

Dye & Durham Limited

Condensed consolidated interim financial statements

[Expressed in thousands of Canadian dollars]

Unaudited

**For the three and six months ended December 31,
2021 and 2020**

Dye & Durham Limited

Condensed Consolidated Interim Statements of Financial Position [unaudited]

[Expressed in thousands of Canadian dollars]

	December 31, 2021 \$	June 30, 2021 \$
Assets		
Current		
Cash and cash equivalents <i>[note 8[d]]</i>	893,208	429,335
Receivables	63,569	47,077
Prepaid expenses and other assets	13,669	8,094
	970,446	484,506
Non-current		
Other assets	4,623	2,601
Property and equipment, net	3,710	3,290
Right-of-use assets, net	12,434	9,360
Intangible assets, net <i>[note 6]</i>	982,929	564,306
Goodwill <i>[note 7]</i>	963,301	494,303
Total assets	2,937,443	1,558,366
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities	83,246	59,931
Customer advances	12,793	10,249
Holdbacks and contingent consideration on acquisitions <i>[note 5]</i>	7,639	15,883
Lease liabilities	5,181	3,150
Loans and borrowings <i>[note 8]</i>	15,764	17,407
	124,623	106,620
Non-current		
Holdbacks and contingent consideration on acquisitions <i>[note 5]</i>	2,635	5,326
Lease liabilities	8,069	7,229
Loans and borrowings <i>[note 8]</i>	1,457,142	222,140
Derivative liability <i>[note 9]</i>	—	4,180
Other liabilities	3,946	1,002
Deferred tax liabilities	206,386	110,939
Convertible debentures <i>[note 10]</i>	341,550	350,013
Total liabilities	2,144,351	807,449
Commitments and contingencies <i>[note 16]</i>		
Equity		
Capital stock <i>[note 11]</i>	866,227	845,742
Contributed surplus	33,514	26,213
Accumulated other comprehensive income	(4,838)	(729)
Deficit	(104,840)	(120,309)
Non-controlling interests	3,029	—
	793,092	750,917
Total liabilities and equity	2,937,443	1,558,366

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

On behalf of the Board:

"Signed"
Director - Brian Derksen

"Signed"
Director - Edward Prittie

Dye & Durham Limited

Condensed Consolidated Interim Statements of Operations [unaudited]

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

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue [note 19]	109,634	33,723	222,256	55,624
Expenses				
Direct costs	(13,501)	(4,061)	(29,141)	(6,469)
Technology and operations [note 13]	(20,106)	(7,676)	(40,217)	(12,185)
General and administrative [note 13]	(7,679)	(3,746)	(16,865)	(5,781)
Sales and marketing [note 13]	(5,737)	(1,160)	(11,065)	(1,664)
Stock-based compensation [note 11]	(8,525)	(20,263)	(12,130)	(20,531)
Income before the following	54,086	(3,183)	112,838	8,994
Finance costs, net [note 12]	(22,311)	(3,061)	(9,712)	(25,725)
Amortization and depreciation [note 6]	(26,914)	(8,847)	(57,874)	(13,026)
Acquisition, restructuring and other costs [note 14]	(9,762)	(5,846)	(20,405)	(10,666)
Income before taxes	(4,901)	(20,937)	24,847	(40,423)
Income tax (expense) recovery	925	(587)	(6,725)	3,907
Net income	(3,976)	(21,524)	18,122	(36,516)
Attributable to				
Non-controlling interests	153	—	77	—
Shareholders	(4,129)	(21,524)	18,045	(36,516)
	(3,976)	(21,524)	18,122	(36,516)
Net earnings per common share [note 17]				
Basic	(0.06)	(0.41)	0.26	(0.80)
Diluted	(0.06)	(0.41)	0.20	(0.80)
Weighted average number of shares outstanding [note 17]				
Basic	68,723	51,886	68,680	45,808
Diluted	68,723	51,886	75,728	45,808

