Financial Statements of

Decisive Dividend Corporation

For the year ended December 31, 2023

Independent auditor's report

To the Shareholders of Decisive Dividend Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Decisive Dividend Corporation and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of profit and comprehensive income 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
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T.: +1 604 806 7000, F.: +1 604 806 7806, Fax to mail: ca_vancouver_main_fax@pwc.com

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment tests of goodwill and brand intangible assets *Refer to note 2 – Basis of preparation and statement of compliance, note 3 – Material accounting policies, note 8 – Intangible assets and note 9 – Goodwill to the consolidated financial statements.* The Company had goodwill of $44.1 million and brand intangible assets of $3.6 million as at December 31, 2023. Indefinite life assets (which include brand intangible assets and goodwill) are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit (CGU), which is the lowest level for which identifiable cash flows are largely independent of the cash inflows of other assets. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. As at December 31, 2023, annual impairment tests were performed and management has estimated the recoverable amounts of the CGUs based on the value-in-use method using discounted cash flow models. Significant assumptions used by management in estimating the recoverable amounts included revenue growth rates, operating margins and discount rates.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amounts of the CGUs, which included the following: – Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models. – Tested the reasonableness of the revenue growth rates and operating margins used by management in the discounted cash flow models, by comparing them to the budgets approved by the Board of Directors, available third party published economic data and the results historically achieved by the Company. – Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the discount rates applied by management based on available data of comparable companies. – Tested the underlying data used in the discounted cash flow models. • Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the significant assumptions used by management.

Key audit matter	How our audit addressed the key audit matter
No impairment was recognized as a result of the 2023 impairment tests. We considered this a key audit matter due to the judgment by management in determining the recoverable amounts of the CGUs, including the development of significant assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	
Valuation of customer relationships acquired in the business combinations *Refer to note 2 - Basis of preparation and statement of compliance, note 4 – Acquisitions and note 8 – Intangible assets to the consolidated financial statements.* During the year, the Company acquired Capital I Industries Inc. (Capital I), Micon Industries Ltd. (MIcon), Procore International Radiators Ltd. (Procore) and Innovative Heating Technologies Inc. (IHT) for a total combined consideration of $43.4 million. The fair values of the identifiable assets acquired from these acquisitions included $15.0 million in intangible assets; which included $11.8 million in customer relationships. Management applied judgment in estimating the fair values of the customer relationships. To estimate the fair values of the customer relationships, management used the excess earnings method. The customer relationships were fair valued using discounted cash flow models. Management developed significant assumptions which include	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair values of the customer relationships, which included the following: – Read the purchase agreements. – Evaluated the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models. – Evaluated the reasonableness of significant assumptions used by management related to projected revenues, operating margin forecasts and customer retention rates by considering the past performance of Capital I, Micon, Procore and IHT, the budgets approved by the Board of Directors and similar prior acquisitions made by the Company, as applicable. Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management’s method and discounted cash flow models, as well testing the reasonableness of certain significant

Key audit matter	How our audit addressed the key audit matter
projected revenues, operating margin forecasts, customer retention rates, and discount rates. We considered this a key audit matter due to the significant judgment by management in estimating the fair values of the customer relationships, including the development of significant assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions which included projected revenues, operating margin forecasts, customer retention rates, and discount rates. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	assumptions such as the customer retention rates and discount rates assumptions. – Tested the underlying data used in the discounted cash flow models.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated 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 consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 20, 2024

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	December 31, 2023	December 31, 2022
Assets		
Cash	**$ 4,050**	$ 4,734
Accounts receivable (note 5)	**22,647**	16,380
Inventory (note 6)	**24,351**	14,940
Prepaid expenses and deposits	**1,399**	2,433
Total current assets	**52,447**	38,487
Property and equipment (note 7)	**23,776**	12,299
Intangible assets (note 8)	**32,648**	21,174
Goodwill (note 9)	**43,696**	26,474
Total assets	**$ 152,567**	$ 98,434
Liabilities		
Accounts payable and accrued liabilities (note 10)	**$ 26,107**	$ 17,909
Dividends payable (note 16)	**756**	447
Warranty provision (note 11)	**700**	579
Customer deposits	**1,281**	344
Current portion of lease obligations (note 12)	**1,693**	1,279
Current portion of long-term debt (note 13)	**224**	-
Total current liabilities	**30,761**	20,558
Lease obligations (note 12)	**9,014**	5,059
Long-term debt (note 13)	**45,037**	32,669
Deferred income taxes (note 14)	**10,004**	6,018
Total liabilities	**94,816**	64,304
Equity		
Share capital (note 15)	**66,611**	44,094
Contributed surplus	**1,378**	1,028
Cumulative profit	**15,202**	6,869
Cumulative dividends (note 16)	**(27,418)**	(19,686)
	55,773	32,305
Accumulated other comprehensive income	**1,978**	1,825
Total equity	**57,751**	34,130
Total liabilities and equity	**$ 152,567**	$ 98,434

Approved on behalf of the Board of Directors:

"James Paterson" Director *"Michael Conway"* Director

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

Consolidated Statements of Profit and Comprehensive Income

(Expressed in thousands of Canadian dollars, except per share amounts)

For the Years Ended December 31,	2023	2022
Sales (note 18)	$ **134,881**	$ 98,587
Manufacturing costs (note 19)	**82,118**	65,734
Gross profit	**52,763**	32,853
Expenses		
Amortization and depreciation	**5,145**	3,309
Financing costs (note 20)	**3,795**	2,524
Occupancy costs	**1,902**	1,353
Professional fees	**2,715**	1,772
Salaries, wages and benefits	**19,263**	13,157
Selling, general and administration	**8,203**	5,721
	41,023	27,836
Operating profit	**11,740**	5,017
Other items		
Interest and other income	**9**	20
Foreign exchange gains (losses)	**(96)**	619
Gain on sale of equipment	**97**	31
	10	670
Profit before income taxes	**11,750**	5,687
Income taxes (note 14)		
Current expense	**4,274**	1,743
Deferred recovery	**(857)**	(140)
	3,417	1,603
Profit	$ **8,333**	$ 4,084
Other comprehensive income		
Foreign operation currency translation differences	**153**	1,371
Total comprehensive income	$ **8,486**	$ 5,455
Profit per share		
Basic	**0.48**	0.31
Diluted	**0.45**	0.29
Weighted average number of shares outstanding (000s):		
Basic	**17,323**	13,033
Diluted	**18,531**	13,912

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

Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars)

	Share Capital		Contributed	Deficit		Accumulated Other	Total
For the Years Ended December 31, 2023 and 2022	Number (000s)	Amount	Surplus	Cumulative Dividends	Cumulative Profit	Comprehensive Income	Equity
Balance, January 1, 2022	12,093	$ 32,818	$ 1,282	$ (15,117)	$ 2,785	$ 454	$ 22,222
Shares issued under ESPP (note 15)	71	264	2	-	-	-	266
Shares issued under DRIP (note 15)	189	833	-	-	-	-	833
Exercise of stock options (note 15)	300	1,363	(607)	-	-	-	756
Share-based payment awards (note 15)	-	-	82	-	-	-	82
Shares purchased and cancelled under NCIB (note 15)	(15)	(62)	-	-	-	-	(62)
Shares issued to vendors on business acquisitions (note 15)	402	1,719	-	-	-	-	1,719
Shares issued for cash proceeds (note 15)	1,848	7,615	-	-	-	-	7,615
Share issuance costs (note 15)	-	(456)	269	-	-	-	(187)
Total comprehensive income for the year	-	-	-	-	4,084	1,371	5,455
Dividends declared (note 16)	-	-	-	(4,569)	-	-	(4,569)
Balance, December 31, 2022	14,888	$ 44,094	$ 1,028	$ (19,686)	$ 6,869	$ 1,825	$ 34,130
Shares issued under ESPP (note 15)	91	490	45	-	-	-	535
Shares issued under DRIP (note 15)	333	2,224	-	-	-	-	2,224
Exercise of stock options (note 15)	115	385	(201)	-	-	-	184
Exercise of warrants (note 15)	938	5,108	(276)	-	-	-	4,832
Share-based payment awards (note 15)	-	-	466	-	-	-	466
Shares purchased and cancelled under NCIB (note 15)	(2)	(16)	-	-	-	-	(16)
Shares issued to vendors on business acquisitions (note 15)	583	4,162	-	-	-	-	4,162
Shares issued for cash proceeds (note 15)	1,965	11,294	316	-	-	-	11,610
Share issuance costs (note 15)	-	(1,130)	-	-	-	-	(1,130)
Total comprehensive income for the year	-	-	-	-	8,333	153	8,486
Dividends declared (note 16)	-	-	-	(7,732)	-	-	(7,732)
Balance, December 31, 2023	**18,911**	**$ 66,611**	**$ 1,378**	**$ (27,418)**	**$ 15,202**	**$ 1,978**	**$ 57,751**

