

Dye & Durham Limited

Condensed consolidated interim financial statements

[Expressed in thousands of Canadian dollars]

Unaudited

**For the three and nine months ended March 31,
2021 and 2020**

Dye & Durham Limited

Condensed consolidated interim statements of financial position

[Expressed in thousands of Canadian dollars]

As at

Unaudited

	March 31, 2021	June 30, 2020
	\$	\$
Assets		
Current		
Cash and cash equivalents	538,697	2,569
Receivables	41,420	11,849
Prepaid expenses and other assets	10,025	3,524
	<u>590,142</u>	17,942
Non-current		
Other assets	2,221	952
Property and equipment, net [note 15]	2,962	1,978
Right-of-use assets, net	8,176	6,066
Intangible assets, net [notes 5 and 15]	507,084	87,521
Goodwill [note 6]	412,827	52,502
	<u>1,523,412</u>	166,961
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities	50,647	14,453
Customer advances	7,464	3,549
Holdbacks and contingent consideration on acquisitions	15,138	4,804
Lease liabilities	3,115	2,138
Loans and borrowings [note 8]	13,968	6,650
	<u>90,332</u>	31,594
Non-current		
Holdbacks and contingent consideration on acquisitions	3,346	3,222
Lease liabilities	7,016	5,906
Loans and borrowings [note 8]	224,484	180,861
Derivative liability [note 9]	4,218	5,466
Other liabilities	1,950	—
Deferred tax liabilities	96,560	8,782
Convertible debentures [note 10]	351,900	—
	<u>779,806</u>	235,831
Total liabilities		
Contingencies [note 12]		
Shareholders' equity		
Capital stock [note 11]	843,851	9,069
Contributed surplus	23,331	1,310
Accumulated other comprehensive income (loss)	1,579	(3,597)
Deficit	(125,155)	(75,652)
	<u>743,606</u>	(68,870)
	<u>1,523,412</u>	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

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

Unaudited

	Three months ended March 31,		Nine months ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue <i>[note 15]</i>	68,926	17,220	124,550	51,313
Expenses				
Direct costs	(9,352)	(1,620)	(15,821)	(5,410)
Technology and operations	(12,579)	(4,023)	(24,764)	(12,955)
General and administrative	(7,531)	(1,299)	(13,312)	(4,459)
Sales and marketing	(1,860)	(432)	(3,524)	(1,763)
Stock-based compensation	(2,125)	(83)	(22,656)	(233)
Income before the following	35,479	9,763	44,473	26,493
Finance costs <i>[notes 7 and 10]</i>	(26,011)	(5,127)	(51,736)	(19,858)
Amortization and depreciation	(17,038)	(3,729)	(30,064)	(11,120)
Acquisition, restructuring and other costs <i>[note 14]</i>	(5,880)	(2,880)	(16,546)	(6,456)
Income before taxes	(13,450)	(1,973)	(53,873)	(10,941)
Income tax recovery	2,808	703	6,715	3,467
Net income for the period	(10,642)	(1,270)	(47,158)	(7,474)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	(2,268)	1,504	(404)	898
Change in fair value of financial assets, net of income taxes	349	—	543	—
Realized loss on derivatives designated as cash flow hedge, net of income taxes <i>[note 9]</i>	—	—	4,607	2,123
Net change in fair value of derivatives designated as cash flow hedge during the period, net of income taxes	1,099	(4,756)	430	(2,906)
Net other comprehensive income for the period	(820)	(3,252)	5,176	115
Total comprehensive income for the period	(11,462)	(4,522)	(41,982)	(7,359)
Net loss per common share				
Basic and diluted	(0.16)	(0.06)	(0.90)	(0.36)
Weighted average number of shares outstanding – basic and diluted	65,965	20,493	52,429	20,482

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]

