominal or par value, issuable in series and fully paid.
- An unlimited number of Class "A" Multiple Voting Shares without nominal or par value, convertible at any time at the option of the holder into Class "B" Subordinate Voting Shares on a one-for-one basis.
- An unlimited number of Class "B" Subordinate Voting Shares without nominal or par value, convertible into Class "A" Multiple Voting Shares, under certain circumstances, if an offer is made to purchase the Class "A" shares.

Details of the issued and outstanding shares are as follows:

	2022		2021	
	Number	**Amount**	**Number**	**Amount**
Class "A" Multiple Voting Shares				
Balance, beginning of year	4,149,440	$ 1,748	4,188,175	$ 1,767
Converted from Class "A" to Class "B" (1)	(355)	–	(38,735)	(19)
Balance, end of year	4,149,085	$ 1,748	4,149,440	$ 1,748
Class "B" Subordinate Voting Shares				
Balance, beginning of year	28,359,191	$ 202,989	28,316,946	$ 202,934
Converted from Class "A" to Class "B" (1)	355	–	38,735	19
Reclassification from contributed surplus due to settlement of deferred share units (Note 22)	98,586	1,375	3,510	36
Repurchase and cancellation of shares	(69,600)	(499)	–	–
Balance, end of year	28,388,532	$ 203,865	28,359,191	$ 202,989
TOTAL SHARE CAPITAL		$ 205,613		$ 204,737

(1) During the year ended December 30, 2022, the Company converted 355 Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares (2021 – 38,735) at an average rate of $0.63 per share (2021 – $0.63 per share).

NOTE 21 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

Normal Course Issuer Bid (“NCIB”)

On January 4, 2022, the Toronto Stock Exchange (“TSX”) approved the Company’s NCIB. Under the NCIB, the Company may purchase for cancellation a maximum of 1,891,222 Class “B” Subordinate Voting Shares, representing 10% of the 18,912,225 Class “B” Subordinate Voting Shares forming the public float. The shares may be purchased through the facilities of the TSX and on alternative trading systems in Canada over the twelve-month period from January 6, 2022 to January 5, 2023, or until such earlier time as the bid is completed or terminated at the option of the Company.

Any shares purchased by the Company under the NCIB will be at the market price of the shares at the time of such purchases. The actual number of Class “B” Subordinate Voting Shares that may be purchased and the timing of any such purchases will be determined by the Company. Any purchases made by the Company pursuant to the NCIB will be made in accordance with the rules and policies of the TSX. During the year ended December 30, 2022, the Company purchased a total of 69,600 Class “B” Subordinate Voting Shares for a cash consideration of $499.

Nature and purpose of other components of equity

Contributed Surplus

The contributed surplus account is used to recognize the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

Other Comprehensive Income (Loss)

Cumulative Translation Account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of monetary assets or liabilities that hedge the Company’s net investment in foreign operations.

Cash Flow Hedges

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

Defined Benefit Plans

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

Other Equity

The other equity account comprises the remeasurement of the present value of the written put option liabilities.

NOTE 21 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

Dividends on Common Shares

On January 4, 2022, following the closing of the sale of its Sports segment, Dorel's Board of Directors declared a special dividend of $12.00 per share on Dorel's outstanding Class "B" Subordinate Voting Shares, Class "A" Multiple Voting Shares, DSUs, cash-settled RSUs and cash-settled PSUs representing an aggregate amount of $396,643. The special dividend declared on the outstanding Class "B" Subordinate Voting Shares and Class "A" Multiple Voting Shares in the amount of $390,642 was paid on February 1, 2022 to shareholders of record as at the close of business on January 18, 2022. A total of 193,259 DDSUs and 405,920 EDSUs were issued for dividend equivalents related to the special dividend declared on deferred share units, representing an aggregate amount of $6,001 (Note 22).

No dividend was declared and paid by the Company on the outstanding Class "A" Multiple Voting Shares or Class "B" Subordinate Voting Shares in 2021.

