

Condensed Consolidated Interim Financial Statements of
(Unaudited)

GDI INTEGRATED FACILITY SERVICES INC.

For the three-month and six-month periods ended June 30, 2021 and 2020

Financial Statements

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GDI INTEGRATED FACILITY SERVICES INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited) (In thousands of Canadian dollars)

	As at June 30, 2021	As at December 31, 2020
Assets		
Current assets		
Cash	22,174	3,443
Trade and other receivables and contract assets (note 5)	319,241	302,841
Canadian Emergency Wage Subsidy receivable	5,827	7,280
Current tax assets	3,003	1,895
Inventories	30,832	21,944
Prepaid expenses and other	8,741	17,492
Total current assets	389,818	354,895
Non-current assets		
Trade and other receivables and contract assets	2,218	1,029
Property, plant and equipment (note 5)	87,146	83,733
Deferred tax assets	2,521	2,467
Intangible assets (note 5)	103,405	94,478
Goodwill (note 5)	231,936	213,415
Total non-current assets	427,226	395,122
Total assets	817,044	750,017
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	1,914	4,620
Trade and other payables (note 5)	197,107	165,434
Provisions	14,516	14,769
Contract and other liabilities (note 5)	29,021	19,295
Current tax liabilities	3,141	16,591
Current portion of long-term debt (notes 5, 6 and 11)	19,250	18,231
Total current liabilities	264,949	238,940
Non-current liabilities		
Long-term debt (notes 5, 6 and 11)	157,712	150,506
Long-term payables	3,631	4,595
Derivatives (note 11)	1,160	2,378
Deferred tax liabilities (note 5)	20,223	14,467
Total non-current liabilities	182,726	171,946
Shareholders' equity		
Share capital (note 10)	367,771	363,728
Deficit	(3,767)	(30,802)
Contributed surplus	6,191	6,406
Accumulated other comprehensive loss	(826)	(201)
Total shareholders' equity	369,369	339,131
Total liabilities and shareholders' equity	817,044	750,017

See accompanying notes to condensed consolidated interim financial statements.

GDI INTEGRATED FACILITY SERVICES INC.

Condensed Consolidated Interim Statements of Comprehensive Income
(Unaudited) (In thousands of Canadian dollars, except for earnings per share)

	<u>Three-month periods</u> <u>ended June 30,</u>		<u>Six-month periods</u> <u>ended June 30,</u>	
	2021	2020	2021	2020
Revenues (note 4)	372,190	326,732	755,791	681,584
Cost of services (note 7)	289,247	250,021	584,719	538,937
Selling and administrative expenses (note 7)	51,856	55,870	107,986	103,104
Transaction, reorganization and other costs	317	2,469	821	3,208
Canadian Emergency Wage Subsidy and related expenses (note 7)	(5,466)	(23,250)	(12,665)	(23,250)
Amortization of intangible assets	4,756	3,706	9,497	6,974
Depreciation of property, plant and equipment	7,466	8,124	14,182	14,277
Operating income	24,014	29,792	51,251	38,334
Net finance expense (note 8)	3,527	10,118	12,388	10,888
Income before income taxes	20,487	19,674	38,863	27,446
Income tax expense	6,528	6,189	11,828	9,659
Net income	13,959	13,485	27,035	17,787
Other comprehensive (loss) income				
(Losses) gains that are or may be reclassified to earnings:				
Foreign currency translation differences for foreign operations	(1,811)	(4,374)	(4,009)	4,642
Hedge of net investments in foreign operations, net of tax of nil	1,274	2,355	2,417	(2,441)
Cash flow hedges, effective portion of changes in fair value, net of tax of (\$88) and (\$348) (\$185 and \$736 in 2020) (note 11)	352	(525)	967	(2,052)
	(185)	(2,544)	(625)	149
Total comprehensive income	13,774	10,941	26,410	17,936
Earnings per share (note 12):				
Basic	0.61	0.63	1.18	0.83
Diluted	0.59	0.61	1.15	0.81

See accompanying notes to condensed consolidated interim financial statements.

GDI INTEGRATED FACILITY SERVICES INC.

