

Dye & Durham Limited

Condensed consolidated interim financial statements

[Expressed in thousands of Canadian dollars]

Unaudited

**For the three and nine months ended March 31, 2024, and
2023**

Dye & Durham Limited

**Condensed consolidated interim statements of
financial position [unaudited]**

[Expressed in thousands of Canadian dollars]

As at

		1
		March 31, 2024
		June 30, 2023
	Note	\$
		\$
Assets		
Current		
Cash and cash equivalents		97,978
Trade and other receivables		36,265
Prepaid expenses and other assets		92,143
		77,738
		17,306
		10,560
		207,427
Assets held for sale	5	124,563
		—
		114,758
		207,427
		239,321
Non-current		
Other assets	5	17,382
Property and equipment, net		2,292
Right-of-use assets, net		6,576
Intangible assets, net	7	5,050
Goodwill	8	16,764
		823,262
		857,052
		1,045,665
		979,811
Total assets		2,117,076
		2,095,048
Liabilities and equity		
Current		
Accounts payable and accrued liabilities		85,400
Customer advances		102,056
Holdbacks and contingent consideration on acquisitions, current	6	11,796
Lease liabilities, current		10,536
Loans and borrowings, current	9	43,772
Derivative liability	10	16,574
		5,746
		4,671
		6,198
		4,448
		2,680
		—
		155,592
		138,285
Liabilities directly associated with assets held for sale	5	—
		30,092
		155,592
		168,377
Non-current		
Holdbacks and contingent consideration on acquisitions	6	11,886
Lease liabilities		15,555
Loans and borrowings	9	14,576
Other liabilities		9,103
Deferred tax liabilities		1,030,768
Convertible debentures	11	1,063,914
		4,374
		3,212
		129,515
		145,926
		297,861
		266,081
Total liabilities		1,644,572
		1,672,168
Contingencies and commitments	18	
Equity		
Capital stock	12	819,401
Contributed surplus		681,206
Accumulated other comprehensive income (loss)		89,489
Reserves of a disposal group held for sale	5	72,288
Deficit		(33,209)
Non-controlling interests		2,657
		—
		(3,078)
		(403,803)
		(329,992)
		626
		(201)
		472,504
		422,880
Total liabilities and equity		2,117,076
		2,095,048

1

Refer to note 6

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

On behalf of the Board:

"Signed"
Director - Ronnie Wahi

"Signed"
Director - Edward D. (Ted) 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]

	Note	Three months ended March 31,		Nine months ended March 31,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenue	20	107,318	104,094	337,580	330,912
Expenses					
Direct costs		(9,377)	(11,128)	(29,341)	(37,564)
Technology and operations		(24,403)	(21,757)	(79,001)	(68,744)
General and administrative		(9,710)	(10,586)	(29,746)	(30,799)
Sales and marketing		(4,065)	(4,562)	(11,015)	(15,721)
Stock-based compensation		(10,356)	(7,305)	(20,678)	(20,667)
Finance costs	14	(30,053)	(40,279)	(114,255)	(94,892)
Amortization, depreciation and impairment	7	(39,822)	(37,088)	(120,883)	(114,477)
Loss on disposal of assets held for sale	5	—	—	(190)	—
Acquisition, restructuring and other costs	16	(7,090)	(15,826)	(19,065)	(49,898)
Loss before taxes		(27,558)	(44,437)	(86,594)	(101,850)
Income tax recovery		6,495	9,290	17,260	20,386
Net loss for the period		(21,063)	(35,147)	(69,334)	(81,464)
Attributable to:					
Non-controlling interests		727	—	827	—
Shareholders		(21,790)	(35,147)	(70,161)	(81,464)
		(21,063)	(35,147)	(69,334)	(81,464)
Net loss per common share	13				
Basic		(0.35)	(0.63)	(1.22)	(1.27)
Diluted		(0.35)	(0.63)	(1.22)	(1.27)
Weighted average number of shares outstanding	13				
Basic		62,006	55,731	57,282	64,015
Diluted		62,006	55,731	57,282	64,015

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

Condensed consolidated interim statements of comprehensive income (loss) [unaudited]

[Expressed in thousands of Canadian dollars]

	Note	Three months ended March 31,		Nine months ended March 31,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Net loss		(21,063)	(35,147)	(69,334)	(81,464)
Other comprehensive income (loss)					
Items that may be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations		(688)	3,724	5,926	30,222
Net change in fair value of derivatives designated as cash flow hedge, net of income taxes of three months \$761 [2023 - \$nil] and nine months of (\$710) [2023 - \$nil]	10	2,111	—	(1,970)	—
Reclass of derivatives' fair value designated as cash flow hedge to loss, net of income taxes of three months \$710 [2023 - \$nil]	10	1,970	—	1,970	—
		3,393	3,724	5,926	30,222
Item that will not be reclassified to profit or loss in subsequent periods					
Net change in fair value of convertible debentures attributable to change in own credit risk, net of income taxes of three months (\$18,940) [2023 - \$375] and nine months of (\$15,068) [2023 - (\$3,867)]	11	(52,531)	1,040	(41,792)	10,727
		(49,138)	4,764	(35,866)	40,949
Other comprehensive income (loss)		(49,138)	4,764	(35,866)	40,949
Comprehensive loss		(70,201)	(30,383)	(105,200)	(40,515)
Attributable to:					
Non-controlling interests		727	—	827	—
Shareholders		(70,928)	(30,383)	(106,027)	(40,515)
		(70,201)	(30,383)	(105,200)	(40,515)

