

# **Dye & Durham Limited**

**Condensed consolidated interim financial statements**

**Unaudited**

**[Expressed in thousands of Canadian dollars]**

**For the three and six months ended December 31,  
2020 and 2019**

## Dye & Durham Limited

### Condensed consolidated interim statements of financial position

[Expressed in thousands of Canadian dollars] [unaudited]

	December 31, 2020 \$	June 30, 2020 \$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	250,716	2,569
Receivables	26,569	11,849
Prepaid expenses and other assets	7,596	3,524
	<u>284,881</u>	<u>17,942</u>
<b>Non-current</b>		
Other assets	2,365	952
Property and equipment, net [note 14]	2,722	1,978
Right-of-use assets, net	7,432	6,066
Intangible assets, net [notes 5 and 14]	483,644	87,521
Goodwill [note 6]	350,950	52,502
<b>Total assets</b>	<u>1,131,994</u>	<u>166,961</u>
<b>Liabilities and shareholders' equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	35,956	14,453
Customer advances	6,063	3,549
Holdbacks and contingent consideration on acquisitions	14,582	4,804
Lease liabilities	2,416	2,138
Loans and borrowings [note 8]	15,383	6,650
	<u>74,400</u>	<u>31,594</u>
<b>Non-current</b>		
Holdbacks and contingent consideration on acquisitions	2,349	3,222
Lease liabilities	6,782	5,906
Loans and borrowings [note 8]	389,409	180,861
Derivative liability [note 9]	6,069	5,466
Other liabilities	2,801	—
Deferred tax liabilities	93,160	8,782
<b>Total liabilities</b>	<u>574,970</u>	<u>235,831</u>
Contingencies [note 11]		
<b>Shareholders' equity</b>		
Capital stock [note 10]	646,025	9,069
Contributed surplus	21,830	1,310
Accumulated other comprehensive income (loss)	2,399	(3,597)
Deficit	(113,230)	(75,652)
	<u>557,024</u>	<u>(68,870)</u>
<b>Total liabilities and shareholders' equity</b>	<u>1,131,994</u>	<u>166,961</u>

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**

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

	Three months ended December 31,		Six months ended December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Revenue</b> [note 14]	<b>33,723</b>	17,164	<b>55,624</b>	34,093
<b>Expenses</b>				
Direct costs	(4,061)	(2,018)	(6,469)	(3,790)
Technology and operations	(7,676)	(4,418)	(12,185)	(8,932)
General and administrative	(3,746)	(1,771)	(5,781)	(3,160)
Sales and marketing	(1,160)	(713)	(1,664)	(1,331)
Stock-based compensation	(20,263)	(67)	(20,531)	(150)
<b>Income before the following</b>	<b>(3,183)</b>	8,177	<b>8,994</b>	16,730
Finance costs and loss on refinancing of loans and borrowings [note 7]	(3,061)	(5,232)	(25,725)	(14,731)
Amortization and depreciation	(8,847)	(3,710)	(13,026)	(7,391)
Acquisition, restructuring and other costs [note 13]	(5,846)	(1,825)	(10,666)	(3,576)
<b>Income before taxes</b>	<b>(20,937)</b>	(2,590)	<b>(40,423)</b>	(8,968)
Current and deferred tax (expense) recovery	(587)	1,050	3,907	2,764
<b>Net income for the period</b>	<b>(21,524)</b>	(1,540)	<b>(36,516)</b>	(6,204)
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>				
Exchange differences on translation of foreign operations	489	611	1,864	(606)
Change in fair value of financial assets, net of income taxes	40	—	194	—
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	(96)	2,174	(669)	1,850
<b>Net other comprehensive income for the period</b>	<b>433</b>	2,785	<b>5,996</b>	3,367
<b>Total comprehensive income for the period</b>	<b>(21,091)</b>	1,245	<b>(30,520)</b>	(2,837)
<b>Net loss per common share</b>				
Basic and diluted	(0.41)	(0.08)	(0.80)	(0.30)
Weighted average number of shares outstanding – basic and diluted	51,886	20,477	45,808	20,476