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

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

For the Years Ended December 31,	2023	2022
Operating activities		
Profit	**$ 8,333**	$ 4,084
Adjusted by:		
Amortization and depreciation	**7,895**	4,884
Financing costs	**3,795**	2,524
Share-based compensation	**745**	143
Foreign exchange (gains) losses	**96**	(619)
Inventory write-downs and obsolescence allowance	**28**	22
Gain on sale of equipment	**(97)**	(31)
Income tax expense	**3,417**	1,603
	24,212	12,610
Changes in non-cash working capital (note 21)	**(4,117)**	(3,192)
	20,095	9,418
Income taxes paid	**(4,306)**	(991)
Cash provided by operating activities	**15,789**	8,427
Financing activities		
Proceeds from issuance of shares	**15,756**	8,338
Dividends paid (note 16)	**(5,219)**	(3,602)
Proceeds from long-term debt (note 13)	**23,566**	9,936
Repayment of long-term debt (note 13)	**(11,635)**	-
Debt issuance costs	**(71)**	(28)
Lease payments	**(1,492)**	(1,227)
Interest paid	**(3,650)**	(2,354)
Cash provided by financing activities	**17,255**	11,063
Investing activities		
Acquisitions (note 4)	**(30,077)**	(15,097)
Purchase of property and equipment	**(3,918)**	(2,140)
Proceeds from sale of property and equipment	**173**	40
Cash used in investing activities	**(33,822)**	(17,197)
Increase (decrease) in cash during the year	**(778)**	2,293
Cash, beginning of year	**4,734**	2,143
Effect of movements in exchange rates	**94**	298
Cash, end of year	**$ 4,050**	$ 4,734

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

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022
(Expressed in thousands of Canadian dollars, except per share amounts)

1. Nature and Operations

Decisive Dividend Corporation (the “Company”) was incorporated under the British Columbia Business Corporations Act on October 2, 2012 and is listed on the TSX Venture Exchange, trading under the symbol “DE”. The address of the Company’s head office is #260 – 1855 Kirschner Road, Kelowna, B.C. V1Y 4N7.

Decisive Dividend Corporation is an acquisition-oriented company, focused on opportunities in manufacturing. The Company’s purpose is to be the sought-out choice for exiting legacy-minded business owners, while supporting the long-term success of the businesses acquired, and through that, creating sustainable and growing shareholder returns. The Company uses a disciplined acquisition strategy to identify already profitable, well-established, high quality manufacturing companies that have a sustainable competitive advantage, a focus on non-discretionary products, steady cash flows, growth potential and established, strong leadership.

The principal wholly-owned operating subsidiaries of the Company, as at December 31, 2023, are managed through two reportable segments and were acquired as follows:

Finished Product Segment

- Valley Comfort Systems Inc. and its wholly-owned subsidiary Blaze King Industries Inc. (“Blaze King USA”), collectively referred to herein as "Blaze King"; acquired in February 2015.
- Slimline Manufacturing Ltd. (“Slimline”); acquired in May 2018.
- Marketing Impact Limited (“Marketing Impact”); acquired in April 2022.
- ACR Heat Products Limited (“ACR”); acquired in October 2022.
- Capital I Industries Inc. and its sister company, Irving Machine Inc. (together, “Capital I”); acquired in April 2023.
- Innovative Heating Technologies Inc. (“IHT”); acquired in July 2023.

Component Manufacturing Segment

- Unicast Inc. (“Unicast”); acquired in June 2016.
- Hawk Machine Works Ltd. (“Hawk”); acquired in June 2018.
- Northside Industries Inc. (“Northside”); acquired in August 2019.
- Micon Industries Ltd. (“Micon”); acquired in April 2023.
- Procore International Radiators Ltd. (“Procore”); acquired in April 2023.

These consolidated financial statements comprise the Company and its subsidiaries, collectively referred to as the “Group”. The consolidated financial statements include the results of acquired subsidiaries from their dates of acquisition.

2. Basis of Preparation and Statement of Compliance

a) Statement of compliance

These consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

These consolidated financial statements were approved by the Board of Directors of the Company for issue on March 20, 2024.

b) Basis of measurement

The financial statements have been prepared using the historical cost basis specified by IFRS Accounting Standards for each type of asset, liability, income and expense as set out in the accounting policies below, except for certain financial assets and liabilities which are measured at fair value.

c) Judgments

The preparation of financial statements requires management to make judgments that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. In making judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Actual results could differ from those estimates.

d) Accounting estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS Accounting Standards requires management to make estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Areas that require significant estimates and assumptions as the basis for determining the stated amounts include, but are not limited to, the following:

i. Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets. Management uses the excess earnings method through a discounted cash flow model to value certain intangible assets. Significant assumptions include, among others, the determination of projected revenues, operating margin forecasts, customer retention rates and discount rates.

The Company's acquisitions have been accounted for using the acquisition method when control is transferred to the Group (note 3(a)). The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired, except where specified otherwise under IFRS Accounting Standards, and goodwill is recognized as the residual amount. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, where classified as a financial liability, are recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

ii. *Depreciation and amortization of long-lived assets*

The Company makes estimates about the expected useful lives of long-lived assets and the expected residual values of the assets based on the estimated current fair value of the assets. Changes to these estimates, which can be significant, could be caused by changes in the utilization of major manufacturing equipment and uncertainties relating to technological obsolescence. Management reviews its estimate of the useful lives of long-lived assets at each reporting date, based on the expected utility of the assets. Generally, these adjustments are accounted for on a prospective basis, through depreciation and amortization expense.

iii. *Impairment of non-financial assets and goodwill*

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit ("CGU"), which is the lowest level for which identifiable cash flows are largely independent of the cash inflows of other assets, based on discounted expected future cash flows. Estimation uncertainty relates to significant assumptions about future operating results including revenue growth rates, operating margins, and the determination of a suitable discount rate.

iv. *Inventories*

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

v. *Warranty liabilities*

The Company provides for warranty expenses by analyzing historical failure rates, warranty claims, current sales levels and current information available about returns based on warranty periods. Uncertainty relates to the timing and amount of actual warranty claims which can vary from the Company's estimation.

vi. *Expected credit losses*

The Company uses the simplified approach for measuring expected credit losses to provide for a lifetime expected credit loss allowance for all trade receivables based on indicators such as creditworthiness, historical collection trends and experiences with customers. Uncertainty relates to the timing and amount of actual credit losses which can vary from the Company's estimation.

vii. *Share-based compensation*

Compensation expense associated with stock options granted is based on various assumptions, using the Black-Scholes option-pricing model, to produce an estimate of fair value. This estimate may vary due to changes in the variables used in the model including interest rates, expected life, expected volatility, expected forfeitures and share prices. Estimating expected life and forfeitures requires judgement.

3. Material Accounting Policies

a) *Principles of consolidation*

These financial statements include the accounts of the Company and its wholly-owned subsidiaries disclosed in note 1. Consolidated profit or loss and cash flows include the results of acquired subsidiaries from their dates of acquisition. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation.

Control exists where the parent entity 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. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

b) *Revenue recognition*

The Group recognizes revenue from the sale of manufactured products as follows:

Revenue from the sale of manufactured products is recognized when the customer obtains control of the product and therefore has the ability to direct its use and obtain the benefits from it, which is generally at the time of delivery. Payments received from customers in advance of the delivery of the goods are recorded as customer deposits in the consolidated statement of financial position.

c) *Foreign currency translation*

i. *Functional and presentation currency*

Items included in the financial statements of each consolidated entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). For the years ended December 31, 2023 and 2022, the Group has determined that Blaze King USA and Unicast have a United States dollar functional currency, ACR has a British pound sterling functional currency, while all the other entities have a Canadian dollar functional currency. The financial statements are presented in Canadian dollars, which is the Company’s presentation currency.

The financial statements of entities that have a functional currency different from that of the Company (“foreign operations”) are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the appropriate average rate of the period (where this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as a currency translation differences adjustment.

If the Group disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests. No such transactions occurred in the years ended December 31, 2023 or December 31, 2022.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in profit or loss.

d) Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred. Changes in expenditure for warranties is recognized when the Group incurs an obligation, which is typically when the related goods are sold.

e) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. Refer to note 9 for a description of impairment testing procedures.

f) Intangible assets

Intangible assets are recorded at cost. The Group's Brand intangible assets are considered to have indefinite lives and are not amortized. The other intangible assets with finite lives are amortized as follows:

Customer relationships	10-12 years straight-line basis
Contract costs	1-6 years straight-line basis
Distribution and other agreements	7-10 years straight-line basis
Manufacturing technology	10 years straight-line basis
Product development costs	3 years straight-line basis

The depreciation method and estimates of useful lives ascribed to intangible assets are reviewed at least annually and, if necessary, amortization is adjusted on a prospective basis.

g) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined at rates which will reduce the original cost to the estimated residual value over the expected useful life of each asset. The expected useful lives used to compute depreciation are as follows:

Automotive	30% declining-balance basis
Manufacturing equipment	20% declining-balance basis
Office equipment	20% declining-balance basis
Computer equipment	30% to 100% declining-balance basis
Leasehold improvements	5 years straight line basis
Right of use assets	1-10 years straight line basis

h) *Impairment – non-financial and indefinite life assets*

The carrying amounts of the Group's non-financial assets (which include property and equipment, and intangibles with a definite life) are reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period.