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

Dye & Durham Limited

Condensed consolidated interim statements of changes in equity [unaudited]

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

		Number of common shares	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Reserves of a disposal group held for sale	Deficit	Non-controlling interests	Total
Note	#	\$	\$	\$	\$	\$	\$	\$	\$
Balance, June 30, 2022		69,149	866,296	46,684	(32,683)	—	(116,873)	5	763,429
Dividends declared	12	—	—	—	—	—	(1,042)	—	(1,042)
Dividends paid	12	—	—	—	—	—	(2,286)	—	(2,286)
Stock options exercised	12	244	1,039	(154)	—	—	—	—	885
Stock-based compensation		—	—	19,887	—	—	—	—	19,887
Transaction with non-controlling interests		—	—	—	—	—	(90)	(5)	(95)
Shares bought back		(13,803)	(175,870)	—	—	—	(34,176)	—	(210,046)
Assets and liabilities held for sale		—	—	—	4,897	(4,897)	—	—	—
Comprehensive income (loss) for the period		—	—	—	40,949	—	(81,464)	—	(40,515)
Balance, March 31, 2023		55,590	691,465	66,417	13,163	(4,897)	(235,931)	—	530,217
Balance, June 30, 2023		54,951	681,206	72,288	2,657	(3,078)	(329,992)	(201)	422,880
Issuance of common shares, net of issuance costs	12	11,960	138,883	—	—	—	—	—	138,883
Dividends declared	12	—	—	—	—	—	(1,254)	—	(1,254)
Dividends paid	12	—	—	—	—	—	(2,285)	—	(2,285)
Stock options exercised	12	85	670	(213)	—	—	—	—	457
Stock-based compensation		—	—	17,414	—	—	—	—	17,414
Shares bought back	12	(108)	(1,358)	—	—	—	(111)	—	(1,469)
Assets and liabilities held for sale	5	—	—	—	—	3,078	—	—	3,078
Comprehensive income (loss) for the period		—	—	—	(35,866)	—	(70,161)	827	(105,200)
Balance, March 31, 2024		66,888	819,401	89,489	(33,209)	—	(403,803)	626	472,504

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

Condensed consolidated interim statements of cash flows [unaudited]

[Expressed in thousands of Canadian dollars]

		Nine months ended March 31,	
		2024	2023
Note		\$	\$
Cash flows from operating activities			
	Net loss for the period	(69,334)	(81,464)
	Items not affecting cash		
	Amortization, depreciation and impairment	120,883	114,477
	Loss on disposal of assets held for sale	190	—
	Stock-based compensation expense	20,678	20,667
	Fair value adjustment on contingent consideration receivable	(2,446)	—
	Income tax recovery	(17,260)	(20,386)
	Finance costs, net	116,048	94,892
	Taxes paid	(9,348)	(25,042)
	Changes in non-cash working capital balances		
	Trade and other receivables	(10,562)	(10,402)
	Prepaid expenses and other assets	(11,512)	(1,131)
	Accounts payable and accrued liabilities	(16,566)	8,973
	Customer advances	1,371	(2,971)
	Net cash provided by operating activities	122,142	97,613
Cash flows from financing activities			
	Net proceeds from loans and borrowings	73,750	143,000
	Proceeds from exercise of stock options	670	1,039
	Net proceeds from issuance of shares	138,883	—
	Payments for loans and borrowings	(114,104)	(35,000)
	Interest paid	(100,702)	(83,518)
	Dividends paid	(3,315)	(3,584)
	Proceeds from interest rate swap	653	—
	Shares bought back under NCIB and SIB	(1,473)	(208,595)
	Issuance of convertible debentures	12,255	—
	Payments for convertible debentures bought back	(36,144)	—
	Payments for lease obligations	(4,056)	(3,343)
	Net cash used in financing activities	(33,583)	(190,001)
Cash flows from investing activities			
	Cash proceeds from investment divestiture	75,333	—
	Acquisition consideration paid, net of cash acquired	(67,257)	(59,953)
	Holdbacks and contingent consideration paid	(3,308)	(8,034)
	Additions to intangible assets	(25,572)	(19,413)
	Purchases of property and equipment	(2,604)	(4,046)
	Net cash used in investing activities	(23,408)	(91,446)
	Change in cash and cash equivalents	65,151	(183,834)
	Cash and cash equivalents, beginning of period	36,265	223,619
	Effect of foreign exchange on cash and cash equivalents	(3,438)	(1,497)
	Less cash grouped in asset for sale	—	(9,977)
	Cash and cash equivalents, end of period	97,978	28,311

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 and as otherwise stated]

As at and for the three and nine months ended March 31, 2024, and 2023.

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, South Africa, Ireland and the United Kingdom [“UK”]. The Company provides critical information services and workflow, which clients require to manage their process, information and regulatory requirements. The Company was incorporated by articles of incorporation under the *Business Corporations Act* (Ontario) on June 26, 2020. The Company is registered, and its head office is located at 25 York Street, Suite 1100, Toronto, Ontario, Canada.

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

2. Basis of preparation

These condensed consolidated interim 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 condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended June 30, 2023.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on May 14, 2024.

