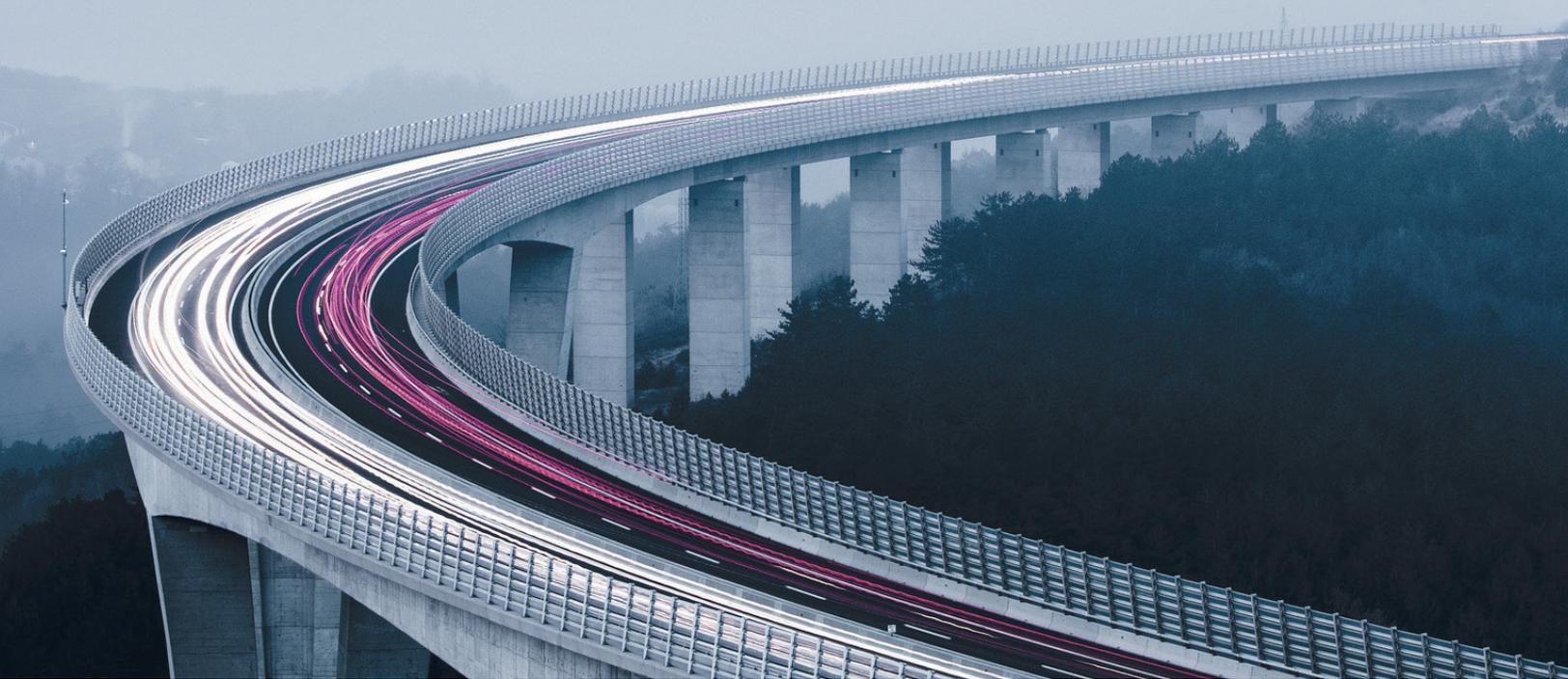


ANNUAL REPORT 2021



When being **certain** is everything

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// OUR PURPOSE IS TO BE THE WORLD'S LEADING PROVIDER OF APPLICATIONS, INTEGRATIONS, AND SOFTWARE TO LEGAL AND BUSINESS PROFESSIONALS.

Fiscal 2021 has been an outstanding year for Dye & Durham. The business today is dramatically larger than it was at the time of its IPO in July 2020. On a revenue and adjusted EBITDA basis, we are achieving scale in the market. Furthermore, our operational footprint has grown, with more than 1,500 people today working at Dye & Durham across three major continents. We continue to execute on our strategy “Build to a Billion” by placing a strong focus on significantly expanding the value proposition of our software platform as we unite other key parts of the software ecosystem around our customers.

Executing on Strategy

- We have created a highly reliable Platform for our 50,000+ customers
- Deployed \$1.1 Billion on 11 acquisitions since our IPO
- Delivered significant value creation through integration, delivering on synergies and strategic opportunities, which has resulted in a post synergy acquisition EBITDA multiple of 5.4x on all capital deployed since our IPO
- Created the global leader in our marketplace

What's most impressive is we have all done this in less than 15 months. That's an incredible performance. There are still more improvements to be accomplished on the acquisitions we have completed globally and on our legacy businesses. I would like to thank you for your continued support and look forward to another exciting year in fiscal 2022.



Matt Proud, CEO

\$452

MILLION OF
ANNUALIZED
REVENUE ⁽¹⁾

50,000+
CUSTOMERS



\$250

MILLION OF
ANNUALIZED
ADJ. EBITDA ^(2,3)



120% Q1 ADJ.
EBITDA CAGR Q1
SINCE FY 2019 ⁽⁴⁾



\$1.7 BILLION
AVAILABLE FOR
ACQUISITIONS ⁽⁵⁾



50% ADJUSTED
EBITDA MARGIN
CONSISTENTLY ⁽⁶⁾

Note: Information set out in this “Message from the CEO” is current to the end of Q1 2022.

- (1) Annualized revenue is a non-IFRS measure. Annualized revenue is defined as Q1 FY2022 revenue multiplied by four. Please see “Non-IFRS Measures” and “Forward-Looking Statements”, set out in Appendix A hereto.
- (2) Annualized Adjusted EBITDA is a non-IFRS measure. Annualized revenue is defined as Q1 FY2022 Adjusted EBITDA multiplied by four. Please see “Non-IFRS Measures” and “Forward-Looking Statements”, set out in Appendix A hereto.
- (3) Adjusted EBITDA is a non-IFRS measure. Please see “Non-IFRS Measures”.
- (4) Adjusted EBITDA CAGR is a non-IFRS measure. Please see “Non-IFRS Measures” and “Forward-Looking Statements” in Appendix A hereto.
- (5) Net of current credit facility.
- (6) Adjusted EBITDA Margin is a non-IFRS measure. Please see “Non-IFRS Measures” and “Forward-Looking Statements” in Appendix A hereto.

A REPEATABLE PLAYBOOK: ACQUIRE, INTEGRATE AND DRIVE ADJ. EBITDA

39%

Adjusted EBITDA
FY 2020 YoY growth

**ADJ.
EBITDA
GROWTH**

**INCREASED
CASH & DEBT
CAPACITY**

ACQUISITION

\$1.9B

Debt and equity
capital raised
Jun 20 - Mar 21

ACQUISITION

13 acquisitions between
2013 to 2020

11 acquisitions since IPO



398%

Adjusted EBITDA
Q1 FY 2022 YoY growth



\$1.7B

Capital available for
growth Nov 2021





MANAGEMENT DISCUSSION & ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used in this management's discussion and analysis ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "Dye & Durham", "we", "us" or "our" refer to Dye & Durham Limited together with our subsidiaries, on a consolidated basis as constituted on June 30, 2021.

This MD&A for the three months ended June 30, 2021 and 2020 and the years ended June 30, 2021 ("Fiscal 2021") and 2020 ("Fiscal 2020") should be read in conjunction with the Company's audited annual consolidated financial statements and the accompanying notes for the years ended June 30, 2021 and 2020 ("Financial Statements"). The financial information presented in this MD&A is derived from the Financial Statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in thousands of Canadian dollars and thousands of shares, except where otherwise indicated. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Additional Information relating to Dye & Durham, including the Company's final long form prospectus dated July 13, 2020 (the "IPO Prospectus") and the Company's short form base shelf prospectus dated November 18, 2020 (the "Base Shelf Prospectus") together with any subsequently filed Annual Information Form (the "AIF"), can be found on SEDAR at www.sedar.com.

This MD&A is dated as of August 23, 2021.

Caution Regarding Forward-Looking Information

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to the Company's financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding the Company's expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risks and Uncertainties" in this MD&A and "Risk Factors" in the IPO Prospectus, the base Shelf Prospectus and the prospectus supplement hereto and, the AIF, which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.



Although the Company bases these forward-looking statements on assumptions that it believes are reasonable when made, the Company cautions readers that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this MD&A. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

Cautionary Note Regarding Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. The Company's definitions of non-IFRS measures used in this MD&A may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS financial measures, including "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "Basic Adjusted EBITDA per share" to provide investors with supplemental measures of its operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Specifically, the Company believes that Adjusted EBITDA, when viewed with the Company's results under IFRS and the accompanying reconciliations, provides useful information about the Company's business without regard to potential distortions. By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods and restructuring, impairment and other charges, the Company believes that Adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period.

"EBITDA" means net income (loss) before amortization and depreciation expenses, finance and interest costs including change in fair value of Convertible Debentures, and provision for income taxes.

"Adjusted EBITDA" adjusts EBITDA for stock-based compensation expense, asset impairment charges, loss on settlement of loans and borrowings, realized loss on derivatives, gains or losses from re-financing transactions, specific transaction-related expenses related to acquisitions, IPO and capital structure reorganization, and operational restructuring costs. Operational restructuring costs include the full year impact of cost synergies related to the reduction of employees for acquisitions.

"Adjusted EBITDA Margin" means Adjusted EBITDA divided by revenue.

"Basic Adjusted EBITDA per share" means Adjusted EBITDA divided by basic weighted average number of shares outstanding.

See “Select Information and Reconciliation of Non-IFRS Measures” for a reconciliation of each non-IFRS measure to its most directly comparable IFRS measure.

Business Overview

Dye & Durham is a leading provider of cloud-based software and technology solutions designed to improve efficiency and increase productivity for legal and business professionals. The Company provides critical information services and workflow, which clients use to manage their process, information and regulatory requirements.

Dye & Durham’s products provide automated public record due diligence searches, associated document preparation, and electronic public record filings related to legal due diligence, corporate formation and maintenance, lien registration, litigation and real estate conveyancing.

The Company has operations in Canada, Australia, the United Kingdom (“U.K.”) and Ireland and serves a large customer base of over 50,000 legal firms, financial service institutions, and government organizations.

Over the last many years, Dye & Durham has broadened its customer base through accretive acquisitions and has built a software platform that customers use to process transactions.

Dye & Durham is focusing on executing its strategy of building the Company to a billion dollar Adjusted EBITDA business (“Build to a Billion”). Dye & Durham plans to significantly expand the value proposition of its software platform as it unites other key parts of the software ecosystem around its customers, which should open adjacent markets and expand its addressable market. To continue to grow its business and to achieve this goal, the Company has identified the following key strategic priorities:

- Acquire businesses in its ecosystem;
- Focus on necessary technology products that are required to process transactions;
- Provide a single platform that drives efficiency and improvements for customers; and
- Increase adoption with larger customer base.

On March 22, 2021, the Company’s shares were added to the S&P/TSX Composite Index. The S&P/TSX Composite Index is the primary gauge for Canadian-based, Toronto Stock Exchange listed companies. The S&P/TSX Composite Index serves the dual purpose of a benchmark and an investable index. The index is designed to offer the representation of a broad benchmark index while maintaining the liquidity characteristics of narrower indices.

On July 17, 2020, the Company completed its initial public offering (the “IPO”) and its shares began trading on the Toronto Stock Exchange under the symbol “DND”.

Immediately prior to closing of the IPO, the Company entered into a share purchase agreement with the previous shareholders of Dye & Durham Corporation (“D&D Corp”), pursuant to which the Company acquired all of the issued and outstanding shares of D&D Corp in consideration for the issuance of 24.3 million common shares of the Company (the “Shares”). In addition, all existing stock options of D&D Corp were exchanged for stock options of the Company with the same terms and conditions. As the Company is a newly formed entity and the existing shareholders maintained common control over the Company and D&D Corp immediately prior to the closing of the IPO, this transaction has been accounted for as a reorganization using the continuity of interest method. Financial information for the pre-acquisition period, including the comparative period is presented based on the historical financial information and accounting policies of D&D Corp.



Consolidated Highlights

Financial highlights

- Adjusted EBITDA for the three months ended June 30, 2021 was \$49.1 million, an increase of \$40.3 million or 459% compared to the three months ended June 30, 2020. For Fiscal 2021 and Fiscal 2020, Adjusted EBITDA was \$116.4 and \$36.7 million,¹ respectively, an increase of \$79.7 million or 217%.¹
- Revenue for the three months ended June 30, 2021 was \$84.4 million, an increase of \$70.2 million or 494% compared to the three months ended June 30, 2020. For Fiscal 2021 and Fiscal 2020, revenue was \$208.9 and \$65.5 million, respectively, an increase of \$143.4 million or 219%.
- Net income was \$6.3 million and (\$40.8) million for the three months ended June 30, 2021 and Fiscal 2021, respectively, an increase from (\$3.8) million and a decrease from (\$11.2) million, respectively, compared to the equivalent periods in the prior year. The increase for the three months ended June 30, 2021 is primarily due to an increase in revenue and lower finance cost which is partially offset by an increase in non-cash stock-based compensation expense and depreciation and amortization. The decrease for Fiscal 2021 is primarily due to expenses incurred related to financings (including listing costs), costs related to acquisitions and non-cash stock-based compensation expense which is partially offset by an increase in revenue.

Significant Acquisitions

- On July 7, 2021, the Company acquired all issued and outstanding shares of TM Group (UK) Limited (“TM Group”) for total cash consideration of approximately \$155.0 million. TM Group is a leading provider of technology-enabled real estate due diligence solutions used by law firms and conveyancers to complete both residential and commercial real estate transactions across England, Wales and Scotland.
- On July 1, 2021, the Company completed the acquisition of GlobalX Information Pty Ltd (“GlobalX”) for total consideration of approximately \$159.0 million. The acquisition of GlobalX further grows Dye & Durham’s platform in Australia, delivering value to Australian legal, property and business professionals.
- On May 17, 2021, the Company acquired Future Climate Info Limited and certain assets from CLS Property Insights Limited (together “FCI”) for approximately \$95.2 million. Through its cloud-based technology, FCI provides access to critical intelligence needed in assessing environmental risk in property transactions by analyzing proprietary data. This acquisition enhances Dye & Durham’s offerings to its U.K. based clients, providing seamless integration with a product that is already accessed through the Company’s workflow platform today and used on most real estate transactions in the U.K.
- On May 12, 2021, the Company acquired all issued and outstanding shares of Terrafirma IDC Ltd. (“Terrafirma”) for approximately \$20.0 million. Terrafirma’s proprietary workflow software and data insights have been critical at transforming how decisions are made in U.K. property transactions. This acquisition is a natural extension of the Company’s workflow platform and provides its legal and conveyancing client base with seamless access to these valuable insights.