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**

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

Six months ended December 31, 2020 and 2019

	Dye & Durham Limited	Dye & Durham Corporation		Capital stock \$	Contributed surplus \$	Accumulated other comprehensive (loss) income \$	Deficit \$	Total \$
	Number of common shares #	Number of common shares #	Number of preferred shares #					
<b>Balance, June 30, 2019</b>	—	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]	—	28	—	35	(16)	—	—	19
Stock-based compensation	—	—	—	—	150	—	—	150
Comprehensive income (loss) for the period	—	—	—	—	—	3,367	(6,204)	(2,837)
<b>Balance, December 31, 2019</b>	—	20,493	3,837	9,069	1,131	1,699	(70,619)	(58,720)
<b>Balance, June 30, 2020</b>	—	20,493	3,837	9,069	1,310	(3,597)	(75,652)	(68,870)
Pre-IPO Reorganization [notes 1 and 10]	<b>24,330</b>	<b>(20,493)</b>	<b>(3,837)</b>	—	—	—	—	—
Issuance of common shares, net of issuance costs [note 10]	<b>39,723</b>	—	—	<b>636,857</b>	—	—	—	<b>636,857</b>
Dividends paid	—	—	—	—	—	—	(1,062)	(1,062)
Stock options exercised [note 10]	<b>33</b>	—	—	<b>99</b>	<b>(11)</b>	—	—	<b>88</b>
Stock-based compensation	—	—	—	—	<b>20,531</b>	—	—	<b>20,531</b>
Comprehensive income (loss) for the period	—	—	—	—	—	<b>5,996</b>	<b>(36,516)</b>	<b>(30,520)</b>
<b>Balance, December 31, 2020</b>	<b>64,086</b>	—	—	<b>646,025</b>	<b>21,830</b>	<b>2,399</b>	<b>(113,230)</b>	<b>557,024</b>

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

## Dye & Durham Limited

### Condensed consolidated interim statements of cash flows

[Expressed in thousands of Canadian dollars] [unaudited]

Six months ended December 31, 2020 and 2019

	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Net income for the period	(36,516)	(6,204)
Items not affecting cash		
Amortization and depreciation	13,026	7,391
Stock-based compensation expense	20,531	150
Current and deferred tax recovery	(3,907)	(2,764)
Finance costs	25,725	7,581
Changes in non-cash working capital balances		
Receivables	(2,013)	1,124
Prepaid expenses and other assets	(4,409)	435
Accounts payable and accrued liabilities	2,043	983
Customer advances	24	(763)
<b>Net cash provided by operating activities</b>	<b>14,504</b>	<b>7,933</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issuance of shares	595,147	—
Proceeds from exercise of stock options	88	19
Return of capital	—	(7,891)
Proceeds from loans and borrowings	536,149	188,017
Payments for loans and borrowings	(324,742)	(135,250)
Payments for lease obligations	(1,215)	(520)
Interest paid	(13,234)	(2,726)
Net payments for swap settlement	—	(873)
Dividends paid	(1,062)	(42,109)
<b>Net cash provided by (used in) financing activities</b>	<b>791,131</b>	<b>(1,333)</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(89)	(480)
Acquisition consideration paid, net of cash acquired	(551,309)	—
Payment of holdbacks and contingent consideration	(3,489)	(3,000)
Additions to intangible assets	(1,519)	(709)
Lease payments received	176	69
Investment in financial asset	(1,475)	—
<b>Net cash used in investing activities</b>	<b>(557,705)</b>	<b>(4,120)</b>
Change in cash during the period	247,930	2,480
Cash and cash equivalents, beginning of period	2,569	3,506
Effect of foreign exchange on cash	217	26
<b>Cash and cash equivalents, end of period</b>	<b>250,716</b>	<b>6,012</b>

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

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

December 31, 2020 and 2019

Unaudited

#### 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. 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 [“IASB”] 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 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 December 31 and June 30, 2020:

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>Ownership percentage December 31, 2020</b>	<b>Ownership percentage June 30, 2020</b>
Dye & Durham Corporation	Canada	100%	100%
Dye & Durham (UK) Limited	United Kingdom	100%	100%
R-Squared Bidco Limited	United Kingdom	100%	0%
Do Process LP	Canada	100%	0%

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on February 12, 2021.