Basis of measurement

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

Basis of consolidation

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

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

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

These condensed consolidated interim financial statements include the accounts of the Company and the following material subsidiaries as at March 31, 2024 and June 30, 2023:

Subsidiary	Country of incorporation	Ownership percentage March 31, 2024	Ownership percentage June 30, 2023
Dye & Durham Corporation	Canada	100%	100%
Dye & Durham (UK) Limited	United Kingdom	100%	100%
Dye & Durham Solutions Pty Limited	Australia	100%	100%
Dye & Durham Information Pty Ltd.	Australia	100%	100%
TM Group (UK) Limited	United Kingdom	—	100%
Dye & Durham Mercury Ltd.	Canada	100%	100%

3. Significant accounting judgments and estimates

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

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

Significant accounting judgments and estimates are consistent with those disclosed in note 4 of the annual consolidated financial statements except for the following:

Fair value of financial instruments

Pursuant to the sale of TM Group (UK) Limited ["TMG"] on August 3, 2023, the Company recorded a contingent consideration receivable under other assets in the condensed consolidated interim statements of financial position. The contingent consideration receivable was assessed based on its fair value using a Monte Carlo simulation and taking the weighted average of the possible outcomes within the parameters of the model. The contingent consideration receivable is measured at fair value through profit or loss ["FVTPL"].

Please refer to note 5 for additional information and details.

The Company entered into an interest rate swap in November 2023 with a lender, which exchanged its floating interest rate obligation for a fixed interest rate. The Company designated the interest rate swap as a cash flow hedge in November 2023, upon meeting the qualifying criteria as set out under the annual consolidated 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 and as otherwise stated]

As at and for the three and nine months ended March 31, 2024, and 2023.

of the Company as at and for the year ended June 30, 2023. The derivative is designated as a hedging instrument and recorded as a derivative liability in the condensed consolidated interim statements of financial position and the changes in the fair value recorded in other comprehensive income (loss) to the extent that the hedge is effective. The hedge's ineffectiveness is measured and recorded in profit and loss. When the hedging instrument is sold, terminated, or no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred cost of hedging in accumulated other comprehensive income (loss) are immediately reclassified to the condensed consolidated interim statements of operations when the forecasted transaction is no longer expected to occur. The derivative liability was measured based on its current fair value as at the date of these condensed consolidated interim financial statements.

In January 2024, the Company elected to change the valuation technique to measure the convertible debentures' fair values from over-the-counter model to a combination of the discounted cash flow model and the Black-Scholes model "the model" using the inputs from observable markets where possible using a degree of judgment to determine convertible debentures' fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair values of convertible debentures. The change of the valuation technique leads to change from level 2 to level 3 between fair value hierarchy levels due to the use of significant inputs from unobservable markets data. The reason for the change of the valuation technique is driven by the lack of observable trades, increased subjectivity of estimates and assumptions due to the nature of convertible debentures and the significant adjustments based on unobservable data.

In March 2024, the Company discontinued the hedge accounting since the hedging instrument no longer meets the criteria for hedge accounting as the future cash flow and the forecasted transaction are no longer expected to occur in conjunction with the Company's subsequent event (refer to note 21 "Subsequent events" for further information); accordingly, the deferred loss recorded in accumulated other comprehensive income (loss) has been reclassified to finance costs in the condensed consolidated interim statements of operations.

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, 2023. These changes did not have a material impact on the Company's condensed consolidated interim financial statements for the nine months ended March 31, 2024:

- *Definition of Accounting Estimates (Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 – Income Taxes)*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

The Company is in the process of assessing any potential impacts of the following, which will become effective in FY2025:

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1 – Presentation of Financial Statements)*
- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7 – Financial Instruments: Disclosures)*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*

5. Assets and liabilities held for sale

On July 8, 2021, the Company acquired all issued and outstanding shares of TMG for total cash consideration of \$155,404 [£91,500]. On August 27, 2021, the Company received an initial enforcement order from the Competition and Markets Authority [the “CMA”] in respect of the Company’s acquisition of TMG. On August 3, 2022, the CMA released its final report and concluded that the Company’s acquisition of TMG, which closed in July 2021, would lessen competition in the UK property search services market. The CMA concluded that the only effective way to address the issues it has identified would be for the Company to divest the entirety of TMG to a third party.

On July 10, 2023, the Company entered into an agreement to sell TMG to a global active alternative investment firm. As part of the transaction, the Company received \$75,619 [£43,914] in cash at closing, less certain closing costs, with up to \$70,865 [£41,153] in potential additional earn-out payments between 2023 and 2026, for total consideration of up to \$146,483 [£85,067], subject to certain adjustments. The closing occurred on August 3, 2023, and the transaction has received approval from the CMA.

Upon the completion of TMG’s sale, the Company derecognized entirely the assets and liabilities held for sale from the condensed consolidated interim statements of financial position. The Company assessed the fair value of the contingent consideration receivable as at March 31, 2024 of \$15,200 [£8,900] [June 30, 2023 – \$nil] using a Monte Carlo simulation and taking the weighted average of the possible outcomes within the parameters of the model, which is recorded under other assets in the condensed consolidated interim statements of financial position. The changes of the contingent consideration receivable during the nine months ended March 31, 2024 of \$2,446 [£1,450] are recorded in finance costs in the condensed consolidated interim statements of operations.

TMG was classified as a disposal group held for sale on December 1, 2022. The assets and liabilities of TMG that were classified as held for sale were derecognized in full as of August 3, 2023.

Loss on disposal of assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset [disposal group], excluding finance costs and income tax recovery.

The fair value of the contingent consideration receivable was assessed using a Monte Carlo simulation and taking the weighted average of the possible outcomes within the parameters of the model.