NOTE 22 – SHARE-BASED PAYMENTS

The following table summarizes the share-based payments expense recognized within general and administration expenses:

	2022	2021
DSU – Directors	$ 235	$ –
DSU – Executive	209	2,236
RSU	(131)	944
PSU	138	1,326
	$ 451	$ 4,506

The following table summarizes the liabilities related to the Company's RSU and PSU plans (cash-settled) recognized in the consolidated statements of financial position:

	2022	2021
Trade and other payables	$ 420	$ 3,303

Directors' Deferred Share Unit Plan

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

NOTE 22 – SHARE-BASED PAYMENTS (continued)

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

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

Of the 750,000 DSUs authorized for issuance under the plan, 409,765 were available for issuance under the DDSU Plan as at December 30, 2022.

The changes in outstanding number of DSUs are as follows:

	2022	2021
DSUs outstanding, beginning of year	161,304	161,304
Issued as payment for fees	55,905	–
Issued for dividend equivalents (Note 21)	193,259	–
Settlement of deferred share units (1)	(70,233)	–
DSUs outstanding, end of year	340,235	161,304
Total vested, end of year	340,235	161,304

(1) During the year ended December 30, 2022, 70,233 DSUs were settled for which $1,163 was debited to contributed surplus and $777 credited to share capital (2021- none were settled); the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

Executive Deferred Share Unit Plan

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

NOTE 22 – SHARE-BASED PAYMENTS (continued)

The Board of Directors may also grant discretionary DSUs with vesting conditions, such as service and non-market performance conditions. The holders of the discretionary DSUs are entitled to dividends declared by the Company which are recognized in the form of additional DSUs awards equivalent in value to the dividends paid on the Company's Class "B" Subordinate Voting Shares. The vesting conditions of these additional DSUs awards are subject to the same performance vesting conditions as the underlying discretionary DSUs.

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

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

Of the 1,750,000 DSUs authorized for issuance under the plan, 976,160 were available for issuance under the EDSU Plan as at December 30, 2022.

The changes in outstanding number of DSUs are as follows:

	2022	2021
DSUs outstanding, beginning of year	430,164	216,410
Issued for salaries and bonus paid	29,118	215,771
Issued for dividend equivalents (Note 21)	405,920	–
Performance adjustment	–	3,022
Forfeited	–	(2,279)
Settlement of deferred share units (1)	(91,362)	(2,760)
DSUs outstanding, end of year	773,840	430,164
Total vested, end of year	773,840	417,446

(1) During the year ended December 30, 2022, 91,362 DSUs (2021 – 2,760 DSUs) were settled for which $1,176 (2021 - $36) was debited to contributed surplus and $598 (2021 - $36) credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

Long-term incentive plans (cash-settled)

The Company has the following long-term incentive plans for senior executives and certain key employees:

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

NOTE 22 – SHARE-BASED PAYMENTS (continued)

- A **performance share unit (PSUs)** plan that entitles them to a cash payment. The PSUs vest based on non-market performance conditions. The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional financial performance is achieved. A plan participant may also receive dividend equivalents paid in the form of PSUs.

The changes in outstanding number of RSUs and PSUs are as follows:

		2022		2021
	RSU	**PSU**	**RSU**	**PSU**
Outstanding, beginning of period	79,440	147,547	170,394	216,658
Granted for dividend equivalent	51,182	112,161	–	–
Performance adjustment	–	(33,379)	–	28,194
Settled	(33,126)	(226,258)	(87,422)	(89,792)
Forfeited	(891)	(71)	(3,532)	(7,513)
Outstanding, end of period	96,605	–	79,440	147,547

NOTE 23 – COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel include the Company's senior management and members of its Board of Directors. The following table summarizes the amounts recognized as an expense related to the Company's key management personnel:

	2022	2021
Wages, salaries and other short-term employee benefits	$ 4,610	$ 14,238
Social security costs	572	370
Contributions to defined contribution plans	7	7
Share-based payments	261	792
	$ 5,450	$ 15,407

Included in wages, salaries and other short-term employee benefits of 2021 is a capital appreciation bonus related to the sale of the Sports segment.

