TERRAVEST INDUSTRIES

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2023 and 2022

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TerraVest Industries Inc.

Opinion

We have audited the consolidated financial statements of TerraVest Industries Inc. (the "Entity"), which comprise:

- the consolidated statement of financial position as at September 30, 2023
- the consolidated statement of income and comprehensive income for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at September 30, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended September 30, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor’s report.

Assessment of the existence and accuracy of raw materials and work-in-progress inventories

Description of the Key Audit Matter

We draw attention to Notes 2.13 and 7 to the financial statements. The raw materials and work-in-progress inventories totaled $87.1 million and $67.6 million, respectively. The Entity measures inventories at the lower of cost and net realizable value. The cost of raw materials and work-in-progress inventories includes all costs of purchase, manufacturing costs and other costs incurred to bring the inventories to their present location and condition. Manufacturing costs includes a pro rata share of production overheads based on normal production capacity. The cost of inventories is based on weighted average cost or first-in, first-out (“FIFO”) method.

Why the matter is a Key Audit Matter

We identified the assessment of the existence and accuracy of raw materials and work-in-progress inventories as a key audit matter. This matter required an increased audit effort given the magnitude of the raw materials and work-in-progress balances, the number of products involved and the fact that the inventories are held in numerous locations.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- For a selection of locations, we observed the Entity’s physical counts at or close to the year-end date and we independently counted a sample of raw materials and work-in-progress inventories, which we compared to (1) the quantity counted by the Entity’s personnel, and (2) the quantity in the Entity’s inventory records.
- For a selection of locations, we tested a sample of inventory movements by inspecting raw materials purchase invoices and sales shipping documents between the count date and the year-end date.

- For a selection of locations:
  - we tested a sample of raw materials and work-in-progress inventories items by inspecting raw materials purchase invoices and by inspecting supporting documentation for manufacturing costs for work-in-progress inventories, and
  - we assessed the appropriate application of the Entity’s costing methodologies by recalculating the inventory cost for the sampled items, according to the weighted average cost or FIFO methods as applicable.

Emphasis of Matter - Comparative Information

We draw attention to Note 29 to the financial statements (“Note 29”), which explains that certain comparative information presented for the year ended September 30, 2022 has been restated to reflect changes to reportable segments including new reportable segments. Note 29 explains the reason for the restatement. Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

The financial statements for the year ended September 30, 2022, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor, who expressed an unmodified opinion on those financial statements on December 13, 2022.

As part of our audit of the financial statements for the year ended September 30, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended September 30, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended September 30, 2022. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor’s report is Philippe Grubert.

KPMG LLP*

Montréal, Canada

May 7, 2024

*CPA auditor, public accountancy permit No. A120220

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
TerraVest Industries Inc.

Opinion

We have audited the consolidated financial statements of TerraVest Industries Inc. (hereafter "the Company"), which comprise the consolidated statement of financial position as at September 30, 2022, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Evaluation of the recoverability of the carrying values of goodwill and intangible assets with indefinite useful life

As described in Note 2.18 to the consolidated financial statements, the goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually and more frequently whenever there is an indication that an asset may be impaired. We identified the Company’s evaluation of the recoverability of the carrying values of the goodwill and the intangible assets with an indefinite useful life as a key audit matter.

Why the matter was determined to be a key audit matter

This annual impairment test was significant to our audit because the balances of goodwill and other intangible assets (and more specifically the trademarks), being respectively $24,231,000 and $10,948,000 as at September 30, 2022, are material to the consolidated financial statements. In addition, management’s assessment process is based on assumptions, specifically profit margins, growth rates and discount rates, which are affected by expected future market or economic conditions, giving rise to high estimation uncertainty.

How the matter was addressed in the audit

Our audit procedures related to the Company’s evaluation of the recoverability of the carrying values of goodwill and intangible assets with an indefinite useful life included, among others:

- We evaluated the reasonableness of the Company’s cash flows by comparing projections to:
    - Historical results;
    - Long-term economic growth forecasts;
    - Current business plans;

- We used our valuation experts to assist us in evaluating the assumptions, methodologies and data used by the Company, in particular those relating to growth rates, profit margins and discount rates;

- We assessed the adequacy of the Company’s disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill. The Company’s assumptions are detailed in Note 13 of the consolidated financial statements;

- We tested the completeness and accuracy of the underlying data used in the Company’s valuation model;

- We performed a sensitivity analysis on significant management assumptions used in the valuation model. The Company’s assumptions are detailed in Note 13 of the consolidated financial statements.

Business combinations

As described in Note 2.5 to the consolidated financial statements, the Company applies the acquisition method in accounting for business combinations. The

Company completed the acquisition of three entities for a total consideration of $58,432,000 in 2022. The final purchase price allocation of a business combination from 2021 that had a total consideration of $37,498,000 was also completed as described in Note 4 to the consolidated financial statements. Under the acquisition method, the purchase price was allocated to the assets acquired and the liabilities assumed based on their respective fair value, including identified intangible assets and resulting goodwill. We identified the business combinations as a key audit matter.

Why the matter was determined to be a key audit matter

The business combinations were significant to our audit because of the significant estimates and assumptions management makes with regards to the fair values of assets and liabilities recorded upon the acquisition. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's projections of future cash flows, as well as the selection of discount rates, including the need to involve our valuation experts.

How the matter was addressed in the audit

Our audit procedures related to the business combinations included, among others:

- We evaluated, with the assistance of our valuation experts, the reasonableness of management's projections of future cash flows by comparing the projections to historical results and long-term economic growth forecasts;

- We evaluated, with the assistance of our valuation experts, the reasonableness of the valuation methodologies and discount rates by:

    - Testing information used to determine the discount rates;
    - Performing sensitivity analysis by developing a range of independent estimates for the discount rates and comparing those to the discount rates applied by management;

- We evaluated, with the assistance of our valuation experts, the reasonableness of customer attrition rates;

- We tested the fair values of the other assets and liabilities included upon the acquisition which were not subject to cash flow projection valuation methods;

- We tested the mathematical accuracy of calculations;

- We tested the existence of assets and liabilities included in the purchase price allocation.

Emphasis of Matter – Comparative Information

We draw attention to Note 29 to the consolidated financial statements, which explains that certain comparative information presented for the year ended September 30, 2022 has been restated to reflect changes to the reportable segments, including new reportable segments. Our opinion is not modified in respect of this matter.

The adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on the consolidated financial statements for the year ended September 30, 2023 on May 7, 2024.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mario Venditti.

Raymond Chabot Grant Thornton LLP[1]

Montréal
December 13, 2022

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1 CPA auditor, public accountancy permit nº A121855

TERRAVEST INDUSTRIES INC.