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

Each year, an earn-out is due to the Company based on certain annualized performance metrics of TMG, measured each calendar year from the date of sale until December 31, 2026.

The loss on disposal of assets held for sale was recognized as a separate line item in the condensed consolidated interim statements of operations. Following to the sale of TMG, a loss on disposal of assets held for sale of \$190 was recorded in the condensed consolidated interim statements of operations. The fair value of the contingent consideration receivable is classified as Level 3 under the fair value hierarchy and measured at FVTPL. The contingent consideration receivable balance as at March 31, 2024 is \$15,200 [£8,900] [June 30, 2023 – \$nil], which is recorded in other assets in the condensed consolidated interim statements of financial position. During the nine months ended March 31, 2024, the Company recognized a gain on the change in fair value of the contingent consideration receivable of \$2,446 [£1,450], which is recorded in finance costs in the condensed consolidated interim statements of operations.

6. Acquisitions

Acquisitions that are determined to be business combinations have been recorded under the purchase method of accounting and results have been included in the condensed consolidated interim statements of operations and condensed consolidated interim statements of comprehensive income (loss) 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.

During the nine months ended March 31, 2024, the Company acquired 100% of the shares of two business with an aggregated consideration of \$77,560 [£45,793] and acquired the net assets of twelve businesses for total consideration of \$14,479 [£8,738]. These acquisitions were all accounted for as business combinations.

For 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 nine months ended March 31, 2024, and fiscal 2023, the allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

	Nine months ended March 31, 2024		
	Acquisition of shares	Acquisition of net assets	Total
	\$	\$	\$
Cash consideration	63,626	4,482	68,108
Holdbacks	13,934	6,393	20,327
Contingent consideration	—	3,604	3,604
Total purchase price	77,560	14,479	92,039
Cash and cash equivalents	851	—	851
Trade and other receivables	3,357	—	3,357
Prepaid expenses and other assets	433	—	433
Property and equipment	220	—	220
Software technologies and licenses	8,443	—	8,443
Brands and trademarks	2,054	331	2,385
Customer lists	30,226	9,279	39,505
Accounts payable and accrued liabilities	(10,619)	—	(10,619)
Loans and borrowings, non-current	(46)	—	(46)
Deferred tax liability	(10,213)	(2,403)	(12,616)
Net assets identified	24,706	7,207	31,913
Goodwill	52,854	7,272	60,126

The purchase price allocations of the business combinations completed during the nine months ended March 31, 2024, and after March 31, 2023, 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, holdbacks and contingent consideration.

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

	Year ended June 30, 2023		
	Acquisition of shares	Acquisition of net assets	Total
	\$	\$	\$
Cash consideration	78,263	40,892	119,155
Holdbacks	14,898	2,849	17,747
Contingent consideration	—	8,610	8,610
Total purchase price	93,161	52,351	145,512
Cash and cash equivalents	3,630	—	3,630
Trade and other receivables	1,986	689	2,675
Prepaid expenses and other assets	229	—	229
Property and equipment	75	—	75
Software technologies and licenses	8,265	—	8,265
Brands and trademarks	2,024	1,123	3,147
Customer lists	33,253	27,554	60,807
Accounts payable and accrued liabilities	(4,327)	—	(4,327)
Loans and borrowings, current	(55)	—	(55)
Deferred tax liability	(11,157)	(6,440)	(17,597)
Non-controlling interests	197	—	197
Net assets identified	34,120	22,926	57,046
Goodwill	59,041	29,425	88,466

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.

During the nine months ended March 31, 2024, the Company adjusted the open purchase price allocations from the previous year and adjusted the acquisition date contingent consideration fair value lower by \$27,637. The adjustment relates to a revaluation of the likelihood of payment at the time of acquisition. The Company also adjusted the open purchase price allocations from the previous year for the value of certain acquired intangible assets, decreasing the fair value of acquired customer lists, software technologies and brands and trademarks by \$3,458, \$227 and \$1, respectively. The 2023 condensed consolidated interim statements of financial position was restated to reflect the adjustment to the provisional amounts. As a result, there was also a corresponding net decrease to goodwill for the same amount less impacts on deferred tax liabilities [note 8].

For the year ended June 30, 2023, the Company completed acquisitions for total consideration of \$145,512 with upfront payments of \$119,155 and fair value of deferred and contingent consideration of \$26,357. The purchase price allocations of acquisitions completed after March 31, 2023, 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, holdbacks and contingent consideration.

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

Holdbacks and contingent consideration

Business combinations during the nine months ended March 31, 2024, included the following additions to holdbacks and contingent consideration:

[i] Contingent consideration of \$16,858, with fair value of \$3,604, payable within 13 to 15 months, subject to the businesses acquired during the nine months ended March 31, 2024, meeting certain performance obligations. For asset-based acquisitions, the payment is contingent on meeting certain sales and volume targets over a fixed measurement period. For share-based acquisitions, the payment is contingent on achieving future recurring revenue targets. As at March 31, 2024, management estimates that approximately half of the contingent consideration for the asset-based acquisitions will become payable, while none of the contingent consideration for share-based acquisitions will be payable.

[ii] Holdbacks with total consideration of \$20,472, payable within 3 to 21 months, not subject to any earn-out conditions, with a fair value of \$20,327.