Condensed Consolidated Interim Statements of Changes in Equity
Six-month periods ended June 30, 2021 and 2020
(Unaudited) (In thousands of Canadian dollars)

	Share Capital		Deficit	Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income (loss) ⁽¹⁾	Total
	Number (in thousands of shares)	Amount					
Balance, January 1, 2020	21,406	329,705	(78,793)	6,124	1,800	2,146	260,982
Net income	–	–	17,787	–	–	–	17,787
Other comprehensive income	–	–	–	–	–	149	149
Total comprehensive income for the period	–	–	17,787	–	–	149	17,936
Transactions with owners of the Company:							
Share-based compensation	–	–	–	1,000	–	–	1,000
Stock options exercised (note 10)	234	4,866	–	(1,188)	–	–	3,678
Conversion of convertible debenture	3	75	–	–	(5)	–	70
Balance, June 30, 2020	21,643	334,646	(61,006)	5,936	1,795	2,295	283,666
Balance, January 1, 2021	22,780	363,728	(30,802)	6,406	–	(201)	339,131
Net income	–	–	27,035	–	–	–	27,035
Other comprehensive loss	–	–	–	–	–	(625)	(625)
Total comprehensive income for the period	–	–	27,035	–	–	(625)	26,410
Transactions with owners of the Company:							
Share-based compensation	–	–	–	765	–	–	765
Stock options exercised (note 10)	185	4,043	–	(980)	–	–	3,063
Balance, June 30, 2021	22,965	367,771	(3,767)	6,191	–	(826)	369,369

⁽¹⁾ The amount of Accumulated other comprehensive income (loss) is net of tax of \$308 (\$656 at January 1, 2021 and, \$736 at June 30, 2020 and nil at January 1, 2020).

See accompanying notes to condensed consolidated interim financial statements.

GDI INTEGRATED FACILITY SERVICES INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited) (In thousands of Canadian dollars)

	Six-month periods ended June 30,	
	2021	2020
Cash flows from (used in) operating activities		
Net income	27,035	17,787
Adjustments for:		
Depreciation and amortization	23,679	21,251
Equity portion of share-based compensation	765	1,000
Net finance expense (note 8)	12,388	10,888
Income tax expense	11,828	9,659
Other	(80)	(148)
Income taxes paid	(25,244)	(4,032)
Net changes in non-cash operating assets and liabilities (note 9)	14,468	(20,693)
Net cash from operating activities	64,839	35,712
Cash flows from (used in) financing activities		
Proceeds from issuance of long-term debt	78,204	129,571
Repayment of long-term debt	(71,736)	(89,419)
Payment of lease liabilities	(8,523)	(6,770)
Interest paid	(2,002)	(4,344)
Proceeds from issuance of subordinate voting shares	3,063	3,678
Financing expenses paid related to loans and borrowings	(267)	(284)
Net cash (used in) from financing activities	(1,261)	32,432
Cash flows from (used in) investing activities		
Business acquisitions, net of cash acquired (note 5)	(34,351)	(61,817)
Additions to property, plant and equipment	(6,974)	(3,879)
Additions to intangible assets	(1,375)	(1,776)
Proceeds on disposal of property, plant and equipment	330	99
Net cash used in investing activities	(42,370)	(67,373)
Foreign exchange gain (loss) on cash held in foreign currencies	229	(895)
Net change in cash	21,437	(124)
Cash, beginning of period:		
Cash	3,443	3,827
Bank indebtedness	(4,620)	-
	(1,177)	3,827
Cash, end of period:		
Cash	22,174	7,214
Bank indebtedness	(1,914)	(3,511)
	20,260	3,703

Other information related to cash flow (note 9)

See accompanying notes to condensed consolidated interim financial statements.

GDI INTEGRATED FACILITY SERVICES INC.

Notes to Condensed Consolidated Interim Financial Statements
Three-month and six-month periods ended June 30, 2021 and 2020
(Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)

1. Reporting entity

GDI Integrated Facility Services Inc. (the “Company” or “GDI”) is a company incorporated under the Canada Business Corporations Act. GDI operates in the outsourced facility services industry. The Company provides commercial cleaning services, building system controls, repair, servicing and other facility services, and distributes cleaning and sanitation supplies in Canada and the United States. The Company also acts as a franchisor with respect to cleaning and maintenance services. These condensed consolidated interim financial statements as at and for the three-month and six-month periods ended June 30, 2021 comprise the Company and its subsidiaries. All issued and outstanding subordinated voting shares of GDI are listed on the Toronto Stock Exchange under the symbol “GDI”. The Company’s head office is located at 695, 90th Avenue, LaSalle, Québec, H8R 3A4.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and with IAS 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. Certain information and footnote disclosure normally included in annual financial statements were omitted when such information was not considered material to the understanding of the Company’s interim financial information. As such, these condensed consolidated interim financial statements should be read in conjunction with the most recent annual consolidated financial statements of GDI issued on March 2, 2021.

