

Dye & Durham Limited

Condensed consolidated interim financial statements
[Unaudited]

For the three months ended September 30, 2020 and 2019

[Expressed in thousands of Canadian dollars]

Dye & Durham Limited

Condensed consolidated interim statements of financial position [unaudited]

[Expressed in thousands of Canadian dollars]

	September 30 2020 \$	June 30, 2020 \$
Assets		
Current		
Cash and cash equivalents	16,517	2,569
Receivables	23,952	11,849
Prepaid expenses and other assets	6,295	3,524
	46,764	17,942
Non-current		
Other assets	1,839	952
Property and equipment, net [note 14]	2,590	1,978
Right-of-use assets, net	7,755	6,066
Intangible assets, net [note 5]	135,847	87,521
Goodwill [note 6]	77,136	52,502
Total assets	271,931	166,961
Liabilities and shareholders' equity (deficiency)		
Current		
Accounts payable and accrued liabilities	27,573	14,453
Customer advances	4,400	3,549
Holdbacks and contingent consideration on acquisitions	11,409	4,804
Lease liabilities	2,442	2,138
Loans and borrowings [note 8]	92	6,650
	45,916	31,594
Non-current		
Holdbacks and contingent consideration on acquisitions	2,766	3,222
Lease liabilities	7,228	5,906
Loans and borrowings [note 8]	85,837	180,861
Derivatives liability [note 9]	6,251	5,466
Deferred tax liabilities	11,682	8,782
Total liabilities	159,680	235,831
Contingencies [note 11]		
Shareholders' equity (deficiency)		
Capital stock [note 10]	199,357	9,069
Contributed surplus	1,572	1,310
Accumulated other comprehensive income	1,966	(3,597)
Deficit	(90,644)	(75,652)
	112,251	(68,870)
Total liabilities and shareholders' equity (deficiency)	271,931	166,961

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

On behalf of the Board:

"Signed"
Director - Randy Fowlie

"Signed"
Director - Brian Derksen

Dye & Durham Limited

Condensed consolidated interim statements of operations and comprehensive income [unaudited]

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

	Three months ended September 30,	
	2020	2019
	\$	\$
Revenue	21,901	16,929
Expenses		
Direct costs	(2,408)	(1,772)
Technology and operations	(4,509)	(4,514)
General and administrative	(2,303)	(1,472)
Sales and marketing	(504)	(618)
Income before the following	12,177	8,553
Finance costs and loss on refinancing of loans and borrowings [note 7]	(22,664)	(9,499)
Amortization and depreciation	(4,179)	(3,681)
Acquisition, restructuring and other costs [note 13]	(4,820)	(1,751)
Income before taxes	(19,486)	(6,378)
Current and deferred tax recovery	4,494	1,714
Net Income for the period	(14,992)	(4,664)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	1,375	(1,217)
Change in fair value of financial assets, net of income taxes	154	—
Realized loss on derivatives designated as cash flow hedge, net of income taxes [note 9]	4,607	2,123
Net change in fair value of derivatives designated as cash flow hedge during the period, net of income taxes	(573)	(324)
Net other comprehensive income for the period	5,563	582
Total comprehensive income for the period	(9,429)	(4,082)
Net loss per common share		
Basic and diluted	(0.38)	(0.23)
Weighted average number of shares outstanding – basic and diluted	39,730	20,475

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

Dye & Durham Limited

Condensed consolidated statements of changes in shareholders' equity (deficiency) [unaudited]

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

Three months ended September 30, 2020 and 2019

	Dye & Durham Limited	Dye & Durham Corporation						
	Number of common shares	Number of common shares	Number of preferred shares	Capital Stock	Contributed Surplus	Accumulated other comprehensive (loss) income	Deficit	Total
	#	#	#	\$	\$	\$	\$	\$
Balance, June 30, 2019	—	20,465	3,837	16,926	997	(1,668)	(22,305)	(6,050)
Dividends declared [note 10]	—	—	—	—	—	—	(42,110)	(42,110)
Return of capital [note 10]	—	—	—	(7,892)	—	—	—	(7,892)
Stock options exercised [note 10]	—	12	—	61	(4)	—	—	57
Stock-based compensation	—	—	—	—	83	—	—	83
Comprehensive income for the period	—	—	—	—	—	582	(4,664)	(4,082)
Balance, September 30, 2019	—	20,477	3,837	9,095	1,076	(1,086)	(69,079)	(59,994)
Balance, June 30, 2020	—	20,493	3,837	9,069	1,310	(3,597)	(75,652)	(68,870)
Pre-IPO Reorganization [notes 1 and 10]	24,330	(20,493)	(3,837)	—	—	—	—	—
Issuance of common shares, net of issuance costs [note 10]	22,382	—	—	190,217	—	—	—	190,217
Stock options exercised [note 10]	24	—	—	71	(6)	—	—	65
Stock-based compensation	—	—	—	—	268	—	—	268
Comprehensive income for the period	—	—	—	—	—	5,563	(14,992)	(9,429)
Balance, September 30, 2020	46,736	—	—	199,357	1,572	1,966	(90,644)	112,251