Business combinations to date resulted in total holdbacks and contingent consideration of \$55,658 as at March 31, 2024, summarized as follows:

	Holdbacks	Contingent consideration	Total
	\$	\$	\$
Balance, June 30, 2023	22,688	9,441	32,129
Acquisition of subsidiaries	20,327	3,604	23,931
Change in fair value	—	649	649
Other	314	—	314
Interest accretion	1,252	—	1,252
Payments during the period	(3,308)	—	(3,308)
Effects of foreign exchange	334	357	691
Balance, March 31, 2024	41,607	14,051	55,658
Current	37,971	5,801	43,772
Non-current	3,636	8,250	11,886

During the nine months ended March 31, 2024, the Company adjusted the open purchase price allocations from the previous year and adjusted the acquisition date purchase consideration fair value lower by \$27,637. The adjustment relates to a revaluation of the likelihood of payment at the time of acquisition.

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

7. Intangible assets

	Software technologies	Brand and trademarks	Licenses	Customer lists	Total
	\$	\$	\$	\$	\$
Cost					
Balance, June 30, 2022	268,008	48,992	22,009	806,082	1,145,091
Additions	28,620	—	—	—	28,620
Acquired through acquisitions	8,492	3,148	—	64,265	75,905
Adjustments upon finalization of purchase price allocations related to prior year acquisitions	(227)	(1)	—	(3,458)	(3,686)
Assets held for sale	(22,792)	(6,821)	—	(58,307)	(87,920)
Effects of foreign exchange	2,890	1,194	—	7,071	11,155
Balance, June 30, 2023	284,991	46,512	22,009	815,653	1,169,165
Additions	25,572	—	—	—	25,572
Acquired through acquisitions	8,443	2,385	—	39,505	50,333
Effects of foreign exchange	934	340	—	3,353	4,627
Balance, March 31, 2024	319,940	49,237	22,009	858,511	1,249,697
Accumulated amortization					
Balance, June 30, 2022	55,407	9,662	9,100	112,184	186,353
Amortization	56,128	7,286	2,232	78,206	143,852
Impairment loss	1,074	—	—	—	1,074
Assets held for sale	(6,079)	(1,933)	—	(13,767)	(21,779)
Effects of foreign exchange	1,016	241	—	1,356	2,613
Balance, June 30, 2023	107,546	15,256	11,332	177,979	312,113
Amortization	42,822	6,146	1,674	62,884	113,526
Effects of foreign exchange	341	118	—	337	796
Balance, March 31, 2024	150,709	21,520	13,006	241,200	426,435
Carrying value					
Balance, June 30, 2023	177,445	31,256	10,677	637,674	857,052
Balance, March 31, 2024	169,231	27,717	9,003	617,311	823,262

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

8. Goodwill

Goodwill as at March 31 comprises the following:

	\$
Balance, June 30, 2022	968,627
Additions due to new acquisitions	114,011
Adjustments to purchase price allocations	
related to prior year acquisitions	(25,545)
Assets held for sale	(87,318)
Effects of foreign exchange	10,036
Balance, June 30, 2023	979,811
Additions due to new acquisitions	60,126
Effects of foreign exchange	5,728
Balance, March 31, 2024	1,045,665

9. Loans and borrowings

Loans and borrowings comprise the following:

	March 31, 2024	June 30, 2023
	\$	\$
Current		
Term credit facility [a]	1,327	90
Convertible debentures accrued interest [note 11]	4,871	4,358
	6,198	4,448
Non-current		
Term credit facility [a]	842,409	884,914
Revolving facility [a]	—	55,000
Delayed draw term loan facility [a]	188,359	124,000
	1,030,768	1,063,914
	1,036,966	1,068,362

[a] Ares Credit Facility

On December 3, 2021, the Company settled the FY2021 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 [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"].

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

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 [i] Canadian Dollar Offered Rate + 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. On February 16, 2022, the Company made a partial repayment of \$615,000 on the Initial Term Loan. As a result, the Company recorded a loss on the settlement of the loan from its proportionate unamortized portion of issuance costs of \$18,320.

The Initial Term Loan, DDTL Facility and the Revolving Facility have a maturity date of December 3, 2027, December 3, 2027, and December 3, 2026, respectively. To the extent the Original Convertible Debentures (as defined in note 11) that mature on March 1, 2026, are outstanding as at September 30, 2025, the Initial Term Loan, DDTL Facility and the Revolving Facility will have an accelerated maturity date of September 30, 2025. Subject to certain conditions, the Company may, at its option, at any time, elect to satisfy its obligation to settle all or any portion of the Original Convertible Debentures by issuing common shares. The number of shares is calculated by dividing the redemption price by 95% of the market price of shares, which is determined using the weighted volume average price of the shares for the 20 consecutive trading days ending on the fifth trading day preceding the date of determination on the TSX. During the nine months ended March 31, 2024, the Company repaid \$49,769, \$9,335, and \$55,000 toward the Initial Term Loan, DDTL Facility, and the Revolving Facility, respectively, and drew \$73,750 from the DDTL Facility. As at March 31, 2024, \$190,665 has been drawn under the DDTL Facility, incurring financing fees of \$5,000 [\$2,306 deferred at March 31, 2024], and the Revolving Facility was fully repaid. The Ares Credit Facility is classified as a financial liability at amortized cost and is accounted for using the effective interest rate method.

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 March 31, 2024, the Company is in compliance with its covenants.

In connection with the Company's announcement of closing the Refinancing Transactions, the Ares Credit Facility was repaid in full after March 31, 2024. Refer to note 21 "Subsequent events" for further information and details.