The carrying amounts of the Group's indefinite life assets (which include Brand intangible assets and Goodwill) are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If deemed unsupportable, the change in the useful life from indefinite to finite life is made and amortization recognized on a prospective basis.

The recoverable amount of an asset is the greater of an asset's fair value less cost to sell and value-in-use. The value-in-use method is based on a discounted cash flow model. In assessing value-in-use, management estimates expected future cash flows from each CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each CGU and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for each CGU reduce first the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata to the other assets in the CGU. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. An impairment loss with respect to goodwill is never reversed.

i) *Financial instruments*

i. *Recognition, initial measurement and de-recognition*

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities are described below. Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, cancelled or expires.

ii. *Classification and subsequent measurement*

For the purpose of subsequent measurement, financial assets and liabilities, other than those designated and effective as hedging instruments, are classified into the following categories: (1) those measured at fair value through other comprehensive income (loss) ("OCI"), (2) those measured at fair value through profit or loss ("FVTPL"), or (3) those measured at amortized cost.

The Group's cash and accounts receivable are classified as financial assets measured at amortized cost. Accounts payable and accrued liabilities, dividends payable, and long-term debt are classified as financial liabilities measured at amortized cost. All financial assets and liabilities measured at amortized cost use the effective interest rate method with interest income/expense recorded in profit or loss.

iii. *Impairment*

Expected credit losses are to be recognized using a forward-looking approach that reflects any changes in credit risk associated with the financial instruments.

For trade and other receivables, the loss allowance is measured at initial recognition and throughout its life at an amount equal to its lifetime expected credit loss. Impairment of trade and other receivables is recognized in selling, general and administration expenses when evidence of impairment arises.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases.

j) *Inventories*

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

k) *Leases*

The Group leases office and shop premises that give rise to lease obligations and associated right of use assets. Lease agreements are typically for fixed period terms but may have extension options available. If the lease agreement contains consideration for both lease and non-lease components, these components are allocated separately based on their relative stand-alone prices. Lease agreements are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Lease obligations and associated right of use assets are measured at the present value of the lease payments for the term of the lease, discounted using the Company's incremental borrowing rate on the date at which the leased asset is available for use by the Group. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are depreciated over the term of the lease on a straight-line basis.

l) *Government Grants*

Government grants are recognized in the consolidated statement of profit and comprehensive income when received. Where appropriate, grants are recorded as a reduction of the costs for which those grants are intended to cover. Grants that are intended as a revenue guarantee are recorded within revenue.

m) *Income taxes*

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statement of profit and comprehensive income except to the extent that it relates to items recognized either in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to income taxes payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, or temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

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

n) *Cash*

Cash comprises of cash on hand and demand deposits.

o) *Short-term employee benefits*

Short-term employee benefits, including holiday pay, are current liabilities included in employee obligations, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

p) *Provisions, contingent assets and contingent liabilities*

Provisions for product warranties, legal disputes and onerous contracts or other claims are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company, and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date; the risks and the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

q) *Share capital*

The Group records proceeds from share issuances, net of issue costs and any tax effects, in equity. Common shares held by the Group are classified as treasury stock and recorded as a reduction to equity.

r) *Share-based payments*

The Company has an equity incentive plan which enables it to grant share-based rewards, in the form of deferred share units ("DSUs"), restricted share units ("RSUs") and stock options, to the directors, officers, and employees of the Company or any of its affiliates or designated service providers. All share-based rewards granted under the Company's equity incentive plan are settled through the issuance of shares from treasury. The fair value of the share-based rewards, determined at the date of the grant, is charged to profit and loss, with an offsetting credit to contributed surplus, over the vesting period. If and when the share-based rewards are exercised, the applicable original amounts of contributed surplus are transferred to share capital.

The fair value of a share-based payment is determined at the date of the grant. For DSUs and RSUs, fair value is measured based on the volume weighted average trading price of Decisive's shares for the five trading days immediately preceding the grant. For stock options, the estimated fair value is measured using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and share price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company.

These estimates involve inherent uncertainties and the application of management's judgement. The costs of share-based payments are recognized over the vesting period of the reward. The total amount recognized as an expense is adjusted to reflect the number of share-based rewards expected to vest at each reporting date. At each reporting date prior to vesting, the cumulative compensation expense representing the extent to which the vesting period has passed and management's best estimate of the share-based rewards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in earnings or loss with a corresponding entry to contributed surplus.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

No expense is recognized for share-based rewards that do not ultimately vest. Charges for share-based rewards that are forfeited before vesting are reversed from contributed surplus and credited to profit or loss. For those share-based rewards that expire unexercised after vesting, the recorded value remains in contributed surplus.

s) *Profit per share*

Basic profit per share is computed by dividing the profit or loss applicable to equity owners of the Company by the weighted average number of common shares issued and outstanding for the relevant period.

Diluted profit per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. Share-based rewards and warrants are included in the calculation of diluted profit per share only to the extent that the market price of the common shares exceeds the exercise price of the share-based rewards or share purchase warrants except where such conversion would be anti-dilutive.

4. Acquisitions

Subsequent to December 31, 2023, and before these financial statements were authorized, on March 14, 2024, the Company acquired, through Hawk, the assets of Alberta Production Machining Ltd. (“APM”) for cash consideration of $2,710, which was funded using the Company’s new syndicated credit facility (Note 13). The assets of APM are operated out of a leased facility in Edmonton, Alberta, and provides Hawk with increased machining capabilities and access to additional equipment and people to service the demand from its growing customer base.

The initial accounting for the acquisition of APM is not complete and is pending the determination of the fair value of identifiable assets acquired and liabilities assumed as of the acquisition date.

In 2023, the Company acquired four businesses as described below. The consideration paid on these acquisitions is as follows:

	Capital I	Micon	Procore	IHT	Total
Cash (net of cash acquired)	$ 10,077	$ 2,991	$ 4,331	$ 12,678	$ 30,077
Common shares	848	379	610	2,325	4,162
Long term debt assumed	588	-	-	-	588
Contingent consideration	1,910	-	-	6,676	8,586
	$ 13,423	$ 3,370	$ 4,941	$ 21,679	$ 43,413

The allocation of the purchase prices, to the fair value of the assets acquired and liabilities assumed on these acquisitions is as follows:

	Capital I	Micon	Procore	IHT	Total
Accounts receivable	$ 3,376	$ 262	$ 582	$ 2,041	$ 6,261
Prepaid expenses and deposits	70	12	11	681	774
Inventory	4,730	289	867	1,449	7,335
Property and equipment	3,688	225	603	4,957	9,473
Intangible assets	2,697	2,017	2,340	7,905	14,959
Goodwill	2,472	1,354	1,882	11,447	17,155
Accounts payable and accrued liabilities	(1,453)	(155)	(475)	(2,123)	(4,206)
Customer deposits	-	-	-	(90)	(90)
Lease obligation	(890)	(47)	(121)	(2,389)	(3,447)
Deferred income taxes	(1,267)	(587)	(748)	(2,199)	(4,801)
	$ 13,423	$ 3,370	$ 4,941	$ 21,679	$ 43,413

Subsequent adjustments to the purchase price allocations, if any, can be recognized if they occur within twelve months of the acquisition date. After twelve months, adjustments are recognized through profit or loss. The adjustments made as a result of finalizing the provisional accounting are retrospectively recognized from the acquisition date. In 2023, the Company incurred acquisition-related costs of $970 relating to legal fees, accounting fees, and due diligence costs. These costs are included in professional fees in the consolidated statement of profit and comprehensive income.

a) Capital I

On April 5, 2023, the Company acquired all of the shares of Capital I. Capital I, which is located in Tisdale, Saskatchewan, designs, manufactures and distributes road maintenance and construction equipment. Capital I’s products include dozer blades, snow blades and wings, gravel reclaimers, gravel groomers, lifts, mulchers and mowers, that are used in the construction and maintenance of gravel roads.

The Capital I purchase agreement contains negotiated representations, warranties, indemnities and closing conditions. The purchase price included a payment of cash (which was subject to customary post-closing adjustments) and the issuance of common shares to the vendors, plus up to an additional $4,500 contingent on Capital I meeting certain earnings targets over the three years following the acquisition date. The contingent consideration recorded by the Company reflects the estimated fair value of the earnings target being met, as at the acquisition date. The cash portion of the consideration was initially funded through the Company's revolving term acquisition facility (Note 13) which was subsequently partially repaid through the net proceeds of an equity offering that closed on April 13, 2023 (Note 15). The share portion of the consideration was funded through the issuance of 123,962 common shares to the vendors of Capital I (Note 15).

b) Micon

On April 5, 2023, the Company acquired all of the shares of Micon. Micon, which is located in Merritt, British Columbia, designs, manufactures and distributes high-quality radiator seals and grommets for heavy duty equipment.