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

	Note	As at September 30, 2023	As at September 30, 2022
		$	$
ASSETS			
Current			
Cash		**24,758**	9,394
Accounts receivable	6	**123,104**	108,678
Income taxes receivable		**5,185**	3,007
Inventories	7	**197,249**	191,244
Other current assets	8	**12,887**	9,829
		363,183	322,152
Non-Current			
Property, plant and equipment	9	**173,032**	160,671
Right-of-use assets	10	**29,822**	29,395
Intangible assets	11	**29,652**	36,533
Net defined benefit asset	18	**6,858**	5,753
Deferred income tax assets	17	**11,177**	22,220
Investments	12	**15,215**	13,418
Other non-current assets		**-**	150
Goodwill	13	**23,976**	24,231
		652,915	614,523
LIABILITIES			
Current			
Bank overdrafts		**173**	360
Revolving credit facilities	15	**29,255**	3,332
Accounts payable and accrued liabilities	14	**81,974**	83,248
Customer deposits		**34,613**	29,768
Dividends payable	19	**2,239**	1,789
Income taxes payable		**6,975**	2,319
Current portion of long-term debt	15	**29,665**	11,106
Current portion of lease liabilities	16	**6,064**	4,953
		190,958	136,875
Non-Current			
Long-term debt	15	**176,528**	228,459
Lease liabilities	16	**27,363**	27,652
Net defined benefit liability	18	**3,554**	4,049
Deferred income tax liabilities	17	**16,769**	21,571
		415,172	418,606
SHAREHOLDERS' EQUITY			
Share capital	19	**150,092**	150,467
Share premium		**18,788**	20,408
Share-based payments reserve	19	**1,980**	955
Accumulated other comprehensive income		**1,652**	2,280
Retained earnings		**44,564**	9,463
		217,076	183,573
Non-controlling interests		**20,667**	12,344
		237,743	195,917
		652,915	614,523

See accompanying notes to the consolidated financial statements

On behalf of the Board:

/s/ Charles Pellerin, Director /s/ Blair Cook, Director

TERRAVEST INDUSTRIES INC.
Consolidated Statements of Income

(In thousands of Canadian dollars, except share and per share amounts)

	Note	Years ended September 30, 2023	September 30, 2022
		$	$
SALES	29		
Products		**518,904**	486,541
Services		**159,446**	90,163
		678,350	576,704
Cost of sales		**512,391**	452,318
Gross profit		**165,959**	124,386
EXPENSES			
Administration		**66,856**	54,900
Selling		**20,724**	18,464
Financing costs	22	**15,880**	9,342
Share of an associate and a joint venture net (income) loss		**(11)**	62
Other (gains) losses	23	**(4,758)**	(17,037)
		98,691	65,731
EARNINGS BEFORE INCOME TAXES		**67,268**	58,655
INCOME TAX EXPENSE	17		
Current		**12,544**	9,181
Deferred		**5,091**	2,704
		17,635	11,885
NET INCOME		**49,633**	46,770
Net income attributable to:			
Common shareholders		**42,073**	45,252
Non-controlling interests		**7,560**	1,518
		49,633	46,770
Weighted average number of common shares:			
Basic	20	**17,877,555**	17,877,941
Diluted	20	**18,122,265**	18,093,678
Net income per share:			
Basic	20	**$2.35**	$2.53
Diluted	20	**$2.32**	$2.50

See accompanying notes to the consolidated financial statements

TERRAVEST INDUSTRIES INC.

Consolidated Statements of Comprehensive Income

(In thousands of Canadian dollars)

	Years ended	
	September 30, 2023	**September 30, 2022**
	$	**$**
NET INCOME	**49,633**	46,770
Other comprehensive income (loss), net of income tax:		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translating foreign operations	**(628)**	3,468
	49,005	50,238
Common shareholders	**41,445**	48,720
Non-controlling interests	**7,560**	1,518
	49,005	50,238

See accompanying notes to the consolidated financial statements

TERRAVEST INDUSTRIES INC.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

	Note	Years ended September 30, 2023	September 30, 2022
		$	**$**
Share capital			
Common shares:	19		
Balance, beginning of year		**150,467**	141,712
Issued on business combination, net of transaction costs		**-**	9,118
Issued on exercise of stock options		**85**	-
Repurchased and cancelled during the year		**(460)**	(363)
Balance, end of year		**150,092**	150,467
Share premium			
Balance, beginning of year		**20,408**	21,027
Carrying value of common shares repurchased lower than consideration paid		**(852)**	(619)
Reduction on exercise of stock options		**(768)**	-
Balance, end of year		**18,788**	20,408
Share-based payments reserve			
Balance, beginning of year		**955**	334
Share-based payments expense	19	**1,140**	621
Reduction on exercise of stock options		**(115)**	-
Balance, end of year		**1,980**	955
Accumulated other comprehensive income (loss)			
Balance, beginning of year		**2,280**	(1,188)
Other comprehensive income (loss)		**(628)**	3,468
Balance, end of year		**1,652**	2,280
Retained earnings (accumulated deficit)			
Balance, beginning of year		**9,463**	(29,830)
Net income attributable to common shareholders		**42,073**	45,252
Net remeasurement gain on defined benefit plans, net of income tax		**2,078**	1,205
Change in non-controlling interest		**(114)**	-
Dividends declared during the year		**(8,936)**	(7,164)
Balance, end of year		**44,564**	9,463
Total shareholders' equity attributable to common shareholders		**217,076**	183,573
Non-controlling interests			
Balance, beginning of year		**12,344**	4
Recognition of non-controlling interest		**-**	10,930
Change in non-controlling interest		**270**	(108)
Change attributable to subsidiary's stock options plan		**493**	-
Net income attributable to non-controlling interests		**7,560**	1,518
Balance, end of year		**20,667**	12,344
Total shareholders' equity		**237,743**	195,917