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

The balance outstanding under the Ares Credit Facility as at March 31, 2024 is as follows:

	\$
Principal balance	1,520,000
Add (less)	
Issuance costs	(52,394)
Principal repayment	(615,000)
Interest and accretion expense	39,010
Issuance costs written off	18,320
Interest paid	(33,452)
Balance, June 30, 2022	876,484
Add (less)	
Net funds drawn from revolving credit facilities	55,000
Net funds drawn from delayed draw term loan facilities	124,000
Interest and accretion expense	108,073
Interest paid	(99,553)
Balance, June 30, 2023	1,064,004
Add (less)	
Net funds repaid on term credit facility	(49,769)
Net funds repaid on delayed draw term loan facilities	(9,335)
Net funds repaid on revolving credit facilities	(55,000)
Net funds drawn from delayed draw term loan facilities	73,750
Interest and accretion expense	99,209
Interest paid	(90,764)
Balance, March 31, 2024	1,032,095
Current	1,327
Non-current	1,030,768

10. Derivative liability

In November 2023, the Company entered into an interest rate swap with a lender, which exchanged its floating interest rate obligation on a notional \$250,000 of the Initial Term Loan for a fixed interest rate payment of 4.39% per annum on the notional amount. The interest rate swap has a three-year and nine-month term ending September 30, 2027. The Company designated the interest rate swap as a cash flow hedge upon meeting the hedging relationship criteria between the hedging instruments and the hedged item and recorded it at its fair value.

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

Any subsequent changes in fair value are recorded in other comprehensive income (loss) only to the extent that the hedge is effective. Any gain or loss related to the hedge's ineffective portion is recognized immediately to profit and loss.

Below is a reconciliation of derivative liability as at March 31, 2024:

	\$
Derivative liability, June 30, 2023	<u>—</u>
Realized gain on interest rate swap	653
Change in fair value of interest rate swap	(3,333)
Derivative liability, March 31, 2024	<u>(2,680)</u>

During the nine months ended March 31, 2024, the Company recognized a loss on the change in fair value of \$2,680 through other comprehensive income (loss) and a realized gain of \$653 recorded in finance costs in the condensed consolidated interim statements of operations for the effective portion of the hedge. The change in fair value is recorded as a derivative liability of \$2,680 in the condensed consolidated interim statements of financial position.

In March 2024, the Company discontinued the hedge accounting since the hedging instrument no longer meets the criteria for hedge accounting as the future cash flow and the forecasted transaction are no longer expected to occur in conjunction with the Company's subsequent event (refer to note 21 "Subsequent events" for further information); accordingly, the deferred loss recorded in accumulated other comprehensive income (loss) of \$2,680 has been reclassified to finance costs in the condensed consolidated interim statements of operations.

11. Convertible debentures

	\$
Balance, June 30, 2022	<u>276,000</u>
Change in fair value through profit & loss [a]	4,244
Change in fair value through other comprehensive income (loss) [a]	(14,163)
Balance, June 30, 2023	<u>266,081</u>
New Debentures issuance [b]	96,255
Original Debentures bought back [a]	(36,120)
Original Debentures swap [a]	(84,280)
Change in fair value through profit & loss [a] & [b]	(936)
Change in fair value through other comprehensive income (loss) [a] & [b]	56,861
Balance, March 31, 2024	<u>297,861</u>
Original Convertible Debentures	171,125
New Debentures	126,736
Total	<u>297,861</u>

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

[a] Original Convertible Debentures

In February 2021, the Company issued 345,000 convertible senior unsecured debentures ["Original Convertible Debentures"] for total cash proceeds of \$345,000 with a maturity date of March 1, 2026. The Original 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 Original Convertible Debentures do not qualify as a compound instrument; therefore, there is no equity component to the instrument. This is due to the fact that the Company has the right to settle the Original Convertible Debentures in cash if the holders elect to exercise their conversion option. Accordingly, the Original Convertible Debentures are classified and accounted for entirely as a financial liability, which the Company has elected to measure at FVTPL. The fair value of the Original Convertible Debentures is classified as Level 3 in the fair value hierarchy.

During the nine months ended March 31, 2024, the Company paid semi-annual interest on the Original Convertible Debentures of \$6,469 [2023 – \$6,469].

[b] New Convertible Debentures

In November 2023, the Company issued 20,425 convertible senior unsecured debentures ["New Debentures"] for total cash proceeds of \$12,255 with a maturity date of November 1, 2028. The New Debentures bear an interest rate of 6.5% payable semi-annually and are convertible into common shares of the Company at an exercise price of \$40.00 per share.

In January 2024, the Company executed its substantial issuer bid to purchase up to \$160,000 in aggregate principal amount of the Original Convertible Debentures. As a result, the Company retired \$48,000 of the Original Convertible Debentures for total cash consideration of \$36,144. The Company realized a loss of \$266 upon the retirement of the Original Convertible Debentures, which was recorded in finance costs in the condensed consolidated interim statements of operations and derecognized the Original Convertible Debentures from the condensed consolidated interim statements of financial position. As part of the same transaction, the Company issued \$140,000 in principal amount of 6.5% payable semi-annually senior unsecured extendible convertible debentures ["New Debentures"] due November 1, 2028, in consideration of \$112,000 in principal amount of the Original Convertible Debentures, accordingly the Company recognized a loss of \$549, which was recorded in finance costs in the condensed consolidated interim statements of operations.

The Company has treated the transaction as an extinguishment of the Original Convertible Debentures and the recognition of the New Debentures. After giving effect of the transaction, the Company has \$171,125 of the Original Convertible Debentures and \$126,736 of New Debentures as of March 31, 2024.