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

**Condensed Consolidated Interim Statements of
Comprehensive Income [unaudited]**

[Expressed in thousands of Canadian dollars]

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net income	(3,976)	(21,524)	18,122	(36,516)
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	2,497	489	(1,458)	1,864
Change in fair value of financials assets, net of income taxes	—	40	—	194
Realized gain on derivatives designated as cash flow hedge [note 9]	(1,557)	—	(1,557)	4,607
Net change in fair value of derivatives designated as cash flow hedge [note 9]	666	(96)	746	(669)
	1,606	433	(2,269)	5,996
Items that will not be reclassified to profit or loss in				
Net change in fair value of convertible debentures attributable to change in own credit risk, net of income taxes of (\$2,966) and \$655 [note 10]	8,232	—	(1,840)	—
	8,232	—	(1,840)	—
Other comprehensive income	9,838	433	(4,109)	5,996
Comprehensive income	5,862	(21,091)	14,013	(30,520)
Attributable to				
Non-controlling interests	153	—	77	—
Shareholders	5,709	(21,091)	13,936	(30,520)
	5,862	(21,091)	14,013	(30,520)

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Dye & Durham Limited

Condensed Consolidated Interim Statements of Changes in Equity [unaudited]

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

	Dye & Durham Limited		Dye & Durham Corporation						Total
	Number of common shares	Number of common shares	Number of preferred shares	Capital stock	Contributed surplus	Accumulated other comprehensive income	Deficit	Non-controlling interests	
	#	#	#	\$	\$	\$	\$	\$	
Balance, June 30, 2020	—	20,493	3,837	9,069	1,310	(3,597)	(75,652)	—	(68,870)
Pre-IPO Reorganization [notes 1 and 11]	24,330	(20,493)	(3,837)	—	—	—	—	—	—
Issuance of common shares, net of issuance costs [note 11]	39,723	—	—	636,857	—	—	—	—	636,857
Stock options exercised [note 11]	33	—	—	99	(11)	—	—	—	88
Stock-based compensation [note 11]	—	—	—	—	20,531	—	—	—	20,531
Dividend paid	—	—	—	—	—	—	(1,062)	—	(1,062)
Comprehensive income for the period	—	—	—	—	—	5,996	(36,516)	—	(30,520)
Balance, December 31, 2020	64,086	—	—	646,025	21,830	2,399	(113,230)	—	557,024
Balance, June 30, 2021	68,511	—	—	845,742	26,213	(729)	(120,309)	—	750,917
Issuance of common shares, net of issuance costs [note 11]	127	—	—	4,958	—	—	—	—	4,958
Dividends paid [note 11]	—	—	—	—	—	—	(2,576)	—	(2,576)
Stock options exercised [note 11]	396	—	—	10,499	(2,360)	—	—	—	8,139
Stock-based compensation [note 11]	—	—	—	—	10,283	—	—	—	10,283
Stock options reclassified as liability [note 11]	—	—	—	—	(622)	—	—	—	(622)
Acquisition of a subsidiary [notes 5 and 11]	106	—	—	5,028	—	—	—	2,952	7,980
Comprehensive income for the period	—	—	—	—	—	(4,109)	18,045	77	14,013
Balance, December 31, 2021	69,140	—	—	866,227	33,514	(4,838)	(104,840)	3,029	793,092

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]