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors of the Company on August 9, 2021.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for the following items:

- Contingent considerations and derivatives are measured at fair value; and
- Liabilities for cash-settled share-based compensation arrangements are measured in accordance with IFRS 2, *Share-Based Payment*.

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise indicated.

GDI INTEGRATED FACILITY SERVICES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued
Three-month and six-month periods ended June 30, 2021 and 2020
(Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)

2. Basis of preparation (continued)

(d) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's significant accounting policies and key sources of information are the same as those applied and described in GDI's consolidated financial statements for the year ended December 31, 2020.

(e) Seasonality

The Company does not believe seasonality to be a material factor in quarterly results, with the exception of the Technical services segment, for which the revenues, operating income and adjusted EBITDA (refer to note 4) are generally lower in the first half of the year.

(f) COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. As at June 30, 2021, the situation is still dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company, which were mitigated by the Company since the beginning of the outbreak, are still volatile as the situation is continuously evolving.

3. Significant accounting policies

The accounting policies described in the Company's annual consolidated financial statements for the year ended December 31, 2020 have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

4. Segmented information

The Company provides services through the following business segments: Janitorial Canada, Janitorial USA and Technical services. Other services provided by the Company are presented in Complementary services.

The Janitorial Canada and Janitorial USA segments provide a wide range of basic cleaning services, such as floor cleaning and finishing, window washing, furniture polishing, carpet cleaning and dusting, as well as other building services including lawn maintenance, snow removal and other. The facilities served comprise office properties, shopping centers, industrial and institutional buildings, educational facilities, health care centers, airports, hospitals, laboratories, national retail stores and hotels in Canada and in the United States. Janitorial Canada also comprises a national network of approximately 700 franchisees covering cleaning services, mainly serving small and medium-size facilities.

GDI INTEGRATED FACILITY SERVICES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued
 Three-month and six-month periods ended June 30, 2021 and 2020
 (Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)

4. Segmented information (continued)

The Technical services segment provides building system controls, mechanical maintenance, heating, ventilation, air conditioning (“HVAC”), electrical, cabling for data transport, high voltage for commercial, industrial, institutional, government and residential building clients and provides services to maintain equipment at optimal efficiency for customers such as high-rise office buildings, manufacturing facilities and other commercial properties in Canada and in the United States.

The complementary services include manufacturing, sales and distribution of cleaning and sanitation supplies as well as rental and repairs of cleaning equipment in Canada.

	Three-month period ended June 30, 2021					
	Janitorial Canada	Janitorial USA ⁽¹⁾	Technical services ⁽²⁾	Complementary services	Corporate and eliminations	Total
Recurring/contractual services	95,264	67,402	19,813	–	–	182,479
On-call services	21,870	7,496	46,627	–	–	75,993
Project	–	–	92,837	–	–	92,837
Manufacturing and distribution	–	–	–	11,268	–	11,268
Other revenues	8,862	–	751	–	–	9,613
Total external revenues	125,996	74,898	160,028	11,268	–	372,190
Inter-segment revenues	120	1	7	3,400	(3,528)	–
Revenues	126,116	74,899	160,035	14,668	(3,528)	372,190
Income (loss) before income taxes	15,049	4,889	3,051	(218)	(2,284)	20,487
Net finance expense	22	765	528	37	2,175	3,527
Operating income (loss)	15,071	5,654	3,579	(181)	(109)	24,014
Depreciation and amortization	3,146	1,499	6,248	708	621	12,222
Canadian Emergency Wage Subsidy and related expenses	–	–	–	–	(5,466)	(5,466)
Transaction, reorganization and other costs	19	78	42	50	128	317
Share-based compensation ⁽³⁾	–	–	–	–	1,926	1,926
Adjusted EBITDA	18,236	7,231	9,869	577	(2,900)	33,013
Total assets	267,905	114,699	363,545	52,035	18,860	817,044
Total liabilities	71,253	37,124	173,763	7,845	157,690	447,675
Acquisition of property, plant and equipment	1,489	474	3,498	90	1,439	6,990
Acquisition of intangible assets	–	–	65	41	881	987
Goodwill recorded on business acquisition ⁽⁴⁾	–	–	(213)	–	–	(213)

(1) As at June 30, 2021, the Janitorial USA segment’s non-current assets excluding financial instruments and deferred tax assets totalled \$68,115.