**Notes to condensed consolidated interim financial statements**

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

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**3. Significant accounting judgments and estimates**

The preparation of these 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 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 and six months ended December 31, 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**

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Fiscal 2020 and 2021 acquisitions:

	2020	2021			Total \$
	Total [d] \$	Do Process [a] \$	R-Squared Bidco Limited [b] \$	Other [c] \$	
Consideration paid	<b>5,062</b>	537,867	54,878	3,756	596,501
Holdbacks / contingent consideration	<b>6,292</b>	3,895	2,011	3,656	9,562
<b>Total purchase price</b>	<b>11,354</b>	541,762	56,889	7,412	606,063
Current assets	<b>3,206</b>	10,873	13,192	645	24,710
Equipment	<b>169</b>	233	723	—	956
Software technologies	<b>758</b>	23,800	9,308	—	33,108
Brands and trademarks	<b>677</b>	19,800	3,216	—	23,016
Licenses	—	262	—	—	262
Customer lists	<b>6,575</b>	310,400	33,002	5,066	348,468
Right of use asset	<b>1,353</b>	—	1,970	—	1,970
Liabilities assumed	<b>(4,385)</b>	(8,955)	(17,838)	(616)	(27,409)
Deferred tax liability	<b>(1,539)</b>	(86,756)	(8,650)	(962)	(96,368)
<b>Goodwill</b>	<b>4,540</b>	272,105	21,966	3,279	297,350

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 implementing 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 Do Process**

On December 10, 2020, the Company completed the acquisition of Do Process LP ["Do Process"] for total consideration of \$541,762 with an upfront cash payment of \$504,900, issuance of 941,915 common shares with total fair value of \$32,967 and deferred consideration of \$3,895. Deferred consideration is expected to be settled by June 30, 2021.

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**

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

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**[b] Acquisition of R-Squared Bidco Limited**

On September 23, 2020, the Company completed the acquisition of R-Squared Bidco Limited for total consideration of \$56,889 with an upfront payment of \$54,878, contingent consideration of \$4,710 and estimated working capital settlement receivable of \$2,699. 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.

**[c] 2021 other**

In 2021, the Company completed other acquisitions for total consideration of \$7,412 with upfront payment of \$3,756 and deferred consideration of \$3,656. 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.

**[d] 2020 total**

In 2020, the Company completed acquisitions for total consideration of \$11,354 with upfront payments of \$5,062 and deferred consideration of \$6,292. As at December 31, 2020, the Company has paid \$2,321 of the deferred consideration and the remainder is to be settled by May 23, 2023.

The purchase price allocations are 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**

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

December 31, 2020 and 2019

Unaudited

**5. Intangible assets**

	Software technologies \$	Brand and trademarks \$	Licenses \$	Customer lists \$	Total \$
<b>Cost</b>					
<b>Balance, June 30, 2019</b>	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)
<b>Balance, June 30, 2020</b>	34,729	5,935	21,810	55,770	118,244
Additions	1,519	—	—	—	1,519
Acquired through acquisitions	33,108	23,016	262	348,468	404,854
Effects of foreign exchange	311	191	—	1,219	1,721
<b>Balance, December 31, 2020</b>	<b>69,667</b>	<b>29,142</b>	<b>22,072</b>	<b>405,457</b>	<b>526,338</b>
<b>Accumulated amortization</b>					
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)
<b>Balance, June 30, 2020</b>	11,525	—	4,653	14,545	30,723
Amortization	3,790	511	1104	6,479	11,884
Effects of foreign exchange	25	2	—	60	87
<b>Balance, December 31, 2020</b>	<b>15,340</b>	<b>513</b>	<b>5,757</b>	<b>21,084</b>	<b>42,694</b>
<b>Carry value</b>					
Balance, June 30, 2020	23,204	5,935	17,157	41,225	87,521
<b>Balance, December 31, 2020</b>	<b>54,327</b>	<b>28,629</b>	<b>16,315</b>	<b>384,373</b>	<b>483,644</b>

For the six-month period ended December 31, 2020, the Company incurred costs of \$11,884 in relation to the amortization of intangible assets [2019 – \$6,637].