Six months ended December 31,

	2021	2020
	\$	\$
Cash flows from operating activities		
Net income for the period	18,122	(36,516)
Items not affecting cash		
Amortization and depreciation [note 6]	57,874	13,026
Stock-based compensation expense [note 11]	12,130	20,531
Income tax expense (recovery)	6,725	(3,907)
Finance costs [note 12]	9,712	25,725
Taxes paid	(10,866)	—
Changes in non-cash working capital balances		
Receivables	5,095	(2,013)
Prepaid expenses and other assets	(4,790)	(4,409)
Accounts payable and accrued liabilities	(21,373)	2,043
Customer advances	(339)	24
Net cash provided by operating activities	72,290	14,504
Cash flows from financing activities		
Net proceeds from issuance of shares [note 11]	4,943	595,147
Net proceeds from loans and borrowings [note 8]	1,467,606	536,149
Proceeds from exercise of stock options [note 11]	8,139	88
Payments for loans and borrowings [note 8]	(241,957)	(324,742)
Settlement of amended swap [note 9]	(3,076)	—
Interest paid	(19,665)	(13,234)
Dividend paid	(2,576)	(1,062)
Payments for lease obligations	(2,788)	(1,215)
Net cash provided by financing activities	1,210,626	791,131
Cash flows from investing activities		
Acquisition consideration paid, net of cash acquired [note 5]	(790,703)	(551,309)
Holdbacks and contingent consideration paid [note 5]	(14,888)	(3,489)
Additions to intangible assets [note 6]	(12,466)	(1,519)
Purchases of property and equipment	(1,082)	(89)
Purchase of investment in financial asset	—	(1,475)
Lease payments received	167	176
Net cash used in investing activities	(818,972)	(557,705)
Change in cash and cash equivalents	463,944	247,930
Cash and cash equivalents, beginning of period	429,335	2,569
Effect of foreign exchange on cash and cash equivalents	(71)	217
Cash and cash equivalents, end of period	893,208	250,716

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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, 2021 and 2020

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, Australia, Ireland 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 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.

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 disclosures normally included in the annual consolidated 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 the Company for the year ended June 30, 2021.

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, 2021:

Subsidiary	Country of incorporation	Ownership percentage December 31, 2021	Ownership percentage June 30, 2021
Dye & Durham Corporation	Canada	100%	100%
Dye & Durham (UK) Limited	United Kingdom	100%	100%
R-Squared Bidco Limited	United Kingdom	100%	100%
Do Process LP	Canada	100%	100%
Dye & Durham Australia Pty Limited	Australia	100%	100%
GlobalX Information Pty Ltd.	Australia	100%	—
TM Group (UK) Limited	United Kingdom	100%	—
Dye & Durham Mercury Ltd.	Canada	100%	—

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, 2021 and 2020

Unaudited

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on February 1, 2022.

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 revenue 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 Company's audited annual consolidated financial statements for the fiscal year ended June 30, 2021.

COVID-19

During the three and six months ended December 31, 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.

4. Changes in accounting policies

New accounting pronouncements or policies adopted

The Company adopted the following new standards and amendments to standards, effective July 1, 2021. These changes did not have a material impact on these financial statements for the three and six months ended December 31, 2021:

- *Interest Rate Benchmark Reform – Phase 2* [Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16]

Standards, amendments and interpretations issued as at December 31, 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 these financial statements:

- *Onerous Contracts – Cost of Fulfilling a Contract* [Amendments to IAS 37].

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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December 31, 2021 and 2020

Unaudited

5. 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, and assumptions to be used in estimating the fair value of the intangible assets and deferred taxes. For the acquisitions completed during the six months ended December 31, 2021 and during the year ended June 30, 2021, the allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition were as follows:

	Six months ended December 31, 2021				2021	
	GlobalX [a] \$	TM Group [b] \$	TFSB [c] \$	Other [d] \$	Total \$	Total [e] \$
Consideration paid	159,893	155,404	500,000	2,058	817,355	821,619
Holdbacks/contingent consideration	3,743	—	3,461	718	7,922	22,620
Total purchase price	163,636	155,404	503,461	2,776	825,277	844,239
Current assets	14,784	15,584	15,043	—	45,411	49,129
Equipment	353	595	153	—	1,101	1,156
Software technologies and licenses	14,192	21,234	27,478	810	63,714	72,568
Brands and trademarks	—	7,192	—	—	7,192	30,187
Customer lists	30,367	61,475	296,655	2,809	391,306	410,684
Right-of-use asset	2,915	1,143	—	—	4,058	4,996
Non-current assets	519	—	—	—	519	171
Non-controlling interests	—	(2,952)	—	—	(2,952)	—
Liabilities assumed	(11,704)	(19,574)	(7,523)	—	(38,801)	(47,859)
Deferred tax liability	(8,893)	(21,486)	(82,970)	(843)	(114,192)	(121,946)
	42,533	63,211	248,836	2,776	357,356	399,086
Goodwill	121,103	92,193	254,625	—	467,921	445,153