The Company determined that the New Debentures do not qualify as a compound instrument; therefore, there is no equity component to the instrument. This is because the Company has the right to settle the New Debentures in cash if the holders elect to exercise their conversion option. Accordingly, the New Debentures are classified and accounted

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

for entirely as a financial liability, which the Company has elected to measure at FVTPL. The fair value of the New Debentures is classified as Level 3 in the fair value hierarchy (refer to note 3 above).

12. Capital stock

[a] Authorized

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

[b] Issued and outstanding

	Common shares	
	#	\$
Balance, June 30, 2022	69,149	866,296
Stock options exercised [i]	487	1,908
Common shares cancelled under NCIB [ii]	(3,458)	(49,654)
Common shares cancelled under SIB [iii]	(11,227)	(137,344)
Balance, June 30, 2023	54,951	681,206
Stock options exercised [iv]	85	670
Common shares cancelled under NCIB [v]	(108)	(1,358)
Issuance of common shares, net of issuance costs [vi]	11,960	138,883
Balance, March 31, 2024	66,888	819,401

[i] During the year ended June 30, 2023, 487 stock options were exercised for cash proceeds of \$1,498 and the related grant date fair value of the options of \$410 was reclassified from contributed surplus to capital stock.

[ii] During the year ended June 30, 2023, the Company purchased and cancelled 3,458 shares for a total consideration of \$58,630 as part of a Normal Course Issuer Bid ["NCIB"]. The Company recorded a revaluation gain of \$1,399 through finance costs by favorably settling its liability under the NCIB at a lower average share price. The surplus of \$10,375 paid over the carrying value of the share issuance was charged to deficit.

[iii] During the year ended June 30, 2023, the Company purchased and cancelled 11,227 shares for a total consideration of \$165,000 as part of a Substantial Issuer Bid ["SIB"]. The surplus of \$27,656 paid over the carrying value of the share issuance was charged to deficit.

[iv] During the nine months ended March 31, 2024, 85 stock options were exercised for cash proceeds of \$670 and the related grant date fair value of the options of \$213 was reclassified from contributed surplus to capital stock.

[v] During the nine months ended March 31, 2024, the Company purchased and cancelled 108 shares for a total consideration of \$1,473 as part of an NCIB. The Company recorded a revaluation loss of \$4 through finance costs by unfavorably settling its liability under the NCIB at a higher average share price. The deficit of \$111 paid over the carrying value of the share issuance was charged to deficit.

[vi] During the nine months ended March 31, 2024, the Company issued 11,960 new shares through a bought deal offering for total gross consideration of \$144,716. The share issuance costs were \$5,833, resulting in net cash proceeds of \$138,883.

[c] Dividends

The Company paid \$2,285 of dividends to shareholders during the nine months ended March 31, 2024, [2023 – \$2,286] 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 and as otherwise stated]

As at and for the three and nine months ended March 31, 2024, and 2023.

13. Loss per share

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

	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Net loss attributable to the shareholders of the Company [basic]	(21,790)	(35,147)	(70,161)	(81,464)
Net loss attributable to the shareholders of the Company [diluted]	(21,790)	(35,147)	(70,161)	(81,464)
Weighted average number of shares for basic EPS	62,006	55,731	57,282	64,015
Weighted average number of shares adjusted for the effect of dilution	62,006	55,731	57,282	64,015
Basic EPS	(0.35)	(0.63)	(1.22)	(1.27)
Diluted EPS	(0.35)	(0.63)	(1.22)	(1.27)

For the three and nine months ended March 31, 2024, 22,695 and 20,158 options, respectively, were excluded from the calculation of diluted EPS, given the Company was in a net loss position during those periods and their effect would be anti-dilutive. For the three and nine months ended March 31, 2023, all potentially dilutive options were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive. For all prior year periods, 345,000 of Original Debentures, each representing \$1,000 of principal value, were excluded from the calculation of diluted EPS as their effect would have been anti-dilutive. The current periods exclude 185,000 Original Debentures and 160,425 New Debentures issued in FY2024 as their effect would have been anti-dilutive.

14. Finance costs, net

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

	Note	Three months ended March 31,		Nine months ended March 31,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Interest and accretion costs, net		36,289	33,230	114,142	87,417
Change in fair value of convertible debentures	11	(9,078)	4,865	(936)	4,244
Change in fair value of contingent consideration		—	892	649	4,647
Revaluation loss (gain) on shares bought back	12	—	1,292	4	(1,416)
Realized gain on interest rate swap	10	(653)	—	(653)	—
Realized loss on settlement of Original Debentures	11	266	—	266	—
Unrealized loss on New Debentures swap	11	549	—	549	—
Loss on discontinuation of hedge accounting on interest rate swap	10	2,680	—	2,680	—
Change in fair value of contingent consideration receivable	5	—	—	(2,446)	—
		30,053	40,279	114,255	94,892

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

15. Employee compensation

The Company's employee compensation for the three and nine months ended March 31 are as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Technology and operations	15,512	15,283	55,187	47,293
General and administrative	4,682	6,171	13,306	16,581
Sales and marketing	2,090	3,325	6,108	10,671
Restructuring	1,057	2,558	2,910	8,644
	23,341	27,337	77,511	83,189

16. Acquisition, restructuring and other costs

The Company's acquisition, restructuring and other costs for the three and nine months ended March 31 are as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Acquisition expenses	1,872	5,727	7,553	29,690
Listing and reorganization expenses	4,161	7,541	8,602	11,564
Restructuring	1,057	2,558	2,910	8,644
	7,090	15,826	19,065	49,898

Acquisition expenses, listing and 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 and are expected to be paid within the fiscal year. The restructuring liability as at March 31, 2024 is \$1,528 [June 30, 2023 – \$540].