See accompanying notes to the consolidated financial statements

TERRAVEST INDUSTRIES INC.
Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

		Years ended	
	Note	September 30, 2023	September 30, 2022
		$	$
OPERATING ACTIVITIES			
Net income		**49,633**	46,770
Adjustments for:			
Current income tax expense		**12,544**	9,181
Interest expense		**15,685**	9,000
Items not affecting cash	24	**43,096**	24,178
Interest paid		**(15,346)**	(8,929)
Net income taxes paid		**(9,591)**	(11,285)
Contributions to post-employment benefits plans	18	**(237)**	(672)
Termination of benefits pension plan	18	**749**	-
Settlement of derivative financial instruments		**111**	51
Change in non-cash operating working capital items	24	**(17,402)**	(38,346)
		79,242	29,948
INVESTING ACTIVITIES			
Consideration paid on business combinations, net of cash acquired	4	**(17,912)**	(37,796)
Purchase of other property, plant and equipment		**(19,459)**	(21,053)
Proceeds from disposal of other property, plant and equipment		**5,989**	2,887
Purchase of property, plant and equipment for rental		**(13,696)**	(14,509)
Proceeds from disposal of property, plant and equipment for rental		**6,129**	7,769
Purchase of intangible assets		**(352)**	(171)
Investments	24	**(867)**	(10,970)
Net change in non-controlling interest		**(16)**	(108)
		(40,184)	(73,951)
FINANCING ACTIVITIES			
Net change in current revolving credit facilities		**325**	2,692
Net change in long-term revolving operating loans, net of transaction costs		**(9,313)**	61,844
Issuance of long-term debt, net of transaction costs		**13,201**	9,324
Repayment of long-term debt		**(11,908)**	(14,812)
Repayment of lease liabilities		**(5,828)**	(5,753)
Transaction costs paid on common shares issued		**-**	(21)
Common shares repurchased and cancelled	19	**(1,312)**	(982)
Settlement of subsidiary's stock options		**(63)**	-
Dividends paid		**(8,485)**	(7,132)
		(23,383)	45,160
Net inflows for the year		**15,675**	1,157
Cash and bank overdrafts, beginning of year		**9,034**	7,481
Impact of foreign exchange on cash and bank overdrafts		**(124)**	396
CASH AND BANK OVERDRAFTS, END OF YEAR		**24,585**	9,034

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF THE BUSINESS

TerraVest Industries Inc. ("TerraVest" or the "Company") is incorporated under the laws of Alberta and is listed on the Toronto Stock Exchange (equity symbol: TVK). TerraVest's head office is located at 6205 60 Street in Vegreville, Alberta, Canada.

TerraVest is a diversified industrial company that manufactures and sells goods and services to various end-markets including: energy, agriculture, mining, and transportation, among others. TerraVest is focused on acquiring and operating market-leading businesses that will benefit from TerraVest's financial and operational support. These opportunities generally center on manufactured steel products that complement TerraVest's existing operations and provide integration benefits.

TerraVest is comprised of four operating segments described in Note 2.6.

2. ACCOUNTING POLICIES

TerraVest's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"). These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 12, 2023.

At the authorization date of these consolidated financial statements, several new, but not yet effective, standards and amendments to existing standards and interpretations have been published by the International Accounting Standards Board. None of these standards or amendments to existing standards have been adopted early by TerraVest. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on TerraVest's consolidated financial statements.

The following significant accounting policies have been applied to all periods presented in these consolidated financial statements.

2.1 Basis of presentation

These consolidated financial statements have been prepared using the going concern assumption and the historical cost method except for certain financial instruments for which the accounting treatment is described in Note 2.24.

2.2 Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars; TerraVest's functional currency.

2.3 Basis of consolidation

These consolidated financial statements include the accounts of TerraVest and of its subsidiaries. Accounts of the subsidiaries are included in the consolidated financial statements from the date TerraVest obtains control until the date control ceases. All intercompany balances, revenues and expenses and cash flows are fully eliminated upon consolidation.

Subsidiaries are entities controlled by TerraVest. Control is achieved when TerraVest has power over the entity, is entitled to returns from the entity and has the ability to affect those returns through its power over the entity.

TerraVest attributes net income and comprehensive income of subsidiaries between the owners of TerraVest and the non-controlling interests based on their respective ownership interests.

(In thousands of Canadian dollars, except share and per share amounts)

The significant subsidiaries of TerraVest included in these consolidated financial statements are as follows:

Name of Subsidiary	Country	% of ownership
Argo Sales LP	Canada	100
Diamond Energy Services Limited Partnership	Canada	100
EnviroVault LP	Canada	100
Gestion Jerico Inc.	Canada	100
Granby Composites Inc.	Canada	100
Granby FRP Tanks Inc.	Canada	100
Granby Furnaces Inc.	Canada	100
Granby Industries Limited Partnership	Canada	100
Green Energy Services Inc.	Canada	65.5
MaXfield LP	Canada	100
NWP Industries LP	Canada	100
Pro-Par Inc.	Canada	100
Segretech Inc.	Canada	76.5
T.S.X. Transport Inc.	Canada	100
TerraVest Industries Limited Partnership	Canada	100
TerraVest Leasing LP	Canada	100
TerraVest Tanks L.P.	Canada	100
ECR International, Inc.	United States	100
Fischer Tanks, LLC	United States	100
Granby Heating Products, LLC	United States	100
Granby Industries Transport USA, LLC	United States	100
Iowa Steel Fabricators, LLC	United States	100
Mississippi Tank & Manufacturing Company	United States	100
MTankCo Supply, LLC	United States	100
Pro-Par Industries, LLC	United States	100
Signature Truck Systems, LLC	United States	100

2.4 Foreign currency

Transactions and balances

Each subsidiary of TerraVest determines its own functional currency. Transactions in foreign currency are initially recorded in the entity's functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into the entity's functional currency using the exchange rate in effect on the reporting date, whereas non-monetary assets and liabilities denominated in foreign currency are translated using historical exchange rates. All exchange gains and losses arising from the translation of these items and transactions are recorded in the consolidated statements of income as they arise, in other (gains) losses.

Foreign operations

The assets and liabilities of foreign operations with a functional currency different from that of TerraVest are translated into Canadian dollars using the exchange rate in effect on the reporting date. Revenues and expenses are translated to Canadian dollars using the monthly average exchange rate for the period in which the transaction occurred. The exchange gains or losses arising from the translation of foreign operations are recognized in other comprehensive income and are reclassified in income on disposal or partial disposal of the investment in the related foreign operation.

2.5 Business combinations

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is the sum of the acquisition-date fair values of the assets transferred by TerraVest which includes the fair value of any asset or liability arising from a contingent consideration arrangement. For each business combination, TerraVest measures the non-controlling interest, if any, at the proportionate share in the acquiree's identifiable net assets. Acquisition costs are expensed as incurred in administration expenses.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at their fair value on that date and are classified in accordance with their contractual terms, economic circumstances and pertinent conditions.

Goodwill, initially recognized at cost as an asset, is measured as the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the net identified assets and liabilities. If the aggregate of the consideration transferred and the amount recognized for non-controlling interests is lower than the fair value of the identified net assets and liabilities, the difference is recognized in the consolidated statements of income as a bargain purchase gain.