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.

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, 2021 and 2020

Unaudited

[a] Acquisition of GlobalX Information Pty Ltd.

On July 1, 2021, the Company acquired all issued and outstanding shares of GlobalX Information Pty Ltd. for total consideration of \$163,636 with an upfront cash payment of \$154,865, issuance of 106 common shares with total fair value of \$5,028 and deferred consideration of \$3,743. As at December 31, 2021, deferred consideration outstanding is nil.

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] Acquisition of TM Group (UK) Ltd.

On July 8, 2021, the Company acquired all issued and outstanding shares of TM Group (UK) Ltd. for total cash consideration of \$155,404.

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] Acquisition of TELUS' Financial Solutions Business ["TFSB"]

On December 6, 2021, the Company acquired TELUS' Financial Solutions Business and certain assets from TELUS Corporation for total cash consideration of \$500,000 and deferred consideration of \$3,461. Deferred consideration is expected to be settled by June 30, 2022.

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] 2022 Other

In fiscal 2022, the Company completed other acquisitions for total consideration of \$2,776, comprised of upfront cash payments of \$2,058 and fair value of deferred consideration of \$718. The deferred consideration is expected to be settled by August 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.

[e] 2021 Total

For the year ended June 30, 2021, the Company completed acquisitions for total consideration of \$844,239 with upfront payments of \$821,619 and fair value of deferred consideration of \$22,620. The purchase price allocation of acquisitions completed during the year ended June 30, 2021 is final.

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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December 31, 2021 and 2020

Unaudited

6. Intangible assets

	Software technologies \$	Brand and trademarks \$	Licenses \$	Customer lists \$	Total \$
Cost					
Balance, June 30, 2020	34,729	5,935	21,810	55,770	118,244
Accounting policy change	(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
Additions/Transfers	12,912	—	—	—	12,912
Acquired through acquisitions	63,714	7,192	—	391,306	462,212
Adjustments upon finalization of purchase price allocations related to prior year acquisitions	(1,776)	(158)	—	68	(1,866)
Disposals	(5,059)	(358)	(63)	(378)	(5,858)
Effects of foreign exchange	(180)	12	—	(220)	(388)
Balance, December 31, 2021	185,732	43,103	22,009	856,415	1,107,259
Accumulated amortization					
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
Amortization	18,185	3,542	1,168	31,373	54,268
Disposal	(5,059)	(358)	(63)	(378)	(5,858)
Effects of foreign exchange	(1)	(1)	—	(19)	(21)
Balance, December 31, 2021	36,988	6,079	7,984	73,279	124,330
Carrying value					
Balance, June 30, 2021	92,258	33,519	15,193	423,336	564,306
Balance, December 31, 2021	148,744	37,024	14,025	783,136	982,929

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Notes to condensed consolidated interim financial statements

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Unaudited

7. Goodwill

	\$
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
Additions	467,921
Adjustments upon finalization of purchase price allocations related to prior year acquisitions	2,559
Effects of foreign exchange	(1,482)
Balance, December 31, 2021	963,301

8. Loans and borrowings

Loans and borrowings comprise the following:

	December 31, 2021	June 30, 2021
	\$	\$
Current		
Term credit facility [a][b][c][d]	11,440	12,879
Convertible debentures accrued interest [note 10]	4,324	4,528
	15,764	17,407
Non-current		
Term credit facility [a][b][c][d]	1,457,142	222,140
Total	1,472,906	239,547

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"].