Nine months ended March 31, 2021 and 2020

	Dye & Durham							Total
	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 \$	
Balance, June 30, 2019	—	20,465	3,837	16,926	997	(1,668)	(22,305)	(6,050)
Dividends declared <i>[note 11]</i>	—	—	—	—	—	—	(42,110)	(42,110)
Return of capital <i>[note 11]</i>	—	—	—	(7,892)	—	—	—	(7,892)
Stock options exercised <i>[note 11]</i>	—	28	—	35	(16)	—	—	19
Stock-based compensation	—	—	—	—	233	—	—	233
Comprehensive income (loss) for the period	—	—	—	—	—	115	(7,474)	(7,359)
Balance, March 31, 2020	—	20,493	3,837	9,069	1,214	(1,553)	(71,889)	(63,159)
Balance, June 30, 2020	—	20,493	3,837	9,069	1,310	(3,597)	(75,652)	(68,870)
Pre-IPO Reorganization <i>[notes 1 and 11]</i>	24,330	(20,493)	(3,837)	—	—	—	—	—
Issuance of common shares, net of issuance costs <i>[note 11]</i>	43,684	—	—	830,650	—	—	—	830,650
Dividends paid	—	—	—	—	—	—	(2,345)	(2,345)
Stock options exercised <i>[note 11]</i>	396	—	—	4,132	(635)	—	—	3,497
Stock-based compensation <i>[note 11]</i>	—	—	—	—	22,656	—	—	22,656
Comprehensive income (loss) for the period	—	—	—	—	—	5,176	(47,158)	(41,982)
Balance, March 31, 2021	68,410	—	—	843,851	23,331	1,579	(125,155)	743,606

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]

Nine months ended March 31

	2021	2020
	\$	\$
Cash flows from operating activities		
Net income for the period	(47,158)	(7,474)
Items not affecting cash		
Amortization and depreciation	30,064	11,120
Stock-based compensation expense	22,656	233
Income tax recovery	(6,715)	(3,467)
Finance costs	51,736	19,858
Changes in non-cash working capital balances		
Receivables	(5,714)	557
Prepaid expenses and other assets	(5,950)	765
Accounts payable and accrued liabilities	1,465	691
Customer advances	1,399	(47)
Net cash provided by operating activities	41,783	22,236
Cash flows from financing activities		
Net proceeds from issuance of shares	786,701	—
Net proceeds from issuance of convertible debentures	333,873	—
Net proceeds from loans and borrowings	534,907	192,017
Proceeds from exercise of stock options	3,497	19
Payments for loans and borrowings	(491,936)	(139,761)
Interest paid	(17,862)	(15,394)
Dividends paid	(2,345)	(42,109)
Payments for lease obligations	(2,163)	(907)
Return of capital	—	(7,891)
Net payments for swap settlement	—	(873)
Net cash provided by (used in) financing activities	1,144,672	(14,899)
Cash flows from investing activities		
Acquisition consideration paid, net of cash acquired	(636,251)	(455)
Payment of holdbacks and contingent consideration	(7,420)	(3,125)
Additions to intangible assets	(4,423)	(1,447)
Purchases of property and equipment	(898)	(761)
Investment in financial asset	(1,475)	—
Lease payments received	313	103
Net cash used in investing activities	(650,154)	(5,685)
Change in cash during the period	536,301	1,652
Cash and cash equivalents, beginning of period	2,569	3,506
Effect of foreign exchange on cash	(173)	32
Cash and cash equivalents, end of period	538,697	5,190

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

Notes to condensed consolidated interim financial statements

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

March 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 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 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 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 March 31, 2021 and June 30, 2020:

Subsidiary	Country of incorporation	Ownership percentage March 31, 2021	Ownership percentage June 30, 2020
Dye & Durham Corporation	Canada	100%	100%
Dye & Durham (UK) Limited	United Kingdom	100%	100%
R-Squared Bidco Limited	United Kingdom	100%	0%
Do Process LP	Canada	100%	0%
Dye & Durham Australia Pty Limited	Australia	100%	0%

Notes to condensed consolidated interim financial statements

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

March 31, 2021 and 2020

Unaudited

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 11, 2021.

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.

Convertible debentures

Convertible Debentures are convertible into common shares of the Company at a conversion price of \$73.23 per share. The Company determined that the convertible debentures did not meet the IFRS definition of equity due to the Company's ability to settle the convertible debentures in cash if the holders elect to exercise the conversion option. Changes in the fair value of convertible debentures is recognized through income in the period in which they occur except in cases where they result from changes in the Company's own credit risk, in which case the fair value changes are recorded in other comprehensive income.

COVID-19

During the three and nine months ended March 31, 2021, 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.