2.6 Segment reporting

TerraVest is comprised of four operating segments as follow: Home Heating and Cooling Products ("HVAC Equipment"), Compressed Gas Storage and Distribution Equipment ("Compressed Gas Equipment"), Energy Processing Equipment ("Processing Equipment") and Service:

- HVAC Equipment: is a provider of products and services to a variety of industries across Canada and the United States. The HVAC Equipment segment manufactures and distributes products including commercial and residential refined fuel tanks, furnaces, boilers, air conditioning equipment and controls. This segment sells its products through various distribution networks. The end users of the products are fuel distributors, commercial and residential consumers.
- Compressed Gas Equipment: is a provider of products and services to a variety of industries across Canada and the United States. The Compressed Gas Equipment segment manufactures engineered products for the storage, distribution and dispensing of compressed gases including liquid propane gas ("LPG"), natural gas liquids ("NGL's"), liquified natural gas ("LNG"), anhydrous ammonia ("NH3"), carbon dioxide ("CO2") and various other gases. The products include bulk storage vessels, transport trailers, delivery units, dispensers, commercial and residential storage tanks and other custom vessels. This segment also services the various products it manufactures. This segment's products and services are primarily sold to gas distributors, fertilizer distributors, farmers, midstream energy companies and transportation companies and are used by industrial, commercial and residential consumers.
- Processing Equipment: is a fabricator of equipment for various end-markets including upstream and midstream oil and gas production, renewable natural gas ("biogas") production, water treatment and mining. The Processing Equipment segment manufactures and sells a wide array of equipment such as wellhead processing equipment and tanks, desanding equipment, biogas production equipment, water treatment equipment and various other custom process equipment. This segment's products and services are primarily sold to oil and gas producers, midstream companies, utilities, municipalities and engineering companies.
- Service: provides a wide range of services to the energy sector in Western Canada including water management, environmental solutions, heating, rentals and well servicing. TerraVest's Service segment is well-recognized for its technological innovation and industry-leading ESG program. This segment services many of the largest energy producers in Canada.

An operating segment is a component of TerraVest that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. Each operating segment's results are regularly reviewed by the Chief Executive Officer and the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. Operating segments can be aggregated into reportable segments when the segments have similar economic characteristics.

Corporate charges, assets and liabilities are not allocated to segments.

2.7 Revenue recognition

TerraVest recognizes revenues from contracts with customers once control is transferred and in an amount equal to the consideration to which TerraVest expects to be entitled.

Product sales are revenues arising from the HVAC Equipment, Compressed Gas Equipment and Processing Equipment segments and are recognized when the performance obligation has been fulfilled, whether at a point of time when the manufacturing of the goods is complete, when the goods leave TerraVest's premises, or when the goods are delivered to the customer, according to the terms of the contract. The contracts entered into are short-term in nature and revenues are generally recognized when the goods are delivered to the customer by the HVAC Equipment and Compressed Gas Equipment segments or when the manufacturing of the goods is complete by the Processing Equipment segment.

Services revenues are revenues arising from the Service segment and are recognized at a point in time, when services are provided.

Where payments have been received, or invoices issued, for products and/or services not yet provided; amounts are recorded as customer deposits on the consolidated statements of financial position and recorded as revenue when the product and/or services have been provided and the requirements for revenue recognition have been met.

2.8 Post-employment benefits

The present value of the defined benefit obligation, the current service cost and, if applicable, the past service cost are actuarially determined using the projected unit credit method based on management's best-estimate assumptions of the mortality table. The discount rate is based on the interest rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligation. On each annual reporting date, independent actuaries extrapolate the data of the most recent full actuarial valuation to measure, for accounting purposes, the present value of the defined benefit obligation.

The net defined benefit asset or liability recognized in the consolidated statements of financial position corresponds to the fair value of the plan assets less the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the present value of the economic benefits available in the form of refunds from the plans or in the form of reductions in future contributions to the plans.

The cost components of post-employment benefits plans are recognized as follows:

- Service cost is recognized in the consolidated statements of income in cost of sales and administration expense and is comprised of:
    - Current service cost;
    - Past service cost recognized in the period in which the plan is amended; and
    - Gains or losses resulting from a plan settlement recognized in the period in which the plan settlement occurs.
- Net interest expense (income) on the net defined benefit liability (asset) is recognized in the consolidated statements of income in administration expenses and is calculated by multiplying the net defined benefit liability (asset) by the discount rate.
- Remeasurements of the net defined benefit liability (asset), net of income taxes, are recognized in retained earnings (accumulated deficit) in the consolidated statements of financial position and is comprised of:
    - Actuarial gains or losses arising from experience adjustments and from changes in financial and demographic assumptions;
    - Return on plan assets, excluding amounts included in net interest expense (income) on the net defined benefit liability (asset).

2.9 Government grants

Government grants are recorded when there is a reasonable assurance that the government assistance will be received and that TerraVest will comply with all relevant conditions.

Government grants related to expenses are recorded as a reduction of the related expenses and government grants with general nature are recorded as other income. Government tax credits related to assets are recorded as a reduction of the cost of the related assets. Government grants and government tax credits recorded are based on management's best estimates of amounts expected to be received and are subject to audit by the taxation authorities.

2.10 Income taxes

Income taxes are accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used in the determination of taxable income. A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the underlying income tax attributes giving rise to the asset will be utilized. Deferred income tax assets are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, when they relate to income taxes levied by the same income tax authority and when TerraVest intends to settle its current income tax assets and liabilities on a net basis.

Deferred income tax assets and liabilities are measured at the income tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the income taxation rates (and income taxation laws) that have been enacted or substantively enacted by the statements of financial position date. The measurement of deferred income tax assets and liabilities reflects the income tax consequences that would follow from the manner in which TerraVest expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

2.11 Earnings per share

Basic earnings per share is calculated using the net income attributable to shareholders of TerraVest's divided by the weighted average number of common shares outstanding in the period.

Diluted earnings per share is determined using the same method as basic earnings per share, except that the weighted average number of shares outstanding is adjusted for the effects of all dilutive instruments outstanding.

2.12 Cash

Cash is comprised of cash on hand and bank balances. Bank overdrafts are presented as current liabilities.

2.13 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost includes all costs of purchase, manufacturing costs and other costs incurred to bring the inventories to their present location and condition. Manufacturing costs include a pro rata share of production overheads based on normal production capacity. The cost of certain inventories is based on weighted average cost while the cost of other inventories is determined using a first-in, first-out ("FIFO") method. Net realizable value is the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

2.14 Property, plant and equipment

Property, plant and equipment ("PP&E") are measured at cost less accumulated depreciation and impairment. Cost includes acquisition costs or manufacturing costs and any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Financing costs are added to the cost of the asset when funds are borrowed specifically for the construction of the asset. When components of an item of PP&E have different useful lives, they are accounted for as separate items of PP&E. The costs of the day-to-day maintenance of PP&E are recognized in profit or loss as incurred.

(In thousands of Canadian dollars, except share and per share amounts)

The gain or loss on disposal or retirement of an item of PP&E is determined as the difference between the proceeds from disposal and the carrying amount of the asset and is recognized in the consolidated statements of income as other (gains) losses.