NOTE 24– COMMITMENTS, GUARANTEES AND CONTINGENCIES

a) Capital expenditure commitments

As at December 30, 2022, the Company has capital expenditure commitments of approximately $4,186.

b) Guarantees

In the normal course of business, the Company granted irrevocable standby letters of credit issued by highly rated financial institutions and other guarantees to various third parties to indemnify them in the event the Company does not perform its contractual obligations, such as payment of product liability claims, lease and licensing agreements, duties and workers compensation claims. As at December 30, 2022, standby letters of credit and other guarantees outstanding totalled $19,773. As many of these guarantees will not be drawn upon, these amounts are not indicative of future cash requirements. No material loss is anticipated by reason of such agreements and guarantees, and no amounts have been accrued in the Company’s consolidated financial statements with respect to these guarantees.

c) Contingencies

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

NOTE 25 – INCOME TAXES

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

	2022		2021	
	$	%	$	%
Loss before income taxes from continuing operations	(127,978)	–	(53,540)	–
Recovery of income taxes (1)	(33,530)	26.2	(14,027)	26.2
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	1,716	(1.4)	(3,433)	6.4
Non-recognition of tax benefits related to tax losses and temporary differences	29,846	(23.3)	15,541	(29.0)
Benefit arising from previously unrecognized tax losses and temporary differences of a prior period	–	–	(1,154)	2.2
Tax incentives	(757)	0.6	(683)	1.3
Permanent differences	(5,157)	4.1	10,457	(19.6)
Tax rates changes	(24)	–	102	(0.2)
Tax on transfer of asset	–	–	52,615	(98.3)
Foreign exchange and other - net	(1,159)	0.9	(1,123)	2.1
	(9,065)	7.1	58,295	(108.9)

(1) The applicable statutory tax rates are 26.2% and 26.2%, respectively for the years ended December 30, 2022 and 2021. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

NOTE 25 – INCOME TAXES (continued)

The components of deferred income tax expense from continuing operations are:

	2022	2021
Deferred income tax recovery		
Origination and reversal of temporary differences	$ (14,109)	$ (1,161)
Effect of tax rates changes	(24)	102
	$ (14,133)	$ (1,059)

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

	2022	2021
Deferred tax assets	$ 28,536	$ 20,529
Deferred tax liabilities	(7,773)	(10,156)
	$ 20,763	$ 10,373

The details of changes in deferred tax assets and deferred tax liabilities are as follows:

	Balance as at December 30, 2021	Recognized in net loss from continuing operations	Recognized in income from discontinued operation	Recognized in other comprehensive income (loss)	Reclassified to assets held for sale and related liabilities (Note 5)	Others (1)	Balance as at December 30, 2022
Capital and operating tax losses carried forward	$ 2,976	$ 4,287	$ 977	$ (391)	$ (977)	$ (896)	$ 5,976
Net pension and post-retirement benefit obligations	4,200	1,893	158	(2,544)	(158)	(249)	3,300
Other liabilities	829	40	(318)	(380)	318	(358)	131
Long-term debt	1,027	(1,069)	–	–	–	(4)	(46)
Trade accounts receivable	4,476	(167)	–	–	–	(26)	4,283
Inventories	6,313	2,255	–	–	–	118	8,686
Trade and other payables	3,125	(345)	(4,512)	–	4,512	(5)	2,775
Provisions	6,178	852	–	–	–	(27)	7,003
Assets held for sale	(98)	(485)	–	–	–	8	(575)
Property, plant and equipment	(6,125)	19	–	–	–	(111)	(6,217)
Lease liabilities and right-of-use assets, net	3,726	(960)	–	–	–	(392)	2,374
Intangible assets	(16,964)	2,225	–	–	–	1,442	(13,297)
Goodwill	57	(38)	(2)	–	2	27	46
Contributed surplus	(757)	757	–	–	–	–	–
Other	1,410	4,869	26	–	(26)	45	6,324
	$ 10,373	$ 14,133	$ (3,671)	$ (3,315)	$ 3,671	$ (428)	$ 20,763

(1) Others comprise foreign currency exchange rate changes.

NOTE 25 – INCOME TAXES (continued)