¹ Adjusted EBITDA is not a recognized measure under IFRS. See “Cautionary Note Regarding Non-IFRS Measures” and “Select Information and Reconciliation of Non-IFRS Measures” for a reconciliation of Net Income to Adjusted EBITDA.

- On January 8, 2021, the Company completed the acquisition of SAI Global's Property Division in Australia for total cash consideration of \$89.0 million. This acquisition provided Dye & Durham with a significant footprint in the Australian market and a platform on which to build a larger Australian business through future acquisitions.
- On December 10, 2020, the Company completed the acquisition of DoProcess LP ("DoProcess") for total consideration of \$541.7 million, including the issuance of approximately 0.9 million Shares to an affiliate of OMERS Infrastructure with a fair value of \$33.0 million. DoProcess is the number one provider of real estate practice management software in Canada, managing over 1.4 million transactions annually.
- On September 23, 2020, the Company acquired R-Squared Bidco Limited and certain related assets (collectively, "PIE") for total consideration of \$59.2 million. PIE is a leading U.K. cloud-based real estate due diligence platform.
- In 2021, the Company completed other acquisitions in the U.K. and Ireland for total consideration of \$38.1 million.

Financing

- On March 22, 2021, the Company increased the borrowing capacity under the FY2021 Amended Credit Facility (as defined herein) to \$700.0 million comprising (i) a \$455.0 million revolving loan facility (the "Revolving Credit Facility") and (ii) a \$245.0 million term loan facility (the "Amended Term A Credit Facility"). The Term B Credit Facility (as defined herein) of \$125.0 million was fully repaid in March 2021 and as at June 30, 2021, the Company had nil balance drawn under the Revolving Credit Facility and \$241.9 million under the Amended Term A Credit Facility.
- On February 23, 2021, the Company issued approximately 3.96 million Shares on a bought deal private placement basis, at a price of \$50.50 per Share for aggregate gross proceeds of \$200.0 million. In addition, the Company issued \$345,000 aggregate principal amount of 3.75% convertible senior unsecured debentures (the "Convertible Debentures"), at a price of \$1 thousand per Convertible Debenture for aggregate gross proceeds of \$345.0 million.
- On December 16, 2020, the Company issued approximately 6.5 million Shares on a bought deal private placement basis, at a price of \$34.65 per Share for aggregate gross proceeds of \$225.0 million.
- On December 10, 2020, the Company amended the FY 2021 Credit Facility and replaced it with the Company's current credit facility (the "FY2021 Amended Credit Facility"). The aggregate amount committed under the FY2021 Amended Credit Facility is \$570.0 million comprising of (a) a \$140.0 million revolving credit facility and (b) a \$430.0 million term loan facility.
- On November 25, 2020, the Company issued approximately 9.9 million Shares on a bought deal basis, at a price of \$20.35 per Share for aggregate gross proceeds of \$201.3 million.
- On September 30, 2020, the Company issued approximately 2.4 million Shares on a bought deal private placement basis, at a price of \$21.0 per Share for aggregate gross proceeds of \$50.0 million.
- On July 17, 2020, the Company closed its IPO, pursuant to which it raised total gross proceeds of \$150.0 million and issued 20.0 million Shares at a price of \$7.50 per Share.



Factors Affecting the Company's Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section of the IPO Prospectus, the Base Shelf Prospectus and the prospectus supplement hereto, and the AIF.

Ability to integrate acquired companies

The Company has successfully acquired and integrated numerous companies over the last seven years. The Company is of the view that the ability to realize synergies and integrate these companies with its existing technology platforms and management teams is critical for the future success of the Company.

Seasonality

A portion of the Company's revenue, derived from the real estate conveyancing product line, has experienced and is expected to continue experiencing moderate seasonality due to seasonal patterns in the real estate market from fluctuations in real estate transaction activity. Typically, the Company's fourth quarter generates higher real estate revenue relative to other quarters.

Foreign currency

The Company's functional and presentation currency is Canadian dollars. The functional currency for our subsidiaries is the local currency of the country in which the foreign operation is located. Our results of operations are converted into our functional currency using the average foreign exchange rates for each period presented. As a result, our results of operations may be adversely impacted by an increase in the value of the Canadian dollar relative to the Pound Sterling, Euro or Australian dollar.

Economic Activity

General economic conditions may affect our results of operations and financial condition. Demand for our products depends in large part upon the level of capital and operating expenditures by many of our customers and their clients. Decreased capital and operational spending could have a material adverse effect on the demand for our products and our business, results of operations, cash flow and overall financial condition. Decreased capital and operational spending or disruptions in the financial markets could be caused by the outbreak of a contagious illness, such as the recent outbreak of COVID-19. Any of these conditions may reduce the ability of our customers, prospective customers, and their clients to commit funds to purchase our products and services, or their ability to pay for our products and services after purchase.

Natural disasters

Natural disasters, such as earthquakes, hurricanes, tornadoes, floods, and other adverse weather and climate conditions; unforeseen public health crises such as the recent global outbreak of COVID-19 and other pandemics and epidemics; political crises, such as terrorist attacks, war, and other political instability; or other catastrophic events could disrupt our operations, or the operations of our customers or their clients. To the extent any of these events occur, our business and results of operations could be adversely affected.

Select Information and Reconciliation of Non-IFRS Measures

The following table summarizes the Company's recent results of operations for the periods indicated below. This information should be read together with the Financial Statements. See also "Cautionary Note Regarding Non-IFRS Measures".

(In thousands of Canadian dollars)	Three months ended June 30,		Fiscal years ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Income for the period	6,309	(3,763)	(40,849)	(11,237)
Amortization and depreciation	19,347	3,835	49,411	14,955
Finance costs	5,563	5,091	45,627	20,882
Income tax expense (recovery)	5,461	601	(1,254)	(2,866)
EBITDA⁽¹⁾	36,680	5,764	52,935	21,734
Stock-based compensation ⁽²⁾	3,352	96	26,008	329
Loss on settlement of loans and borrowings ⁽³⁾	—	—	5,407	1,944
Realized loss on derivatives ⁽⁴⁾	—	—	6,265	2,123
Acquisition, restructuring and other costs ⁽⁵⁾	9,111	2,264	25,657	8,720
Salaries synergies realized ⁽⁶⁾	—	444	84	1,608
Non-recurring expense items ⁽⁷⁾	—	227	—	227
Adjusted EBITDA¹	49,143	8,795	116,356	36,685

Notes:

- (1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See "Cautionary Note Regarding Non-IFRS Measures".
- (2) Stock-based compensation represents non-cash expenditures recognized in connection with stock options issued to employees and directors.
- (3) Loss on settlement of loans and borrowings represents loss recognized on extinguishment of debt on re-financings in September 2020 and July 2019.
- (4) Realized loss on derivatives represents the realized loss on the Company's interest rate swaps on re-financings in September 2020 and July 2019.
- (5) Acquisition, restructuring and other costs relates to costs incurred in connection with acquisitions, IPO listing and reorganization of the Company's capital structure.
- (6) Salaries synergies realized relates to the impact of the full period of cost synergies related to the reduction of employees in relation to acquisitions.
- (7) "Non-recurring expense" items are transactions or events which management believes will not re-occur within the foreseeable future.



Consolidated Results of Operations

(In thousands of Canadian dollars)	Three months ended June 30,		Fiscal years ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue	84,395	14,197	208,945	65,510
Expenses				
Direct costs	(12,100)	(1,418)	(27,921)	(6,828)
Technology and operations	(16,547)	(2,592)	(41,311)	(15,547)
General and administrative	(3,641)	(1,572)	(16,953)	(6,031)
Sales and marketing	(2,964)	(491)	(6,488)	(2,254)
Stock-based compensation	(3,352)	(96)	(26,008)	(329)
Income before the following	45,791	8,028	90,264	34,521
Finance costs	(5,563)	(5,091)	(57,299)	(24,949)
Amortization and depreciation	(19,347)	(3,835)	(49,411)	(14,955)
Acquisition, restructuring and other costs	(9,111)	(2,264)	(25,657)	(8,720)
Income before taxes	11,770	(3,162)	(42,103)	(14,103)
Income tax (expense) recovery	(5,461)	(601)	1,254	2,866
Net income	6,309	(3,763)	(40,849)	(11,237)
Net earnings per common share	0.09	(0.18)	(0.72)	(0.55)
Weighted average number of shares outstanding				
Basic and diluted	68,450	20,493	56,423	20,493

Discussion of Operations

Factors that caused period-over-period variations in the results set out above include:

Revenue

Revenue for the three months ended June 30, 2021 was \$84.4 million, an increase of \$70.2 million or 494% compared to the three months ended June 30, 2020. Revenue for Fiscal 2021 was \$208.9 million, an increase of \$143.4 million or 219% from Fiscal 2020. In both periods, the significant revenue increase was primarily attributable to: (a) an increase in transactions during the period in connection with the economic recovery following the relaxation of restrictions related to COVID-19, (b) increased revenue related to recent acquisitions that closed in the previous twelve months, and (c) realization of synergies from price adjustments.

Expenses

For the three months ended June 30, 2021 and 2020 and Fiscal 2021 and 2020, total expenses were:

(In thousands of Canadian dollars)	Three months ended June 30,		Fiscal years ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Expenses				
Direct costs	(12,100)	(1,418)	(27,921)	(6,828)
Technology and operations	(16,547)	(2,592)	(41,311)	(15,547)
General and administrative	(3,641)	(1,572)	(16,953)	(6,031)
Sales and marketing	(2,964)	(491)	(6,488)	(2,254)
Stock-based compensation	(3,352)	(96)	(26,008)	(329)
Finance costs	(5,563)	(5,091)	(57,299)	(24,949)
Amortization and depreciation	(19,347)	(3,835)	(49,411)	(14,955)
Acquisition, restructuring and other costs	(9,111)	(2,264)	(25,657)	(8,720)
Total	(72,625)	(17,359)	(251,048)	(79,613)

The changes in expense accounts were primarily due to a combination of the following:

- Direct costs increased from \$1.4 million to \$12.1 million or 753% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$21.1 million to \$27.9 million or 309% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase in direct costs was closely related to the increase in revenue.
- Technology and operations expenses increased from \$2.6 million to \$16.5 million or 538% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$25.8 million to \$41.3 million or 166% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase was primarily due to additional expenses from acquisitions completed in the previous twelve months, partially offset by synergies realized.
- General and administrative expenses increased from \$1.6 million to \$3.6 million or 132% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$10.9 million to \$17.0 million or 181% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase was primarily attributable to the impact of acquisitions completed in the previous twelve months, along with higher salaries and benefits resulting from an increase in personnel required to support the Company's growing operations and higher professional fees as a public company.

- Sales and marketing expenses increased from \$0.5 million to \$3.0 million or 504% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$4.2 million to \$6.5 million or 188% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase was primarily due to additional expenses from acquisitions completed in the previous twelve months along with global branding costs.
- Stock-based compensation expense for the three months ended June 30, 2021 and Fiscal 2021 were \$3.4 million and \$26.0 million, respectively, an increase of \$3.3 million and \$25.7 million compared to the equivalent periods in the prior year. During Fiscal, 2021, the Company granted 4.2 million service-based stock options and 2.5 million market performance-based stock options to employees and directors of the Company. Service-based stock options typically vest over a four-year period in equal tranches annually with certain options vesting immediately on the date of grant. Performance-based stock options vest based on the Company achieving and maintaining certain share price targets. Due to the increase in the Company's share price during Fiscal 2021, all market performance-based stock options fully vested. IFRS 2 – *Share-based payments* requires acceleration of stock-based compensation for market performance-based stock options in the period the options are vested, resulting in the total value of the market performance-based stock options being expensed in December 2020.
- Finance costs for the three months ended June 30, 2021 and Fiscal 2021 were \$5.6 million and \$57.3 million, respectively, an increase of \$0.5 million and \$32.4 million compared to the equivalent periods in the prior year. The increase of \$0.5 million for the three months ended June 30, 2021 was primarily due to loss on change in fair value of convertible debentures and derivative liability. The increase of \$32.4 million for Fiscal 2021 was primarily due to the one-time Convertible Debenture issuance costs of \$11.1 million, loss on change in fair value of Convertible Debentures of \$6.7 million, change in fair value of contingent consideration of \$1.1 million, and higher credit facility borrowings throughout the period, partially offset by lower interest rates. During Fiscal 2021, the increase was also attributable to the re-financing completed in September 2020 as part of the Company's transition of its capitalization structure from a private company structure to that of a public company.
- Amortization and depreciation increased from \$3.8 million to \$19.3 million or 404% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$34.5 million to \$49.4 million or 230% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase was primarily due to the amortization of intangible assets from the acquisitions completed in the previous twelve months and depreciation of right-of-use assets from additional property leases acquired through acquisitions.
- Acquisition, restructuring and other costs increased from \$2.3 million to \$9.1 million or 302% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$16.9 million to \$25.7 million or 194% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase was primarily due to acquisition and integration costs related to acquisitions that closed during the period and the significant one-time costs incurred in connection with the listing of Shares.

Net income

Net income increased by \$10.1 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The increase in net income for the three-month period is primarily due to the recent acquisitions that closed in the previous twelve months and price adjustments synergies which was partially offset by higher amortization of intangible assets, acquisition related expenses from acquisitions completed during the period and higher income tax expenses. Net income decreased by \$29.6 million for Fiscal 2021 compared to Fiscal 2020. The decrease in net income for Fiscal 2021 is primarily due to increased stock-based compensation expense by \$25.7 million, Convertible Debenture issuance costs of \$11.1 million, loss on change in fair value of Convertible Debentures of \$6.7 million, loss on settlement of loans and borrowings and realized loss on derivatives from re-financing of \$11.7 million and higher amortization of intangible assets and higher acquisition related expenses from acquisitions completed during the year, which was partially offset by increased revenue related to recent acquisitions that closed in the previous twelve months and price adjustments synergies.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the three months ended June 30, 2021 increased from \$8.8 million to \$49.1 million or 459% compared to the equivalent period in the prior year and by \$79.7 million to \$116.4 million or 217% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase in Adjusted EBITDA was primarily due to increased revenue from higher transaction volume, price adjustments during the period and acquisitions completed in the previous twelve months, along with synergies realized as a result of such acquisitions. Adjusted EBITDA Margin for the three months ended June 30, 2021 was 58% and for Fiscal 2021 was 56%, which is within the expected range of 50% - 60%.

Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See “Cautionary Note Regarding Non-IFRS Measures” and “Select Information and Reconciliation of Non-IFRS Measures” for a reconciliation of Net Income to Adjusted EBITDA.