Notes to condensed consolidated interim financial statements

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

March 31, 2021 and 2020

Unaudited

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:

Fiscal 2021 and 2020 acquisitions:

	2021				2020	
	SAI [a] \$	Do Process [b] \$	R-Squared Bidco Limited [c] \$	Other [d] \$	Total \$	Total [e] \$
Consideration paid	88,985	537,867	54,878	3,756	685,486	5,138
Holdbacks/contingent consideration	—	3,812	4,283	3,656	11,751	7,006
Total purchase price	88,985	541,679	59,161	7,412	697,237	12,144
Current assets	15,995	10,884	13,138	646	40,663	3,075
Equipment	119	235	723	—	1,077	169
Software technologies and licenses	10,104	24,062	9,816	—	43,982	758
Brands and trademarks	—	19,800	3,216	—	23,016	677
Customer lists	28,057	310,400	31,479	5,066	375,002	6,575
Right of use asset	1,094	40	2,292	—	3,426	1,353
Liabilities assumed	(14,572)	(9,168)	(17,650)	(616)	(42,006)	(4,385)
Deferred tax liability	(11,448)	(86,756)	(8,457)	(962)	(107,623)	(1,539)
	29,349	269,497	34,557	4,134	337,537	6,683
Goodwill	59,636	272,182	24,604	3,278	359,700	5,461

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 SAI Global's Property Division

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

The purchase price allocation 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]

March 31, 2021 and 2020

Unaudited

[b] Acquisition of Do Process

On December 10, 2020, the Company completed the acquisition of Do Process LP ["Do Process"] for total consideration of \$541,679 with an upfront cash payment of \$504,900, issuance of 942 common shares with total fair value of \$32,967 and fair value of deferred consideration of \$3,812. As at March 31, 2021, \$939 of deferred consideration is outstanding and is expected to be settled by June 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.

[c] Acquisition of R-Squared Bidco Limited

On September 23, 2020, the Company completed the acquisition of R-Squared Bidco Limited for total consideration of \$59,161 with an upfront payment of \$54,878, contingent consideration and holdbacks of \$5,810 and estimated working capital settlement receivable of \$1,527. Contingent consideration and holdbacks are 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.

[d] 2021 other

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

[e] 2020 total

In 2020, the Company completed acquisitions for total consideration of \$12,144 with upfront payments of \$5,138 and fair value of deferred consideration of \$7,006. As at March 31, 2021, \$5,817 of deferred consideration is outstanding and is expected to be settled by June 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]

March 31, 2021 and 2020

Unaudited

5. Intangible assets

	Software technologies \$	Brand and trademarks \$	Licenses \$	Customer lists \$	Total \$
Cost					
Balance, June 30, 2019	31,773	5,280	21,810	49,379	108,242
Additions	2,325	—	—	—	2,325
Acquired through acquisitions	758	677	—	6,575	8,010
Effects of foreign exchange	(127)	(22)	—	(184)	(333)
Balance, June 30, 2020	34,729	5,935	21,810	55,770	118,244
Additions	4,423	—	—	—	4,423
Acquired through acquisitions	43,720	23,016	262	375,002	442,000
Effects of foreign exchange	152	171	—	455	778
Balance, March 31, 2021	83,024	29,122	22,072	431,227	565,445
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	7,468	1,599	1,652	16,895	27,614
Effects of foreign exchange	10	(2)	—	16	24
Balance, March 31, 2021	19,003	1,597	6,305	31,456	58,361
Carrying value					
Balance, June 30, 2020	23,204	5,935	17,157	41,225	87,521
Balance, March 31, 2021	64,021	27,525	15,767	399,771	507,084

For the nine-month period ended March 31, 2021, the Company incurred costs of \$27,614 in relation to the amortization of intangible assets [2020 – \$9,917].