	Balance as at December 30, 2020	Recognized in net loss from continuing operations	Recognized in income from discontinued operation	Recognized in other comprehensive income (loss)	Reclassified to assets held for sale and related liabilities (Note 5)	Others (1)	Balance as at December 30, 2021
Capital and operating tax losses carried forward	$ 7,479	$ (1,399)	$ 7,347	$ –	$ (9,969)	$ (482)	$ 2,976
Net pension and post-retirement benefit obligations	6,430	(693)	–	(1,521)	–	(16)	4,200
Other liabilities	367	1,900	(7)	(697)	(416)	(318)	829
Long-term debt	2,282	(1,267)	–	–	–	12	1,027
Trade accounts receivable	6,636	(448)	347	–	(1,715)	(344)	4,476
Inventories	10,348	447	2,773	–	(6,721)	(534)	6,313
Trade and other payables	11,983	(149)	4,348	–	(11,988)	(1,069)	3,125
Provisions	8,858	161	(52)	–	(2,789)	–	6,178
Assets held for sale	(823)	(87)	–	–	–	812	(98)
Property, plant and equipment	(9,790)	538	(580)	–	1,967	1,740	(6,125)
Lease liabilities and right-of-use assets, net	3,920	(172)	(243)	–	(1,713)	1,934	3,726
Intangible assets	(29,863)	2,133	(11,282)	–	22,232	(184)	(16,964)
Goodwill	227	(38)	(31)	–	(101)	–	57
Contributed surplus	(756)	(1)	–	–	–	–	(757)
Foreign exchange and other	5,994	134	(3,690)	–	(639)	(389)	1,410
	$ 23,292	$ 1,059	$ (1,070)	$ (2,218)	$ (11,852)	$ 1,162	$ 10,373

(1) Others comprise foreign currency exchange rate changes and effect of acquisition and disposals of businesses.

Net deferred tax assets of $29,204 were recognized as at December 30, 2022 (2021 – $870) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical income or projections for future income, management believes it is probable that the Company will realize the benefits of these deductible differences and operating tax losses carry forward.

As at December 30, 2022, the net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $478,368 (2021 – $367,574). These net operating losses carried forward will expire starting in 2024 onwards. In addition, as at December 30, 2022, the Company has no net capital losses carried forward for which deferred tax assets have not been recognized (2021 – $4,548). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains. The unrecognized deferred tax assets related to capital and operating tax losses carried forward amounted to $96,550 as at December 30, 2022 (2021 – $81,426).

The Company has not recognized deferred tax liabilities for the undistributed earnings of its subsidiaries in the current or prior years since the Company does not expect to sell or repatriate funds from those investments, in which case the undistributed earnings may become taxable. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to income and/or withholding taxes. Taxable temporary differences for which deferred tax liabilities were not recognized amount to approximately $155,001 (2021 – $173,017).

NOTE 25 – INCOME TAXES (continued)

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

On January 26, 2021, the Company announced its intention to appeal a decision received on January 22, 2021 with respect to taxation on the transfer of certain assets in connection with an internal corporate reorganization that took place in 2015. The Company considered that the transfer of assets was not taxable and initiated its appeal process on February 26, 2021. On October 28, 2021, the Court confirmed on appeal the previously-announced decision of the Tribunal to the effect that one of Dorel's wholly-owned subsidiaries owed $64,200 (EUR $54,600) in tax including interest. As a result of the tax judgment, the Company recognized an income tax expense of $52,615 related to this decision in the 2021 consolidated financial statements. In January 2022, the Company paid the remaining balance due to the tax authorities.

NOTE 26 – EARNINGS (LOSS) PER SHARE

The following table provides a reconciliation between the number of basic and fully diluted shares outstanding that were used in the computation of the basic and diluted earnings (loss) per share:

	2022	2021
Net loss from continuing operations	$ (118,913)	$ (111,835)
Income from discontinued operation, net of tax	254,876	80,211
Net income (loss)	$ 135,963	$ (31,624)
Weighted daily average number of Class “A” multiple and Class “B” Subordinate Voting Shares	32,536,991	32,505,967
Dilutive effect of deferred share units	846,413	466,066
Weighted average number of diluted shares	33,383,404	32,972,033
Earnings (loss) per share (in dollars)		
Continuing operations basic and diluted	$ (3.65)	$ (3.44)
Discontinued operations basic	$ 7.83	$ 2.47
Discontinued operations diluted	$ 7.63	$ 2.43
Total basic	$ 4.18	$ (0.97)
Total diluted	$ 4.07	$ (0.97)

Excluded from the above calculation of the loss per share from continuing operations for the year ended December 30, 2022 are 1,114,075 DSUs (2021 – 591,468 DSUs were excluded from the above calculation of the loss per share from continuing operations and the total loss per share) which were deemed to be anti-dilutive.