PP&E are depreciated over the estimated useful life of the specific asset as follows:

Categories	Estimated useful lives
Land and buildings	
Land	-
Buildings	10 to 25 years
Leasehold improvements	Lesser of estimated economic life or lease term
Machinery and equipment	
Production and shop equipment	5 to 10 years
Service rigs	Hours of operation – useful life 2,000 to 48,000 hours
Equipment for rental	5 to 10 years
Others	
Vehicles	5 to 15 years
Office equipment and furnishings	3 to 10 years
Computer hardware	1 to 3 years

Land is not depreciated. An item of PP&E is not depreciated until it can be operated in the manner intended by management. The depreciation methods, estimated useful lives and residual values are reassessed annually, with the effect of any changes in estimates being accounted for on a prospective basis.

2.15 Intangible assets

Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition-date fair value. After initial recognition, intangible assets are recorded at cost less accumulated amortization, if they are amortizable, and less accumulated impairment.

Intangible assets with a finite useful life are amortized on a straight line-basis over their estimated useful lives from the date they are available for use as follows :

Categories	Estimated useful lives
Customer-related	
Sales order backlog	2 to 17 months
Customer relationships	7 to 10 years
Technology-based	
Technologies and technical drawings	5 years
Patents	10 to 15 years
Computer software	5 to 10 years
Non-compete agreements	3 to 5 years

The amortization method and estimated useful lives are reassessed annually, with the effect of any changes in estimates being accounted for on a prospective basis.

Intangible assets with indefinite lives are trademarks. They are not amortized but are tested annually for impairment. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.16 Investment in associate and investment in a joint venture

Investment in associate and investment in a joint venture are accounted for using the equity method.

2.17 Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment.

2.18 Impairment of non-financial assets

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment is recognized in profit or loss. An impairment loss is reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized in previous years.

Property, plant and equipment, right-of-use assets and intangible assets with finite useful lives

The carrying amounts of TerraVest's assets are reviewed at each reporting period to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, TerraVest estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Goodwill and intangible assets with indefinite lives

Goodwill and intangible assets with indefinite lives are allocated to each of TerraVest's CGUs that are expected to benefit from the business combination, irrespective of whether assets or liabilities of the acquiree are assigned to those units. CGUs to which goodwill and intangible assets with indefinite lives have been allocated are tested for impairment annually, or more frequently if events and circumstances indicate that the asset may be impaired.

2.19 Leases

Lessee

At the inception of a contract, TerraVest assesses whether the contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized in the statements of financial position through the recognition of a right-of-use asset and a lease liability, except for leases with a term of 12 months or less and leases for which the underlying asset is of low value, which are recognized in profit or loss on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of future lease payments using the implicit rate of the lease, if it can be readily determined, or using TerraVest subsidiary's incremental borrowing rate. Future lease payments include fixed payments, variable payments that depend on an index or rate, and payments for extension and termination or purchase options that are reasonably certain to be exercised. When lease payments include amounts relating to non-rental components, they are included in the calculation of the lease liability. The lease liability is then measured at amortized cost using the effective interest rate method.

The right-of-use asset is measured at cost, which corresponds to the initial measurement of the lease liability. Cost also includes any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease and any lease payments made in advance of the lease commencement date, net of any incentives received. It is then measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated over the lesser of the lease term or the estimated useful life on a straight-line basis.

Variable lease payments not included in the lease liability are recognized in the profit or loss of the period in which the expense occurred.

If a lease is modified or if the lease term is revised, the lease liability is remeasured and a corresponding adjustment is made to the right-of-use asset. If the lease modification represents a decrease in the scope of a lease, the difference between the adjustment to the lease liability and the right-of-use asset, if any, is accounted for as a gain or loss upon lease modification. If the lease modification represents a separate lease component, it is accounted for as a separate lease.

Lessor

Leases for which TerraVest is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease and is included in the consolidated statements of income as products sales. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the property, plant and equipment for rental.

2.20 Provisions

Provisions are recognized when TerraVest has a present obligation, legal or constructive, as a result of a past event, if it is more likely than not that TerraVest will be required to settle the obligation, and if a reliable estimate can be made of the amount of the obligation.

2.21 Share premium

Share premium includes the amount paid in excess of, or less than the carrying value of the common shares when TerraVest repurchases its common shares.

2.22 Share capital

Common shares are classified as equity in share capital. Incremental costs attributable to the issuance of common shares are recognized as a deduction from share capital in equity, net of any income tax effects.

2.23 Share-based payments

Equity-settled share-based payments are measured at fair value at grant date. The value of the compensation for the stock option plan is measured using a Black-Scholes option pricing model. The effect of any change in the number of options that are expected to vest is accounted for in the period in which the estimate is revised. Compensation expense is recognized on a straight-line basis over the vesting period of the stock option, with a corresponding increase in the share-based payments reserve in shareholders' equity. Any consideration paid by plan participants on the exercise of stock options is credited to share capital up to the nominal value of the shares issued with any excess being recorded as share premium.

2.24 Financial instruments

Recognition and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities, including derivatives, are recognized in the consolidated statements of financial position when, and only when, TerraVest becomes a party to the contractual provisions of the instrument and are measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards of ownership are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expired.

Classification

On initial recognition, all financial instruments are measured at fair value. Financial assets are subsequently classified and measured at amortized cost, at fair value through other comprehensive income or at FVTPL. TerraVest classifies its financial assets according to the business model used to manage these financial assets and to the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost or at FVTPL.

TerraVest has made the following classifications:

- Cash, accounts receivable, bank overdrafts, revolving credit facilities, accounts payable and accrued liabilities excluding accrued compensation and sales tax payable, dividend payable and long-term debt are classified as subsequently measured at amortized cost using the effective interest rate method; and
- Derivative financial instruments, investment in equity instruments and investment in a limited partnership are classified as subsequently measured at FVTPL. Gains and losses arising from periodic remeasurement are recognized in profit or loss in other (gains) losses.

Impairment of financial assets

On initial recognition and at each reporting date, TerraVest estimates expected credit losses for financial assets classified at amortized cost. These expected credit losses are measured using historical credit loss experience and are adjusted to reflect receivable-specific factors, general economic conditions, and an assessment of both the current and projected direction of economic conditions at the reporting date, including the time value of money, if applicable. The net change in expected credit losses on financial assets classified at amortized cost is recognized in profit or loss.

For financial assets carried at amortized cost, the amount of the impairment is the amount equal to lifetime expected credit losses.

If, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derivative financial instruments

TerraVest uses derivative financial instruments to manage its foreign currency exposure and interest rate risk. Gains and losses arising from periodic remeasurement of derivative financial instruments that are economic hedges but that do not qualify for hedge accounting are recognized in the consolidated statements of income as other (gains) losses.

3. ACCOUNTING JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The actual results of items subject to estimates and assumptions may differ from these estimates and assumptions.