(2) The Technical services segment includes companies that operate in the United States. During the three-month period ended June 30, 2021, the revenue recognized from these companies amounted to \$47,711 and the non-current assets as at June 30, 2021 totalled \$45,344.

(3) Includes stock option, performance share unit and restricted share unit plans.

(4) During the three-month period ended June 30, 2021, the goodwill was also reduced by foreign currency translation for \$920.

GDI INTEGRATED FACILITY SERVICES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued
 Three-month and six-month periods ended June 30, 2021 and 2020
 (Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)

4. Segmented information (continued)

	Three-month period ended June 30, 2020					Total
	Janitorial Canada	Janitorial USA ⁽¹⁾	Technical services ⁽²⁾	Complementary services	Corporate and eliminations	
Recurring/contractual services	85,100	67,590	16,328	–	–	169,018
On-call services	22,394	12,769	36,828	–	–	71,991
Project	–	–	54,133	–	–	54,133
Manufacturing and distribution	–	–	–	20,200	–	20,200
Other revenues	11,390	–	–	–	–	11,390
Total external revenues	118,884	80,359	107,289	20,200	–	326,732
Inter-segment revenues	72	–	73	5,033	(5,178)	–
Revenues	118,956	80,359	107,362	25,233	(5,178)	326,732
Income (loss) before income taxes	12,024	4,472	(7,939)	3,506	7,611	19,674
Net finance expense	52	688	(66)	39	9,405	10,118
Operating income (loss)	12,076	5,160	(8,005)	3,545	17,016	29,792
Depreciation and amortization	3,089	1,724	5,803	719	495	11,830
Canadian Emergency Wage Subsidy and related expenses	–	–	–	–	(23,250)	(23,250)
Transaction, reorganization and other costs	–	–	2,286	25	158	2,469
Share-based compensation ⁽³⁾	–	–	–	–	1,703	1,703
Adjusted EBITDA	15,165	6,884	84	4,289	(3,878)	22,544
Total assets ⁽⁴⁾	275,829	123,634	272,263	56,663	21,628	750,017
Total liabilities ⁽⁴⁾	83,258	35,444	119,891	9,483	162,810	410,886
Acquisition of property, plant and equipment	826	348	2,225	198	276	3,873
Acquisition of intangible assets	297	–	646	54	106	1,103
Goodwill recorded on business acquisition ⁽⁵⁾	–	–	210	–	–	210

(1) As at December 31, 2020, the Janitorial USA segment's non-current assets excluding financial instruments and deferred tax assets totalled \$72,254.

(2) The Technical services segment includes companies that operate in the United States. During the three-month period ended June 30, 2020, the revenue recognized from these companies amounted to \$10,893 and the non-current assets as at December 31, 2020 totalled \$5,776.

(3) Includes stock option, performance share unit and restricted share unit plans.

(4) As at December 31, 2020.

(5) During the three-month period ended June 30, 2020, the goodwill was also reduced by foreign currency translation for \$2,043.

GDI INTEGRATED FACILITY SERVICES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued
 Three-month and six-month periods ended June 30, 2021 and 2020
 (Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)

4. Segmented information (continued)

	Six-month period ended June 30, 2021					
	Janitorial Canada	Janitorial USA ⁽¹⁾	Technical services ⁽²⁾	Complementary services	Corporate and eliminations	Total
Recurring/contractual services	193,348	136,290	38,945	–	–	368,583
On-call services	43,639	18,355	97,333	–	–	159,327
Project	–	–	179,237	–	–	179,237
Manufacturing and distribution	–	–	–	25,130	–	25,130
Other revenues	22,763	–	751	–	–	23,514
Total external revenues	259,750	154,645	316,266	25,130	–	755,791
Inter-segment revenues	219	105	11	6,687	(7,022)	–
Revenues	259,969	154,750	316,277	31,817	(7,022)	755,791
Income (loss) before income taxes	33,902	9,662	3,331	(148)	(7,884)	38,863
Net finance expense	34	2,159	1,034	69	9,092	12,388
Operating income (loss)	33,936	11,821	4,365	(79)	1,208	51,251
Depreciation and amortization	6,268	3,043	11,504	1,393	1,471	23,679
Canadian Emergency Wage Subsidy and related expenses	–	–	–	–	(12,665)	(12,665)
Transaction, reorganization and other costs	44	98	314	109	256	821
Share-based compensation ⁽³⁾	–	–	–	–	3,430	3,430
Adjusted EBITDA	40,248	14,962	16,183	1,423	(6,300)	66,516
Total assets	267,905	114,699	363,545	52,035	18,860	817,044
Total liabilities	71,253	37,124	173,763	7,845	157,690	447,675
Acquisition of property, plant and equipment	2,358	828	12,011	328	2,890	18,415
Acquisition of intangible assets	–	–	18,264	49	1,205	19,518
Goodwill recorded on business acquisition ⁽⁴⁾	–	–	20,306	–	–	20,306