NOTE 27 – SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in balances related to operations are as follows:

	2022	2021
Trade accounts receivable	$ 71,064	$ 5,590
Inventories	(63,150)	(158,739)
Other assets	4,494	(13,198)
Trade and other payables	(50,614)	134,189
Net pension and post-retirement defined benefit liabilities	(2,208)	(3,927)
Provisions	3,291	4,636
Other liabilities	(4,956)	5,046
	$ (42,079)	$ (26,403)

The components of cash and cash equivalents are:

	2022	2021
Cash	$ 32,051	$ 49,340
Short-term investments	358	2,826
Cash and cash equivalents	$ 32,409	$ 52,166

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

	2022	2021
Acquisition of property, plant and equipment financed by trade and other payables	$ 3,393	$ 3,212
Acquisition of property, plant and equipment financed by lease liabilities	$ 4,996	$ 25,393
Acquisition of intangible assets financed by trade and other payables	$ 863	$ 359

NOTE 27 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

The reconciliation of movements of liabilities, except of lease liabilities (for which the information is presented in Note 11), to cash flows arising from financing activities is as follows:

		Cash provided by (used in) financing activities			Non-cash changes				
	Balance as at December 30, 2021	Proceeds	Repayments	Financing costs	Effect of foreign currency exchange rate changes	Accretion of interest	Changes in fair value	Other (1)	Balance as at December 30, 2022
Bank indebtedness	$ 3,783	$ 8,276	$ –	$ –	$ (113)	$ –	$ –	$ –	$ 11,946
Senior unsecured notes	$ 125,126	$ –	$ (127,500)	$ –	$ –	$ 2,374	$ –	$ –	$ –
ABL facility	302,124	–	(95,433)	(1,116)	46	1,580	–	1,219	208,420
Debt financing	–	35,227	(1,294)	–	(230)	–	–	–	33,703
Balance of sale	6,076	–	–	–	(410)	–	–	–	5,666
Other	5,011	5,745	(1,771)	–	(44)	–	–	–	8,941
Total long-term debt	$ 438,337	$ 40,972	$ (225,998)	$ (1,116)	$ (638)	$ 3,954	$ –	$ 1,219	$ 256,730
Deferred financing costs (asset)	$ (232)	$ –	$ –	$ –	$ –	$ 232	$ –	$ –	$ –
Interest rate swaps liability (asset) used for hedging	$ 1,623	$ –	$ (431)	$ –	$ –	$ –	$ (2,685)	$ –	$ (1,493)

(1) Represents deferred charges that were recorded in the Sports segment, which was sold on January 4, 2022.

		Cash provided by (used in) financing activities		Non-cash changes						
	Balance as at December 30, 2020	Proceeds	Repayments	Financing costs	Reclassified to liabilities directly associated with assets held for sale (Note 5)	Business acquisition (Note 9)	Effect of foreign currency exchange rate changes	Accretion of interest	Changes in fair value	Balance as at December 30, 2021
Bank indebtedness	$ 30,562	$ –	$ (27,381)	$ –	$ –	$ 1,488	$ (886)	$ –	$ –	$ 3,783
Senior unsecured notes	$ 122,134	–	$ –	$ (1,913)	$ –	$ –	$ –	$ 4,905	$ –	$ 125,126
Revolving bank loans	220,112	–	(219,202)	–	–	–	(910)	–	–	–
Term loan	53,133	–	(53,382)	–	–	–	–	249	–	–
ABL facility	–	309,422	–	(5,214)	–	–	(3,492)	1,408	–	302,124
Non-convertible debenture	–	20,698	–	(417)	(19,307)	–	(1,024)	50	–	–
Balance of sale	–	–	–	–	–	6,071	5	–	–	6,076
Other	7,357	1,786	(3,729)	–	–	–	(531)	128	–	5,011
Total long-term debt	$ 402,736	$ 331,906	$ (276,313)	$ (7,544)	$ (19,307)	$ 6,071	$ (5,952)	$ 6,740	$ –	$ 438,337
Deferred financing costs (asset)	$ (779)	$ –	$ –	$ –	$ –	$ –	$ 2	$ 545	$ –	$ (232)
Embedded derivatives related to prepayment options (asset)	$ (364)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 364	$ –
Interest rate swaps liability (asset) used for hedging	$ 3,491	$ –	$ (1,124)	$ –	$ –	$ –	$ –	$ –	$ (744)	$ 1,623