Selected Annual Information

	Fiscal 2021	Fiscal 2020	Fiscal 2019
(In thousands of Canadian dollars, except per share data)	\$	\$	\$
Revenue.....	208,945	65,510	43,845
Net income	(40,849)	(11,237)	710
EBITDA ⁽¹⁾	52,935	21,734	18,856
Adjusted EBITDA ⁽¹⁾	116,356	36,685	26,416
Adjusted EBITDA Margin ⁽¹⁾ (% of revenue)	56%	56%	60%
Basic and diluted EPS	(0.72)	(0.55)	0.03
Basic Adjusted EBITDA per share ⁽¹⁾	2.06	1.79	1.29
Total assets	1,558,366	166,961	161,666
Total non-current liabilities	700,829	204,237	142,434
Total liabilities.....	807,449	235,831	167,716

Note:

- (1) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Basic Adjusted EBITDA per share are not recognized measures under IFRS. See “Cautionary Note Regarding Non-IFRS Financial Measures”.



Revenue

Revenue for the fiscal years ended June 30, 2021, 2020 and 2019 was \$208.9 million, \$65.5 million and \$43.8 million, respectively. In each of the fiscal years, the significant increase in revenue was primarily attributable to: (a) revenue from acquisitions, (b) the compounded effect of upsells from businesses acquired, and (c) price adjustment synergies realized.

Net Income

For the fiscal years ended June 30, 2021, 2020 and 2019, net (loss) income was (\$40.8) million, (\$11.2) million and \$0.7 million, respectively. Net loss in Fiscal 2021 was primarily due to: (a) non-cash stock-based compensation expense, (b) one-time convertible debenture issuance cost, (c) higher finance costs from re-financing and (d) higher amortization and depreciation expense from intangibles recognized from acquisitions.

Total Assets

Total assets increased by \$1,391.4 million from Fiscal 2020 to Fiscal 2021 primarily due to the acquisitions completed in Fiscal 2021 with proceeds from equity and debt financings during the year.

Total Non-Current Liabilities

Total non-current liabilities increased by \$496.6 million from Fiscal 2020 to Fiscal 2021 primarily due to the issuance of Convertible Debentures and additional loans and borrowings.

Total Liabilities

Total liabilities increased by \$571.6 million from Fiscal 2020 to Fiscal 2021 primarily due to the issuance of Convertible Debenture and additional loans and borrowings, along with liabilities acquired from acquisitions.

Summary of Quarterly Results

The following table sets out select unaudited quarterly results for the past eight quarters, prepared in accordance with IFRS. The Company's real estate conveyancing business product line experiences moderate seasonality. Typically, the Company's fourth quarter generates higher revenue than other quarters. The Company's business law solutions product line does not experience seasonality. Quarterly fluctuations in the results set out in the table below are attributed to transaction expenses among other factors.

Quarterly Results

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
(In thousands of Canadian dollars, except per share data)	\$	\$	\$	\$
Revenue.....	84,395	68,926	33,723	21,901
Net income	6,309	(10,642)	(21,524)	(14,992)
EBITDA ⁽¹⁾	36,680	29,599	(9,029)	(4,315)
Adjusted EBITDA ⁽¹⁾	49,143	37,604	17,080	12,529
Adjusted EBITDA Margin ⁽¹⁾ (% of revenue)	58%	55%	51%	57%
Basic and diluted EPS	0.09	(0.16)	(0.41)	(0.38)
Basic Adjusted EBITDA per share ⁽¹⁾	0.72	0.57	0.33	0.32

Note:

(1) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Basic Adjusted EBITDA per share are not recognized measures under IFRS. See "Cautionary Note Regarding Non-IFRS Measures".

Quarterly Results

(In thousands of Canadian dollars, except per share data)	Q4 2020	Q3 2020	Q2 2020	Q1 2020
	\$	\$	\$	\$
Revenue	14,197	17,220	17,164	16,929
Net income	(3,763)	(1,270)	(1,540)	(4,664)
EBITDA⁽¹⁾	5,764	6,883	6,352	2,735
Adjusted EBITDA⁽¹⁾	8,795	10,255	8,720	8,915
Adjusted EBITDA Margin⁽¹⁾ (% of revenue)	62%	60%	51%	53%
Basic and diluted EPS	(0.18)	(0.06)	(0.08)	(0.23)
Basic Adjusted EBITDA per share⁽¹⁾	0.43	0.50	0.43	0.44

Note:

(1) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Basic Adjusted EBITDA per share are not recognized measures under IFRS. See "Cautionary Note Regarding Non-IFRS Measures".

Revenue

Our total quarterly revenue increased sequentially for all periods presented, except for Q4 2020, primarily due to COVID-19. We cannot assure you that this pattern of sequential growth in revenue will continue.

Expenses

Total operating expenses generally increased sequentially for each period presented to support the increase in revenue. The quarter-over-quarter variance in total expenses is primarily due to higher amortization expense from intangible assets acquired, the expenses incurred for acquisitions, restructuring and Share listing costs and costs related to the issuance of Convertible Debentures, which are expensed as incurred, along with additional finance costs in the periods of re-financing. In addition, there was a significant increase in expenses in Q2 2021 due to recognition of \$20.3 million stock-based compensation expense primarily related to market performance-based stock options. Total expenses will continue to fluctuate based on the timing of acquisitions and financing-related activities.

Financial Condition

(In thousands of Canadian dollars)

As at	June 30, 2021	June 30, 2020
	\$	\$
Cash and cash equivalents	429,335	2,569
Total assets	1,558,366	166,961
Total liabilities	807,449	235,831

Cash and cash equivalents significantly increased from June 30, 2020 to June 30, 2021 as a result of net proceeds received from the IPO and additional equity financings including the issuance of Convertible Debentures and cash generated from operations during Fiscal 2021, partially offset by cash invested for acquisitions.

Total assets increased from June 30, 2020 to June 30, 2021 primarily as a result of assets acquired from acquisitions closed during Fiscal 2021 and net proceeds from the IPO, additional equity financings including the issuance of Convertible Debentures, partially offset by depreciation and amortization during the period.



Total liabilities increased from June 30, 2020 to June 30, 2021 primarily as a result of the issuance of Convertible Debentures, the FY2021 Amended Credit Facility, liabilities acquired from acquisitions and contingent consideration on acquisitions, partially offset by the paydown of the FY2020 Credit Facility and FY2021 Credit Facility.

Liquidity and Capital Resources

The Company manages its capital structure based on the funds available to it in order to support the continuation of and expansion of its operations and to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk. The Company defines capital to include share capital, the stock option component of its shareholders' equity as well as its borrowings. The Company intends to rely on positive cash flows from operations and, if required, additional financings to achieve its growth strategies.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at June 30, 2021:

(In thousands of Canadian dollars)	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	59,931	—	—	—	—	59,931
Convertible debentures ⁽¹⁾	13,141	12,938	12,973	12,938	357,938	409,928
Contingent consideration on acquisitions	18,057	5,942	2,170	—	—	26,169
Customer advances	10,249	—	—	—	—	10,249
Lease liabilities ⁽¹⁾	3,302	2,491	2,007	1,726	2,944	12,470
Loans and borrowings ⁽¹⁾	19,888	21,206	25,542	199,284	—	265,920
Derivative financial liability	2,065	2,065	2,059	2,076	492	8,757
	126,633	44,642	44,751	216,024	361,374	793,424

Note:

(1) Includes undiscounted principal and interest.

Cash Flows

The primary source of cash flow is cash flows from operations. The Company's approach to liquidity is to always have sufficient liquidity to meet its liabilities as they come due. This is achieved by continuously monitoring cash flows and reviewing actual operating expenditures and revenue to budget.

(In thousands of Canadian dollars)	Three months ended June 30,		Fiscal years ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net cash provided by operating activities	37,571	10,931	79,354	33,206
Net cash (used in) provided by financing activities	(5,866)	(8,079)	1,138,806	(22,979)
Net cash used in investing activities	(140,518)	(5,483)	(790,672)	(11,168)
Change in cash during the period	(108,813)	(2,631)	427,488	(941)
Cash and cash equivalents, beginning of year	538,697	5,190	2,569	3,506
Effect of foreign exchange on cash	(549)	10	(722)	4
Cash and cash equivalents, end of year	429,335	2,569	429,335	2,569

Cash flows provided by operating activities was \$37.6 million and \$79.4 million for the three months ended June 30, 2021 and Fiscal 2021, respectively, compared to \$10.9 million and \$33.2 million for the three months ended June 30, 2020 and Fiscal 2020, respectively. The increase in cash flows from operating activities was primarily due to an increase in net income less items not affecting cash by \$34.2 million for the three months ended June 30, 2021 and \$64.6 million for Fiscal 2021, partially offset by decrease in non-cash working capital balances of \$7.6 million and \$18.4 million during the three months ended June 30, 2021 and Fiscal 2021 compared to three months ended June 30, 2020 and Fiscal 2020.

Net cash used in financing activities for the three months ended June 30, 2021 was \$5.9 million which was mainly due to interest and dividend payments made. Net cash provided by financing activities for Fiscal 2021 was \$1,138.8 million primarily due to \$786.7 million aggregate net cash proceeds from the IPO and equity financings during the year, \$333.9 million net cash proceeds from the issuance of Convertible Debentures and \$39.9 million proceeds from loans and borrowings net of repayments. In comparison, net cash used in financing activities was \$8.1 million and \$23.0 million for the three months ended June 30, 2020 and Fiscal 2020, respectively. Net cash used in financing activities for the three months ended June 30, 2020 was primarily interest payments made and net cash used in financing activities for Fiscal 2020 was primarily comprised of \$49.2 million proceeds from loans and borrowings net of repayments, \$1.5 million of payments for lease obligations, \$7.9 million return of capital, \$19.8 million of interest paid and \$42.1 million dividends paid.

Net cash flow used in investing activities for the three months ended June 30, 2021 and Fiscal 2021 was \$140.5 million and \$790.7 million, respectively, compared to \$5.5 million and \$11.2 million for the three months ended June 30, 2020 and Fiscal 2020. The increase in cash outflows from investing activities of \$138.8 million for the three months ended June 30, 2021 and \$782.5 million for Fiscal 2021 was primarily due to consideration paid for acquisitions completed during the period and payment of holdbacks and contingent consideration on acquisitions.

Capital Expenditures

Dye & Durham's capital expenditures comprised of additions to intangible assets and purchase of property and equipment for Fiscal 2021 were \$9.5 million compared to \$3.0 million for Fiscal 2020. The increase in capital expenditures is primarily from capitalization of internal labour and contractor costs from development of customer platforms.

Credit Facilities

FY2020 Credit Facility

On July 11, 2019, the Company settled its then-existing credit facility and replaced it with a new credit facility (the "FY2020 Credit Facility"). The aggregate amount committed under the FY2020 Credit Facility was \$200.0 million comprising: (a) a \$10.0 million revolving loan facility, and (b) a \$190.0 million term loan facility (the "Term Loan Commitment").

The Company received total gross cash proceeds of \$190.0 million under the Term Loan Commitment. The Term Loan Commitment bore an interest rate of the lower of: (a) Banker's Acceptance ("BA") rate + 6.5%, and (b) the prime rate of interest + 5.5% payable quarterly or monthly. Principal repayments of \$1.7 million were due on a quarterly basis on the Term Loan Commitment. The FY2020 Credit Facility had a maturity date of July 11, 2024. The FY2020 Credit Facility was repaid in full on September 25, 2020.

FY2021 Credit Facility

On September 25, 2020, the Company settled the FY2020 Credit Facility and replaced it with a new credit facility (the "FY2021 Credit Facility"). The aggregate amount committed under the FY2021 Credit Facility was \$140.0 million. The FY2021 Credit Facility also included an additional uncommitted accordion of up to \$25.0 million, for an aggregate total availability of up to \$165.0 million.



The Company received total gross cash proceeds of \$131.7 million under the FY2021 Credit Facility. The FY2021 Credit Facility bore an interest rate based on a grid system at the lower of: (i) BA rate and (ii) the prime rate of interest payable quarterly or monthly at the option of the Company. Interest payments were due on a monthly or quarterly basis at the option of the Company. The FY2021 Credit Facility had a maturity date of September 25, 2022. On September 30, 2020, the Company completed an equity financing and repaid \$45.0 million of the FY2021 Credit Facility from the cash proceeds received.

On December 10, 2020, the balance outstanding under the FY2021 Credit facility of \$36.5 million was rolled over into the FY2021 Amended Credit Facility.

FY2021 Amended Credit Facility

On December 10, 2020, the Company amended the FY2021 Credit Facility and replaced it with the FY2021 Amended Credit Facility. The aggregate amount committed under the FY2021 Amended Credit Facility was \$570.0 million comprising of: (a) a \$140.0 million revolving loan facility, (b) a \$305.0 million term loan facility (the "Term A Credit Facility"), and (c) a \$125.0 million term loan facility (the "Term B Credit Facility").

The Company received total gross cash proceeds of \$375.7 million under the FY2021 Amended Credit Facility. The FY2021 Amended Credit Facility bears an interest rate based on a grid system at the lower of: (a) BA rate and (b) the prime rate of interest payable monthly. The Term A Credit Facility matures on September 25, 2024, with fixed quarterly principal repayments of \$3.8 million in the years 2021 and 2022 and \$5.7 million thereafter until maturity. The Term B Credit Facility matures on July 31, 2022.

On March 22, 2021, the Company increased the borrowing capacity under the FY2021 Amended Credit Facility to \$700.0 million comprising of (i) a \$455.0 million Revolving Credit Facility and (ii) a \$245.0 million Amended Term A Credit Facility. The Term B Credit Facility was fully repaid in March 2021. As at June 30, 2021, the Company has nil balance drawn under the Revolving Credit Facility and \$241,937 under the Amended Term A Credit Facility.

The FY2021 Amended Credit Facility is secured by a first ranking security over all present and after-acquired properties in the form of general security agreement. The FY2021 Amended Credit Facility contains financial covenants based on a Total Net Leverage Ratio, defined as the ratio of total net debt to Adjusted EBITDA, and interest coverage, defined as the ratio of Adjusted EBITDA to interest expense. As at June 30, 2021, the Company was in compliance with its covenants.

The balance outstanding under the FY2021 Amended Credit Facility as at June 30, 2021 is as follows:

(In thousands of Canadian dollars)

	\$
Principal balance outstanding, December 10, 2020	412,194
Less	
Issuance costs	(8,891)
Interest and accretion expense	9,375
Interest paid	(7,402)
Principal repayments	(170,257)
Balance, June 30, 2021	235,019
Current	12,879
Non-current	222,140

Use of Proceeds

The Company's use of proceeds from the IPO and the offerings completed under the Base Shelf Prospectus has not changed from the disclosure set forth in the "Use of Proceeds" section in the respective documents to the date of this MD&A.

Off-Balance Sheet Arrangements

We have not entered into off-balance sheet financing arrangements. Except for short term leases and leases of low-value assets not recognized as right of use assets under IFRS 16 – Leases, all of our liabilities and commitments are reflected in our statement of financial position. From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

Related Party Transactions

The Company defines key management personnel as being the Company's Board of Directors, Chief Executive Officer and the executive leadership team. The remuneration of key management personnel during the years ended June 30, 2021 and 2020 was as follows:

(In thousands of Canadian dollars)	Three months ended June 30,		Fiscal years ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and benefits	568	183	2,674	1,327
Stock options	2,325	58	20,347	232
Total	2,893	241	23,021	1,559

On May 13, 2021, the Company granted 600 stock options to the board of directors of the Company at an exercise price of \$40.84 per share, with vesting over a three-year period in equal tranches annually, subject to ratification in the next annual shareholder meeting. In case of non-ratification, the stock options will be converted into restricted stock units.