(1) As at June 30, 2021, the Janitorial USA segment's non-current assets excluding financial instruments and deferred tax assets totalled \$68,115.

(2) The Technical services segment includes companies that operate in the United States. During the six-month period ended June 30, 2021, the revenue recognized from these companies amounted to \$89,976 and the non-current assets as at June 30, 2021 totalled \$45,344.

(3) Includes stock option, performance share unit and restricted share unit plans.

(4) During the six-month period ended June 30, 2021, the goodwill was also reduced by foreign currency translation for \$1,785.

GDI INTEGRATED FACILITY SERVICES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued
 Three-month and six-month periods ended June 30, 2021 and 2020
 (Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)

4. Segmented information (continued)

	Six-month period ended June 30, 2020					
	Janitorial Canada	Janitorial USA ⁽¹⁾	Technical services ⁽²⁾	Complementary services	Corporate and eliminations	Total
Recurring/contractual services	206,593	142,792	33,307	–	–	382,692
On-call services	32,532	20,687	84,711	–	–	137,930
Project	–	–	110,917	–	–	110,917
Manufacturing and distribution	–	–	–	31,188	–	31,188
Other revenues	18,857	–	–	–	–	18,857
Total external revenues	257,982	163,479	228,935	31,188	–	681,584
Inter-segment revenues	167	–	102	10,682	(10,951)	–
Revenues	258,149	163,479	229,037	41,870	(10,951)	681,584
Income (loss) before income taxes	18,018	8,469	(7,566)	4,096	4,429	27,446
Net finance expense	327	1,057	296	85	9,123	10,888
Operating income (loss)	18,345	9,526	(7,270)	4,181	13,552	38,334
Depreciation and amortization	6,156	3,487	9,298	1,440	870	21,251
Canadian Emergency Wage Subsidy and related expenses	–	–	–	–	(23,250)	(23,250)
Transaction, reorganization and other costs	47	12	2,741	67	341	3,208
Share-based compensation ⁽³⁾	–	–	–	–	3,038	3,038
Adjusted EBITDA	24,548	13,025	4,769	5,688	(5,449)	42,581
Total assets ⁽⁴⁾	275,829	123,634	272,263	56,663	21,628	750,017
Total liabilities ⁽⁴⁾	83,258	35,444	119,891	9,483	162,810	410,886
Acquisition of property, plant and equipment	1,644	910	18,152	364	493	21,563
Acquisition of intangible assets	476	–	14,798	115	427	15,816
Goodwill recorded on business acquisition ⁽⁵⁾	–	–	36,003	–	–	36,003

(1) As at December 31, 2020, the Janitorial USA segment's non-current assets excluding financial instruments and deferred tax assets totalled \$72,254.

(2) The Technical services segment includes companies that operate in the United States. During the six-month period ended June 30, 2020, the revenue recognized from these companies amounted to \$24,794 and the non-current assets as at December 31, 2020 totalled \$5,776.

(3) Includes stock option, performance share unit and restricted share unit plans.

(4) As at December 31, 2020.

(5) During the six-month period ended June 30, 2020, the goodwill was also increased by foreign currency translation for \$2,414.

GDI INTEGRATED FACILITY SERVICES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued
 Three-month and six-month periods ended June 30, 2021 and 2020
 (Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)

5. Business acquisitions

(a) Acquired businesses

Acquisition date	Company acquired ⁽¹⁾	Location	Segment reporting	Purchase price allocation status ⁽²⁾
2021 Acquisition				
January 1, 2021	The BPAC Group, Inc. and its operating subsidiaries, Legacy Insulation LLC, Visionary Endeavors LLC, BP Mechanical Corp., BP Air Conditioning Corp., and Blake Prime Services LLC (collectively, "BP")	New York, New York	Technical services	Preliminary
2020 Acquisition				
January 15, 2020	ESC Automation Inc. which includes its U.S. subsidiaries Delta Connects Inc. and New Patriot Energy Inc. (collectively, "ESC")	Vancouver, British Columbia ⁽³⁾	Technical services	Completed

⁽¹⁾ GDI acquired all of the outstanding shares of each acquired company.