Notes to condensed consolidated interim financial statements

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

March 31, 2021 and 2020

Unaudited

6. Goodwill

	\$
Balance, June 30, 2019	48,526
Additions	4,334
Effects of foreign exchange	(358)
Balance, June 30, 2020	52,502
Additions	359,700
Adjustments upon finalization of purchase price allocations related to prior year acquisitions	1,127
Effects of foreign exchange	(502)
Balance, March 31, 2021	412,827

7. Finance costs

Finance costs is comprised of:

	Three months ended March 31,		Nine months ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Interest and accretion costs [i]	7,092	5,127	21,458	15,791
Convertible debentures transaction costs [note 10]	11,127	—	11,127	—
Change in fair value of convertible debentures [note 10]	6,900	—	6,900	—
Change in fair value of contingent consideration	1,245	—	1,245	—
Change in fair value of derivatives [note 9]	(353)	—	(666)	—
Realized loss on derivatives [note 9]	—	—	6,265	2,123
Loss on settlement of loans and borrowings [note 8]	—	—	5,407	1,944
	26,011	5,127	51,736	19,858

[i] Interest and Accretion costs for the nine months ended March 31, 2021 includes \$7,315 of additional interest paid on prepayment of loans and borrowings on refinancing in September 2020.

Notes to condensed consolidated interim financial statements

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March 31, 2021 and 2020

Unaudited

8. Loans and borrowings

Loans and borrowings comprise the following:

	March 31, 2021	June 30, 2020
	\$	\$
Current		
Term credit facility [a][b][c]	12,666	6,650
Convertible debentures accrued interest	1,302	—
	13,968	6,650
Non-current		
Revolving credit facility [a][c]	—	9,000
Term credit facility [a][b][c]	224,484	171,861
	224,484	180,861
Total	238,452	187,511

Credit facilities**[a] FY2020 credit facility**

On July 11, 2019, the Company settled its then-existing credit facility and replaced it with a new credit facility [the "FY2020 Credit Facility"]. The aggregate amount committed under the FY2020 Credit Facility was \$200,000 comprising 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.

Notes to condensed consolidated interim financial statements

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March 31, 2021 and 2020

Unaudited

[b] FY2021 credit facility

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

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

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

[c] FY2021 amended credit facility

On December 10, 2020, the Company amended the FY2021 Credit Facility and replaced it with the current credit facility ["FY2021 Amended Credit Facility"]. The aggregate amount committed under the FY2021 Amended Credit Facility is \$570,000 comprising 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 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.

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 and as at March 31, 2021, the Company has nil balance drawn under the revolving loan facility and \$245,000 under the Amended Term A Credit Facility.

The FY2021 Amended Credit Facility is secured by a first ranking security over all present and after-acquired properties in the form of general security agreement. The FY2021 Amended Credit Facility contains a financial covenant based on a Total Net Leverage Ratio, defined as the ratio of total net debt to Adjusted EBITDA. The FY2021 Amended Credit Facility also contains an interest coverage covenant defined as the ratio of Adjusted EBITDA to interest expense. As at March 31, 2021, the Company was in compliance with its covenants.

Notes to condensed consolidated interim financial statements

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March 31, 2021 and 2020

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The balance outstanding under the FY2021 Amended Credit Facility as at March 31, 2021 is as follows:

	\$
Principal balance outstanding, December 10, 2020	412,194
Less	
Issuance costs	(9,014)
Interest and accretion expense	6,559
Interest paid	(5,395)
Principal repayments	(167,194)
Balance, March 31, 2021	237,150
Current	12,666
Non-current	224,484

9. Derivative liability

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 income tax recovery of \$1,658 for the nine months ended March 31, 2021 [2020 – \$2,123].

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

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Below is a reconciliation of derivative liability as at March 31, 2021 and June 30, 2020:

	\$
Derivative liability, June 30, 2019	2,089
Change in fair value of original swap	34
Settlement of original swap	(2,123)
Monetization	1,250
Change in fair value of new swap	4,216
Derivative liability, June 30, 2020	5,466
Change in fair value of new swap	799
Change in fair value of amended swap	(2,047)
Derivative liability, March 31, 2021	4,218

During the three and nine months ended March 31, 2021, the Company recognized a gain on the change in fair value of \$1,498 and \$582 through other comprehensive income for the effective portion of the hedge, respectively. The ineffective portion was a gain on change in fair value of \$353 and \$666 which was recognized through profit or loss in finance costs for the three and nine months ended March 31, 2021.

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 or loss. The fair value of the Convertible Debentures is classified as Level 3 in the fair value hierarchy. The fair value of the Convertible Debentures as at March 31, 2021 was \$351,900 using a market approach based on underlying share price of \$39.67 per share, resulting in a loss on change in fair value of \$6,900.