The Micon purchase agreement contains negotiated representations, warranties, indemnities and closing conditions. The purchase price included a payment of cash (which was subject to customary post-closing adjustments) and the issuance of common shares to the vendors. The cash portion of the consideration was initially funded through the Company's revolving term acquisition facility (Note 13) which was subsequently partially repaid through the net proceeds of an equity offering that closed on April 13, 2023 (Note 15). The share portion of the consideration was funded through the issuance of 55,434 common shares to the vendors of Micon (Note 15).

c) Procore

On April 5, 2023, the Company acquired all of the shares of Procore. Procore, which is located in Merritt, British Columbia, designs, manufactures and distributes radiators for heavy duty equipment used in the mining, oil and gas and road construction industries.

The Procore purchase agreement contains negotiated representations, warranties, indemnities and closing conditions. The purchase price included a payment of cash (which was subject to customary post-closing adjustments) and the issuance of common shares to the vendors. The cash portion of the consideration was initially funded through the Company's revolving term acquisition facility (Note 13) which was subsequently partially repaid through the net proceeds of an equity offering that closed on April 13, 2023 (Note 15). The share portion of the consideration was funded through the issuance of 89,181 common shares to the vendors of Procore (Note 15).

d) IHT

On July 19, 2023, the Company acquired IHT. IHT, which is located outside of Winnipeg, Manitoba, is a well-established manufacturer and developer of high efficiency heating mats and lighting solutions for hog production.

The IHT purchase agreement contains negotiated representations, warranties, indemnities and closing conditions. The purchase price included a payment of cash (which was subject to customary post-closing adjustments), and the issuance of common shares to the vendors, plus up to an additional $10,000 contingent on IHT meeting certain earnings targets over the next three years. The contingent consideration recorded by the Company reflects the estimated fair value of the earnings target being met, as at the acquisition date. The cash portion of the consideration was initially funded through the Company's revolving term acquisition facility (Note 13) which was subsequently partially repaid through the proceeds of an exercise of 819,175 warrants at a price of $4.94 per warrant (Note 15). The share portion of the consideration was funded through the issuance of 314,614 common shares to the vendors of IHT (Note 15).

The consolidated statement of profit includes revenue, gross profit, and profit of Capital I, Micon, Procore, and IHT from their acquisition dates. Had the acquisitions of Capital I, Micon, Procore, and IHT been effective from January 1, 2023, the Group would have recognized revenue, gross profit, and profit for the year ended December 31, 2023 as outlined in the table below.

For the year ended December 31, 2023	Consolidated Reported	Reported for Acquisitions from Acquisition Date	Results for Acquisitions from January 1, 2023	Consolidated Pro forma
Sales	$ 134,881	$ 19,684	$ 36,763	$ 151,960
Gross profit	52,763	9,155	18,698	62,306
Profit	8,333	2,943	7,439	12,829

In 2022, the Company acquired two businesses as described below. The consideration paid on these acquisitions is as follows:

	Marketing Impact	ACR	Total
Cash (net of cash acquired)	$ 8,633	$ 6,464	$ 15,097
Common shares	1,000	719	1,719
Contingent consideration	600	2,858	3,458
	$ 10,233	$ 10,041	$ 20,274

The allocation of the purchase prices, to the fair value of the assets acquired and liabilities assumed on these acquisitions is as follows:

	Marketing Impact	ACR	Total
Accounts receivable	$ 1,999	$ 947	$ 2,946
Prepaid expenses and deposits	66	1,338	1,404
Inventory	1,469	944	2,413
Property and equipment	1,689	813	2,502
Intangible assets	6,620	5,945	12,565
Goodwill	3,727	3,521	7,248
Accounts payable and accrued liabilities	(1,841)	(1,178)	(3,019)
Customer deposits	(416)	-	(416)
Lease obligation	(1,427)	(799)	(2,226)
Deferred income taxes	(1,653)	(1,490)	(3,143)
	$ 10,233	$ 10,041	$ 20,274

The Company incurred acquisition-related costs of $868 with respect to the 2022 acquisitions relating to legal fees, accounting fees, and due diligence costs. These costs are included in professional fees in the consolidated statement of profit and comprehensive income.

e) Marketing Impact

On April 14, 2022, the Company acquired all of the shares of Marketing Impact. Marketing Impact, which is in the Greater Toronto Area, designs, manufactures, and distributes a comprehensive range of merchandising products, systems and solutions for retail customers including grocery stores, convenience stores, and pharmacies. It also designs and manufactures displays for consumer-packaged goods customers for use within those same channels.

The Marketing Impact purchase agreement contains negotiated representations, warranties, indemnities and closing conditions. The purchase price included a payment of cash (which was subject to customary post-closing adjustments) and the issuance of common shares to the vendors, plus up to an additional $1,500 contingent on Marketing Impact meeting certain earnings targets over the three years following the acquisition date. The contingent consideration recorded by the Company reflects the estimated fair value of the earnings target being met, as at the acquisition date. The cash portion of the consideration was funded through the Company's revolving term acquisition facility (Note 13), $7,000 of which was subsequently moved to the Company's non-amortizing term loan (Note 13). The share portion of the consideration was funded through the issuance of 235,294 common shares to the vendors of Marketing Impact (Note 15).

f) ACR

On October 3, 2022, the Company acquired all the shares of ACR. ACR, located in Birmingham in the United Kingdom, manufactures Eco-design Ready woodburning, multifuel, and gas stoves and sells them primarily in the United Kingdom. It also manufactures electric stoves, electric fireplaces, and outdoor pizza ovens.

The ACR purchase agreement contains negotiated representations, warranties, indemnities and closing conditions. The purchase price included a payment of cash (which was subject to customary post-closing adjustments), and the issuance of common shares to the vendors, plus up to an additional £2.75 million contingent on ACR meeting certain earnings targets over the three years following the acquisition date. The contingent consideration recorded by the Company reflects the estimated fair value of the earnings target being met, as at the acquisition date. The cash portion of the consideration was funded through the net proceeds of an equity offering that closed on September 27, 2022 (Note 15). The share portion of the consideration was funded through the issuance of 166,790 common shares to the vendors of ACR (Note 15).

The consolidated statement of profit includes revenue, gross profit, and profit of Marketing Impact and ACR from their acquisition dates. Had the acquisitions of Marketing Impact and ACR been effective from January 1, 2022, the Group would have recognized revenue, gross profit, and profit for the year ended December 31, 2022 as outlined in the table below.

For the year ended December 31, 2022	Consolidated Reported	Reported for Acquisitions from Acquisition Date	Results for Acquisitions from January 1, 2022	Consolidated Pro forma
Sales	$ 98,587	$ 17,113	$ 28,416	$ 109,890
Gross profit	32,853	5,185	8,921	36,589
Profit	4,084	1,348	2,870	5,606

5. Accounts Receivable

	2023	2022
Trade receivables	**$ 22,605**	$ 16,031
Expected credit losses	**(177)**	(114)
Sales tax and other receivables	**219**	463
	$ 22,647	$ 16,380

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 22.

6. Inventory

		2023		2022
Raw materials	**$**	**10,659**	$	7,133
Work in progress		**3,437**		2,352
Finished goods		**10,531**		5,914
Allowance for obsolescence		**(276)**		(459)
	$	**24,351**	$	14,940

7. Property and Equipment

	Automotive	Manufacturing Equipment	Office Equipment	Computer Equipment	Leasehold Improvements	Right of Use Assets	Total
Cost							
Balance, January 1, 2022	$ 292	$ 8,557	$ 188	$ 1,091	$ 514	$ 4,818	$ 15,460
Additions	66	1,639	5	244	186	2,561	4,701
Acquired through business combination	15	180	48	33	-	2,226	2,502
Disposals	(4)	-	-	(25)	-	(101)	(130)
Effect of movements in exchange rates	5	48	1	21	7	142	224
Balance, December 31, 2022	$ 374	$ 10,424	$ 242	$ 1,364	$ 707	$ 9,646	$ 22,757
Additions	50	3,112	101	272	291	2,707	6,533
Acquired through business combination	56	5,196	37	54	684	3,446	9,473
Disposals	-	(195)	-	-	(25)	(1,673)	(1,893)
Effect of movements in exchange rates	(2)	(11)	(3)	(4)	(3)	18	(5)
Balance, December 31, 2023	**$ 478**	**$ 18,526**	**$ 377**	**$ 1,686**	**$ 1,654**	**$ 14,144**	**$ 36,865**
Accumulated Depreciation							
Balance, January 1, 2022	$ 173	$ 4,077	$ 74	$ 718	$ 393	$ 2,439	$ 7,874
Depreciation	49	1,059	30	148	83	1,261	2,630
Disposals	(3)	-	-	(16)	-	(101)	(120)
Effect of movements in exchange rates	4	22	2	15	3	28	74
Balance, December 31, 2022	$ 223	$ 5,158	$ 106	$ 865	$ 479	$ 3,627	$ 10,458
Depreciation	57	1,991	38	185	174	1,706	4,151
Disposals	-	(56)	-	-	(20)	(1,427)	(1,503)
Effect of movements in exchange rates	(2)	(1)	(2)	(1)	(1)	(10)	(17)
Balance, December 31, 2023	**$ 278**	**$ 7,092**	**$ 142**	**$ 1,049**	**$ 632**	**$ 3,896**	**$ 13,089**
Net Book Value							
Balance, December 31, 2022	$ 151	$ 5,266	$ 136	$ 499	$ 228	$ 6,019	$ 12,299
Balance, December 31, 2023	**$ 200**	**$ 11,434**	**$ 235**	**$ 637**	**$ 1,022**	**$ 10,248**	**$ 23,776**