## Notes to condensed consolidated interim financial statements

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

December 31, 2020 and 2019

Unaudited

### 6. Goodwill

	\$
<b>Balance, June 30, 2019</b>	48,526
Additions	4,540
Purchase consideration upon finalization of working capital on a prior acquisition	(206)
Effects of foreign exchange	(358)
<b>Balance, June 30, 2020</b>	52,502
Additions	<b>297,350</b>
Purchase consideration upon finalization of working capital on prior acquisitions	<b>155</b>
Effects of foreign exchange	<b>943</b>
<b>Balance, December 31, 2020</b>	<b>350,950</b>

### 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 December 31,		Six months ended December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Finance costs [i]	3,061	5,232	14,053	10,664
Loss on settlement of loans and borrowings [note 8]	—	—	5,407	1,944
Realized loss on derivatives [note 9]	—	—	6,265	2,123
	<b>3,061</b>	5,232	<b>25,725</b>	14,731

[i] Finance costs for the six months ended December 31, 2020 includes \$7,315 of additional interest paid on prepayment of loans and borrowings on refinancing in September 2020.

### 8. Loans and borrowings

Loans and borrowings comprise the following:

	December 31, 2020 \$	June 30, 2020 \$
<b>Current</b>		
Term credit facility [a][b][c]	15,383	6,650
<b>Non-current</b>		
Revolving credit facility [a][c]	40,533	9,000
Term credit facility [a][b][c]	348,876	171,861
<b>Total</b>	<b>404,792</b>	187,511

**Notes to condensed consolidated interim financial statements**

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

December 31, 2020 and 2019

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**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 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 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.

**Notes to condensed consolidated interim financial statements**

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

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**[c] FY2021 amended credit facility**

On December 10, 2020, the Company amended the FY 2021 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 of [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 FY 2021 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.

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 December 31, 2020, the Company was in compliance with all of its covenants.

The balance outstanding under the FY2021 Amended Credit Facility as at December 31, 2020 is as follows:

	\$
<b>Principal balance</b>	412,194
Less	
Issuance costs	(7,673)
Interest and accretion expense	1,569
Interest paid	(1,298)
<b>Balance, December 31, 2020</b>	<u>404,792</u>
Current	15,383
Non-current	<u>389,409</u>

**Notes to condensed consolidated interim financial statements**

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

December 31, 2020 and 2019

Unaudited

**9. Derivative liability**

**[a] Derivative swap**

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 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 six months ended December 31, 2020 [2019 – \$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.

Below is a reconciliation of derivative liability as at December 31 and June 30, 2020:

	\$
<b>Derivative liability as at June 30, 2019</b>	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
<b>Derivative liability as at June 30, 2020</b>	<u>5,466</u>
Change in fair value of new swap	<b>799</b>
Change in fair value of amended swap	<b>(196)</b>
<b>Derivative liability as at December 31, 2020</b>	<u><b>6,069</b></u>

During the three and six months ended December 31, 2020, the Company recognized a loss on the change in fair value of \$117 and \$916 through other comprehensive income for the effective portion of the hedge, respectively. The ineffective portion was a gain on change in fair value of \$313 which was recognized through profit or loss in finance costs for the three and six months ended December 31, 2020.