17. 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 nine months ended March 31, 2024 and 2023 was as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Salaries and benefits	1,833	1,651	5,750	4,323
Stock-based compensation	8,082	6,030	17,043	16,953
	9,915	7,681	22,793	21,276

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

18. 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 condensed consolidated interim financial statements.

19. Fair value measurement

The fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and customer advances approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of holdbacks approximates their carrying value as these are due within three to eighteen months. The fair value of loans and borrowings approximates their carrying value due to the variable interest rates on these instruments. The Company measures its Original Convertible Debentures, New Debentures, contingent consideration on acquisitions, contingent consideration receivable and derivative liability at fair value.

All assets and liabilities for which fair value is measured or disclosed in these condensed consolidated interim 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.

Original Convertible Debentures, New Debentures, contingent consideration on acquisitions and contingent consideration receivable are classified as Level 3 financial instruments. Derivative liability is classified as Level 2 financial instruments. As discussed under note 3 above, there is a change occurred from Level 2 financial instruments to Level 3 financial instruments related to convertible debentures' During the three and nine months ended March 31, 2024, and 2023, the total convertible debentures balance of \$345,425 have changed from Level 2 to Level 3 at the beginning of Q3, 2024. The Company uses the model to measure the fair value of convertible debentures. The model uses the inputs from observable markets where possible using a degree of judgment to determine convertible debentures' fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility to determine convertible debentures' fair value. A change in credit spread by 1%, with all other variables held constant, would impact the fair value of the convertible debenture by approximately \$4,010.

A change in interest or discount rate by 1%, with all other variables held constant, would impact the fair value of contingent consideration by approximately \$50. The fair value of contingent consideration also depends on the acquired businesses meeting certain performance obligations, such as the successful completion of integration activities as well as meeting certain sales targets over a fixed measurement period.

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

Changes in the fair value of interest rate swap designated for cash flow hedge accounting are based on calculations and valuation models using observable market rates. A change in interest rate by 1% would impact the fair value of the derivative liability by \$1,452.

See notes 5 and 10 for additional details on the contingent consideration receivable, and derivative liability.

20. 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 multiple geographic regions, being Canada, UK and Ireland, Australia and other. The following tables present details on revenues derived and details on property and equipment and intangible assets domiciled in the following geographical locations.

Revenue for the three and nine months ended March 31, 2024, and 2023:

	Three months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Canada	63,317	57,261	196,514	188,207
UK and Ireland	28,023	30,022	83,619	91,541
Australia	14,425	16,811	47,275	51,164
Other	1,553	—	10,172	—
	<u>107,318</u>	<u>104,094</u>	<u>337,580</u>	<u>330,912</u>

Property and equipment and intangible assets by geographic region as at March 31, 2024 and June 30, 2023:

	Canada	UK and Ireland	Australia	Other	Total
	\$	\$	\$	\$	\$
March 31, 2024					
Property and equipment	3,628	1,052	1,612	284	6,576
Intangible assets	576,602	173,864	60,766	12,030	823,262
June 30, 2023					
Property and equipment	2,447	1,665	1,904	—	6,016
Intangible assets	643,723	200,515	65,891	13,065	923,194

Dye & Durham Limited

Notes to condensed consolidated interim financial statements

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

As at and for the three and nine months ended March 31, 2024, and 2023.

21. Subsequent events

Loans and borrowings

On April 11, 2024, the Company announced the closing of the Refinancing Transactions of approximately \$760,000 [USD 555,000] aggregate principal amount of its 8.625% senior secured notes due 2029 and approximately \$479,000 [USD 350,000] aggregate principal amount of its senior secured term loan B facility and its \$105,000 revolving credit facility (together the "Refinancing Transactions").

The Company will place \$185,000 of the proceeds in an escrow account, and the amount will be held until the earlier of [a] the repurchase by the Company of all of the outstanding Original Convertible Debentures, or [b] the maturity date of the Original Convertible Debentures.

In connection with the above transaction, the Company repaid all amounts outstanding under the Ares Credit Facility.

The Company has entered into cross-currency swaps to mitigate its exposure to currency and interest rate fluctuations in regard to New Term Loan Facility and currency fluctuations in regards to the Secured Notes in accordance with its risk management objectives.

Convertible debentures

Following the closing of the Company's Refinancing Transactions on April 11, 2024, the Company's Board of Directors approved to make an offer, by way of a substantial issuer bid, to acquire some or all of its outstanding Original Convertible Debentures.

Derivative financial instruments and hedging

In April 2024, The Company has fully settled the interest rate swap to reduce its exposure to changes in the US Dollar and interest rates disclosed under note 10 above.

Following the closing of the Company's Refinancing Transactions on April 11, 2024, the Company has entered into cross currency and interest rate hedges to stabilize the Canadian dollar equivalent and interest rate on the refinancing transactions.

Dividend declaration

On May 14, 2024, the Company's Board of Directors approved a dividend for the three months ending March 31, 2024, in the amount of \$0.01875 per common share, to be paid on or about May 24, 2024, to holders of common shares of record as of the close of business on May 17, 2024.