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

Dye & Durham Limited

Condensed consolidated interim statements of cash flows [unaudited]

[Expressed in thousands of Canadian dollars]

For the three-month period ended September 30,

	2020	2019
	\$	\$
Cash flows from operating activities		
Net Income for the period	(14,992)	(4,664)
Items not affecting cash		
Amortization and depreciation	4,179	3,681
Stock-based compensation expense	268	83
Deferred tax recovery	(4,494)	(1,714)
Finance costs	22,664	9,499
Changes in non-cash working capital balances		
Receivables	(3,805)	(619)
Prepaid expenses and other assets	(542)	(555)
Accounts payable and accrued liabilities	(2,478)	(144)
Customer advances	(26)	(982)
Net cash provided by operating activities	774	4,585
Cash flows from financing activities		
Net proceeds from issuance of shares	186,678	—
Proceeds from exercise of stock options	65	57
Return of capital	—	(7,892)
Proceeds from loans and borrowings	130,836	186,850
Payments for loans and borrowings	(238,300)	(134,156)
Payments for lease obligations	(500)	(218)
Interest paid	(10,305)	(5,432)
Net payments for swap settlement	—	(2,123)
Dividends paid	—	(36,465)
Net cash provided by financing activities	68,474	621
Cash flows from investing activities		
Purchases of property and equipment	(27)	(40)
Acquisition consideration paid, net of cash acquired	(52,234)	—
Payment of holdbacks and contingent consideration	(1,183)	(1,600)
Additions to intangible assets	(531)	(369)
Lease payments received	60	—
Investment in financial asset	(1,475)	—
Net cash used in investing activities	(55,390)	(2,009)
Change in cash during the period	13,858	3,197
Cash and cash equivalents, beginning of period	2,569	3,506
Effect of foreign exchange on cash	90	(4)
Cash and cash equivalents, end of period	16,517	6,699

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

Notes to condensed consolidated interim financial statements [unaudited]

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

September 30, 2020 and 2019

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 and the United Kingdom ["U.K."]. 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 Ontario Business Corporation Act 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 (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 historical financial information and accounting policies of D&D Corp.

2. Basis of preparation

These condensed consolidated interim financial statements ["financial statements"] were prepared in accordance with International Financial Reporting Standards ["IFRS"], as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard ["IAS"] 34 – Interim Financial Reporting. Accordingly, certain information and note disclosure normally included in the annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of D&D Corp for the year ended June 30, 2020.

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.

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

Subsidiary	Country of Incorporation	Ownership Percentage September 30, 2020	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%

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 9, 2020.

Notes to condensed consolidated interim financial statements [unaudited]

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

September 30, 2020 and 2019

3. Significant accounting judgments and estimates

The preparation of these condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, expectations of the future, and other relevant factors and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of uncertainty are the same as those applied and described in the D&D Corp's audited annual consolidated financial statements for the fiscal year ended June 30, 2020.

COVID-19

During the three-month period ended September 30, 2020, the outbreak of the recent novel coronavirus ["COVID-19"] has 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.

4. 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 condensed consolidated interim 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.

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:

Notes to condensed consolidated interim financial statements [unaudited]

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

September 30, 2020 and 2019

Fiscal 2020 and 2021 acquisitions:

	2020	2021		
	Total [a] \$	Other [b] \$	PIE [c] \$	Total [c] \$
Consideration paid	5,062	3,694	52,558	56,252
Holdbacks / contingent consideration	6,292	3,548	1,894	5,442
Total purchase price	11,354	7,242	54,452	61,694
Current assets	3,206	635	12,040	12,675
Equipment	169	—	723	723
Software technologies	758	—	9,308	9,308
Customer lists	6,575	4,983	33,002	37,985
Brands and trademarks	677	—	3,216	3,216
Right of use asset	1,353	—	1,970	1,970
Liabilities assumed	(4,385)	(603)	(18,080)	(18,683)
Deferred tax liability	(1,539)	(947)	(8,650)	(9,597)
Goodwill	4,540	3,174	20,923	24,097

The 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] 2020 total

In 2020, the Company completed acquisitions for a total consideration of \$11,354 with an upfront payment of \$5,062 and deferred consideration of \$6,292. As of September 30, 2020, the Company has paid \$887 of the deferred consideration and the remainder is to be settled by May 23, 2023.