⁽²⁾ Preliminary status: Given the limited time between the 2021 Acquisition and the current quarter-end, the purchase prices have been allocated on a preliminary basis and will be finalized as soon as the Company's management has obtained all the information it considers necessary. Completed status: The assessment of the fair value of the assets acquired and liabilities assumed is completed.

⁽³⁾ ESC is operating out of 12 regional offices across Canada and in Washington, Oregon, New Jersey and New York States in the United States.

(b) Results generated from the acquisitions

The following summarizes the effect of the business acquisitions, where 2021 refers to the BP Acquisition and 2020 refers to the ESC Acquisition:

	ACTUAL		PRO FORMA ⁽¹⁾	
	For the period between the acquisition dates and June 30,		Results for the period ended June 30,	
	2021	2020	2021	2020
Revenues	63,692	59,237	755,791	687,386
Net income	1,005	1,264	27,035	17,789

⁽¹⁾ The revenue and net income presented in the table above represent the GDI combined entity results for each reporting period, adjusted to give effect of all business combinations as of the beginning of the annual reporting period. The acquisitions results were also adjusted to bear the weight of additional financing required to acquire the businesses, as well as the effects of other purchase price allocation adjustments.

GDI INTEGRATED FACILITY SERVICES INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued
 Three-month and six-month periods ended June 30, 2021 and 2020
 (Unaudited) (In thousands of Canadian dollars, unless otherwise indicated)

5. Business acquisitions (continued)

(c) Identified assets acquired and liabilities assumed

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition dates of all business acquisitions, where 2021 refers to the BP Acquisition and 2020 refers to the ESC Acquisition:

	June 30, 2021	December 31, 2020
Current assets		
Cash	5,177	87
Trade and other receivables and contract assets ⁽¹⁾	36,524	37,972
Current tax asset	291	–
Inventories	1,432	2,653
Prepaid expenses and other	914	1,198
Trade and other receivables and contract assets ⁽²⁾	5,250	–
Property, plant and equipment	5,812	13,320
Intangible assets	18,143	14,040
Goodwill	20,306	36,384
Total assets	93,849	105,654
Current liabilities		
Bank indebtedness	–	1,197
Trade and other payables and provisions	34,665	16,545
Current tax liabilities	5	1,238
Contract and other liabilities	3,985	4,660
Current portion of long-term debt ⁽²⁾	1,444	2,066
Long-term debt ⁽²⁾	9,063	6,721
Deferred tax liabilities	4,521	2,925
Total liabilities	53,683	35,352
Total net assets	40,166	70,302
Cash	39,528	60,707
Balance of sale	638	9,595 ⁽³⁾
Total consideration transferred	40,166	70,302

(1) The trade receivables acquired in 2021 comprise gross contractual amounts due of \$28,151 (2020 – \$28,872) of which \$701 (2020 - \$2,840) was expected to be uncollectible at the date of acquisition. The share purchase agreements for both acquisitions include clauses stating that the Company will be compensated for any uncollected trade receivables after one year of the respective acquisition date if these receivables were not already provisioned.

(2) The long-term debt assumed as part of these business acquisitions represents lease liabilities, at the exception of a total amount of \$ 5,250 representing a Paycheck Protection Program loan (“PPP loan”) assumed by the Company upon completing the acquisition of BP. At acquisition date, a portion of the initial consideration for an amount corresponding to the PPP loan (included in “Trade and other receivables and contract assets”) was sent to an escrow account until the grant status is determined by the American authorities. Should the PPP loan be deemed forgiven and becomes a grant to BP, the amount in escrow will be delivered to the sellers but if the PPP loan is deemed repayable, the amount in escrow will be applied against the loan itself. On June 10, 2021, BP received the confirmation that the PPP loan was forgiven.

(3) The balance of sale related to the ESC acquisition represents the discounted value of two installments of \$5,000. The first installment was paid on February 14, 2021, and second installment is payable no later than February 14, 2022.