The main judgments, estimates and assumptions are as follows:

3.1 Business combinations

A business combination is a transaction in which an acquirer obtains control of one or more businesses. Determining whether or not a transaction is a business combination requires judgement in determining whether the assets acquired and liabilities assumed constitute a business and consist of inputs, processes and the ability to contribute to the creation of outputs.

Valuations techniques are used when determining fair values of certain assets and liabilities acquired in a business combination. Estimates that have an impact on the determination of fair values include the selected weighted average cost of capital, growth rate, and forecast of future cash flows. Refer to Note 4 for more information on valuation techniques used in business combinations.

3.2 Income tax expense

Current and deferred income tax expense, assets and liabilities may require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to each jurisdiction where TerraVest operates. Determination of deferred income tax assets and liabilities requires judgment as to the reversal of the underlying temporary differences between accounting values and income tax attributes resulting in the deferred income tax assets or liabilities and estimates as to the appropriate income tax rates to apply to determine the future income tax assets or liabilities.

3.3 Impairment of non-financial assets and goodwill

The identification of CGUs and grouping of assets into the respective CGUs requires judgement and is based on currently available information about utilization experience and expected future business plans. Management has taken into consideration various factors in identifying its CGUs. The Company has identified its CGUs for purposes of testing the recoverability and impairment of non-financial assets to be its four operating segments as they represent the lowest level at which the goodwill and indefinite life intangible assets are monitored for internal management purposes.

In assessing impairment, TerraVest estimates the recoverable amount of each asset or CGU based on expected future cash flows and uses an interest rate to calculate present value. Estimation uncertainty relates to the assumptions about future operating results, growth rate and the determination of a suitable discount rate. Refer to Note 13 for the goodwill impairment test disclosures.

3.4 Right-of-use assets and lease liabilities

Future lease payments used to calculate the value of the right-of-use asset and lease liability include payments for lease extension and termination or purchase options that are reasonably certain to be exercised. Determining the economic benefits of exercising these options requires the use of assumptions and estimates such as the future expected use of the leased asset and future market conditions. Whether or not future lease payments relating to the extension, termination or purchase options are taken into account can have a significant impact on the value of the right-of-use asset and the lease liability.

(In thousands of Canadian dollars, except share and per share amounts)

3.5 Defined benefit obligation

The measurement of defined benefit obligation requires the use of statistical data and other parameters used to anticipate future changes such as the discount rate and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could lead to substantial changes to the amount of the benefit cost of post-retirement benefits plans recognized in profit or loss and in retained earnings or accumulated deficit and to the net defined benefit asset or liability presented in the consolidated statements of financial position. Refer to Note 18 for additional information on the assumptions used.

4. BUSINESS COMBINATIONS

2023 Business combinations

4.1 Acquisition of Secure Energy (Drilling Services) Inc.

On March 1, 2023, a subsidiary of TerraVest entered into an acquisition agreement to acquire assets of Secure Energy (Drilling Services) Inc. ("SES"), a subsidiary of Secure Energy Inc. SES provides integrated fluids solutions such as on-site water sourcing, filtration, pumping, storage and heating services.

The business combination has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition. Acquisition-related costs of $98 were incurred and recognized as administration expenses during the year ended September 30, 2023.

Fair value of the consideration transferred at the acquisition date

	Final
	$
Fair value of the cash consideration	**15,806**

Assets acquired and liabilities assumed at the acquisition date

The final fair value of the identifiable assets acquired and liabilities assumed as at March 1, 2023 acquisition date is as follows:

	Final
	$
ASSETS	
Inventories	**250**
Property, plant and equipment	**15,283**
Right-of-use assets	**405**
Intangible assets	**104**
	16,042
LIABILITIES	
Lease liabilities	**405**
Net identifiable assets acquired	**15,637**

Determination of fair value

The fair value of assets acquired and liabilities assumed at the acquisition date was determined based on TerraVest's assumptions and estimates.

Inventories

Inventories were recognized at their estimated fair value, which is the lower of cost and net realizable value at the transaction closing date.

(In thousands of Canadian dollars, except share and per share amounts)

Property, plant and equipment

Property, plant and equipment ("PP&E") were recognized at their estimated fair value based on market comparison and cost techniques. TerraVest appointed a third party to assist in the valuation of the acquired property, plant and equipment.

Right-of-use assets and lease liabilities

For assets under leases, the right-of-use assets were measured at the same amount as the lease liabilities. The lease liabilities were measured at the present value of SES's future lease payments using the implicit rate of the lease, if it can be readily determined, or its incremental borrowing rate as at March 1, 2023.

Intangible assets

TerraVest estimated the fair value of intangible assets acquired using different valuation techniques, all primarily based upon discounted cash flows according to currently available information, such as historical and projected revenues, customer attrition rates and certain other relevant assumptions.

Goodwill arising from the business combination

	Final
	$
Consideration transferred	**15,806**
Less:	
Fair value of net identifiable assets acquired	**15,637**
Goodwill	**169**

The acquisition was done in order to grow the water pumping, heating and rental activities that complements TerraVest's existing operations in the Service segment. The goodwill associated with this acquisition is mainly attributable to the existing workforce and is deductible for income tax purpose.

SES contribution to TerraVest results

TerraVest's consolidated net income includes SES contribution to sales and net income since the acquisition date of March 1, 2023. SES activities and results have been fully integrated in one of TerraVest's existing subsidiary's financial results and activities which are very similar in nature. It is therefore impracticable to determine the specific contribution of SES in TerraVest' results since the acquisition date.

Due to lack of IFRS-specific data prior to the acquisition of SES, pro-forma revenue and profit or loss of the combined entity during the year ended September 30, 2023 cannot be determined reliably.

4.2 Acquisition of JCAC Fortin Inc. and T.S.X. Transport Inc.

On October 2, 2022, a subsidiary of TerraVest entered into a share purchase agreement to acquire all the issued and outstanding shares of JCAC Fortin Inc., the holding company of T.S.X. Transport Inc. (together referred as "TSX"). TSX is a privately-owned Quebec transport company that provides drop deck transportation services between Quebec and Eastern United States.

The business combination has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition. Acquisition-related costs of $42 were incurred and recognized as administration expenses during the year ended September 30, 2023.

Fair value of the consideration transferred at the acquisition date

	Final
	$
Fair value of the cash consideration	**3,549**

(In thousands of Canadian dollars, except share and per share amounts)

Assets acquired and liabilities assumed at the acquisition date

The final fair value allocation of the identifiable assets acquired and liabilities assumed as at October 2, 2022 acquisition date is as follows:

	Final
	$
ASSETS	
Cash	**1,443**
Accounts receivable	**565**
Income taxes receivable	**151**
Prepaid expenses	**93**
Property, plant and equipment	**2,521**
Right-of-use assets	**1,237**
Intangible assets	**409**
	6,419
LIABILITIES	
Accounts payable and accrued liabilities	**438**
Customer deposits	**42**
Income taxes payable	**4**
Long-term debt	**744**
Lease liabilities	**1,237**
Deferred income tax liabilities	**695**
	3,160
Net identifiable assets acquired	**3,259**

Determination of fair value

The fair value of assets acquired and liabilities assumed at the acquisition date was determined based on TerraVest's assumptions and estimates.