NOTE 28 – FINANCE EXPENSES, DEPRECIATION AND AMORTIZATION, AND OTHER INFORMATION

a) Finance expenses

	2022	2021
Interest on long-term debt – including effect of cash flow hedge related to the interest rate swaps and the accreted interest related to long-term debt bearing interest at fixed rates	$ 13,367	$ 21,092
Interest on lease liabilities (Note 11)	5,945	4,385
Prepayment fee on reimbursement of the senior unsecured notes (Note 17)	6,375	–
Other interest	3,312	12,791
	$ 28,999	$ 38,268

b) Depreciation and amortization

Depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets are included in the following consolidated income statements captions:

				2022				2021
	Property, plant and equipment (Note 10)	Right-of-use assets (Note 11)	Intangible assets (Note 12)	Total	Property, plant and equipment (Note 10)	Right-of-use assets (Note 11)	Intangible assets (Note 12)	Total
Included in cost of sales	$ 12,993	$ 27,038	$ –	$ 40,031	$ 16,073	$ 21,793	$ –	$ 37,866
Included in selling expenses	101	6,602	3,618	10,321	194	7,037	3,061	10,292
Included in general and administrative expenses	3,636	2,846	4,327	10,809	1,716	3,217	3,635	8,568
Included in research and development expenses	–	21	10,036	10,057	–	33	11,935	11,968
	$ 16,730	$ 36,507	$ 17,981	$ 71,218	$ 17,983	$ 32,080	$ 18,631	$ 68,694

c) Employee benefits expense

	2022	2021
Wages, salaries and other short-term employee benefits	$ 189,511	$ 211,014
Social security costs	45,800	47,576
Employee severance and termination benefits (Note 6)	5,262	4,100
Contributions to defined contribution plans (Note 20)	3,089	5,725
Expenses related to defined benefit plans (Note 20)	3,212	4,061
Expenses related to post-retirement benefits plan (Note 20)	105	100
Share-based payments (Note 22)	451	4,506
	$ 247,430	$ 277,082

NOTE 29 – SEGMENTED INFORMATION

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

- **Dorel Home segment**: Engaged in the design, sourcing, manufacturing and distribution of ready-to-assemble furniture and home furnishings which include metal folding furniture, futons, children's furniture, step stools, hand trucks, ladders, outdoor furniture and other imported furniture items.

- **Dorel Juvenile segment**: Engaged in the design, sourcing, manufacturing, distribution and retail of children's accessories which include infant car seats, strollers, high chairs and infant health and safety aids.

Dorel Sports segment was presented as a discontinued operation during 2021 (refer to Note 5).

The accounting policies used to prepare the information by business segment are the same as those used to prepare the consolidated financial statements of the Company as described in Note 3.

The above reportable segments are the Company's strategic business units which are based on their products and are managed separately. The Company evaluates financial performance based on measures of income from segmented operations before finance expenses and income taxes.

NOTE 29 – SEGMENTED INFORMATION (continued)

Reporting Segments

	Total		Dorel Home		Dorel Juvenile	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Revenue	$ 1,570,274	$ 1,758,705	$ 760,083	$ 914,344	$ 810,191	$ 844,361
Cost of sales (Note 6)	1,365,261	1,464,334	711,101	807,754	654,160	656,580
Gross profit	205,013	294,371	48,982	106,590	156,031	187,781
Selling expenses	126,033	124,625	27,648	27,334	98,385	97,291
General and administrative expenses	121,158	114,655	34,657	33,911	86,501	80,744
Research and development expenses	26,758	28,878	5,190	4,774	21,568	24,104
Impairment loss (reversal) on trade accounts receivable	239	(308)	(3)	(19)	242	(289)
Restructuring costs (Note 6)	8,445	15,982	–	322	8,445	15,660
Operating (loss) profit	(77,620)	10,539	$ (18,510)	$ 40,268	$ (59,110)	$ (29,729)
Finance expenses	28,999	38,268				
Corporate expenses	21,359	25,811				
Income taxes (recovery) expense	(9,065)	58,295				
Net loss from continuing operations	$ (118,913)	$ (111,835)				
Total assets	$ 1,021,040	$ 968,208	$ 447,973	$ 439,255	$ 573,067	$ 528,953
Total liabilities	$ 504,516	$ 488,895	$ 190,907	$ 186,333	$ 313,609	$ 302,562
Additions to property, plant and equipment	$ 20,819	$ 19,482	$ 4,608	$ 8,275	$ 16,211	$ 11,207
Additions to intangible assets	$ 7,641	$ 8,371	$ –	$ –	$ 7,641	$ 8,371
Depreciation and amortization included in operating (loss) profit	$ 70,417	$ 67,678	$ 18,650	$ 15,736	$ 51,767	$ 51,942
Write-down of property, plant and equipment included in operating (loss) profit (Notes 6 and 10)	$ 73	$ (51)	$ –	$ –	$ 73	$ (51)