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.

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Notes to condensed consolidated interim financial statements

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December 31, 2021 and 2020

Unaudited

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 condensed consolidated interim statements of operations and comprehensive income for the six-month period ended December 31, 2020.

[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 a new credit facility ["FY2021 Amended Credit Facility"]. The aggregate amount committed under the FY2021 Amended Credit Facility was \$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 FY2021 Amended Credit Facility and incurred financing fees of \$6,906. The FY2021 Amended 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 monthly. The Term A Credit Facility had a maturity date of 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 B Credit Facility had a maturity date of July 31, 2022. The FY2021 Amended Credit Facility was classified as a financial liability at amortized cost and was accounted for using the effective interest rate method.

In March 2021, the Company increased the borrowing capacity under the FY2021 Amended Credit Facility to \$700,000 comprising of [i] a \$455,000 revolving loan facility and [ii] a \$245,000 ["Amended Term A Credit Facility"]. The Term B Credit Facility of \$125,000 was fully repaid in March 2021.

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, 2021 and 2020

Unaudited

In December 2021, the Company terminated and fully repaid all outstanding balances under the FY2021 Amended Credit Facility in the amount of \$238,875. As a result, the remaining unamortized portion of loan fees of \$6,536 were expensed immediately as finance costs in the condensed consolidated interim statements of operations and comprehensive income.

	\$
Balance, June 30, 2021	235,019
Less	
Interest and accretion expense	4,650
Interest paid	(4,248)
Loss on settlement of loan	6,536
Principal repayments	(241,957)
Balance, December 31, 2021	<u>—</u>

[d] Ares Credit Facility

On December 3, 2021, the Company settled the FY2021 Amended Credit Facility and replaced it with a new credit facility ["Ares Credit Facility"]. The aggregate amount committed under the Ares Credit Facility is \$1,795,000 comprising of [i] a \$1,520,000 initial term loan facility ["Initial Term Loan"], [ii] a \$200,000 delayed draw term loan facility ["DDTL Facility"] and [iii] a \$75,000 revolving credit facility ["Revolving Facility"].

On closing of the Ares Credit Facility in December 2021, the Company received total gross cash proceeds of \$1,520,000 from the Initial Term Loan and incurred financing fees of \$52,394. The Ares Credit Facility bears an interest rate based on a grid system at the lower of [i] Canadian Dollar Offered Rate ["CDOR"] + 5.75%; [ii] Eurocurrency rate + 5.75%, [iii] Canadian prime rate + 4.75% and [iv] base rate + 4.75% of interest payable quarterly or monthly at the option of the Company. Principal repayments of \$3,800 are due on a quarterly basis on the Initial Term Loan beginning from June 30, 2022. The Initial Term Loan and DDTL Facility have a maturity date of December 3, 2027, and the Revolving Facility has a maturity date of December 3, 2026. As at December 31, 2021, nil amount was withdrawn under the DDTL Facility and the Revolving Facility. The Ares Credit Facility is classified as a financial liability at amortized cost and is accounted for using the effective interest rate method.

Included in the cash and cash equivalents is \$618,978 of cash that is required to be used for acquisitions or repurchase of shares in accordance with the Ares Credit Facility agreement.

The Ares Credit Facility is secured by a first ranking security over all present and after-acquired properties in the form of a general security agreement. As at December 31, 2021, the Company was in compliance with its covenants.

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, 2021 and 2020

Unaudited

The balance outstanding under the Ares Credit Facility as at December 31, 2021 is as follows:

	\$
Principal balance	1,520,000
Less	
Issuance costs	(52,394)
Interest and accretion expense	9,758
Interest paid	(8,782)
Balance, December 31, 2021	1,468,582
Current	11,440
Non-current	1,457,142

9. 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, 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 income tax recovery of \$1,658 for the six months ended December 31, 2020.