Accounts receivable

Receivables were recognized at their estimated fair value, which is not substantially different from their gross contractual value and expected receipts.

Property, plant and equipment

PP&E were recognized at their estimated fair value. TerraVest estimated their fair value based on market comparison technique.

Right-of-use assets and lease liabilities

For assets under leases, the right-of-use assets were measured at the same amount as the lease liabilities. The lease liabilities were measured at the present value of TSX's future lease payments using the implicit rate of the lease, if it can be readily determined, or its incremental borrowing rate as at October 2, 2022.

Intangible assets

TerraVest estimated the fair value of intangible assets acquired using different valuation techniques, all primarily based upon discounted cash flows according to currently available information, such as historical and projected revenues, customer attrition rates and certain other relevant assumptions.

(In thousands of Canadian dollars, except share and per share amounts)

Goodwill arising from the business combination

	Final
	$
Consideration transferred	3,549
Less:	
Fair value of net identifiable assets acquired	3,259
Goodwill	**290**

The acquisition was done in order to internalize TerraVest's logistics and transportation activities for some of its product lines and subsidiaries. The goodwill associated with this acquisition is mainly attributable to the existing workforce and is non-deductible for income tax purpose.

TSX contribution to TerraVest results

TerraVest's consolidated net income during the year ended September 30, 2023 includes sales of $2,754 and a net loss of $167 generated from TSX's results since the acquisition date of October 2, 2022.

2022 Business combinations

4.3 Acquisition of Platinum Energy Services Ltd.

On July 4, 2022, TerraVest entered into a share purchase agreement to purchase all of the issued and outstanding shares of Platinum Energy Services Ltd. ("PES"), a privately-owned manufacturing company of wellhead processing and production equipment for the Canadian oil & gas market.

The business combination has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition. Acquisition-related costs of $40 were incurred and recognized as administration expenses during the year ended September 30, 2023 ($96 during the year ended September 30, 2022).

Fair value of the consideration transferred at the acquisition date

	Final
	$
Fair value of the cash consideration	4,850

Assets acquired and liabilities assumed at the acquisition date

The final fair value of the identifiable assets acquired and liabilities assumed as at July 4, 2022 acquisition date is as follows:

	Final
	$
ASSETS	
Cash	21
Property, plant and equipment	3,683
Deferred income tax assets	10,656
	14,360
LIABILITIES	
Accounts payable and accrued liabilities	42
Net identifiable assets acquired	**14,318**

(In thousands of Canadian dollars, except share and per share amounts)

Determination of fair value

The fair value of assets acquired and liabilities assumed at the acquisition date was determined based on TerraVest's assumptions and estimates.

Property, plant and equipment

PP&E were recognized at their estimated fair value. TerraVest appointed a third party to assist in the valuation of the acquired building.

Gain on bargain purchase arising from the business combination

	Final
	$
Consideration transferred	**4,850**
Less:	
Fair value of net identifiable assets acquired	**14,318**
Gain on bargain purchase	**(9,468)**

The acquisition was done in order to enhance TerraVest's manufacturing capabilities and competitiveness in its processing equipment businesses in Western Canada. The gain on bargain purchase was recorded in the consolidated statements of income as other (gains) losses and is mostly a result of deferred income tax assets recognized at acquisition date.

PES contribution to TerraVest results

TerraVest's consolidated net income during the year ended September 30, 2022 includes a net loss of $55 generated from PES' results since the acquisition date of July 4, 2022.

Due to lack of IFRS-specific data prior to the acquisition of PES, pro-forma revenue and profit or loss of the combined entity during the year ended September 30, 2022 cannot be determined reliably.

4.4 Acquisition of Mississippi Tank and Manufacturing Company

On March 11, 2022, a subsidiary of TerraVest entered into a share purchase agreement to acquire all the issued and outstanding shares of Mississippi Tank and Manufacturing Company ("MTC"), a privately-owned manufacturing company that produces and distributes a broad range of storage and distribution equipment for the propane and compressed gas markets in North America, including transport trailers, bobtail delivery trucks, and various bulk storage tanks.

The business combination has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition. Acquisition-related costs of $236 were incurred and recognized as administration expenses during the year ended September 30, 2022.

Fair value of the consideration transferred at the acquisition date

	Final
	$
Fair value of the cash consideration	**28,001**

(In thousands of Canadian dollars, except share and per share amounts)

Assets acquired and liabilities assumed at the acquisition date

The final fair value of the identifiable assets acquired and liabilities assumed as at March 11, 2022 acquisition date is as follows:

	Final
	$
ASSETS	
Cash	**86**
Accounts receivable	**3,442**
Income taxes receivable	**69**
Inventories	**13,951**
Prepaid expenses	**477**
Property, plant and equipment	**10,862**
Intangible assets	**6,727**
	35,614
LIABILITIES	
Accounts payable and accrued liabilities	**2,811**
Customer deposits	**3,806**
Long-term debt	**7,040**
Deferred income tax liabilities	**411**
	14,068
Net identifiable assets acquired	**21,546**

Determination of fair value

The fair value of assets acquired and liabilities assumed at the acquisition date was determined based on TerraVest's assumptions and estimates.

Accounts receivable

Receivables were recognized at their estimated fair value, which is not substantially different from their gross contractual value and expected receipts.

Inventories

Inventories were recognized at their estimated fair value, which is the lower of cost and net realizable value at the transaction closing date. Cost includes all costs of purchase and other costs incurred to bring the inventories to their present location and condition.

Property, plant and equipment

PP&E were recognized at their estimated fair value. TerraVest appointed a third party to assist in the valuation of the acquired building. For the other property, plant and equipment acquired, TerraVest estimated their fair value based on their original cost, acquisition date and net carrying value at the transaction closing date.

Intangible assets

TerraVest estimated the fair value of intangible assets acquired using different valuation techniques, all primarily based upon discounted cash flows according to currently available information, such as historical and projected revenues, customer attrition rates and certain other relevant assumptions.

(In thousands of Canadian dollars, except share and per share amounts)

Goodwill arising from the business combination

	Final
	$
Consideration transferred	**28,001**
Less:	
Fair value of net identifiable assets acquired	**21,546**
Goodwill	**6,455**

The acquisition was done in order to strengthen TerraVest's position as a leading manufacturer of propane storage and distribution equipment in North America. The goodwill associated with this acquisition is mainly attributable to brand recognition and the existing workforce.

MTC contribution to TerraVest results

TerraVest's consolidated net income during the year ended September 30, 2022 includes sales of $27,875 and a net income of $1,108 generated from MTC's results since the acquisition date of March 11, 2022.