8. Intangible Assets

	Manufacturing Technology	Customer Relationships	Distribution Agreements	Development Costs	Contract Costs	Brand	Total
Cost							
Balance, January 1, 2022	$ 2,603	$ 9,890	$ 720	$ 429	$ 377	$ 1,703	$ 15,722
Acquired through business combination	310	10,699	700	-	246	610	12,565
Effect of movements in exchange rates	28	833	-	-	28	46	935
Balance, December 31, 2022	$ 2,941	$ 21,422	$ 1,420	$ 429	$ 651	$ 2,359	$ 29,222
Additions	-	-	-	92	-	-	92
Acquired through business combination	1,490	11,755	20	-	477	1,217	14,959
Disposals	-	-	-	(76)	(200)	-	(276)
Effect of movements in exchange rates	(10)	109	-	-	9	6	114
Balance, December 31, 2023	**$ 4,421**	**$ 33,286**	**$ 1,440**	**$ 445**	**$ 937**	**$ 3,582**	**$ 44,111**
Accumulated Amortization							
Balance, January 1, 2022	$ 1,403	$ 3,804	$ 171	$ 50	$ 165	$ -	$ 5,593
Amortization	285	1,476	147	25	360	-	2,293
Effect of movements in exchange rates	16	140	-	-	6	-	162
Balance, December 31, 2022	$ 1,704	$ 5,420	$ 318	$ 75	$ 531	$ -	$ 8,048
Amortization	370	2,704	175	-	495	-	3,744
Disposals	-	-	-	(76)	(200)	-	(276)
Effect of movements in exchange rates	(7)	(55)	-	-	9	-	(53)
Balance, December 31, 2023	**$ 2,067**	**$ 8,069**	**$ 493**	**$ (1)**	**$ 835**	**$ -**	**$ 11,463**
Carrying amount							
Balance, December 31, 2022	$ 1,237	$ 16,002	$ 1,102	$ 354	$ 120	$ 2,359	$ 21,174
Balance, December 31, 2023	**$ 2,354**	**$ 25,217**	**$ 947**	**$ 446**	**$ 102**	**$ 3,582**	**$ 32,648**

9. Goodwill

Balance, January 1, 2022	$ 18,699
Acquired through business combinations	7,248
Effect of movements in exchange rates	527
Balance, December 31, 2022	$ 26,474
Acquired through business combination	17,155
Effect of movements in exchange rates	67
Balance, December 31, 2023	**$ 43,696**

For the purpose of impairment testing for 2023 and 2022, goodwill and intangible assets with indefinite lives acquired through business combinations were allocated to the Group's CGUs as follows:

December 31, 2023	Brand	Goodwill	Total
Hearth (Blaze King and ACR)	$ 1,187	$ 5,652	$ **6,839**
Unicast	188	2,290	**2,478**
Slimline	670	1,326	**1,996**
Hawk	-	6,750	**6,750**
Northside	-	6,795	**6,795**
Marketing Impact	320	3,728	**4,048**
Capital I	230	2,472	**2,702**
Micon	87	1,354	**1,441**
Procore	145	1,882	**2,027**
IHT	755	11,447	**12,202**
	$ 3,582	$ 43,696	$ **47,278**

December 31, 2022	Brand	Goodwill	Total
Hearth (Blaze King and ACR)	$ 1,176	$ 5,529	$ 6,705
Unicast	193	2,346	2,539
Slimline	670	1,326	1,996
Hawk	-	6,750	6,750
Northside	-	6,795	6,795
Marketing Impact	320	3,728	4,048
	$ 2,359	$ 26,474	$ 28,833

The Company performed annual impairment tests of goodwill and indefinite life intangible assets as at December 31, 2023 and 2022.

The value-in-use impairment tests performed were based on the Company's internal forecasts and represent management's best estimates at a specific point in time, and as a result are subject to measurement uncertainty. In arriving at its estimated future cash flows, the Company considered past experience, economic trends and industry trends. The Company projected revenue, gross profit and cash flows for a period of five years and applied perpetual long-term revenue growth rates of 0% to 2% (2022 - 1% to 2%) thereafter, depending on the CGU. The Company assumed pre-tax discount rates of 15% to 18% (2022 - 16% to 19%) depending on the CGU, in order to calculate the present value of its projected cash flows. Determination of the discount rates included separate analyses of the cost of equity and debt, and considered a risk premium based on an assessment of risks related to the projected cash flows of the Company in general and each specific CGU.

The December 31, 2023 and 2022 impairment tests performed did not result in any impairment write-downs.

The most sensitive inputs to the value-in-use models are the revenue growth rates, operating margins and discount rates. The sensitivities to those inputs, with respect to the December 31, 2023 impairment tests, were as follows: All else being equal, a 1% increase in the discount rate would have led to impairment losses of $240 on the Hawk CGU and $247 on the Slimline CGU. All else being equal, a 1% decrease in operating margins would have led to impairment losses of $65 on the Hawk CGU and $88 on the Slimline CGU. All else being equal, a 1% decrease in the revenue growth rates would have led to impairment losses of $249 on the Hawk CGU and $283 on the Slimline CGU. There was no material impact of the sensitivity analyses on the recoverable amounts of the Group's other CGUs.

10. Accounts Payable and Accrued Liabilities

		2023		2022
Trade payables	$	**7,494**	$	8,268
Accrued liabilities		**3,962**		3,515
Accrued contingent consideration on acquisitions		**10,949**		3,204
Wages and benefits payable		**1,351**		1,035
Income taxes payable		**2,351**		1,887
	$	**26,107**	$	17,909

11. Warranty Provision

		2023		2022
Warranty provision - opening	$	**579**	$	496
Warranty charges incurred		**(345)**		(320)
Warranty provision included in cost of goods sold		**466**		403
	$	**700**	$	579

12. Lease Obligations

The Group's right of use assets and associated lease obligations are related to lease commitments for office and shop premises. The maturity dates of the lease obligations are between October 2024 and September 2033. As at December 31, 2023, minimum lease payments required over the next five years were as follows:

For the years ending December 31,		2023		2022
2023	$	**-**	$	1,513
2024		**2,162**		1,502
2025		**1,753**		1,094
2026		**1,620**		855
2027		**1,717**		917
2028		**1,423**		780
thereafter		**4,250**		557
		12,925		7,218
Less: interest portion		**(2,218)**		(880)
Less: current portion		**(1,693)**		(1,279)
	$	**9,014**	$	5,059

13. Long-term Debt

	Interest Rate	Maturity Date	Authorized	**December 31, 2023 Outstanding**	December 31, 2022 Outstanding
Revolving term operating facility	P+1.0%	Jun-26	$ 15,000	**$ 10,491**	$ 4,988
Revolving term acquisition facility	P+2.5%	Jun-26	25,000	**6,600**	-
Non-amortizing term loan	6.9%	Jun-26	28,000	**28,000**	28,000
Equipment loans	2.3%	Dec-25	415	**415**	-
			68,415	**45,506**	32,988
Less: current portion				**(224)**	-
Long-term portion				**45,282**	32,988
Less: debt issuance costs				**(245)**	(319)
Total long-term debt				**$ 45,037**	$ 32,669

"P" in the table above denotes prime rate

Subsequent to December 31, 2023, and before these financial statements were authorized, the Company entered into a new syndicated credit facility providing for a committed $100,000 senior secured revolving term loan and a $75,000 accordion, which the Company can request as an increase, in whole or in part, to the total amount available under the new syndicated credit facility. The syndicate lenders include National Bank of Canada, CWB Maxium Financial (a wholly owned division of Canadian Western Bank), Royal Bank of Canada and Fédération des caisses Desjardins du Québec, with National Bank of Canada acting as administrative agent on behalf of the syndicate.

The new syndicated credit facility replaced the credit agreement the Company had in place with Canadian Western Bank, the details of which are outlined in the table above. The new syndicated credit facility consists of a single senior secured revolving term loan, compared to the three separate loan tranches outlined in the table above. There are no required principal payments for the committed three-year term of the new syndicated credit facility, which also provides for annual extension provisions, and all drawn amounts will mature in March 2027.

Borrowings under the new syndicated credit facility may be made by way of Canadian prime rate, U.S. base rate, CORRA or SOFR advances. The new syndicated credit facility bears interest at the Canadian prime rate or U.S. base rate plus 0.75% to 2.25%, or at the Canadian overnight repo rate average (“CORRA”) or the U.S. Federal reserve secured overnight financing rate (“SOFR”) plus 2.00% to 3.50%. These interest rate ranges are dependent on certain financial ratios of the Company. In addition, standby fees ranging from 0.40% to 0.70% per annum are paid quarterly on the unused portion of the new syndicated credit facility depending on certain financial ratios of the Company. There are no fees paid on the accordion until amounts are made available. The effective interest rate under the new syndicated credit facility is consistent with the blended effective interest rate outlined in the table above.