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5. Business acquisitions (continued)

(c) Identified assets acquired and liabilities assumed (continued)

The goodwill arising from the acquisitions is attributable to the expansion of GDI's customer base and geographic footprint, as well as expected synergies from combining operations.

In respect of the BP acquisition specifically, the goodwill is also attributable to the fact that BP is a well-established mechanical services company based in New York City and represents the Company's first significant acquisition in the US market for its Technical Services segment. Furthermore, BP will serve as the platform to build the technical services business in the U.S. market, opening a new and large avenue for growth for the Company.

In respect of the ESC acquisition specifically, the goodwill is also attributable to the fact that this acquisition further strengthens Ainsworth's building automation systems business across Canada and in Washington, Oregon, New Jersey and New York States in the U.S., and positions the Technical services segment as a master systems integrator with the capacities to install and service multiple types of building systems and related technologies.

The valuation techniques used for measuring the fair value of assets acquired were as follows:

The fair value of client relationships and backlog intangibles are determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of non-compete agreements are based on the discounted estimated revenues/losses that have been avoided as a result of the non-compete agreements being signed.

6. Long-term debt

	2021	2020
Senior secured credit agreement ^(a)		
Revolving credit facility, maturing in May 2025:		
First tranche available of US\$85,000 (used US\$56,000 (2020 – US\$47,000))	69,406	59,840
Second tranche available of \$200,000 (used CA\$60,000 and US\$1,000 (2020 – CA\$60,000 and nil US\$))	61,239	60,000
Less: unamortized financing costs	<u>(1,379)</u>	<u>(1,297)</u>
	129,266	118,543
Lease liabilities	39,556	36,648
Balance of sales payable	6,354	10,883
Contingent considerations payable	1,786	2,663
	<u>176,962</u>	<u>168,737</u>
Instalments due within one year	19,250	18,231
	<u>157,712</u>	<u>150,506</u>

(a) As at June 30, 2021, letters of credit amounting to \$11,535 (December 31, 2020 - \$9,059) were issued in favor of various customers which reduced the available credit of the authorized facility.

GDI is in compliance with all its covenants under the Senior Secured Credit Agreement as at June 30, 2021.

As at June 30, 2021, the Company had \$161,255 of credit available on its revolving credit facility limit and \$22,174 in cash.

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7. Expenses by nature

Cost of services, selling and administrative expenses and Canadian Emergency Wage Subsidy:

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Short-term employee wages and benefits and sub-contractors	272,244	231,786	561,340	504,198
Materials and supplies	55,558	53,810	105,057	100,598
Canadian Emergency Wage Subsidy	(5,511)	(23,250)	(12,821)	(23,250)
Other	13,346	20,295	26,464	37,245
	335,637	282,641	680,040	618,791

8. Net finance expense

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Interest on long-term debt	981	1,632	1,988	3,888
Interest on lease liabilities	364	329	735	693
Amortization of deferred financing expenses	90	601	185	766
Accretion of balances of sale and remeasurement of contingent consideration	140	157	788	9
Accretion on convertible debentures	–	1,007	–	1,137
Remeasurement of cash-settled share-based compensation	1,583	6,298	7,972	4,322
Other	369	94	720	73
Net finance expense	3,527	10,118	12,388	10,888

9. Statement of cash flows

The Company entered into the following transactions which had no impact on the cash flows:

	Six-month periods ended June 30,	
	2021	2020
Business acquisitions paid with balances of sales	638	9,595
Acquisition of property, plant and equipment by lease liabilities	5,629	4,364

The changes in non-cash operating assets and liabilities are detailed as follows:

	Six-month periods ended June 30,	
	2021	2020
Trade and other receivables and contract assets	21,189	9,321
Canadian Emergency Wage Subsidy receivable	1,453	(23,250)
Inventories	(7,511)	(2,018)
Prepaid expenses and other	9,631	(3,834)
Trade and other payables	(16,071)	298
Provisions	(175)	433
Contract and other liabilities	5,952	(1,643)
	14,468	(20,693)

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10. Share capital

(a) Authorized

The Company is authorized to issue an unlimited number of:

- Multiple voting shares, participating, without par value, with four votes per share without exceeding 40% of the aggregate votes for all voting shares, convertible into subordinate voting shares at any time at the option of the holder and automatically upon specific conditions.
- Subordinate voting shares, participating, with one vote per share.
- Preferred shares, issuable in series, without voting rights.