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

[b] 2021 other

In 2021, the Company completed other acquisitions for a total consideration of \$7,242 with an upfront payment of \$3,694 and deferred consideration of \$3,548. Deferred consideration is to be paid on the first anniversary of the acquisition date.

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

Notes to condensed consolidated interim financial statements [unaudited]

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

September 30, 2020 and 2019

[c] Acquisition of PIE

On September 23, 2020, the Company completed the acquisition of R-Squared Bidco Limited ["PIE"] for a total consideration of \$54,452 with an upfront payment of \$52,558, contingent consideration and other payables of \$5,387 and estimated working capital settlement receivable of \$3,493. Contingent consideration is payable over a 12 month period based on monthly revenue transaction volume profitability targets.

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

5. Intangible assets

Cost	Software technologies	Brand and trademarks	Licenses	Customer lists	Total
	\$	\$	\$	\$	\$
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
Additions	531	—	—	—	531
Acquired through acquisitions	9,308	3,216	—	37,985	50,509
Effects of foreign exchange	128	108	—	697	933
Balance, September 30, 2020	44,696	9,259	21,810	94,452	170,217

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	1,321	—	545	1,807	3,673
Effects of foreign exchange	(52)	—	—	26	(26)
Balance, September 30, 2020	12,794	—	5,198	16,378	34,370

Carrying value

Balance, June 30, 2020	23,204	5,935	17,157	41,225	87,521
Balance, September 30, 2020	31,902	9,259	16,612	78,074	135,847

For the three-month period ended September 30, 2020, the Company incurred costs of \$3,673 in relation to the amortization of intangible assets (2019 – \$3,291).

Notes to condensed consolidated interim financial statements [unaudited]

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

September 30, 2020 and 2019

6. Goodwill

	\$
Balance, June 30, 2019	48,526
Additions	4,540
Purchase consideration upon finalization of Index' working capital	(206)
Effects of foreign exchange	(358)
Balance, June 30, 2020	52,502
Additions	24,097
Purchase consideration upon finalization of working capital on a prior acquisition	26
Effects of foreign exchange	511
Balance, September 30, 2020	77,136

7. Finance costs and loss on refinancing of loans and borrowings

Finance costs and loss on refinancing of loans and borrowings is comprised of:

	Three-months ended September 30,	
	2020	2019
	\$	\$
Finance costs [i]	10,992	5,432
Loss on settlement of loans and borrowings [note 8]	5,407	1,944
Realized loss on derivatives [note 9]	6,265	2,123
	22,664	9,499

[i] Finance costs for the three months ended September 30, 2020 includes \$7,315 of additional interest paid on prepayment of loans and borrowings.

Notes to condensed consolidated interim financial statements [unaudited]

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

September 30, 2020 and 2019

8. Loans and borrowings

Loans and borrowings comprise the following:

	September 30, 2020	June 30, 2020
	\$	\$
Current		
Term credit facility [a][b]	92	6,650
Non-current		
Revolving credit facility [a]	—	9,000
Term credit facility [a][b]	85,837	171,861
	85,837	180,861
Total	85,929	187,511

Credit facilities

[a] FY 2020 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 of [i] a \$10,000 revolving loan facility; and [ii] a \$190,000 term loan facility [the "Term Loan Commitment"].

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 secured by a first ranking security over all present and after-acquired properties in the form of general security agreement, deed of hypothec and assignment of insurance/other appropriate documents. The Term Loan Commitment contained a financial covenant based on a Total Net Leverage Ratio. Total Net Leverage Ratio is defined as the ratio of total net debt to adjusted earnings before interest, tax, depreciation and amortization ["Adjusted EBITDA"].

The FY2020 Credit Facility was repaid in full on September 25, 2020. The unamortized portion of loan fees of \$5,407 was recognized as loss on settlement of loans and borrowings.

[b] FY2021 credit facility

On September 25, 2020, the Company settled the FY2020 Credit Facility and replaced it with the current credit facility ["FY2021 Credit Facility"]. The aggregate amount committed under the FY2021 Credit Facility is \$140,000.

Notes to condensed consolidated interim financial statements [unaudited]

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

September 30, 2020 and 2019

The FY2021 Credit Facility also includes 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 bears 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 are due on a monthly or quarterly basis at the option of the Company. The FY2021 Credit Facility matures on September 25, 2022. The FY2021 Credit Facility is 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 equity financing and repaid \$45,000 of the FY2021 Credit Facility from the cash proceeds received.