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 had a five-year term ending on September 25, 2025. The Company had designated the amended interest rate swap as a cash flow hedge for future variable interest payments. Any subsequent changes in fair value were recorded in other comprehensive income for the effective portion of the hedge, and the ineffective portion was recognized directly through profit or loss as finance costs.

On November 16, 2021, hedge accounting was discontinued as a result of settlement of the interest rate swap with cash payment of \$3,076. The unrealized gain attributable to the effective portion of the hedge of \$1,861 and the related income tax impact of \$304 was reclassified from accumulated other comprehensive income to profit or loss, resulting in realized gain on derivative of \$1,861 recognized in finance cost and income tax recovery of \$304 for the three and six months ended December 31, 2021.

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, 2021 and 2020

Unaudited

Below is a reconciliation of the derivative liability is summarized below:

	\$
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
Change in fair value of amended swap	(1,104)
Settlement of amended swap	(3,076)
Derivative liability, December 31, 2021	—

During the three and six months ended December 31, 2021 and 2020, the Company recognized a gain on the change in fair value of \$678 and \$758 for the effective portion of the hedge, respectively [2020 – loss of (\$117) and (\$916)]. The ineffective portion for the three and six months ended December 31, 2021 and 2020 was a gain on change in fair value of \$32 and \$346, which was recognized through profit or loss in finance costs, respectively [2020 – \$313 and \$313].

10. 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 fair value through profit and loss ["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 December 31, 2021 was \$341,550 using a market approach based on underlying share price of \$44.80 per share, resulting in a gain on change in fair value of \$6,852 and \$8,463 for the three and six months ended December 31, 2021, respectively.

The change in the Company's own credit risk resulted in a gain (loss) on the change in fair value of Convertible Debenture of \$11,199 and (\$2,474) for the three and six months ended December 31, 2021, respectively, which was recognized in other comprehensive income. The change in fair value of Convertible Debentures excluding the impact of change in the Company's own credit risk resulted in recognition of a gain (loss) on change in fair value of Convertible Debentures of (\$4,347) and \$10,937 through finance costs for the three and six months ended December 31, 2021, respectively.

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, 2021 and 2020

Unaudited

11. 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		
	#	\$	#	\$	#	\$	
Balance, June 30, 2020	—	—	20,493	199	3,837	8,870	9,069
Pre-IPO reorganization [i]	24,330	9,069	(20,493)	(199)	(3,837)	(8,870)	—
Issuance of common shares, net of issuance costs [ii], [iii]	43,684	830,650	—	—	—	—	830,650
Stock options exercised [iv]	497	6,023	—	—	—	—	6,023
Balance, June 30, 2021	68,511	845,742	—	—	—	—	845,742
Issuance of common shares, net of issuance costs [vi]	127	4,958	—	—	—	—	4,958
Acquisition of a subsidiary [v]	106	5,028	—	—	—	—	5,028
Stock options exercised [vii]	396	10,499	—	—	—	—	10,499
Balance, December 31, 2021	69,140	866,227	—	—	—	—	866,227

- [i] 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.
- [ii] 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.
- [iii] On December 10, 2020, the Company issued 942 common shares with a 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.
- [iv] 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.
- [v] On July 1, 2021, the Company issued 106 common shares with a total fair value of \$5,028 as partial consideration for the acquisition of GlobalX Information Pty Ltd.
- [vi] On December 3, 2021, the Company completed a private placement offering and issued 127 common shares for total gross consideration of \$5,000. Total share issuance costs were \$42 [net of income tax recovery of \$15], resulting in net cash proceeds of \$4,958.
- [vii] During the six months ended December 31, 2021, 396 stock options were exercised for cash proceeds of \$8,139 and the related grant date fair value of the options of \$2,360 was reclassified from contributed surplus to share capital.