Convertible Debentures issuance costs were expensed immediately through finance costs in the amount of \$11,127.

11. Capital stock

[a] Authorized

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

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[b] Issued and outstanding

	Dye & Durham Limited		Dye & Durham Corporation				Total \$
	Common shares		Common shares		Preferred shares		
	#	\$	#	\$	#	\$	
Balance, June 30, 2019	—	—	20,465	164	3,837	16,762	16,926
Return of capital [i]	—	—	—	—	—	(7,892)	(7,892)
Stock options exercised [ii]	—	—	28	35	—	—	35
Balance, June 30, 2020	—	—	20,493	199	3,837	8,870	9,069
Pre-IPO reorganization [iii]	24,330	9,069	(20,493)	(199)	(3,837)	(8,870)	—
Issuance of common shares, net of issuance costs [iv], [v]	43,684	830,650	—	—	—	—	830,650
Stock options exercised [vi]	396	4,132	—	—	—	—	4,132
Balance, March 31, 2021	68,410	843,851	—	—	—	—	843,851

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

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

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

[iv] On July 17, 2020, the Company completed its IPO and issued 20,000 common shares for total gross consideration of \$150,000. In addition, during the nine months ended March 31, 2021, the Company issued 22,726 common shares for total gross consideration of \$676,275. Total share issuance costs for the nine months ended March 31, 2021 amounted to \$29,074 [net of income tax recovery of \$10,500], resulting in net cash proceeds of \$786,701.

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

[vi] During the nine months ended March 31, 2021, 396 stock options were exercised for cash proceeds of \$3,497 and the related grant date fair value of the options of \$635 was reclassified from contributed surplus to share capital.

[c] Stock options

During the nine months ended March 31, 2021, the Company granted 3.3 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

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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 nine months ended March 31, 2021, all market performance-based stock options fully vested. IFRS 2 – *Share-based Payments* requires acceleration of stock-based compensation for market performance-based stock options in the period the options are vested, resulting in total value of the market performance-based stock options being expensed in December 2020. For the three and nine months ended March 31, 2021, total stock-based compensation expense was \$2,125 and \$22,656, respectively [2020 – \$83 and \$233].

[d] Dividends

During the nine months ended March 31, 2021, the Company paid \$2,345 of dividends. On May 11, 2021, the Board of Directors declared a quarterly dividend of \$0.01875 per share to shareholders of record on June 11, 2021. The dividend will be paid on June 18, 2021.

12. 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.

13. Employee compensation

Total employee compensation comprising salaries and benefits for the three and nine months ended March 31, 2021 was \$14,135 and \$28,623, respectively [2020 – \$4,510 and \$15,041].

Employee compensation costs are included in the following expenses:

	Three months ended March 31,		Nine months ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Technology and operations	8,716	3,624	18,709	11,823
General and administrative	3,727	468	6,011	1,905
Sales and marketing	1,692	418	3,103	1,313
Acquisition, restructuring and other costs	—	—	800	—
	14,135	4,510	28,623	15,041

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14. Acquisitions, restructuring and other costs

	Three months ended March 31,		Nine months ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Acquisitions, listing and capital reorganization related expenses	4,925	2,204	13,096	5,214
Restructuring	955	676	3,450	1,242
	5,880	2,880	16,546	6,456

Acquisitions, 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.

15. 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, Australia 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 March 31, 2021 and June 30, 2020 and for the three and nine months ended March 31, 2021 and 2020.

Revenue for the three and nine months ended March 31, 2021 and 2020:

	Three months ended March 31,		Nine months ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Canada	40,154	16,233	74,167	47,660
U.K.	17,378	987	38,989	3,653
Australia	11,394	—	11,394	—
	68,926	17,220	124,550	51,313

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Property and equipment and intangible assets as at March 31, 2021 and June 30, 2020:

	Canada	U.K.	Australia	Total
	\$	\$	\$	\$
March 31, 2021				
Property and equipment	2,007	678	277	2,962
Intangible assets	412,463	58,127	36,494	507,084
June 30, 2020				
Property and equipment	1,800	178	—	1,978
Intangible assets	74,688	12,833	—	87,521