(b) Issued and outstanding

All issued shares were fully paid. The following table presents the issued shares:

	June 30, 2021		December 31, 2020	
	Number outstanding (in thousands of shares)	Amount	Number outstanding (in '000 of shares)	Amount
Subordinate voting shares	14,124	235,214	13,689	227,423
Multiple voting shares	8,841	132,557	9,091	136,305
	22,965	367,771	22,780	363,728

The following table summarizes the changes in options outstanding and the impact on weighted average per share exercise price during the periods:

	Equity-settled stock options (in units)	Weighted average exercise price (amounts in dollars)	Weighted average remaining years
Outstanding, January 1, 2021	1,377,551	19.72	7.15
Granted	71,316	53.23	–
Exercised	(185,495)	16.51	–
Forfeited	(6,200)	24.11	–
Outstanding, June 30, 2021	1,257,172	22.08	7.00
Exercisable, June 30, 2021	811,692	18.46	–
Outstanding, January 1, 2020	1,625,178	18.26	7.80
Granted	90,008	32.48	–
Exercised	(233,713)	15.74	–
Forfeited	(17,149)	20.42	–
Outstanding, June 30, 2020	1,464,324	19.51	7.59
Exercisable, June 30, 2020	739,726	16.94	–

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10. Share capital (continued)

(b) Issued and outstanding (continued)

The following table summarizes the change in Performance Share Units (“PSU”), Retention Share Units (“RSU”) and Deferred Share Units (“DSU”) under their respective award plans during the period:

	PSU	RSU	DSU
Outstanding, January 1, 2021	472,856	161,165	86,636
Granted	90,717	74,339	6,233
Redeemed	(296,027)	(40,417)	–
Forfeited	(10,552)	(11,092)	–
Outstanding, June 30, 2021	256,994	183,995	92,869
Outstanding, January 1, 2020	484,299	114,939	74,621
Granted	85,703	93,726	6,379
Redeemed	(198,214)	(34,849)	–
Forfeited	(5,117)	(3,671)	–
Outstanding, June 30, 2020	366,671	170,145	81,000

11. Financial instruments

(a) Measurement of fair values

The Company has determined that the fair values of its short-term financial assets and liabilities approximate their respective carrying amounts as at the condensed consolidated interim statements of financial position dates due to the short-term maturity of those instruments. The Company estimated the fair value of its long-term debt based on market interest rates for financial instruments with similar terms and risks. This table summarises the carrying amount and the fair value of long-term financial assets and liabilities:

	Fair values hierarchy level	As at June 30, 2021		As at December 31, 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current portion of trade and other receivables and contract assets	Level 3	2,218	2,218	1,029	1,029
Long-term debt, excluding contingent consideration	Level 3	175,176	176,555	166,074	167,371

As at June 30, 2021, the Company only has contingent consideration and interest rate swaps (“SWAPs”) carried at fair value. For financial instruments measured at fair value with Level 3 inputs, which corresponds to contingent considerations, a change in fair value for the three-month and six-month period ended June 30, 2021 of \$99 and \$696, respectively (2020 - \$49 and \$(259), respectively), was recognized in net finance expense (note 8). The SWAPs are recorded as Derivatives on the statement of financial position.

The valuation techniques as well as the significant unobservable inputs used in measuring Level 2 and Level 3 fair values are the same as what was described in the annual consolidated financial statements for the year ended December 31, 2020.

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11. Financial instruments (continued)

(b) Sensibility analysis

For the fair values of contingent consideration, reasonably possible changes at the reporting date to the forecasted EBITDA, holding other inputs constant, would not have any significant effects as at June 30, 2021 on condensed consolidated interim statement of comprehensive income and on equity.

(c) Risk management

There have been no significant changes in the Company's risk exposures during the six-month period ended June 30, 2021 from those described in the Company's consolidated financial statements for the year ended December 31, 2020.

12. Earnings per share

(in thousands of shares)	Three-month periods		Six-month periods	
	ended June 30, 2021	2020	ended June 30, 2021	2020
Weighted-average number of common shares during the period	22,940	21,510	22,877	21,460
Dilutive effect of the stock options granted	752	556	662	559
Weighted-average number of common shares including dilutive effects during the period ended	23,692	22,066	23,539	22,019
Anti-dilutive items:				
Stock options granted, excluded from the calculation	71	47	71	25
Shares potentially issuable on conversion of the convertible debentures, excluded from the calculation	-	1,079	-	1,079