## Notes to condensed consolidated interim financial statements

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

December 31, 2020 and 2019

Unaudited

### 10. Capital stock

#### (a) Authorized

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

#### (b) Issued and outstanding

	Dye & Durham Limited		Dye & Durham Corporation				Total \$
	Common shares		Common shares		Preferred shares		
	#	\$	#	\$	#	\$	
<b>Balance, June 30, 2019</b>	—	—	20,465	164	3,837	16,762	16,926
Return of capital [i]	—	—	—	—	—	(7,892)	(7,892)
Stock options exercised [ii]	—	—	28	35	—	—	35
<b>Balance, June 30, 2020</b>	—	—	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], [vi]	39,723	636,857	—	—	—	—	636,857
Stock options exercised [vii]	33	99	—	—	—	—	99
<b>Balance, December 31, 2020</b>	<b>64,086</b>	<b>646,025</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>646,025</b>

[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. On September 30, 2020, the Company issued 2,382 common shares for 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 months ended December 31, 2020, the Company issued 16,383 common shares for total gross consideration of \$426,262. Share issuance costs amounted to \$13,071 [net of income tax recovery of \$4,720], resulting in net cash proceeds of \$408,471.

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

[vii] During the six months ended December 31, 2020, 33 stock options were exercised for cash proceeds of \$88 and the related grant date fair value of the options of \$11 was reclassified from contributed surplus to share capital.

**Notes to condensed consolidated interim financial statements**

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

December 31, 2020 and 2019

Unaudited

**(c) Stock Options**

During the six months ended December 31, 2020, the Company granted 2.4 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.

Due to the increase in the Company's share price during the three months ended December 31, 2020, 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 December 2020. For the three and six months ended December 31, 2020, total stock-based compensation expense was \$20,263 and \$20,531, respectively [2019 – \$67 and \$150].

**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**

Total employee compensation comprising salaries and benefits for the three and six months ended December 31, 2020 was \$8,836 and \$14,488, respectively [2019 – \$5,270 and \$10,531].

Employee compensation costs are included in the following expenses:

	<b>Three months ended December 31,</b>		<b>Six months ended December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
Technology and operations	<b>6,319</b>	3,980	<b>9,993</b>	8,199
General and administrative	<b>1,481</b>	791	<b>2,284</b>	1,437
Sales and marketing	<b>1,036</b>	499	<b>1,411</b>	895
Acquisition, restructuring and other costs	<b>—</b>	—	<b>800</b>	—
	<b>8,836</b>	5,270	<b>14,488</b>	10,531



**Notes to condensed consolidated interim financial statements**

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

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Unaudited

**13. Acquisitions, restructuring and other costs**

	Three months ended December 31,		Six months ended December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Acquisitions, IPO and capital reorganization related expenses	4,262	1,405	8,171	3,011
Restructuring	1,584	420	2,495	565
	<b>5,846</b>	<b>1,825</b>	<b>10,666</b>	<b>3,576</b>

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 December 31 and June 30, 2020 and for the three and six months ended December 31, 2020 and 2019.

Revenue for the three and six months ended December 31, 2020 and 2019:

	Three months ended December 31,		Six months ended December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Canada	18,585	15,785	34,013	31,427
U.K.	15,138	1,379	21,611	2,666
	<b>33,723</b>	<b>17,164</b>	<b>55,624</b>	<b>34,093</b>

**Notes to condensed consolidated interim financial statements**

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

December 31, 2020 and 2019

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Property and equipment and intangible assets as at December 31, 2020 and June 30, 2020:

	Canada \$	U.K. \$	Total \$
<b>December 31, 2020</b>			
Property and equipment	1,889	833	2,722
Intangible assets	422,062	61,582	483,644
<b>June 30, 2020</b>			
Property and equipment	1,800	178	1,978
Intangible assets	74,688	12,833	87,521

**15. Subsequent events**

On January 8, 2021, the Company completed the acquisition of SAI Global's Property Division in Australia for total cash consideration of approximately \$89.0 million.

On February 5, 2021, the Company signed a definitive agreement to acquire all issued and outstanding shares of GlobalX Pty Ltd for total consideration of approximately \$166.0 million. The transaction is expected to close in the fourth quarter of the current fiscal year.

On February 12, 2021, the Board of Directors declared a quarterly dividend of \$0.01875 per share to shareholders of record on March 12, 2021. The dividend will be paid on March 19, 2021.