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, 2021 and 2020

Unaudited

[c] Stock options

During the six months ended December 31, 2021, the Company granted 4.8 million market performance-based stock options, 2.1 million non-market performance-based stock options and 0.9 million service-based stock options to employees. Service-based stock options typically vest over a four-year period in equal tranches annually with certain options vesting. Market performance-based stock options vest based on the Company achieving and maintaining certain share price targets and non-market performance-based stock options vest based on achieving certain operational targets. 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. As a result of valuation of performance-based and service-based stock options, for the three and six months ended December 31, 2021, the Company recognized \$7,837 and \$10,283 share-based compensation expense in the consolidated statements of operations and comprehensive income, respectively [2020 - \$20,263 and \$20,531].

On December 20, 2021, 600 stock options granted to the Board of Directors of the Company on May 13, 2021 were not ratified by the shareholders of the Company resulting in these stock options being accounted for as share appreciation rights. Share appreciation rights will be settled in cash resulting in reclassification from equity settled stock options to cash settled share appreciation rights with \$622 being reclassified from contributed surplus to share appreciation rights liability account. The fair value of these share appreciation rights was calculated using the Black-Scholes option pricing model. As at December 31, 2021, the fair value of the share appreciation rights liability was \$2,469 presented as accounts payable and accrued liabilities and other non-current liabilities in the amount of \$1,243 and \$1,226, respectively, in the consolidated statements of financial position. These share appreciation rights vest over a three-year period in equal tranches annually. For the three and six months ended December 31, 2021, the Company recognized \$688 and \$1,847 share-based compensation expense in the consolidated statements of operations and comprehensive income, respectively [2020 - nil].

[d] Dividends

The Company paid \$2,576 of dividends to shareholders during the six months ended December 31, 2021 [December 31, 2020 – \$1,062] based on a quarterly dividend of \$0.01875 per share.

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, 2021 and 2020

Unaudited

12. Finance costs

The Company's finance costs for the three and six months ended December 31 are as follows:

	Three months ended December 31,		Six months ended December 31,	
	2021 \$	2020 \$	2021 \$	2020 \$
Interest and accretion costs [i]	14,258	3,061	21,261	14,053
Change in fair value of convertible debentures [note 10]	4,347	—	(10,937)	—
Change in fair value of contingent consideration	(937)	—	(4,941)	—
Change in fair value of derivatives [note 9]	(32)	—	(346)	—
Realized gain on derivatives [note 9]	(1,861)	—	(1,861)	6,265
Loss on settlement of loans and borrowings [note 8]	6,536	—	6,536	5,407
	22,311	3,061	9,712	25,725

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

13. Employee compensation

Total employee compensation comprising salaries and benefits for the three and six months ended December 31, 2021 was \$23,792 and \$50,558, respectively [2020 – \$8,836 and \$14,488].

Employee compensation costs are included in the following expenses:

	Three months ended December 31,		Six months ended December 31,	
	2021 \$	2020 \$	2021 \$	2020 \$
Technology and operations	16,036	6,319	31,147	9,993
General and administrative	3,125	1,481	9,060	2,284
Sales and marketing	4,005	1,036	8,275	1,411
Acquisition, restructuring and other costs	626	—	2,076	800
	23,792	8,836	50,558	14,488

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, 2021 and 2020

Unaudited

14. Acquisition, restructuring and other costs

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Acquisition, listing and capital reorganization related expenses	9,286	4,262	19,253	8,171
Restructuring	476	1,584	1,152	2,495
	9,762	5,846	20,405	10,666

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

15. 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 three and six months ended December 31 was as follows:

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and benefits	1,237	713	3,543	1,565
Stock-based compensation	6,868	17,823	8,871	18,022
	8,105	18,536	12,414	19,587

As at December 31, 2021, \$659 [June 30, 2021 – \$154] was included in accounts payable and accrued liabilities for consulting fees, salaries and benefits, directors fees and reimbursement of expenses. The amounts due are unsecured, bear no interest and are payable on demand.