Financial Instruments and Other Instruments

On September 25, 2020, in connection with the FY2021 Credit Facility, the Company exchanged its existing \$150.0 million fixed interest rate swap for a new \$70.0 million interest rate swap with a fixed payment of 2.95% per annum (the "Amended Interest Rate Swap"). The Amended Interest Rate Swap has a five-year term ending September 25, 2025. The Company has designated the Amended Interest Rate Swap as a cash flow hedge for future variable interest payments. Any subsequent changes in fair value is recorded in other comprehensive income for the effective portion of the hedge and the ineffective portion is recognized directly through profit or loss as finance costs. The fair value of the derivative liability as at June 30, 2021 was \$4.2 million.

In February 2021, the Company issued \$345.0 million of Convertible Debentures bearing interest at a rate of 3.75% per annum payable semi-annually. The Convertible Debentures are convertible into Shares of the Company at a conversion price of \$73.2252 per Share. The Company determined that the Convertible Debentures did not meet the IFRS definition of equity due to the Company's ability to settle the Convertible Debentures in cash if the holders elect to exercise the conversion option in accordance with the terms of the Convertible Debentures. Changes in the fair value of Convertible Debentures is recognized through income in the period in which they occur except in cases where they result from changes in the Company's own credit risk, in which case the fair value changes are recorded in other comprehensive income. The fair value of the Convertible Debentures is classified as Level 2 in the fair value hierarchy. The fair value of the Convertible Debentures as at June 30, 2021 was \$350.0 million using a market approach based on underlying share price of \$47.63 per share, resulting in a loss on change in fair value of \$5.0 million for the year ended June 30, 2021.



Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The Company bases its estimates on historical experience as well as on various other assumptions that are believed to be reasonable under the circumstances at the time. Under different assumptions or conditions, the actual results would differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are beyond the Company's control. Revisions to the accounting estimates are recognized in the period in which the estimates are revised and will be recorded with corresponding impact on net income.

Significant assumptions about the future and other sources of estimation uncertainty that management has made, relate to, but are not limited to the following:

COVID-19

The World Health Organization declared COVID-19 a global pandemic on March 11, 2020. The COVID-19 pandemic, which first surfaced in Wuhan, China, has negatively impacted the global economy and economic outlook, disrupted global supply chains, lowered equity market valuations, lowered interest rates, created significant volatility and disruption in financial markets, increased unemployment levels and increased credit and market risk. In addition, governments and regulatory bodies have implemented several measures, including temporary closures of a number of businesses and the institution of social distancing and sheltering in place requirements in many of the jurisdictions in which we operate. Governments, monetary authorities and regulators have also taken actions to support individuals, the economy, capital markets, and the financial system, including taking fiscal and monetary measures to support incomes, businesses, liquidity, and regulatory actions in respect of financial institutions. The extent to which the COVID-19 pandemic impacts our business, results of operations, liquidity ratios, as well as its impact on our customers, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental and regulatory authorities, which could vary by country, and other third parties in response to the pandemic. The COVID-19 pandemic may also impact our ability to achieve, or the timing to achieve, certain previously announced targets, goals and objectives.

The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Canadian, Australian and U.K. economies is highly uncertain and difficult to predict at this time. By their very nature, the judgments and estimates we make for the purposes of preparing our financial statements relate to matters that are inherently uncertain. However, we have detailed policies and internal controls that are intended to ensure these judgments and estimates are well controlled, independently reviewed, and our policies are consistently applied from period to period. We believe that our estimates of the value of our assets and liabilities are appropriate as at June 30, 2021.

Business Combinations

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgement and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. In the event any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company determines the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied. The estimate of fair value of customer relationships includes the estimated revenue growth and attrition of acquired customer relationships. In determining the fair value of customer relationships, the Company estimates revenue growth including price adjustments based on a market participant model. A 10% change in revenue growth assumption of DoProcess LP would result in the change in value of customer relationships of approximately \$15.0 million. Changes in these assumptions could result in a change to the net assets acquired as part of the business combination.

Goodwill and Indefinite-Lived Intangible Assets

The Company performs asset impairment assessments for indefinite-lived intangible assets and goodwill on an annual basis or on a more frequent basis when circumstances indicate impairment may have occurred.

Goodwill is allocated to a cash generating unit (“CGU”) or group of CGUs for the purposes of impairment testing based on the level at which senior management monitors it, which is not larger than an operating segment. The testing for impairment of either an intangible asset or goodwill compares the recoverable amount of the asset, CGU or group of CGUs to the carrying amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the asset is assessed as part of the CGU or group of CGUs to which it belongs. The recoverable amount calculation uses a discounted cash flow model and is sensitive to the discount rate used as well as the expected future cash flows and the growth rate used for extrapolation purposes. Changes in certain assumptions could result in an impairment loss being charged in future periods.

Impairment of Long-Lived Assets

Long-lived assets primarily include property and equipment and intangible assets. An impairment loss is recognized when the carrying value of the CGU, which is defined as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups, exceeds the CGU’s recoverable amount, which is determined using a discounted cash flow method. The Company tests the recoverability of its long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. While the Company believes that no impairment is required, management must make certain estimates regarding the Company’s cash flow projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in an impairment loss being charged in future period.

Income Taxes

The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.



Fair Value of Share-Based Compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield and forfeiture rates and making assumptions about them.

Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Changes to Accounting Standards

New accounting pronouncements or policies adopted

In March 2021, the International Financial Reporting Interpretations Committee ("IFRIC") finalized an agenda decision which clarified the customer's accounting for configuration and customization in a cloud computing arrangement. As a result of this decision, the Company changed its accounting policy for costs incurred for cloud computing arrangements with retrospective application. As a result of the change, intangible assets of \$0.2 million were derecognized as of July 1, 2020 with the offset recorded as an increase to opening deficit. The impact of the change for the year ended June 30, 2021 was not significant.

The Company adopted the following new standards and amendments to standards, effective July 1, 2020. These changes did not have a material impact on the Company's consolidated financial statements for the year ended June 30, 2021.

- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16)
- Amendments to References to Conceptual Framework in IFRS Standards
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

Standards, amendments and interpretations issued as at June 30, 2021 but not yet effective

The following new and amended standards and interpretations will become effective in a future year. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and are not expected to have a significant impact on the Company's consolidated financial statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

Risks and Uncertainties

In addition to the risks identified in this section and elsewhere in this MD&A, a number of factors that could cause actual results to vary significantly from the results discussed herein are noted in the IPO Prospectus, the Base Shelf Prospectus and the Supplements hereto and, the AIF, a copy of which are available on SEDAR at www.sedar.com. The occurrence of any of such risks, or other risks not presently known to Dye & Durham or that Dye & Durham currently believes are immaterial, could materially and adversely affect the Company's investments, prospects, cash flows, results of operations or financial condition.

COVID-19

In December 2019, COVID-19 surfaced in Wuhan, China. Since the outbreak has spread to over 200 countries and territories and infections have been reported around the world. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020. In response to the outbreak, governmental authorities in Canada and internationally introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. While these effects are expected to be temporary, their duration and the related business disruptions and financial impact cannot be reasonably estimated at this time. To date, the disruptions have impacted the Company's litigation and conveyancing services, given the closure of courts and government offices in particular. Although management believes that, at this time, these disruptions will not have a long-term impact on the Company's results from operations, Dye & Durham cannot estimate the duration and severity of this outbreak and its financial impact. As such, the extent to which COVID-19 may have a sustained impact on our results is uncertain and it is possible that our future results may continue to be negatively impacted.

Credit Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk in the event of non-performance by clients but does not anticipate any such non-performance which would be material. To the extent necessary, the Company takes steps to monitor the credit risk of clients.

Interest rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk for the credit facility for which the interest rate is adjusted with future fluctuations in prime rate or BA rate. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Based on the amount owing as at June 30, 2021, a 1% change in the prime or BA rate, with all other variables held constant, would change finance costs and income before taxes by \$2.4 million on the loans not covered by the interest rate swap.

Market Risk

The Company is exposed to market risk primarily in terms of revenue generation. The Company's revenue is driven by transaction volumes which have increased with the growth and strength of the Canadian economy. The Company monitors the market conditions in an effort to capture fluctuations that may affect the ongoing revenue. That said, historically the Company's business model has proven to be resilient in market downturns.



Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's cash resources are managed based on financial forecasts and anticipated cash flows. Contractual maturities such as loans and borrowings, the Convertible Debentures, trade and other payables, accrued liabilities, customer advances, lease liabilities and contingent consideration are exposed to liquidity risk.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities [when revenue or expense is denominated in a foreign currency] and the Company's net investments in foreign subsidiaries. If deemed necessary, the Company may from time to time enter into foreign currency derivative contracts to reduce its exposure to foreign currency risk. No foreign currency derivative contract has been entered into in 2021 or 2020.

As at June 30, 2021, the Company had a net financial asset position denominated in British pounds of \$0.8 million [£0.5 million] [2020 – net liabilities of \$4.4 million or £2.6 million]. As at June 30, 2021, the Company had a net financial liability position denominated in Australian dollars of \$0.3 million [A\$0.3 million] [2020 – nil]. A 10% change in the exchange rates of significant currencies to which the Company has exposure as at June 30, 2021 and 2020 would not result in a significant impact to the Company's consolidated statements of operations and comprehensive income.

Ability to Integrate Acquired Companies

The Company has successfully acquired and integrated numerous companies over the last seven years. The Company believes that the ability to realize synergies and integrate these companies with its existing technology platforms and management teams is critical for the future success of the Company.

Revenue

Dye & Durham earns the majority of its revenue on a recurring transactional-fee basis as clients perform various automated transactions including automated workflows, public record due diligence searches, associated document preparation, or electronic public records filings through the Company's cloud-based platforms. If transaction volumes decrease, the Company may be impacted, and revenue may therefore be adversely impacted.

Outstanding Share Information

The Company is currently authorized to issue an unlimited number of Shares. As of the date of this MD&A, 68,640,134 Shares and 6,944,086 stock options are issued and outstanding.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its CEO and CFO, in a timely manner.

In addition, the CEO and CFO have designed or caused to be designed under their supervision internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The CEO and CFO have been advised that the control framework used to design the Company’s ICFR uses the framework and criteria established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the year ended June 30, 2021 that have materially affected or are reasonably likely to materially affect the Company’s ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our ICFR are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.



CONSOLIDATED FINANCIAL STATEMENTS

Independent auditor's report

To the Shareholders of **Dye & Durham Limited**

Opinion

We have audited the consolidated financial statements of **Dye & Durham Limited** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at June 30, 2021 and 2020, and the consolidated statements of operations and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards [IFRSs].

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

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



Key audit matter	How our audit addressed the key audit matter
<i>Valuation of acquired intangible assets and contingent consideration in business combinations</i>	
<p>The Group completed a number of acquisitions during the year ended June 30, 2021 as disclosed in note 6. The total purchase price for these business combinations was \$843 million, including holdbacks and contingent consideration of \$21 million. The purchase price allocations include goodwill of \$443 million and intangible assets, such as software technologies and licenses, brands and trademarks and customer lists of \$515 million as at the respective acquisition dates. The determination of the fair value of intangible assets acquired and contingent consideration required management to make significant judgements, estimates and key assumptions over the projected financial information including forecasted revenue growth rates, margin percentages, attrition rates, royalty rates, discount rates, and engage a third-party specialist.</p> <p>Auditing the business combinations was complex due to the subjective nature of estimating the fair value of the acquired intangible assets and contingent consideration.</p>	<p>To test the Group's estimate of fair value of the acquired intangible assets and contingent consideration, we performed the following procedures:</p> <ul style="list-style-type: none">• Read the purchase agreement to obtain an understanding of the key terms and conditions to identify the necessary accounting considerations and the identification of assets and liabilities acquired;• Assessed the competence and objectivity of management's third-party specialist;• Involved our valuation specialists to assess the valuation methodology applied in estimating the fair value of the intangible assets acquired, contingent consideration and the key assumptions utilized, including the discount rates and royalty rates, by referencing current industry and comparable company information as well as cash flow and company specific risk; and• Assessed the appropriateness of forecasted revenue growth rates, margin percentages, and attrition rates used in the estimation of fair value of the intangible assets acquired and contingent consideration by comparing to historical performance, similar acquisitions made by the Group, market data, and industry trends.

Other information

Management is responsible for the other information. The other information comprises 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit 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 partner in charge of the audit resulting in this independent auditor's report is Martin Lundie.

Toronto, Canada
August 23, 2021

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Dye & Durham Limited

Consolidated statements of financial position

[Expressed in thousands of Canadian dollars]

As at June 30

	2021	2020
	\$	\$
Assets		
Current		
Cash and cash equivalents	429,335	2,569
Receivables <i>[note 24]</i>	47,077	11,849
Prepaid expenses and other assets	8,094	3,524
	<u>484,506</u>	<u>17,942</u>
Non-current		
Other assets	2,601	952
Property and equipment, net <i>[note 7]</i>	3,290	1,978
Right-of-use assets, net <i>[note 8[a]]</i>	9,360	6,066
Intangible assets, net <i>[note 9]</i>	564,306	87,521
Goodwill <i>[note 10]</i>	494,303	52,502
Total assets	<u>1,558,366</u>	<u>166,961</u>
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities	59,931	14,453
Customer advances	10,249	3,549
Holdbacks and contingent consideration on acquisitions <i>[note 6]</i>	15,883	4,804
Lease liabilities <i>[note 8[b]]</i>	3,150	2,138
Loans and borrowings <i>[note 11]</i>	17,407	6,650
	<u>106,620</u>	<u>31,594</u>
Non-current		
Holdbacks and contingent consideration on acquisitions <i>[note 6]</i>	5,326	3,222
Lease liabilities <i>[note 8[b]]</i>	7,229	5,906
Loans and borrowings <i>[note 11]</i>	222,140	180,861
Derivative liability <i>[note 12]</i>	4,180	5,466
Other liabilities	1,002	—
Deferred tax liabilities <i>[note 20]</i>	110,939	8,782
Convertible debentures <i>[note 13]</i>	350,013	—
Total liabilities	<u>807,449</u>	<u>235,831</u>
Contingencies <i>[note 21]</i>		
Shareholders' equity		
Capital stock <i>[note 14]</i>	845,742	9,069
Contributed surplus	26,213	1,310
Accumulated other comprehensive income	(729)	(3,597)
Deficit	(120,309)	(75,652)
	<u>750,917</u>	<u>(68,870)</u>
Total liabilities and shareholders' equity	<u>1,558,366</u>	<u>166,961</u>

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

On behalf of the Board:

"Signed"
Director - Randy Fowlie

"Signed"
Director - Brian Derksen

Dye & Durham Limited

Consolidated statements of operations and comprehensive income

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

Years ended June 30

	2021	2020
	\$	\$
Revenue [note 25]	208,945	65,510
Expenses		
Direct costs	(27,921)	(6,828)
Technology and operations [note 17]	(41,311)	(15,547)
General and administrative [note 17]	(16,953)	(6,031)
Sales and marketing [note 17]	(6,488)	(2,254)
Stock-based compensation [note 14]	(26,008)	(329)
Income before the following	90,264	34,521
Finance costs, net [notes 16]	(57,299)	(24,949)
Amortization and depreciation [notes 7, 8 and 9]	(49,411)	(14,955)
Acquisition, restructuring and other costs [note 18]	(25,657)	(8,720)
Income before taxes	(42,103)	(14,103)
Income tax recovery [note 20]	1,254	2,866
Net income	(40,849)	(11,237)
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	(3,898)	(725)
Realized loss on derivatives designated as cash flow hedge, net of income taxes of \$1,658 [note 12]	4,607	2,123
Net change in fair value of derivatives designated as cash flow hedge, net of income taxes of \$71 [note 12]	232	(3,327)
	941	(1,929)
Items that will not be reclassified to profit or loss in subsequent periods		
Change in fair value of financial assets, net of income taxes of \$241	666	—
Net change in fair value of convertible debentures attributable to change in own credit risk, net of income taxes of \$454 [note 13]	1,261	—
	1,927	—
Net other comprehensive income	2,868	(1,929)
Total comprehensive income	(37,981)	(13,166)
Net earnings per common share [note 15]		
Basic and diluted	(0.72)	(0.55)
Weighted average number of shares outstanding		
Basic and diluted	56,423	20,493

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

Dye & Durham Limited

Consolidated statements of changes in shareholders' equity

[Expressed in thousands of Canadian dollars and thousands of shares]

	Dye & Durham Corporation				Dye & Durham Limited		Dye & Durham Corporation		Dye & Durham Limited	
	Number of common shares #	Number of common shares #	Number of preferred shares #	Capital stock \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total \$		
Balance, June 30, 2019	—	20,465	3,837	16,926	997	(1,668)	(22,305)	(6,050)		
Dividends paid [note 14]	—	—	—	—	—	—	(42,110)	(42,110)		
Return of capital [note 14]	—	—	—	(7,892)	—	—	—	(7,892)		
Stock options exercised [note 14]	—	28	—	35	(16)	—	—	19		
Stock-based compensation	—	—	—	—	329	—	—	329		
Comprehensive income for the year	—	—	—	—	—	(1,929)	(11,237)	(13,166)		
Balance, June 30, 2020	—	20,493	3,837	9,069	1,310	(3,597)	(75,652)	(68,870)		
Balance, July 1, 2020	—	20,493	3,837	9,069	1,310	(3,597)	(75,652)	(68,870)		
As previously reported	—	—	—	—	—	—	(180)	(180)		
Accounting policy change [note 5]	—	—	—	—	—	—	—	—		
As adjusted	—	20,493	3,837	9,069	1,310	(3,597)	(75,832)	(69,050)		
Pre-IPO reorganization [notes 1 and 14]	24,330	(20,493)	(3,837)	—	—	—	—	—		
Issuance of common shares, net of issuance costs [note 14]	43,684	—	—	830,650	—	—	—	830,650		
Dividends paid [note 14]	—	—	—	—	—	—	(3,628)	(3,628)		
Stock options exercised [note 14]	497	—	—	6,023	(1,105)	—	—	4,918		
Stock-based compensation [note 14]	—	—	—	—	26,008	—	—	26,008		
Comprehensive income for the year	—	—	—	—	—	2,868	(40,849)	(37,981)		
Balance, June 30, 2021	68,511	—	—	845,742	26,213	(729)	(120,309)	750,917		

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

Dye & Durham Limited

Consolidated statements of cash flows

[Expressed in thousands of Canadian dollars]

Years ended June 30

	2021	2020
	\$	\$
Cash flows from operating activities		
Net income for the year	(40,849)	(11,237)
Items not affecting cash		
Amortization and depreciation [notes 7, 8 and 9]	49,411	14,955
Stock-based compensation expense [note 14]	26,008	329
Income tax recovery [note 20]	(1,254)	(2,940)
Finance costs [note 16]	57,299	24,949
Changes in non-cash working capital balances		
Receivables	(8,338)	1,519
Prepaid expenses and other assets	(6,449)	320
Accounts payable and accrued liabilities	(586)	5,412
Customer advances	4,112	(140)
Net cash provided by operating activities	79,354	33,167
Cash flows from financing activities		
Net proceeds from issuance of shares [note 14]	786,701	—
Net proceeds from issuance of convertible debentures [note 13]	333,873	—
Net proceeds from loans and borrowings [note 11]	534,907	192,017
Proceeds from exercise of stock options [note 14]	4,918	19
Payments for loans and borrowings [note 11]	(494,999)	(142,810)
Interest paid	(19,855)	(19,841)
Dividends paid [note 14]	(3,628)	(42,110)
Payments for lease obligations [note 18]	(3,111)	(1,489)
Return of capital [note 14]	—	(7,891)
Net payments for swap settlement [note 12]	—	(873)
Net cash provided by (used in) financing activities	1,138,806	(22,978)
Cash flows from investing activities		
Acquisition consideration paid, net of cash acquired [note 6]	(766,767)	(4,291)
Contingent consideration paid [note 6]	(15,703)	(3,983)
Additions to intangible assets [note 9]	(7,938)	(2,325)
Purchases of property and equipment [note 7]	(1,588)	(707)
Net proceeds from sale of investment in financial asset	908	—
Lease payments received	416	138
Net cash used in investing activities	(790,672)	(11,168)
Change in cash and cash equivalents	427,488	(979)
Cash and cash equivalents, beginning of year	2,569	3,506
Effect of foreign exchange on cash and cash equivalents	(722)	42
Cash and cash equivalents, end of year	429,335	2,569

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

Dye & Durham Limited

Notes to consolidated financial statements

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

June 30, 2021 and 2020

1. Description of the business

Dye & Durham Limited [the "Company"] is a provider of cloud-based software and technology solutions designed to boost efficiency and increase productivity for legal and business professionals in Canada, Australia, the United Kingdom [the "U.K."] and Ireland. The Company provides critical information services and workflow, which clients require to manage their process, information and regulatory requirements. The Company was incorporated by articles of incorporation under the *Business Corporations Act (Ontario)* on June 26, 2020. The Company's registered and head office is located at 199 Bay Street, Suite 4610, Toronto, Ontario, Canada.

On July 17, 2020, the Company completed an initial public offering [the "IPO"] and its shares began trading on the Toronto Stock Exchange under the symbol "DND".

Immediately prior to closing of the IPO, the Company entered into a share purchase agreement with the previous shareholders of Dye & Durham Corporation ["D&D Corp"] pursuant to which the Company acquired all of the issued and outstanding shares of D&D Corp in consideration for the issuance of 24,330 common shares of the Company. In addition, all existing stock options of D&D Corp were exchanged for stock options of the Company with the same terms and conditions. As the Company was a newly formed entity and the existing shareholders maintained common control over the Company and D&D Corp immediately prior to the closing of the IPO, this transaction was accounted for as a reorganization using the continuity of interest method. Financial information for the pre-acquisition period, including the comparative period is presented based on historical financial information and accounting policies of D&D Corp.

2. Basis of preparation

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 23, 2021.

Basis of measurement

The consolidated financial statements are prepared on a going concern basis, under the historical cost convention except for certain financial assets and liabilities, which are presented at fair value in Canadian dollars, the Company's reporting currency. All financial information is presented in Canadian dollars rounded to the nearest thousands, except as otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the entity is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Dye & Durham Limited

Notes to consolidated financial statements

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

June 30, 2021 and 2020

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date when such control ceases. The financial statements of the Company's subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-company balances, transactions, unrealized gains and losses resulting from intra-company transactions and dividends are eliminated in full.

These consolidated financial statements include the accounts of the Company and the following material subsidiaries as at June 30, 2021 and 2020:

Subsidiary	Country of incorporation	Ownership percentage June 30, 2021	Ownership percentage June 30, 2020
Dye & Durham Corporation	Canada	100%	100%
Dye & Durham (UK) Limited	United Kingdom	100%	100%
R-Squared Bidco Limited	United Kingdom	100%	0%
DoProcess LP	Canada	100%	0%
Dye & Durham Australia Pty Limited	Australia	100%	0%

3. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented.

Business combinations

Business combinations are accounted for using the acquisition method. In applying the acquisition method, the Company separately measures at their acquisition-date fair values the identifiable assets acquired, the liabilities assumed, goodwill acquired and any non-controlling interest in the acquired entity. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition costs in connection with a business combination are expensed as incurred.

Goodwill represents the excess of consideration over the fair value of the net identifiable assets acquired in a business combination. Goodwill acquired through a business combination is allocated to each cash-generating unit ["CGU"] or group of CGUs that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Goodwill is tested for impairment annually or more frequently if certain indicators arise that indicate it is impaired.

Dye & Durham Limited

Notes to consolidated financial statements

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

June 30, 2021 and 2020

Foreign exchange

Transactions denominated in foreign currencies are translated into functional currencies using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the date of the consolidated statements of financial position. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statements of operations and comprehensive income.

When the foreign operations' functional currency is different from presentation currency, the assets and liabilities from foreign operations are translated at exchange rate at the date of the consolidated statements of financial position and related revenues and expenses at the average exchange rate for the period. Differences resulting from the translation of foreign operations are recognized in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held, and other short-term liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Property and equipment

Property and equipment is recorded at acquisition cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Depreciation is provided for annually using the following rates and methods:

Computer equipment	Straight line over 3 years
Furniture and equipment	Straight line over 5 years
Leasehold improvements	Straight-line over lesser of useful life or the term of the lease

Property and equipment and any significant part initially recognized is derecognized upon disposal [i.e., at the date the recipient obtains control] or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the consolidated statements of operations and comprehensive income when the asset is derecognized. The residual values, useful lives and methods of depreciation of equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Intangible assets

The Company's intangible assets relate to developed software technology or acquired identifiable intangible assets, such as software technology, brands and trademarks, licenses and customer lists. Intangible assets acquired separately are measured on initial recognition at cost.

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Research costs are expensed as incurred. Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with a finite life are amortized over the estimated useful life. Intangible assets are amortized on a straight-line basis as follows:

Software technologies	Up to 12 years
Brands and trademarks	Up to 8 years
Licenses	Up to 8 years
Customer lists	Up to 12 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized. These assets have indefinite useful lives because there is no foreseeable limit to the cash flows generated by those intangible assets. They are tested for impairment at least annually or more frequently when there is an indication that the asset has been impaired, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of operations and comprehensive income when the asset is derecognized.

Impairment of non-financial assets

Property and equipment and definite lived intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amounts may not be recoverable. Intangible assets with an indefinite useful life or intangible assets not yet available for use are subject to an annual impairment test. Goodwill is not subject to amortization but is assessed for impairment on at least an annual basis and, additionally, whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. The recoverable amount is estimated annually on April 1 of each year.

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For purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. The recoverable amount is the higher of an asset's, or groups of CGUs' fair value less costs to sell and value in use [being the present value of the expected future cash flows of the relevant asset or groups of CGUs]. An impairment loss is measured as the amount by which the asset's, or groups of CGUs', carrying amount exceeds its recoverable amount. Furthermore, the Company performs a market capitalization test comparing the current share price to the value in use. Impairment losses are recognized in the consolidated statements of operations and comprehensive income.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Appropriate classification of financial assets and financial liabilities is determined at the time of initial recognition or when reclassified on the consolidated statements of financial position using one of the following measurement categories:

- [i] Amortized cost;
- [ii] Fair value through other comprehensive income ["FVTOCI"]; or
- [iii] Fair value through profit or loss ["FVTPL"].

Financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVTOCI or FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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These assets are subsequently measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of operations and comprehensive income when the asset is derecognized, modified or impaired.

The Company measures its financial assets such as cash and cash equivalents, and receivables at amortized cost. During the year ended June 30, 2021, the Company elected to measure a financial asset at FVTOCI and disposed of the asset during the year.

Impairment of financial assets

As the Company's financial assets are substantially made up of trade receivables, which are measured at amortized cost, the Company has elected to apply the simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses ["ECLs"]. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The Company measures ECL by considering the risk of default over the contract period and incorporates forward-looking information into its measurement. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest rate method or at FVTPL. Financial liabilities are classified as FVTPL when the financial liability is [i] contingent consideration of an acquirer in a business combination; [ii] held for trading; or [iii] it is designated as FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as a FVTPL upon initial recognition if:

- [i] Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- [ii] The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis at a group level; or
- [iii] It forms part of a contract containing one or more embedded derivatives, and IFRS 9, *Financial Instruments* ["IFRS 9"] permits the entire combined contract to be designated as FVTPL.

For financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in the consolidated statements of operations and comprehensive income. The remaining amount of change in the fair value of liability is recognized in the consolidated statements of operations and comprehensive income. The gain or loss recognized in the consolidated statements of operations and comprehensive income incorporates any interest paid on the financial liability and is included in finance costs, net.

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Financial liabilities that are not [i] contingent consideration of an acquirer in a business combination; [ii] held for trading; or [iii] designated as FVTPL are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities of the Company subsequently measured at amortized cost are accounts payable and accrued liabilities, and loans and borrowings. Interest paid from these financial liabilities is included in finance costs, net, using the effective interest rate method.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in consolidated statements of operations and comprehensive income.

Financial liabilities are classified as current liabilities if they are payable within 12 months of the reporting date unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Convertible debentures

The Company determined that the convertible debentures did not meet the IFRS definition of equity due to the Company's ability to settle the convertible debentures in cash if the holders elect to exercise the conversion option. Changes in the fair value of convertible debentures is recognized through income in the period in which they occur except in cases where they result from changes in the Company's own credit risk, in which case the fair value changes are recorded in other comprehensive income.

Derivative financial instruments and hedging

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The Company designates certain qualifying derivatives as cash flow hedges. These are hedges of highly probable forecast transactions. The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of operations and other comprehensive income. In addition:

- Amounts accumulated in other comprehensive income are reclassified to the consolidated statements of operations and other comprehensive income in the period in which the hedged item will affect loss [for instance, when the forecast transactions that are hedged take place];

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- When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in other comprehensive income remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in the consolidated statements of operations and other comprehensive income; and
- When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recognized in the consolidated statements of operations and other comprehensive income.

Leases

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

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Company has also elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

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Provisions

Provisions are recognized when the Company has a present obligation [legal or constructive] as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of operations and comprehensive income, net of any reimbursement.

Share-based compensation

The Company grants equity-settled stock options to certain employees and officers. Stock options generally vest over four years in a tiered manner and expire after five years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model or the Monte Carlo model as appropriate. The number of stock options that actually vest could differ from the estimated number of awards expected to vest and any differences between the actual and estimated forfeitures are recognized prospectively as they occur. Stock-based compensation expense is recognized over the tranche's vesting period on a straight-line basis based on the number of awards expected to vest, with a corresponding credit to contributed surplus. The consideration received on the exercise of stock options is credited to capital stock at the time of exercise.