NOTE 29 – SEGMENTED INFORMATION (continued)

Disaggregation of Revenue

Revenue is composed mainly from revenue generated from sales of goods. Within each reporting segment, the Company disaggregates its revenue from customers based on the geographic area where the selling entity is located and based on channels of distribution as it believes it best depicts how the nature, timing and uncertainty of the Company's revenue and cash flows are affected by economics factors. The following table provides the disaggregation of the Company's total revenue:

	Total		Dorel Home		Dorel Juvenile	
	2022	2021	2022	2021	2022	2021
Geographic area						
Canada	$ 117,062	$ 143,186	$ 96,612	$ 122,032	$ 20,450	$ 21,154
United States	995,480	1,152,354	627,366	777,283	368,114	375,071
Europe	274,774	272,229	36,105	15,029	238,669	257,200
Latin America	135,521	127,019	–	–	135,521	127,019
Asia	12,798	23,350	–	–	12,798	23,350
Other countries	34,639	40,567	–	–	34,639	40,567
Total	$ 1,570,274	$ 1,758,705	$ 760,083	$ 914,344	$ 810,191	$ 844,361
Channels of distribution						
Brick and mortar retailers	$ 839,219	$ 963,397	$ 291,529	$ 401,135	$ 547,690	$ 562,262
Internet retailers	724,448	780,543	468,554	513,209	255,894	267,334
Other	6,607	14,765	–	–	6,607	14,765
Total	$ 1,570,274	$ 1,758,705	$ 760,083	$ 914,344	$ 810,191	$ 844,361

Total Assets and Total Liabilities

	2022	2021
Total Assets		
Total assets for reportable segments	$ 1,021,040	$ 968,208
Corporate assets	39,408	64,964
Assets from the Sports segment	–	817,896
Total	$ 1,060,448	$ 1,851,068
Total Liabilities		
Total liabilities for reportable segments	$ 504,516	$ 488,895
Corporate liabilities	274,788	523,367
Liabilities from the Sports segment	–	369,806
Total	$ 779,304	$ 1,382,068

NOTE 29 – SEGMENTED INFORMATION (continued)

Non-Current Assets Geographic Information

In presenting the geographic information for the Company's non-current assets, segment assets were based on the geographic location of the assets.

Property, plant and equipment, right-of-use assets, intangible assets and goodwill		
	2022	**2021**
Canada	$ 78,635	$ 101,832
United States	139,853	44,205
Europe	74,831	99,901
Latin America	11,059	11,253
Asia	33,286	36,169
Other countries	4,405	5,349
	$ 342,069	$ 298,709

Goodwill

The continuity of goodwill by reporting segment is presented in the table below. There is no remaining goodwill in the Dorel Juvenile segment.

	Dorel Home
Balance as at December 30, 2020	$ 41,016
Effect of foreign currency exchange rate changes	(94)
Business acquisition (Note 9)	4,601
Balance as at December 30, 2021	$ 45,523
Effect of foreign currency exchange rate changes	(318)
Balance as at December 30, 2022	$ 45,205

Concentration of Credit Risk

Sales to the Company's major customer as described in Note 19 were concentrated as follows:

	Total		**Canada**		**United States**		**Other**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Dorel Home	24.6%	29.0%	2.4%	3.1%	22.2%	25.9%	–%	–%
Dorel Juvenile	21.6%	18.6%	0.6%	0.5%	15.9%	13.6%	5.1%	4.5%
Total	46.2%	47.6%	3.0%	3.6%	38.1%	39.5%	5.1%	4.5%