The new syndicated credit facility is secured by a general security agreement, assignment of insurance, and unlimited corporate cross guarantees. Additionally, the Group has agreed to maintain the following ratios (as defined in the credit agreement) on a consolidated trailing twelve-month basis, otherwise outstanding facilities are due on demand:

- Maximum total debt to adjusted EBITDA of 3.25:1
- Minimum interest coverage ratio of 1.50:1

As at December 31, 2023, the Company was in compliance with these ratios.

As at December 31, 2023, principal payments required over the next four years on the Company's long-term debt were estimated as follows:

For the years ending December 31,		
2024	$	224
2025		191
2026		-
2027		45,091
	$	45,506

14. Income Tax

a) Rate reconciliation

Income tax expense differs from the amount that would result by applying the Company's combined Canadian federal and provincial income tax rate of 27% to earnings before income taxes. The Group's taxable income for the years ended December 31, 2023 and 2022 was generated in the following jurisdictions with the following corporate income tax rates:

For the year ended December 31,	**2023**	2022
British Columbia	**27.0%**	27.0%
Alberta	**23.0%**	23.0%
Manitoba	**27.0%**	-
Ontario	**25.0%**	25.0%
Saskatchewan	**25.0%**	-
United States	**21.0%**	21.0%
United Kingdom	**23.5%**	19.0%

The impact of being subject to differing tax rates, as well as other differences, is included in the following reconciliation:

For the year ended December 31,		**2023**		2022
Profit before income taxes	**$**	**11,750**	$	5,687
Combined Canadian federal and provincial income tax rates		**27%**		27%
Expected income tax expense		**3,173**		1,535
Items that cause an increase (decrease):				
Permanent differences		**566**		179
Differing tax rates in other jurisdictions		**(207)**		(170)
Change in unrecognized temporary differences		**(198)**		51
Change in foreign exchange rates		**(4)**		11
Adjustment to prior year provisions and other		**87**		(3)
Income tax expense	**$**	**3,417**	$	1,603

For the year ended December 31,		**2023**		2022
Current income tax expense	**$**	**4,274**	$	1,743
Deferred income tax recovery		**(857)**		(140)
Income tax expense	**$**	**3,417**	$	1,603

b) Deferred tax assets and liabilities

The composition of the Group's net deferred income tax liabilities at December 31, 2023 and 2022 are as follows:

		December 31, 2023		December 31, 2022
Deferred income tax assets (liabilities):				
Property and equipment	**$**	**(2,082)**	$	(942)
Non-capital losses		**-**		39
Share issuance and other financing costs		**273**		31
Tax reserves deductible in the future		**339**		302
Intangible assets and other		**(8,534)**		(5,448)
Deferred income tax liability	**$**	**(10,004)**	**$**	(6,018)

c) Non-capital losses and unused tax credits

At December 31, 2023, the Company had deductible share issuance and other financing costs of $1,255 (2022 - $476) which may be used to reduce future taxable income in Canada. These non-capital losses and unused tax credits are included in the determination of the Group's net deferred income tax liabilities above.

15. Share Capital

a) Shares issued and outstanding

	Shares (000s)		Amount
Balance as at January 1, 2022	12,093	$	32,818
Shares issued under ESPP	71		264
Shares issued under DRIP	189		833
Exercise of stock options	300		1,363
Shares purchased and cancelled under NCIB	(15)		(62)
Shares issued to vendors on business acquisitions	402		1,719
Shares issued for cash proceeds	1,848		7,615
Share issuance costs	-		(456)
Balance as at, December 31, 2022	14,888	$	44,094
Shares issued under ESPP	91		490
Shares issued under DRIP	333		2,224
Exercise of stock options	115		385
Exercise of warrants	938		5,108
Shares purchased and cancelled under NCIB	(2)		(16)
Shares issued to vendors on business acquisitions	583		4,162
Shares issued for cash proceeds	1,965		11,294
Share issuance costs	-		(1,130)
Balance as at, December 31, 2023	**18,911**	**$**	**66,611**

The Company had the following share capital transactions for the year ended December 31, 2023 and 2022:

(i) The Company issued 91,131 (2022 – 70,694) common shares pursuant to the employee share purchase plan (the “ESPP”).

(ii) The Company issued 333,028 (2022 – 188,787) common shares pursuant to the dividend reinvestment and cash purchase plan (the “DRIP”)

(iii) The Company issued 114,701 (2022 – 299,754) common shares on the exercise of stock options.

(iv) The Company purchased and cancelled 2,300 (2022 – 14,775) common shares pursuant to its normal course issuer bid (the “NCIB”).

(v) The Company issued 938,343 (2022 – Nil) common shares on the exercise of warrants.

(vi) As part of the consideration paid for the acquisitions of Capital I, Micon, and Procore described in Note 4, on April 5, 2023, the Company issued an aggregate 268,577 common shares to the vendors of Capital I, Micon, and Procore at a price of $6.84 per share.

As part of the consideration paid for the acquisition of IHT described in Note 4, on July 19, 2023, the Company issued 314,614 common shares to the vendors of IHT at a price of $7.39 per share

(vii) On April 13, 2023, the Company closed a bought deal equity offering, with a syndicate of underwriters, of 1,964,488 common shares at a price of $5.91 per share. In addition, for each common share subscribed for under the bought deal equity offering, the subscriber also received a one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder thereof to purchase one common share at a price of $7.09 for a period of 24 months following the closing of the bought deal equity offering. The aggregate $316 fair value of the warrants issued was netted against the proceeds of the offering.

(viii) As part of the consideration paid for the acquisition of Marketing Impact described in Note 4, on April 14, 2022, the Company issued 235,294 common shares to the vendors of Marketing Impact at a price of $4.25 per share.

As part of the consideration paid for the acquisition of ACR described in Note 4, on October 3, 2022, the Company issued 166,790 common shares to the vendors of ACR at a price of $4.31 per share.

(ix) On September 27, 2022, the Company closed a non-brokered private placement of 1,848,364 common shares at a price of $4.12 per share. In addition, for each common share subscribed for under the private placement, the subscriber also received a one-half common share purchase warrant entitling the holder thereof to purchase one common share at a price of $4.94 for a period of 24 months following the closing of the private placement. The $269 estimated fair value of the warrants issued is included in share issuance costs in the table above.

Common shares that remained in escrow as at December 31, 2023 are as follows:

In (000s)	**December 31, 2023**	December 31, 2022
In relation to the acquisition of:		
Marketing Impact	**157**	235
ACR	**111**	167
Capital I	**124**	-
Micon	**55**	-
Procore	**89**	-
IHT	**315**	-
	851	402

b) Warrants

The Company had the following warrants outstanding and exercisable:

Warrants	Number of warrants (000s)	Weighted average exercise price ($)	Weighted average grant date fair value ($)	Weighted average years remaining
Outstanding and exercisable, January 1, 2022	-	$ -	$ -	-
Warrants issued	924	4.94	0.29	-
Outstanding and exercisable, December 31, 2022	924	$ 4.94	$ 0.29	1.75
Warrants issued	982	7.09	0.32	-
Warrants exercised	(938)	5.15	0.29	-
Outstanding and exercisable, December 31, 2023	**968**	**$ 6.92**	**$ 0.32**	**1.21**

c) Equity Incentives

The Company has an equity incentive plan for the purpose of developing the interest of directors, officers and employees in the growth and development of the Company and its subsidiaries, by providing them with the opportunity, through equity awards, to obtain an increased effective interest in the Company.

The equity incentive plan enables the Company to grant deferred share units (“DSUs”), restricted share units (“RSUs”) and stock options to the directors, officers, and employees of the Company or any of its affiliates. Under the plan, the aggregate of all stock option, DSU, and RSU grants cannot exceed 10% of the issued and outstanding common shares of the Company.

The Company had granted stock options to various directors, officers, and employees of the Group as follows:

Stock Options	Number of options (000s)	Weighted average exercise price ($)	Weighted average grant date fair value ($)	Weighted average years remaining
Outstanding and exercisable, January 1, 2022	950	$ 3.48	$ 1.14	6.23
Options issued	120	4.12	0.75	-
Options exercised	(388)	3.09	1.56	-
Options expired	(22)	3.83	0.47	-
Outstanding and exercisable, December 31, 2022	660	$ 3.81	$ 0.84	6.49
Options issued	28	7.68	1.84	-
Options exercised	(273)	3.74	0.74	-
Options expired	(15)	3.72	0.66	-
Outstanding and exercisable, December 31, 2023	**400**	**$ 4.12**	**$ 0.98**	**5.44**

In the year ended December 31, 2023, the Company recorded $205 of share-based compensation expense related to stock options. This share-based compensation expense represents the estimated fair value of stock options granted, amortized over the options’ vesting periods.