Revenue from contracts with customers

The Company's main source of revenue is transaction fees earned through charging customers for the use of the Company's portals and provision of related services to the customers. In addition, the Company also generates revenue from software subscriptions and licenses for its legacy on-premise products and support services.

The Company recognizes revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price; and
- Recognize revenue when, or as, the Company satisfies a performance obligation.

The Company follows the guidance provided in IFRS 15 – *Appendix B, Principal versus Agent Considerations*, for determining whether the revenue should be recognized based on the gross amount billed to a customer or the net amount retained. This determination is a matter of judgement that depends on the facts and circumstances of each arrangement. Government disbursements and sales taxes collected from the customers and remitted to government authorities are excluded from revenue.

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The Company's contracts with customers may include multiple products and services. The Company evaluates these arrangements to determine the appropriate unit of accounting [performance obligation] for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. Each transaction undertaken for transaction fee arrangements is distinct for the Company and is accounted for as separate performance obligation. Under software subscription and license revenue arrangements, subscription to access and use our cloud-based solution is accounted for as a single performance obligation and the sale of term licenses and support services are capable of being distinct and are accounted for as separate performance obligations.

The total consideration for the arrangement is allocated to the separate performance obligations based on their relative fair value and the revenue is recognized for each performance obligation when the requirements for revenue recognition have been met. The Company determined that there are no directly observable estimates available for the term license and the support services and the Company used the residual approach to allocate total transaction price. Under the residual approach, the stand-alone selling price for the term licenses is estimated to be the total transaction price less the estimated stand-alone selling price for the support services. Stand-alone selling price for the support services is determined based on cost plus reasonable margin basis.

Transaction fees revenue

The majority of revenue from the Company is contracted with its customers for the use of its portals and services, and each transaction undertaken is generally a performance obligation. The Company has concluded that revenue should be recognized at the point in time when control of the promised good or service is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. As such, these transaction fees are recognized upon completion of each respective transaction. Transaction fees are recognized net of discounts, sales taxes and direct government levied fees.

Customer advances represent amounts paid by customers on an ongoing basis prior to services being rendered. These deposits are non-interest bearing and repayable to customers upon demand.

Software subscription and license revenue

The majority of software subscription and license revenue is an online cloud-based solution, as well as the Company's legacy on-premise solution, which is downloaded by the customer and installed on the customer's server. The Company's legacy on-premise solution is sold as a term license with support services. Term licenses provide the customer with the right to use software for a specified period in exchange for a fee, which may be paid at contract inception or paid in installments over the period of the contract. Term licenses are only sold to existing term license customers on renewal.

The Company recognizes revenue for its software subscriptions for the cloud-based solutions ratably over the contract term. Term license revenue is recognized at the time that both the right to use the software has commenced and the software has been made available to the customer, which is at the time of signing the renewal contract.

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Support services revenue

Support services related to the term license arrangements consists primarily of technical support and the provision of unspecified upgrades and updates made on a when-and-if-available basis. The amount of the contract price associated with support services revenue is deferred and recognized as revenue over the contract term.

Income taxes

Income tax expense comprises current and deferred taxes. Income tax is recognized in the consolidated statements of operations and comprehensive income except to the extent that it is recognized directly in equity.

Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided for based on temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statements of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it will not be recognized.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax balances relate to the same taxation authority.

Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year.

The Company computes the dilutive effect of options, warrants, convertible notes and similar instruments whereby the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

4. Significant accounting judgements and estimates

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates.

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The estimates and underlying assumptions are reviewed on an ongoing basis. The Company bases its estimates on historical experience as well as on various other assumptions that are believed to be reasonable under the circumstances at the time. Under different assumptions or conditions, the actual results would differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are beyond the Company's control. Revisions to the accounting estimates are recognized in the period in which the estimates are revised and will be recorded with corresponding impact on net income.

Significant assumptions about the future and other sources of estimation uncertainty that management has made, relate to, but are not limited to the following:

COVID-19

During the years ended June 30, 2021 and 2020, the outbreak of the novel coronavirus ["COVID-19"] resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused disruption to certain businesses globally; as a result, there could be a possibility of recession in the near future. While the impact of COVID-19 on the Company has been minimal to date, there is uncertainty around its duration and future business conditions. If the outbreak were to cause disruption to the Company's supply chain or its service capabilities in the future, it would have a negative impact on revenue, which could be material. In addition, any material negative impact on revenue would impact profitability, as well as liquidity and capital resources.

Business combinations

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgement and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. In the event any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company determines the fair value using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied. The estimate of fair value of customer relationships includes the estimated revenue growth and attrition of acquired customer relationships. In determining the fair value of customer relationships, the Company estimates revenue growth including price adjustments based on a market participant model. A 10% change in revenue growth assumption of DoProcess LP would result in the change in value of customer relationships of approximately \$15 million. Changes in these assumptions could result in a change to the net assets acquired as part of the business combination.

Goodwill and indefinite-lived intangible assets

The Company performs asset impairment assessments for indefinite-lived intangible assets and goodwill on an annual basis, or on a more frequent basis when circumstances indicate impairment may have occurred.

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Goodwill is allocated to a CGU or group of CGUs for the purposes of impairment testing based on the level at which senior management monitors it, which is not larger than an operating segment. The testing for impairment of either an intangible asset or goodwill compares the recoverable amount of the asset, CGU or group of CGUs to the carrying amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the asset is assessed as part of the CGU or group of CGUs to which it belongs. The recoverable amount calculations use a discounted cash flow model. The recoverable amount is sensitive to the discount rate used for the model as well as the expected future cash flows and the growth rate used for extrapolation purposes. Changes in certain assumptions could result in an impairment loss being charged in future periods. The key assumptions used to determine the recoverable amount for the different CGUs or groups of CGUs are disclosed and further explained in note 10.

Impairment of long-lived assets

Long-lived assets primarily include property and equipment and intangible assets. An impairment loss is recognized when the carrying value of the CGU, which is defined as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups, exceeds the CGU's recoverable amount, which is determined using a discounted cash flow method. The Company tests the recoverability of its long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. While the Company believes that no impairment is required, management must make certain estimates regarding the Company's cash flow projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in an impairment loss being charged in a future period.

Income taxes

The determination of income tax expense and deferred tax involves judgement and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

Fair value of share-based compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield and forfeiture rates and making assumptions about them. The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in note 14.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Volatility has been determined by calculating the degree of variation of trading prices over time of peers in the market. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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5. Changes in accounting policies

New accounting pronouncements or policies adopted

In March 2021, the International Financial Reporting Interpretations Committee ["IFRIC"] finalized an agenda decision that clarified the customer's accounting for configuration and customization in a cloud computing arrangement. As a result of this decision, the Company changed its accounting policy for costs incurred for cloud computing arrangements with retrospective application. As a result of the change, intangible assets of \$180 were derecognized as of July 1, 2020 with the offset recorded as an increase to opening deficit. The impact of the change for the year ended June 30, 2021 was not significant.

The Company adopted the following new standards and amendments to standards, effective July 1, 2020. These changes did not have a material impact on the Company's consolidated financial statements for the year ended June 30, 2021:

- Definition of Material [Amendments to IAS 1 and IAS 8];
- Interest Rate Benchmark Reform – Phase 1 [Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16];
- Amendments to References to Conceptual Framework in IFRS Standards; and
- COVID-19-Related Rent Concessions [Amendment to IFRS 16].

Standards, amendments and interpretations issued as at June 30, 2021 but not yet effective

The following new and amended standards and interpretations will become effective in a future year. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and are not expected to have a significant impact on the Company's consolidated financial statements:

- Interest Rate Benchmark Reform – Phase 2 [Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16]; and
- Onerous Contracts – Cost of Fulfilling a Contract [Amendments to IAS 37].

6. Acquisitions

Acquisitions that are determined to be business combinations have been recorded under the purchase method of accounting and results have been included in the consolidated statements of operations and comprehensive income from their respective acquisition dates.

Accordingly, the allocation of the purchase price to assets and liabilities is based on the fair value, with the excess of the purchase price over the fair value of the assets acquired being allocated to goodwill.

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For certain acquisitions made, management assessed the information obtained, including evaluating impact and assumptions to be used in estimating the fair value of the intangible assets and deferred taxes. The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition were as follows for acquisitions during the years ended June 30, 2021 and 2020:

	2021				2020	
	SAI [a] \$	Do- Process [b] \$	R-Squared Bidco Limited [c] \$	Other [d] \$	Total \$	Total [e] \$
Consideration paid	88,985	537,867	54,878	139,887	821,617	5,138
Holdbacks and contingent consideration	—	3,812	4,283	13,381	21,476	7,006
Total purchase price	88,985	541,679	59,161	153,268	843,093	12,144
Current assets	15,995	10,884	13,138	9,112	49,129	3,075
Equipment	119	235	723	79	1,156	169
Software technologies and licenses	10,202	29,062	9,816	25,263	74,343	758
Brands and trademarks	—	19,800	3,216	7,328	30,344	677
Customer lists	29,038	310,400	31,479	39,699	410,616	6,575
Right-of-use asset	1,094	40	2,292	1,570	4,996	1,353
Non-current assets	—	—	—	171	171	—
Liabilities assumed	(14,572)	(9,168)	(17,650)	(6,468)	(47,858)	(4,385)
Deferred tax liability	(8,030)	(89,071)	(8,457)	(16,840)	(122,398)	(1,539)
	33,846	272,182	34,557	59,914	400,499	6,683
Goodwill	55,139	269,497	24,604	93,354	442,594	5,461

Goodwill recognized in connection with the above acquisitions is primarily attributable to the anticipated improvement in the operations of the companies acquired and synergies with existing operations as a result of implementation of management's business strategies and methodologies. Goodwill also includes other intangibles such as assembled workforce that do not qualify for separate recognition under IFRS.

[a] Acquisition of SAI Global's Property Division

On January 8, 2021, the Company completed the acquisition of SAI Global's Property Division for total cash consideration of \$88,985.

The purchase price allocation for this acquisition was finalized during the year ended June 30, 2021.

[b] Acquisition of DoProcess

On December 10, 2020, the Company completed the acquisition of DoProcess LP ["DoProcess"] for total consideration of \$541,679 with an upfront cash payment of \$504,900, issuance of 942 common shares with total fair value of \$32,967 and fair value of deferred consideration of \$3,812. As at June 30, 2021, \$939 of deferred consideration is outstanding and is expected to be settled by September 2021.

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The purchase price allocation for this acquisition was finalized during the year ended June 30, 2021.

[c] Acquisition of R-Squared Bidco Limited

On September 23, 2020, the Company completed the acquisition of R-Squared Bidco Limited for total consideration of \$59,161 with an upfront payment of \$54,878, contingent consideration of \$5,810 and working capital settlement receivable of \$1,527. Contingent consideration is payable over a 12-month period based on monthly revenue transaction volume profitability targets.

The purchase price allocation for this acquisition was finalized during the year ended June 30, 2021.

[d] 2021 other

In 2021, the Company completed other acquisitions for total consideration of \$153,268 with upfront payments of \$139,887 and fair value of contingent consideration of \$13,381. Contingent consideration is payable over a 15-month period based on profitability and performance targets or transaction anniversary date.

The purchase price allocations are considered to be preliminary and subsequent adjustments during the measurement periods will occur as the Company completes its estimation of the fair values of assets acquired and liabilities assumed, including the valuation of intangible assets.

[e] 2020 total

In 2020, the Company completed acquisitions for total consideration of \$12,144 with upfront payments of \$5,138 and fair value of deferred consideration of \$7,006. As at June 30, 2021, \$3,340 of deferred consideration is outstanding and is expected to be settled by June 2023.

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June 30, 2021 and 2020

7. Property and equipment

	Computer equipment \$	Furniture, equipment and leasehold improvements \$	Total \$
Cost			
Balance, June 30, 2019	2,080	1,533	3,613
Additions	119	588	707
Acquired through acquisitions	139	30	169
Balance, June 30, 2020	2,338	2,151	4,489
Additions	591	997	1,588
Disposals	(51)	(25)	(76)
Acquired through acquisitions	421	735	1,156
Effects of foreign exchange	7	(36)	(29)
Balance, June 30, 2021	3,306	3,822	7,128
Accumulated depreciation			
Balance, June 30, 2019	1,512	473	1,985
Depreciation	173	353	526
Balance, June 30, 2020	1,685	826	2,511
Depreciation	710	694	1,404
Disposal	(51)	(25)	(76)
Effects of foreign exchange	3	(4)	(1)
Balance, June 30, 2021	2,347	1,491	3,838
Carrying value			
Balance, June 30, 2020	653	1,325	1,978
Balance, June 30, 2021	959	2,331	3,290

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8. Leases

[a] Right-of-use assets

The Company's right-of-use assets for leases are as follows:

	\$
Balance, July 1, 2019	2,975
Additions	4,192
Additions through acquisitions	1,353
Net investment in sublease	(1,292)
Depreciation expense	(1,142)
Effects of foreign exchange	(20)
Balance, June 30, 2020	<u>6,066</u>
Additions	816
Additions through acquisitions	4,996
Depreciation expense	(2,365)
Derecognition	(138)
Effects of foreign exchange	(15)
Balance, June 30, 2021	<u>9,360</u>

During the year ended June 30, 2020, the Company classified an amount of \$1,292 relating to a sublease as an investment in finance lease and derecognized the related ROU asset in respect of the sublease.

[b] Lease liabilities

The Company's outstanding lease liabilities are as follows:

	\$
Balance, July 1, 2019	3,194
Additions	4,546
Additions through acquisitions	1,353
Interest accretion	463
Lease repayments	(1,489)
Effects of foreign exchange	(23)
Balance, June 30, 2020	<u>8,044</u>
Additions	138
Additions through acquisitions	4,715
Interest accretion	700
Lease repayments	(3,228)
Effects of foreign exchange	10
Balance, June 30, 2021	<u>10,379</u>
Current	3,150
Non-current	<u>7,229</u>

Total interest accretion recognized as finance costs in the consolidated statements of operations and comprehensive income for the year ended June 30, 2021 was \$700 [2020 – \$463].