The FY2021 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 Credit Facility contains a financial covenant based on a Total Net Leverage Ratio. Total Net Leverage Ratio is defined as the ratio of total net debt to Adjusted EBITDA. The FY2021 Credit Facility also contains an interest coverage covenant defined as the ratio of Adjusted EBITDA to interest expense. As at September 30, 2020 the Company was in compliance with all of its covenants and the interest rate on the FY2021 Credit Facility was approximately 3.0%.

Balance outstanding under the FY2021 Credit Facility as at September 30, 2020 is as follows:

	\$
Principal balance	131,684
Less	
Issuance costs	(847)
Principal repayment	(45,000)
Interest expense	92
Balance, September 30, 2020	85,929
Current	92
Non-current	85,837

For the three months ended September 30, 2020, interest expense was \$10,434 (2019 – \$5,371) and the Company recorded a loss on the settlement of loans and borrowings of \$5,407 (2019 – \$1,944).

9. Derivative liability

[a] Derivative swap

On August 29, 2019, the Company entered into a new interest rate swap with one of the two new lenders, 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 and 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 deferred tax recovery of \$1,658 for the three months ended September 30, 2020 (2019 – \$2,123).

Dye & Durham Limited

Notes to condensed consolidated interim financial statements [unaudited]

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

September 30, 2020 and 2019

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 September 25, 2025. The Company has designated the amended interest rate swap as a cash flow hedge for the FY2021 Credit Facility and any subsequent changes in fair value will be recorded in other comprehensive income until settlement.

Below is a reconciliation of derivative liability as at September 30, 2020 and June 30, 2020:

	\$
Derivative liability as at 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 as at June 30, 2020	5,466
Change in fair value of new swap	799
Change in fair value of amended swap	(14)
Derivative liability as at September 30, 2020	6,251

10. 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				
	Common shares		Common shares		Preferred shares		Total
	#	\$	#	\$	#	\$	\$
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)	22,382	190,217	—	—	—	—	190,217
Stock options exercised (v)	24	71	—	—	—	—	71
Balance, September 30, 2020	46,736	199,357	—	—	—	—	199,357

- (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.

Notes to condensed consolidated interim financial statements [unaudited]

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

September 30, 2020 and 2019

- (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 a total gross consideration of \$150,000. On September 30, 2020, the Company issued 2,382 common shares for a total gross consideration of \$50,014. Share issuance costs amounted to \$9,797 (net of income tax recovery of \$3,539) resulting in net cash proceeds of \$186,678.
- (v) During the three-month period ended September 30, 2020, 24 stock options were exercised for cash proceeds of \$65 and the related grant date fair value of the options of \$6 was reclassified from contributed surplus to share capital.

11. 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 financial statements.

12. Employee compensation

The total employee compensation comprising salaries and benefits for the three-months ended September 30, 2020 was \$5,652 (2019 – \$5,261).

Employee compensation costs are included in the following expenses:

	Three-months ended September 30,	
	2020	2019
	\$	\$
Technology and operations	3,674	4,219
General and administrative	803	646
Sales and marketing	375	396
Acquisition, restructuring and other costs	800	—
	5,652	5,261

13. Acquisitions, restructuring and other costs

	Three-months ended September 30,	
	2020	2019
	\$	\$
Acquisitions, IPO and capital reorganization related expenses	3,909	1,606
Restructuring	911	145
	4,820	1,751

Notes to condensed consolidated interim financial statements [unaudited]

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

September 30, 2020 and 2019

Acquisitions, IPO listing and capital reorganization related expenses consist mainly of professional fees and penalties. These costs are expensed in the period in which the costs are incurred and the services are received.

Restructuring expenses mainly represent employee exit costs as a result of synergies created due to business combinations and organizational changes.

14. 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 two geographic segments being Canada and the United Kingdom. The following tables present details on revenues derived and details on property and equipment and intangible assets domiciled in the following geographical locations as at and for the three-month periods ended September 30, 2020 and 2019.

Revenue for the three-month periods ended September 30, 2020 and 2019:

	Three-months ended September 30,	
	2020	2019
	\$	\$
Canada	15,428	15,642
U.K.	6,473	1,287
	21,901	16,929

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

	Canada	U.K.	Total
	\$	\$	\$
September 30, 2020			
Property and equipment	1,708	882	2,590
Intangible assets	72,505	63,342	135,847
June 30, 2020			
Property and equipment	1,800	178	1,978
Intangible assets	74,688	12,833	87,521

15. Subsequent events

On November 9, 2020, the Board of Directors declared a quarterly dividend of \$0.01875 per share to shareholders of record on December 7, 2020.