To value the options granted in 2023, the Company used the Black-Scholes option–pricing model with the following assumptions: dividend yields of 5.8% to 6.4%; expected volatility of 42% to 43%; risk-free interest rates of 2.7% to 3.7%; forfeiture rates of 0%; market prices of $6.54 to $8.28 and weighted average lives of five years.

To value the options granted in 2022, the Company used the Black-Scholes option–pricing model with the following assumptions: dividend yields of 7.4% to 8.4%; expected volatility of 40% to 41%; risk-free interest rates of 1.9% to 3.2%; forfeiture rates of 0%; market prices of $4.06 to $4.89 and weighted average lives of five years.

The Company had granted DSUs to directors of the Company as follows:

Deferred Share Units	**Number of DSUs (000s)**	**Number of DSUs exercisable (000s)**	**Weighted average grant date fair value ($)**	**Weighted average years remaining**
Outstanding, January 1, 2022	-	-	$ -	-
Outstanding, December 31, 2022	-	-	$ -	-
DSUs issued	42	-	5.01	-
DSUs from reinvested dividends	2	-	5.01	-
Outstanding, December 31, 2023	**44**	**-**	**$ 5.01**	**NA**

In the year ended December 31, 2023, the Company recorded $223 of share-based compensation expense related to DSUs. This share-based compensation expense represents the estimated fair value of DSUs granted, amortized over the DSUs vesting periods.

The Company had granted RSUs to officers and employees of the Group as follows:

Restricted Share Units	**Number of RSUs (000s)**	**Number of RSUs exercisable (000s)**	**Weighted average grant date fair value ($)**	**Weighted average years remaining**
Outstanding, January 1, 2022	-	-	$ -	-
Outstanding, December 31, 2022	-	-	$ -	-
RSUs issued	67	-	6.62	-
RSUs from reinvested dividends	3	-	6.62	-
Outstanding, December 31, 2023	**70**	**-**	**$ 6.62**	**2.25**

In the year ended December 31, 2023, the Company recorded $212 of share-based compensation expense related to RSUs. This share-based compensation expense represents the estimated fair value of RSUs granted, amortized over the RSUs vesting periods.

Subsequent to December 31, 2023, and before these financial statements were authorized, the Company granted: 50,905 DSUs at a fair market value of $8.25 per DSU; 81,713 RSUs at a fair market value of $10.12 per RSU and 5,000 stock options at an exercise price of $10.36 per stock option.

16. Dividends

The Company's Board of Directors regularly examines the dividends paid to shareholders. The following dividends were declared during the periods ended December 31, 2023 and December 31, 2022:

	2023		2022	
Month	**Per share ($)**	**Dividend Amount ($)**	Per share ($)	Dividend Amount ($)
January	$ **0.030**	$ **448**	$ 0.025	$ 303
February	**0.030**	**450**	0.025	304
March	**0.035**	**528**	0.025	305
April	**0.035**	**608**	0.030	377
May	**0.035**	**610**	0.030	377
June	**0.035**	**611**	0.030	378
July	**0.040**	**712**	0.030	379
August	**0.040**	**746**	0.030	379
September	**0.040**	**752**	0.030	436
October	**0.040**	**755**	0.030	441
November	**0.040**	**755**	0.030	443
December	**0.040**	**757**	0.030	447
Total	$ **0.440**	$ **7,732**	$ 0.345	$ 4,569

The above dividends were paid on or about the 15th of the month following their declaration. Of the dividends paid during the year ended December 31, 2023, $5,219 (2022 - $3,602) were settled in cash and $2,203 (2022 - $823) were reinvested in additional common shares of the Company, pursuant to the DRIP.

Subsequent to December 31, 2023, and before these financial statements were authorized, the Company undertook the following dividend actions:

- A dividend of $0.04 per share was declared on January 15, 2024, for shareholders of record on January 31, 2024, which was paid on February 15, 2024.

- On February 15, 2024, the Company announced an increase in its monthly dividend to $0.045 per share and declared a dividend of $0.045 per share for shareholders of record on February 29, 2024, which was paid on March 15, 2024. The increased monthly dividend represents annualized dividends of $0.54 per common share, up from the previous level set at $0.48 per common share on an annualized basis.

- A dividend of $0.045 per share was declared on March 15, 2024, for shareholders of record on March 29, 2024, which is payable on April 15, 2024.

17. Management of Capital

The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Group currently consists of equity and debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids, adjust the amount of dividends paid to align the dividend policy with shareholder expectations, place new debt, refinance existing debt, or sell assets. Management reviews its capital management approach on a regular basis.

As noted in note 13, the Company's credit facilities impose certain external minimum capital requirements including, but not limited to, maximum debt to EBITDA ratios and minimum interest coverage ratios.

See note 22 for additional capital management disclosures with respect to liquidity risk.

For the years ended December 31, 2023, and 2022, there were no changes in the Company's capital management policy.

The capital of the Group is calculated by management, as follows:

		December 31, 2023		December 31, 2022
Equity	$	**57,751**	$	34,130
Long-term debt, excluding debt issuance costs		**45,506**		32,988
		103,257		67,118
Less: cash		**(4,050)**		(4,734)
	$	**99,207**	$	62,384

18. Sales

The following is a breakdown of sales by type of product:

For the year ended December 31,		2023		2022
Agricultural products	$	**11,880**	$	8,628
Hearth products		**41,240**		34,003
Industrial products		**36,003**		18,411
Machined products		**16,515**		12,920
Merchandising products		**14,600**		12,674
Wear-part products		**16,929**		12,188
Inter-segment eliminations		**(2,286)**		(237)
	$	**134,881**	$	98,587

The following is the geographic breakdown of revenue based on the location of the customer:

For the year ended December 31,		2023		2022
Canada	$	**53,180**	$	46,984
United States		**64,392**		47,406
Other		**17,309**		4,197
	$	**134,881**	$	98,587

19. Manufacturing Costs

Details of the items included in manufacturing costs are as follows:

For the year ended December 31,		2023		2022
Labour and materials	$	**72,993**	$	57,811
Freight and shipping		**5,881**		5,923
Depreciation		**2,750**		1,575
Inventory write-downs and obsolescence allowance		**28**		22
Warranty		**466**		403
	$	**82,118**	$	65,734

20. Financing Costs

Details of the items included in financing costs are as follows:

For the year ended December 31,		2023		2022
Interest and bank charges	$	**398**	$	403
Interest on lease obligations		**308**		167
Interest on long-term debt		**3,089**		1,954
	$	**3,795**	$	2,524

21. Supplemental Cash Flow Information

The changes in non-cash operating working capital items are as follows:

For the year ended December 31,		2023		2022
Accounts receivable	$	**(307)**	$	(2,017)
Inventory		**(2,553)**		(1,791)
Prepaid expenses and deposits		**1,856**		154
Accounts payable and accrued liabilities		**(4,126)**		812
Customer deposits		**892**		(433)
Warranty provision		**121**		83
	$	**(4,117)**	$	(3,192)

22. Financial Instruments and Risk Management

The Group's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, dividends payable, and long-term debt.

a) *Fair value measurement and disclosure of financial assets and liabilities*

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. The following fair value hierarchy reflects the significance of inputs of valuation techniques used in making fair value measurements and/or disclosures.

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Group's financial assets and financial liabilities, including long-term debt, are measured and/or disclosed at fair value by level within the fair value hierarchy described above. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Group's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the year.

b) *Fair value disclosures*

At December 31, 2023 and 2022, the carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, and dividends payable, approximate their fair value due to their short-term nature.

The Group's long-term debt (note 13) was measured and recognized in the consolidated statement of financial position at fair value as a level 2 financial instrument. Management determined that the fair values of the Group's long-term debt was not materially different than their carrying amounts as they are based on market interest rates.

c) *Financial risk management*

The Group's activities expose it to a variety of financial risks. The Group examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include liquidity risk, credit risk, currency risk, and interest rate risk. The Company's risk management program strives to evaluate the unpredictability of financial and commodity markets and its objective is to minimize the potential adverse effects of such risks on the Group's financial performance, where financially feasible to do so.

When deemed material, these risks may be monitored by the Group's corporate finance group and they are regularly discussed with the Board of Directors or one of its committees.

(i) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. To mitigate this risk, the Group has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

The contractual maturities of financial instruments are as follows:

December 31, 2023	**Carrying value**	**Total contractual cash flows**	**Within one year**	**Two to five years**	**More than five years**
Accounts payable	**$ 26,107**	$ 26,107	$ 19,586	$ 6,521	$ -
Dividends	**756**	756	756	-	-
Long-term debt	**45,261**	54,097	3,664	50,433	-
Lease obligations	**10,707**	12,924	2,162	6,512	4,250
	$ 82,831	$ 93,884	$ 26,168	$ 63,466	$ 4,250

December 31, 2022		Carrying value		Total contractual cash flows		Within one year		Two to five years		More than five years
Accounts payable	$	17,909	$	17,909	$	14,451	$	3,458	$	-
Dividends payable		447		447		447		-		-
Long-term debt		32,669		39,186		2,254		36,932		-
Lease obligations		6,338		7,218		1,513		4,367		1,338
	$	57,363	$	64,760	$	18,665	$	44,757	$	1,338

Liquidity risk management involves maintaining sufficient cash or cash equivalents and availability of funding through an adequate amount of committed credit facilities. The Group's cash is held in business accounts which are available on demand for the Group's programs. The Company also attempts to maintain flexibility in funding by securing committed and available credit facilities. The Company has a credit facility in place with its senior lenders that provides the Group access to a revolving term loan and an available accordion facility (note 13). The Group continues to manage its financial position in accordance with its capital management objectives and in light of its current operating environment.