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9. Intangible assets

	Software technologies \$	Brand and trademarks \$	Licenses \$	Customer lists \$	Total \$
Cost					
Balance, June 30, 2019	31,773	5,280	21,810	49,379	108,242
Additions	2,325	—	—	—	2,325
Acquired through acquisitions	758	677	—	6,575	8,010
Effects of foreign exchange	(127)	(22)	—	(184)	(333)
Balance, June 30, 2020	34,729	5,935	21,810	55,770	118,244
Balance, July 1, 2020					
Accounting policy change [note 5]	(180)	—	—	—	(180)
As adjusted	34,549	5,935	21,810	55,770	118,064
Additions	7,938	—	—	—	7,938
Acquired through acquisitions	74,081	30,344	262	410,616	515,303
Disposal	(224)	—	—	—	(224)
Effects of foreign exchange	(223)	136	—	(747)	(834)
Balance, June 30, 2021	116,121	36,415	22,072	465,639	640,247
Accumulated amortization					
Balance, June 30, 2019	6,459	—	2,472	8,531	17,462
Amortization	5,075	—	2,181	6,031	13,287
Effects of foreign exchange	(9)	—	—	(17)	(26)
Balance, June 30, 2020	11,525	—	4,653	14,545	30,723
Amortization	12,617	2,932	2,226	27,867	45,642
Disposal	(224)	—	—	—	(224)
Effects of foreign exchange	(55)	(36)	—	(109)	(200)
Balance, June 30, 2021	23,863	2,896	6,879	42,303	75,941
Carrying value					
Balance, June 30, 2020	23,204	5,935	17,157	41,225	87,521
Balance, June 30, 2021	92,258	33,519	15,193	423,336	564,306

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10. Goodwill

	\$
Balance, June 30, 2019	48,526
Additions	4,334
Effects of foreign exchange	(358)
Balance, June 30, 2020	52,502
Additions	442,594
Adjustments upon finalization of purchase price allocations related to prior year acquisitions	1,127
Effects of foreign exchange	(1,920)
Balance, June 30, 2021	494,303

For the purpose of impairment testing, goodwill is tested at the operating segment level, which represents a group of CGUs. The Company performed annual goodwill impairment tests using the fair value less costs of disposal model. The fair value measurement of the Company is categorized as Level 1 in the fair value hierarchy and the costs of disposal were assumed to be 2.5% of the fair value measurement. The recoverable amounts of goodwill exceeded the carrying values as at June 30, 2021 and 2020. Reasonable possible changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value.

11. Loans and borrowings

Loans and borrowings comprise the following:

	June 30, 2021	June 30, 2020
	\$	\$
Current		
Term credit facility [a][b][c]	12,879	6,650
Convertible debentures accrued interest [note 13]	4,528	—
	17,407	6,650
Non-current		
Revolving credit facility [a][b][c]	—	9,000
Term credit facility [a][b]	222,140	171,861
	222,140	180,861
Total	239,547	187,511

Credit facilities

[a] FY2020 Credit Facility

On July 11, 2019, the Company settled its then-existing credit facility and replaced it with a new credit facility [the "FY2020 Credit Facility"]. The aggregate amount committed under the FY2020 Credit Facility was \$200,000 comprising [i] a \$10,000 revolving loan facility; and [ii] a \$190,000 term loan facility [the "Term Loan Commitment"].

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The Company received total gross cash proceeds of \$190,000 under the Term Loan Commitment and incurred financing fees of \$6,983. The Term Loan Commitment bore an interest rate of the lower of [i] Banker's Acceptance ["BA"] rate + 6.5%; and [ii] the prime rate of interest + 5.5% payable quarterly or monthly. Principal repayments of \$1,665 were due on a quarterly basis on the term loan. The FY2020 Credit Facility had a maturity date of July 11, 2024. The FY2020 Credit Facility was classified as a financial liability at amortized cost and accounted for using the effective interest rate method.

The FY2020 Credit Facility was repaid in full on September 25, 2020. The unamortized portion of loan fees of \$5,407 was recognized as finance costs in the consolidated statements of operations and comprehensive income.

[b] FY2021 Credit Facility

On September 25, 2020, the Company settled the FY2020 Credit Facility and replaced it with a new credit facility ["FY2021 Credit Facility"]. The aggregate amount committed under the FY2021 Credit Facility was \$140,000. The FY2021 Credit Facility also included an additional uncommitted accordion of up to \$25,000, for an aggregate total availability of up to \$165,000.

The Company received total gross cash proceeds of \$131,684 under the FY2021 Credit Facility and incurred financing fees of \$847. The FY2021 Credit Facility bore an interest rate based on a grid system at the lower of [i] BA rate; and [ii] the prime rate of interest payable quarterly or monthly at the option of the Company. Interest payments were due on a monthly or quarterly basis at the option of the Company. The FY2021 Credit Facility had a maturity date of September 25, 2022. The FY2021 Credit Facility was classified as a financial liability at amortized cost and is accounted for using the effective interest rate method. On September 30, 2020, the Company completed an equity financing and repaid \$45,000 of the FY2021 Credit Facility from the cash proceeds received.

On December 10, 2020, the balance outstanding under the FY2021 Credit facility of \$36,500 and unamortized financing fees of \$767 were rolled over to the FY2021 Amended Credit Facility.

[c] FY2021 Amended Credit Facility

On December 10, 2020, the Company amended the FY2021 Credit Facility and replaced it with the current credit facility ["FY2021 Amended Credit Facility"]. The aggregate amount committed under the FY2021 Amended Credit Facility is \$570,000, comprising [i] a \$140,000 revolving loan facility; [ii] a \$305,000 term loan facility ["Term A Credit Facility"]; and [iii] a \$125,000 term loan facility ["Term B Credit Facility"].

The Company received total gross cash proceeds of \$375,694 under the FY2021 Amended Credit Facility and incurred financing fees of \$6,906. The FY2021 Amended Credit Facility bears an interest rate based on a grid system at the lower of [i] BA rate, and [ii] the prime rate of interest payable monthly. The Term Credit A Facility matures on September 25, 2024, with fixed quarterly principal repayments of \$3,813 in the years 2021 and 2022, and \$5,719 thereafter until maturity. The Term Credit B Facility matures on July 31, 2022. The FY2021 Amended Credit Facility is classified as a financial liability at amortized cost and is accounted for using the effective interest rate method.

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On March 22, 2021, the Company increased the borrowing capacity under the FY2021 Amended Credit Facility to \$700,000, comprising [i] a \$455,000 revolving loan facility; and [ii] a \$245,000 ["Amended Term A Credit Facility"]. The Amended Term Credit A Facility matures on September 25, 2024, with fixed quarterly principal repayments of \$3,063 on June 30, 2021 to March 31, 2023, and \$4,594 thereafter until maturity. The Company incurred financing fees of \$1,218. The Term B Credit Facility of \$125,000 was fully repaid on March 19, 2021. As at June 30, 2021, the Company has nil balance drawn under the Revolving Credit Facility and \$241,937 under the Amended Term A Credit Facility.

The FY2021 Amended Credit Facility is secured by a first ranking security over all present and after-acquired properties in the form of general security agreement. The FY2021 Amended Credit Facility contains a financial covenant based on a Total Net Leverage Ratio, defined as the ratio of total net debt to Adjusted EBITDA. The FY2021 Amended Credit Facility also contains an interest coverage covenant defined as the ratio of Adjusted EBITDA to interest expense. As at June 30, 2021, the Company was in compliance with its covenants.

The balance outstanding under the FY2021 Amended Credit Facility as at June 30, 2021 is as follows:

	\$
Principal balance outstanding, December 10, 2020	412,194
Less	
Issuance costs	(8,891)
Interest and accretion expense	9,375
Interest paid	(7,402)
Principal repayments	(170,257)
Balance, June 30, 2021	235,019
Current	12,879
Non-current	222,140

12. Derivative liability

On August 29, 2019, the Company entered into an interest rate swap with a lender, which exchanged its floating interest rate obligation on a notional \$150,000 of the Term Loan Commitment for a fixed interest rate payment of 1.88% per annum on the notional amount. The interest rate swap had a five-year term ending July 11, 2024. The Company designated the interest rate swap as a cash flow hedge and any subsequent changes in fair value were recorded in other comprehensive income until settlement. On September 25, 2020, hedge accounting was discontinued as a result of repayment of the Term Loan Commitment. The fair value of the derivative liability of \$6,265 and the related income tax impact of \$1,658 was reclassified from accumulated other comprehensive income to profit or loss, resulting in realized loss on derivative of \$6,265 and income tax recovery of \$1,658 for the year ended June 30, 2021 [2020 – \$2,123].

On September 25, 2020, in connection with the FY2021 Credit Facility, the Company amended the interest rate swap and exchanged the existing \$150,000 fixed interest rate swap for a new \$70,000 interest rate swap for a fixed payment of 2.95% per annum. The amended interest rate swap has a five-year term ending on September 25, 2025. The Company has designated the amended interest rate swap as a cash flow hedge for future variable interest payments. Any subsequent changes in fair value will be recorded in other comprehensive income for the effective portion of the hedge and ineffective portion will be recognized directly through profit or loss as finance costs.

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A reconciliation of the derivative liability is summarized below:

	\$
Derivative liability, June 30, 2019	2,089
Change in fair value of original swap	34
Settlement of original swap	(2,123)
Monetization	1,250
Change in fair value of new swap	4,216
Derivative liability, June 30, 2020	5,466
Change in fair value of new swap	799
Change in fair value of amended swap	(2,085)
Derivative liability, June 30, 2021	4,180

For the year ended June 30, 2021, the Company recognized a gain on the change in fair value of \$1,103 for the effective portion of the hedge. The ineffective portion was a gain on the change in fair value of \$982 which was recognized through profit or loss in finance costs for year ended June 30, 2021.

13. Convertible debentures

In February 2021, the Company issued 345,000 convertible senior unsecured debentures ["Convertible Debentures"] for total cash proceeds of \$345,000 with a maturity date of March 1, 2026. The Convertible Debentures bear an interest rate of 3.75% payable semi-annually and are convertible into common shares of the Company at an exercise price of \$73.23 per share.

The Company determined that the Convertible Debentures do not qualify as a compound instrument and therefore there is no equity component to the instrument. This is due to the fact that the Company has the right to settle the Convertible Debentures in cash if the holders elect to exercise their conversion option. Accordingly, the Convertible Debentures are classified and accounted for entirely as a financial liability, which the Company has elected to measure at FVTPL. The fair value of the Convertible Debentures is classified as Level 2 in the fair value hierarchy. The fair value of the Convertible Debentures as at June 30, 2021 was \$350,013 using a market approach based on underlying share price of \$47.63 per share, resulting in a loss on change in fair value of \$5,013 for the year ended June 30, 2021 [2020 – nil].

The change in the Company's own credit risk resulted in a gain on the change in fair value of convertible debenture of \$1,715, which was recognized in other comprehensive income. Total change in fair value of convertible debentures excluding the impact of change in the Company's own credit risk resulted in recognition of loss on change in fair value of convertible debentures of \$6,728 through finance costs.

Convertible Debentures issuance costs for the year ended June 30, 2021 were expensed immediately through finance costs in the amount of \$11,127 [2020 – nil].

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June 30, 2021 and 2020

14. Capital stock

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares.

Issued and outstanding

	Dye & Durham Limited		Dye & Durham Corporation				Total
	Common shares		Common shares		Preferred shares		
	#	\$	#	\$	#	\$	
Balance, June 30, 2019	—	—	20,465	164	3,837	16,762	16,926
Return of capital [i]	—	—	—	—	—	(7,892)	(7,892)
Stock options exercised [ii]	—	—	28	35	—	—	35
Balance, June 30, 2020	—	—	20,493	199	3,837	8,870	9,069
Pre-IPO reorganization [iii]	24,330	9,069	(20,493)	(199)	(3,837)	(8,870)	—
Issuance of common shares, net of issuance costs [iv], [v]	43,684	830,650	—	—	—	—	830,650
Stock options exercised [vi]	497	6,023	—	—	—	—	6,023
Balance, June 30, 2021	68,511	845,742	—	—	—	—	845,742

[i] On July 11, 2019, the Company declared dividends to the common shareholders for \$2.056 per common share issued and outstanding for a total amount of \$42,110 and a return of capital to Series 1 and 2 preferred shareholders for a total amount of \$7,892.

[ii] During the year ended June 30, 2020, 12 stock options were exercised for cash proceeds of \$19 and 35 stock options were cashless exercised resulting in 16 common shares being issued.

[iii] As part of the reorganization in connection with the IPO, the Company issued 24,330 common shares to acquire all issued and outstanding common shares and preferred shares of D&D Corp. As the acquisition of D&D Corp by the Company is accounted for as a reorganization using the continuity of interest method, financial information for the preacquisition period, including the comparative period, is presented based on historical financial information of D&D Corp, resulting in presentation of net movement of preferred shares to common shares.

[iv] On July 17, 2020, the Company completed its IPO and issued 20,000 common shares for total gross consideration of \$150,000. In addition, during the year ended June 30, 2021, the Company issued 22,726 common shares for total gross consideration of \$676,275. Total share issuance costs for the year ended June 30, 2021 amounted to \$29,074 [net of income tax recovery of \$10,500], resulting in net cash proceeds of \$786,701.

[v] On December 10, 2020, the Company issued, 942 common shares with total fair value of \$32,967 as consideration for the acquisition of DoProcess and issued 16 common shares in settlement of an acquired liability in the amount of \$482.

[vi] During the year ended June 30, 2021, 497 stock options were exercised for cash proceeds of \$4,918 and the related grant date fair value of the options of \$1,105 was reclassified from contributed surplus to share capital.

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Stock options

During the year ended June 30, 2021, the Company granted 4.2 million service-based stock options and 2.5 million market performance-based stock options to employees and Board of Directors of the Company. Service-based stock options typically vest over a four-year period in equal tranches annually with certain options vesting immediately on the date of grant. Market performance-based stock options vest based on the Company achieving and maintaining certain share price targets. On May 13, 2021, the Company granted 600 stock options to the Board of Directors of the Company at an exercise price of \$40.84 per share, with vesting over a three-year period in equal tranches annually, subject to ratification in the next annual shareholder meeting. In case of non-ratification, the stock options will be converted into restricted stock units.

Due to the increase in the Company's share price during the year ended June 30, 2021, all market performance-based stock options fully vested. IFRS 2, *Share-based Payments*, requires acceleration of stock-based compensation for market performance-based stock options in the period the options are vested, resulting in total value of the market performance-based stock options being expensed in the year ended June 30, 2021.

Changes in the number of stock options during the years ended June 30, 2021 and 2020 were as follows:

	2021		2020	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Stock options, July 1	1,031	3.61	1,061	3.14
Granted	6,693	30.06	187	7.00
Exercised	(497)	9.90	(47)	2.75
Forfeited	(356)	37.36	(160)	5.04
Expired	—	—	(10)	2.99
Stock options, June 30	6,871	27.14	1,031	3.61
Exercisable options, June 30	2,934	20.38	221	3.16

A summary of the Company's outstanding stock options as at June 30, 2021 and 2020 are as follows:

Exercise price range in \$	Number outstanding, June 30, 2021	Weighted average remaining contractual life in years	Number outstanding, June 30, 2020	Weighted average remaining contractual life in years
Less than \$19.99	859	2.79	1,031	3.65
\$20.00–\$29.99	3,478	4.39	—	—
\$30.00–\$39.99	305	4.46	—	—
\$40.00–\$51.00	2,229	4.71	—	—
Stock options, June 30	6,871	4.30	1,031	3.65

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The weighted average share price for the exercised stock options during the year was \$ 41.92 per share.