16. Contingencies and commitments

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.

On December 21, 2021, the Company entered into an agreement to acquire all issued and outstanding shares of Link Administration Holdings Limited ["Link"] for cash consideration of approximately \$3,200 million or AUD\$5.50 per Link common share. The closing of the transaction is subject to customary conditions, including Link shareholder approval, Australian antitrust and foreign investment approval and other regulatory approvals. The Link shareholder meeting is expected to be held in the second quarter of calendar year 2022.

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, 2021 and 2020

Unaudited

The acquisition will be funded through a combination of debt and equity. The debt financing will consist of a U.S. dollar denominated term loan equal to AUD\$3,500 million which has been provided by a group of financial institutions, with Goldman Sachs Bank USA, J.P. Morgan Chase Bank, N.A, and ARES Capital Corporation ["Ares"]. The term loan will be available on closing of the Link acquisition in a single borrowing and has a maturity date of seven years. The term loan will be secured by substantially all of the assets of the Company. This financing also includes an additional \$150 million of revolving credit facility.

The Company entered into an equity commitment letter with Ares, pursuant to which Ares has agreed to acquire up to \$841 million of non-voting exchangeable preferred shares [the "Exchangeable Shares"] of the Company at a price of \$1,000 per Exchangeable Share and up to \$109 million of common shares at a price of \$53.00 per Common Share. The Exchangeable Shares will accrue interest at an annual rate of 6.5% for the first five years which rate shall increase by 1% annually following the fifth anniversary to a maximum of 12%.

17. Earnings per share

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

	Three months ended December 31,		Six months ended December 31,	
	2021 \$	2020 \$	2021 \$	2020 \$
Net income attributable to the shareholders of the Company [basic]	(4,129)	(21,524)	18,045	(36,516)
Interest expense on convertible debentures, net of tax	—	—	4,797	—
Change in fair value of convertible debentures, net of tax	—	—	(8,039)	—
Net income attributable to the shareholders of the Company [diluted]	(4,129)	(21,524)	14,803	(36,516)
Weighted average number of shares for basic EPS	68,723	51,886	68,680	45,808
Effects of dilution from:				
Stock options	—	—	2,337	—
Convertible debentures	—	—	4,711	—
Weighted average number of shares adjusted for the effect of dilution	68,723	51,886	75,728	45,808
Basic EPS	(0.06)	(0.41)	0.26	(0.80)
Diluted EPS	(0.06)	(0.41)	0.20	(0.80)

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, 2021 and 2020

Unaudited

For the six months ended December 31, 2021, 4,710 options were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive. For the three months ended December 31, 2021 and for the three and six months ended December 31, 2020, all potentially dilutive securities have been excluded from the calculation of diluted earnings per share, given the Company was in a net loss position during that period and their effect would be anti-dilutive.

18. 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 these 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 three and six months ended December 31, 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.

19. 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 Ireland, and Australia. The following tables present details on revenues derived and details on property and equipment and intangible assets domiciled in the following geographical locations.

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, 2021 and 2020

Unaudited

Revenue for the three and six months ended December 31, 2021 and 2020:

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Canada	57,436	18,585	113,736	34,013
U.K. and Ireland	32,844	15,138	69,562	21,611
Australia	19,354	—	38,958	—
	109,634	33,723	222,256	55,624

Property and equipment and intangible assets as at December 31, 2021 and June 30, 2021:

	Canada	U.K. and Ireland	Australia	Total
	\$	\$	\$	\$
December 31, 2021				
Property and equipment	1,693	1,095	922	3,710
Intangible assets	709,699	196,025	77,205	982,929
June 30, 2021				
Property and equipment	1,973	616	701	3,290
Intangible assets	407,175	122,094	35,037	564,306