(ii) Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Group by those counterparties, less any amounts owed to the counterparty by the Group where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the consolidated financial statements.

The Group's credit risk is predominantly limited to cash balances held in financial institutions, and the recovery of the Group's accounts receivable. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. At December 31, 2023, the Group expects to recover the full amount of such assets, less any expected credit losses.

Cash and cash equivalents are only deposited with or held by major financial institutions where the Group conducts its business.

As at December 31, the Company had the following trade accounts receivable and expected credit losses:

		December 31, 2023			December 31, 2022	
Not yet due	**$**	**13,127**	**58%**	$	12,657	79%
31-60 days overdue		**5,497**	**24%**		2,900	18%
61-90 days overdue		**1,951**	**9%**		332	2%
>90 days overdue		**2,030**	**9%**		142	1%
Trade accounts receivable		**22,605**	**100%**		16,031	100%
Less: expected credit losses		**(177)**			(114)	
Net trade accounts receivable	**$**	**22,428**		$	15,917	

Subsequent to December 31, 2023, and before these financial statements were authorized, the Group collected 62% of the amounts over 90 days overdue. The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Group assesses the quality of its counterparties, taking into account their creditworthiness and reputation, past performance and other factors.

(iii) Currency risk

The functional currency for Blaze King USA and Unicast is the United States dollar (“USD”), the functional currency for ACR is the British pound sterling (“GBP”), while all other entities in the Group have a Canadian dollar (“CAD”) functional currency. The Company’s reporting currency is the Canadian dollar; therefore, the Group’s profit or loss and total comprehensive income are in part impacted by fluctuations in the value of each foreign currency (“FC”) in which it transacts in relation to the CAD.

The table below summarizes the quantitative data about the Group’s exposure to currency risk:

	Entities with a CAD functional currency		**Entities with a USD functional currency**		**Entities with a GBP functional currency**		
As at December 31, 2023	**CAD**	**USD**	**CAD**	**USD**	**CAD**	**GBP**	**Total**
Cash	$ 1,990	$ 1,841	$ (486)	$ 189	$ -	$ 516	**$ 4,050**
Accounts receivable	12,174	6,921	668	2,020	-	864	**22,647**
Accounts payable	(22,628)	(525)	(130)	(591)	-	(2,233)	**(26,107)**
Dividend payable	(756)	-	-	-	-	-	**(756)**
Inter-company amounts	2,747	-	(5,558)	1,621	1,190	-	**-**
Long-term debt	(44,930)	(331)	-	-	-	-	**(45,261)**
Net exposure	(51,403)	7,906	(5,506)	3,239	1,190	(853)	**(45,427)**
Effect of 5% strengthening of FC versus CAD:							
Profit (loss)	-	395	275	-	(59)	-	**611**
OCI	$ -	$ -	$ -	$ (162)	$ -	$ 43	**$ (119)**

	Entities with a CAD functional currency		Entities with a USD functional currency		Entities with a GBP functional currency		
As at December 31, 2022	CAD	USD	CAD	USD	CAD	USD	Total
Cash	$ 267	$ 980	$ 468	$ 153	$ -	$ 2,866	$ 4,734
Accounts receivable	8,534	4,202	545	2,106	-	993	16,380
Accounts payable	(14,288)	(1,278)	(180)	(872)	-	(1,291)	(17,909)
Dividend payable	(447)	-	-	-	-	-	(447)
Inter-company amounts	5,486	-	(8,462)	2,976	-	-	-
Long-term debt	(32,669)	-	-	-	-	-	(32,669)
Net exposure	(33,117)	3,904	(7,629)	4,363	-	2,568	(29,911)
Effect of 5% strengthening of FC versus CAD:							
Profit (loss)	-	195	381	-	-	-	576
OCI	$ -	$ -	$ -	$ (218)	$ -	$ (128)	$ (346)

(iv) Interest rate risk

The Group is exposed to interest rate risk on its long-term debt (note 13) due to the interest rate on certain of its credit facilities being variable. Of the Group’s interest-bearing debt at December 31, 2023, 38% was variable rate (2022 - 15%). The Group does not enter into derivative contracts to manage this risk.

The table below summarizes the quantitative data about the Group's exposure to interest rate risk:

Interest rate risk		December 31, 2023		December 31, 2022
Floating instruments	**$**	**17,091**	$	4,988
Average balance		**12,052**		7,699
Impact on profit (loss) of a change in interest rates:				
-1%		**121**		77
+1%	**$**	**(121)**	$	(77)

23. Related Party Transactions

The Group's related parties consist of directors, officers and key management or companies associated with them. Key management, including directors and officers of the Company, are those personnel having the authority and responsibility for planning, directing, and controlling the Company.

Salaries and benefits, director fees and share-based compensation are included in salaries, wages and benefits expense.

Key management compensation for the years ended December 31, 2023 and 2022 includes:

		2023		2022
Salaries, benefits and director fees	**$**	**1,858**	$	1,586
Share-based compensation		**529**		62
	$	**2,387**	$	1,648

In 2023, the Company granted 41,948 DSUs to directors of the Company and 39,880 RSUs to officers of the Company. In 2022, the Company granted 70,000 stock options to directors and officers of the Company. Share-based compensation expense recorded in the consolidated statement of profit and comprehensive income with respect to these grants, as well as unvested grants from previous years, is outlined in the table above.

24. Segmented Information

The Group's reporting is prepared on a consolidated basis as determined by the requirements of the Chief Executive Officer as the chief operating decision maker for the Group. The Company's reportable segments, as determined by management, sell similar product types to similar types of customers and share similar processes and distribution methods. The reportable segments are as follows:

- The finished product segment, which manufactures and sells products that are purchased and used by end customers as designed. Within the finished product segment are five separate businesses: ACR, Blaze King, Capital I, Marketing Impact and Slimline.
- The component manufacturing segment, which manufactures and sells products based on specifications determined by its customers for use in its customers' processes. Within the component manufacturing segment are five separate businesses: Hawk, Micon, Northside, Procore and Unicast.
- In addition, the Canadian public company parent ("Head Office") is considered a third and separate segment, as its function is as an investment holding and management company. Inter-segment eliminations of sales and manufacturing costs are also reported within this segment.

The Group's reporting of segment performance for the year ended December 31, 2023 and 2022 is as follows:

For the year ended December 31, 2023	**Finished Product**	**Component Manufacturing**	**Head Office**	**Total**
Sales	$ 82,470	$ 54,698	$ (2,287)	$ **134,881**
Manufacturing costs	48,130	36,275	(2,287)	**82,118**
Gross profit	34,340	18,423	-	**52,763**
Profit (loss) before taxes	13,169	7,883	(9,302)	**11,750**
Income tax expense (recovery)	2,315	1,347	(245)	**3,417**
Profit (loss)	10,854	6,536	(9,057)	**8,333**
Total comprehensive income (loss)	$ 11,084	$ 6,459	$ (9,057)	$ **8,486**

For the year ended December 31, 2022	Finished Product	Component Manufacturing	Head Office	Total
Sales	$ 57,478	$ 41,346	$ (237)	$ 98,587
Manufacturing costs	35,087	30,884	(237)	65,734
Gross profit	22,391	10,462	-	32,853
Profit (loss) before taxes	8,984	2,938	(6,235)	5,687
Income tax expense	1,205	235	163	1,603
Profit (loss)	7,779	2,703	(6,398)	4,084
Total comprehensive income (loss)	$ 9,118	$ 2,735	$ (6,398)	$ 5,455

The Group's reporting of segment financial condition as at December 31, 2023 and December 31, 2022 is as follows:

December 31, 2023	**Finished Product**	**Component Manufacturing**	**Head Office**	**Total**
Total current assets	$ 36,266	$ 15,992	$ 189	$ **52,447**
Total current liabilities	10,344	7,779	12,638	**30,761**
Total assets	101,880	50,112	575	**152,567**
Total liabilities	$ 25,729	$ 11,631	$ 57,456	$ **94,816**

December 31, 2022	Finished Product	Component Manufacturing	Head Office	Total
Total current assets	$ 25,183	$ 11,996	$ 1,308	$ 38,487
Total current liabilities	10,036	5,846	4,676	20,558
Total assets	47,349	38,516	12,569	98,434
Total liabilities	$ 17,732	$ 9,061	$ 37,511	$ 64,304

For the year ended December 31, 2023, the Group's largest customer accounted for 12% of sales (2022 - 10% of sales). Sales from this customer are included in the component manufacturing segment. Other than this customer, the Group was not dependent on any other customer for more than 10% of its sales.