The fair value of the market performance-based stock options was calculated using the Monte Carlo option model and the fair value of all other options granted was calculated using the Black-Scholes option pricing model on the grant date. The key assumptions used in the valuation of these grants were as follows:

	<u>2021</u>	<u>2020</u>
Exercise price	\$7.50–\$51.00	\$7.00
Expected dividend yield	0%–0.35%	0%
Risk free interest rate	0.4%–1.0%	1.4%–1.7%
Expected option life	5 years	5 years
Expected volatility	30.0%–58.8%	28.5%–28.6%
Estimated average forfeiture rate	37.5%	0%

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Dividends

The Company paid \$3,628 of dividends to shareholders during the year ended June 30, 2021 [2020 – \$42,110] based on a quarterly dividend of \$0.01875 per share.

15. Earnings per share

The following table reflects the income and share data used in the basic and diluted earnings per share ["EPS"] calculations:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Net income for the year	(40,849)	(11,237)
Weighted average number of shares for basic EPS	56,423	20,493
Basic and diluted EPS	(0.72)	(0.55)

The Company has two categories of potentially dilutive securities: convertible debentures and stock options. All potentially dilutive securities have been excluded from the calculation of diluted earnings per share for all periods presented, given the Company was in a net loss position during those periods and their effect would be anti-dilutive.

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The outstanding number and type of securities as at June 30, 2021 and 2020 that could potentially dilute basic net income per share in the future are as follows:

	June 30, 2021	June 30, 2020
Convertible debentures	4,711	—
Stock options	6,871	1,031
	<u>11,582</u>	<u>1,031</u>

16. Finance costs

The Company's finance costs for the years ended June 30 are as follows:

	2021	2020
	\$	\$
Interest and accretion costs [i]	27,627	20,882
Convertible debentures transaction costs [note 13]	11,127	—
Change in fair value of convertible debentures [note 13]	6,728	—
Change in fair value of contingent consideration	1,127	—
Change in fair value of derivatives [note 12]	(982)	—
Realized loss on derivatives [note 12]	6,265	2,123
Loss on settlement of loans and borrowings [note 11]	5,407	1,944
	<u>57,299</u>	<u>24,949</u>

[i] Interest and accretion costs for the year ended June 30, 2021 include \$7,315 of additional interest paid on prepayment of loans and borrowings on refinancing in September 2020 [2020 – nil].

17. Employee compensation

Total employee compensation comprising salaries and benefits for the year ended June 30, 2021 is \$47,435 [2020 – \$17,995].

Employee compensation costs are included in the following expenses:

	2021	2020
	\$	\$
Technology and operations	33,938	14,105
General and administrative	6,956	2,376
Sales and marketing	5,741	1,514
Acquisition, restructuring and other costs	800	—
	<u>47,435</u>	<u>17,995</u>

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18. Acquisition, restructuring and other expenses

	2021	2020
	\$	\$
Acquisitions, listing and capital reorganization related expenses	21,623	7,319
Restructuring	4,034	1,401
	25,657	8,720

Acquisitions, listing and capital reorganization related expenses consist mainly of professional fees and penalties and includes integration costs. Restructuring expenses mainly represent employee exit costs as a result of synergies created due to business combinations, and organizational changes.

19. Related party transactions

The Company defines key management personnel as being the Board of Directors, the Chief Executive Officer ["CEO"] and the executive leadership team. The remuneration of key management personnel during the year were as follows:

	2021	2020
	\$	\$
Salaries and benefits	2,674	1,327
Stock options	20,347	232
	23,021	1,559

As at June 30, 2021, \$154 [2020 – \$92] was included in accounts payable and accrued liabilities for consulting fees, bonus, directors fees and reimbursement of expenses. The amounts due are unsecured, bear no interest and are payable on demand.

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20. Income taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive income for the years ended June 30:

	2021	2020
	\$	\$
Income before income taxes	(42,103)	(14,103)
Statutory income tax rates	26.55%	26.6%
Expected income tax recovery	11,176	3,745
Non-deductible items	(7,679)	(1,125)
Change in estimates and others	—	309
Deferred tax remeasurement - change in statutory rates	(2,403)	(184)
Change in deferred tax assets not recognized	—	121
Other	160	—
Income tax recovery	1,254	2,866
Current tax expense	(10,540)	(74)
Deferred tax recovery	11,794	2,940
Income tax recovery	1,254	2,866

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at June 30, 2021 and 2020 comprised the following:

	2021	2020
	\$	\$
Non-capital loss carryforwards	487	597
Finance costs	14,413	701
Derivative liability	867	1,446
Convertible debenture	1,328	—
Capital assets	143	(43)
Investment tax credit	(178)	843
Intangible assets	(129,609)	(12,613)
Trade payables	1,278	—
Other	332	287
Deferred tax liabilities	(110,939)	(8,782)

The Company has non-capital loss carryforwards of approximately \$1,042 [2020 – \$914], which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, which expire between the years 2029 and 2040.

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June 30, 2021 and 2020

As at June 30, 2021, the Company has non-capital loss carryforwards of approximately \$878 [£511] [2020 – \$1,821 [£1,082]], which may be carried forward to apply against future year income tax for U.K. income tax purposes, subject to the final determination by taxation authorities. The non-capital losses can be carried forward indefinitely.

21. Commitments and contingencies

Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these consolidated financial statements.

22. Fair value measurement

The fair values of cash and cash equivalents, receivables, accounts payable and accrued liabilities, customer advances and holdbacks approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of loans and borrowings approximates their carrying value due to the variable interest rates on these instruments. The Company measures its derivative liability, convertible debentures and contingent consideration on acquisitions at fair value.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted [unadjusted] market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Contingent consideration on acquisitions is classified as Level 3 financial instruments. Convertible debentures and derivative liability are classified as Level 2 financial instruments. During the years ended June 30, 2021 and 2020, there were no transfers of amounts between levels.

Change in interest or discount rate by 1% would have nominal impact on the fair value of contingent consideration.

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23. Capital management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic and acquisition growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its capital stock and borrowings.

	2021	2020
	\$	\$
Capital stock	845,742	9,069
Loans and borrowings	239,547	187,511
Convertible debentures	350,013	—
	1,435,302	196,580

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

24. Financial instruments and risk management

Credit risk

Credit risk is risk of financial loss to the Company if any counterparty to a financial asset fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian and U.K., Irish and Australian financial institutions. Due to the Company's diversified customer base, there is no particular concentration of credit risk related to the Company's receivables. Trade and other receivables are monitored on an ongoing basis to ensure timely collection of amounts. There are no receivables from individual customers for 10% or more of revenues or receivables.

As at June 30, 2021, 75% [2020 – 65%] of the Company's trade receivables are current, 15% [2020 – 13%] are between 31 to 90 days past due and 10% [2020 – 22%] are over 90 days past due. As at June 30, 2021, the Company has \$47,077 [2020 – \$11,849] of receivables outstanding and recognized \$2,721 [2020 – \$378] allowance for ECLs in connection with its trade receivables.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk for the credit facility for which the interest rate is adjusted with future fluctuations in prime rate or BA rate. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Based on the amount owing as at June 30, 2021, a 1% change in the prime or BA rate, with all other variables held constant, would change finance costs and income before taxes by \$2,376 on the loans not covered by the interest rate swap.

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Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities [when revenue or expense is denominated in a foreign currency] and the Company's net investments in foreign subsidiaries. If deemed necessary, the Company may, from time to time, enter into foreign currency derivative contracts to reduce its exposure to foreign currency risk. No foreign currency derivative contract has been entered into in 2021 or 2020.

As at June 30, 2021, the Company had a net financial asset position denominated in British pounds of \$835 [£486] [2020 – net liabilities of \$4,352 or £2,586]. As at June 30, 2021, the Company had a net financial liability position denominated in Australian dollars of \$324 [A\$348] [2020 – nil]. A 10% change in the exchange rates of significant currencies to which the Company has exposure as at June 30, 2021 and 2020 would not result in a significant impact to the Company's consolidated statements of operations and comprehensive income.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

The Company intends to rely on positive cash flows from operations and obtaining additional financing to achieve its future objectives. However, there can be no assurance that actual cash flows from operations will be as forecasted or that such equity and/or debt financings will be available on a timely basis under terms acceptable to the Company.

A summary of the maturity profile of financial liabilities based on contractual undiscounted payments and derivative liability undiscounted cash flows are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
	\$	\$	\$	\$	\$	\$
As at June 30, 2021						
Accounts payable and accrued liabilities	59,931	—	—	—	—	59,931
Contingent consideration on acquisitions	18,057	5,942	2,170	—	—	26,169
Customer advances	10,249	—	—	—	—	10,249
Lease liabilities	3,302	2,491	2,007	1,726	2,944	12,470
Loans and borrowings	19,888	21,206	25,542	199,284	—	265,920
Derivative financial liability	2,065	2,065	2,059	2,076	492	8,757
Convertible debentures	13,141	12,938	12,973	12,938	357,938	409,928
	126,633	44,642	44,751	216,024	361,374	793,424

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June 30, 2021 and 2020

	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
	\$	\$	\$	\$	\$	\$
As at June 30, 2020						
Accounts payable and accrued liabilities	14,453	—	—	—	—	14,453
Contingent consideration on acquisitions	4,818	1,764	1,494	—	—	8,076
Customer advances	3,549	—	—	—	—	3,549
Lease liabilities	2,219	1,869	1,685	1,365	2,776	9,914
Loans and borrowings	6,650	4,750	4,750	4,750	172,400	193,300
Derivative financial liability	—	—	—	—	5,466	5,466
	<u>31,689</u>	<u>8,383</u>	<u>7,929</u>	<u>6,115</u>	<u>180,642</u>	<u>234,758</u>

25. Segment information

The Company's CEO has been identified as the chief operating decision maker ["CODM"]. The CODM reviews financial information, makes decisions and assesses the performance of the Company as a single operating segment.

The Company has three geographic segments, being Canada, U.K. and Australia. The following tables present details on revenues derived and property and equipment and intangible assets domiciled in the following geographical locations as at June 30, 2021 and 2020 and for the years then ended:

	2021	2020
	\$	\$
Canada	127,572	62,574
U.K.	58,765	2,936
Australia	22,608	—
	<u>208,945</u>	<u>65,510</u>

Property and equipment and intangible assets as at June 30, 2021 and 2020:

	Canada	U.K.	Australia	Total
	\$	\$	\$	\$
June 30, 2021				
Property and equipment	1,973	616	701	3,290
Intangible assets	407,175	122,094	35,037	564,306
June 30, 2020				
Property and equipment	1,800	178	—	1,978
Intangible assets	74,688	12,833	—	87,521

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26. Subsequent events

On July 1, 2021, the Company acquired all issued and outstanding shares of GlobalX Information Pty Ltd for approximately \$159.0 million, of which \$155.0M was paid in cash on closing.

On July 7, 2021, the Company acquired all issued and outstanding shares of TM Group (UK) Ltd for total cash consideration of approximately \$155.0 million.

I APPENDIX A

Non-IFRS Measures

This report makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective and to discuss Dye & Durham's financial outlook. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of Dye & Durham's financial information reported under IFRS. The Company uses non-IFRS measures including those listed below.

Please also see "Cautionary Note Regarding Non-IFRS Measures" and "Select Information and Reconciliation of Non-IFRS Measures" in the Company's most recent Management's Discussion and Analysis, which is available on the Company's profile at www.sedar.com, for a reconciliation of these measures to their nearest IFRS measure, which information is incorporated by reference herein.

EBITDA

EBITDA means net income (loss) before amortization and depreciation expenses, finance and interest costs including change in fair value of Company's convertible debentures ("Convertible Debentures"), and provision for income taxes.

Adjusted EBITDA

Adjusted EBITDA adjusts EBITDA for stock-based compensation expense, asset impairment charges, loss on settlement of loans and borrowings, realized loss on derivatives, gains or losses from re-financing transactions, specific transaction-related expenses related to acquisitions, IPO and capital structure reorganization, and operational restructuring costs. Operational restructuring costs include the full year impact of cost synergies related to the reduction of employees for acquisitions.

Annualized Revenue

Annualized revenue is the most recently completed quarter revenue multiplied by four.

Annualized Adjusted EBITDA

Annualized Adjusted EBITDA is the most recently completed quarter Adjusted EBITDA multiplied by four.

Adjusted EBITDA CAGR

Adjusted EBITDA CAGR is compounded annual growth rate of Adjusted EBITDA between two specified period.

Adjusted EBITDA Margin

Adjusted EBITDA Margin means Adjusted EBITDA divided by revenue.

Forward-Looking Statements

This report contains forward-looking information and forward-looking statements (collectively, “forward-looking information”) within the meaning of applicable securities legislation, which reflect the Company’s current expectations regarding future events. Particularly, information regarding the Company’s expectations of future results, performance, prospects or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “forecast”, “target”, “goal”, “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict”, or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances. Such forward-looking information is necessarily based on a number of opinions, estimates and assumptions, including but not limited to those assumptions described under the heading “Caution Regarding Forward-Looking Information” in the Company’s Management’s Discussion & Analysis for the quarter ended September 30, 2021 (the “MD&A”). Forward-looking information is subject to and entirely qualified by known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results or performance to be materially different from those expressed or implied by such forward-looking information, including but not limited to factors discussed under the heading “Risk Factors” in the Company’s Annual Information Form dated September 28, 2021 and under the heading “Risks and Uncertainties” in the MD&A, which are available on the Company’s profile on SEDAR at www.sedar.com. If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. Accordingly, investors should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this news release represents the Company’s expectations as of the date of this news release, and are subject to change after such date and the Company disclaims any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws. In addition, Dye & Durham’s guidance on revenue and Adjusted EBITDA is considered forward-looking information. The foregoing demonstrates Dye & Durham’s objectives, which are not forecasts or estimates of its financial position, but are based on the implementation of its strategic goals, growth prospects and growth initiatives. Management’s assessments of, and outlook for, revenue and Adjusted EBITDA set out herein are generally based on the following assumptions: (a) Dye & Durham’s results of operations will continue as expected, (b) the Company will continue effectively execute against its key strategic growth priorities, (c) the Company will continue to retain and grow its existing customer base and market share, (d) the Company will be able to take advantage of future prospects and opportunities, and realize on related synergies, including in respect of acquisitions, (e) there will be no changes in legislative or regulatory matters that negatively impact Dye & Durham’s business, (f) current tax laws will remain in effect and will not be materially changed, (g) economic conditions will remain relatively stable throughout the period, and (h) the industries Dye & Durham operates in will continue to grow consistent with past experience. The Company considers these assumptions to be reasonable in the circumstances, given the time period for such projections and targets. The achievement of target revenue set out above is subject to significant risks including: (a) that the Company will be unable to effectively execute against its key strategic growth priorities and (b) the Company will be unable to continue to retain and grow its existing customer base and market share. These estimates have been prepared by and are the responsibility of management. The Company’s independent registered public accounting firm has not conducted a review of, and does not express an opinion or any other form of assurance with respect to, these estimates.



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