Due to lack of IFRS-specific data prior to the acquisition of MTC, pro-forma revenue and profit or loss of the combined entity during the year ended September 30, 2022 cannot be determined reliably.

4.5 Acquisition of Green Energy Services Inc.

Effective on November 1, 2021, TerraVest entered into share purchase agreements to acquire an additional 41.4% of the issued and outstanding shares of Green Energy Services Inc. ("GES"), thereby bringing TerraVest's ownership interest in GES to 66.8%. GES is a privately-owned Alberta based company operating under the name Fraction Energy Services and is an industry leader in water management and environmental solutions. GES offers a diverse range of fluid management solutions including water transfer, containment, heating, fluid trucking, and oilfield rentals.

The business combination has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition. The non-controlling interest was measured at its proportionate share in GES' identifiable net assets at acquisition date. Acquisition-related costs of $66 were incurred and recognized as administration expenses during the year ended September 30, 2022.

Fair value of the consideration transferred at the acquisition date

	Final
	$
Consideration transferred at the acquisition date:	
Cash paid	**6,935**
TerraVest common shares issued	**9,139**
	16,074
Remeasurement of TerraVest's previously held equity interest in GES:	
Existing equity interest in GES remeasured at the acquisition-date fair value [i]	**9,507**
Total fair value of the consideration transferred	**25,581**

[i] TerraVest remeasured its previously held equity interest in GES using the price per share paid at acquisition date and recorded a gain on remeasurement of $1,956 in other (gains) losses.

(In thousands of Canadian dollars, except share and per share amounts)

Assets acquired and liabilities assumed at the acquisition date

The final fair value of the identifiable assets acquired and liabilities assumed as at November 1, 2021 acquisition date is as follows:

	Final
	$
ASSETS	
Cash	**1,883**
Accounts receivable	**10,914**
Inventories	**821**
Prepaid expenses	**726**
Income taxes receivable	**6**
Property, plant and equipment	**43,309**
Intangible assets	**458**
Right-of-use assets	**5,905**
	64,022
LIABILITIES	
Revolving credit facility	**390**
Accounts payable and accrued liabilities	**6,728**
Long-term debt	**13,366**
Lease liabilities	**5,905**
Deferred income tax liabilities	**4,713**
	31,102
Net identifiable assets acquired	**32,920**

Determination of fair value

The fair value of assets acquired and liabilities assumed at the acquisition date was determined based on TerraVest's assumptions and estimates.

Accounts receivable

Receivables were recognized at their fair value, which is not substantially different from their gross contractual value and expected receipts.

Inventories

Inventories were recognized at their estimated fair value, which is the lower of cost and net realizable value at the transaction closing date. Cost includes all costs of purchase and other costs incurred to bring the inventories to their present location and condition.

Property, plant and equipment

PP&E were recognized at their estimated fair value. TerraVest used a third party valuation report for the PP&E recently acquired by GES prior to the acquisition. For the other property, plant and equipment of GES acquired, TerraVest estimated their fair value based on their original cost, acquisition date and net carrying value at the transaction closing date.

(In thousands of Canadian dollars, except share and per share amounts)

Right-of-use assets and lease liabilities

For acquired assets under leases, the right-of-use assets were measured at the same amount as the lease liabilities. The lease liabilities were measured at the present value of GES's future lease payments using its incremental borrowing rate as at November 1, 2021.

Intangible assets

TerraVest estimated the fair value of intangible assets acquired using different valuation techniques, all primarily based upon discounted cash flows according to currently available information, such as historical and projected revenues, customer attrition rates and certain other relevant assumptions.

Goodwill arising from the business combination

	Final
	$
Consideration transferred	**25,581**
Non-controlling interest	**10,930**
	36,511
Less:	
Fair value of net identifiable assets acquired	**32,920**
Goodwill	**3,591**

The acquisition was done in order to enter the water management and environmental solutions industry that complements TerraVest existing operations in the Processing Equipment and Service segment. The goodwill associated with this acquisition is mainly attributable to brand recognition and the existing workforce.

GES contribution to TerraVest results

TerraVest's consolidated net income during the year ended September 30, 2022 includes sales of $70,493 and a net income of $5,073 generated from GES' results since the acquisition date of November 1, 2021.

Due to lack of IFRS-specific data prior to the acquisition of GES, pro-forma revenue and profit or loss of the combined entity during the year ended September 30, 2022 cannot be determined reliably.

5. FINANCIAL INSTRUMENTS

5.1 Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statements of financial position and financial instruments measured at cost for which fair value is disclosed are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(In thousands of Canadian dollars, except share and per share amounts)

5.2 Categories of financial instruments and fair values

TerraVest has classified its financial instruments as follows, along with corresponding level of the fair value hierarchy for items measured at fair value or for which fair value is disclosed:

Carrying amount	Level	As at September 30, 2023	As at September 30, 2022
		$	$
Financial assets			
At amortized cost			
Cash		**24,758**	9,394
Accounts receivable [i)]		**122,729**	108,067
		147,487	117,461
At fair value through profit or loss			
Investment in equity instruments	1	**5,850**	5,031
Derivative financial instruments [ii)]	2	**1,879**	2,038
Investment in a limited partnership	3	**7,902**	6,935
		15,631	14,004
Financial liabilities			
At amortized cost			
Bank overdrafts		**173**	360
Revolving credit facilities		**29,255**	3,332
Accounts payable and accrued liabilities [iii)]		**63,865**	63,853
Dividends payable		**2,239**	1,789
Long-term debt (current and non-current) [iv)]	2	**206,193**	239,565
		301,725	308,899
At fair value through profit or loss			
Derivative financial instruments [ii)]	2	**923**	2,547

[i)] Excludes sales tax receivable.

[ii)] The derivative financial instruments assets are included in other current assets and the derivative financial liabilities are included in accounts payable and accrued liabilities.

[iii)] Excludes accrued compensation and sales tax payable. The derivative financial instruments liabilities are presented on a separate line in the table.

[iv)] As at September 30, 2023, the fair value of long-term debt was $199,104 ($233,747 as at September 30, 2022).

The fair values of short-term financial assets and liabilities approximate their respective carrying amounts at the reporting date due to the short-term maturities of these instruments, as they either bear interest at variable rates or have terms and conditions comparable to current market terms and conditions for similar items. The fair value of the investment in equity instruments has been determined based on the quoted price in active markets. The fair value of the investment in a limited partnership, which is not traded in an active market, is determined using valuation techniques such as comparable recent arms' length analysis.

(In thousands of Canadian dollars, except share and per share amounts)

TerraVest's derivative financial instruments are forward exchange contracts and interest rate swap agreement which are not traded in active markets. Forward exchange contracts have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contracts. The interest rate swap agreement has been fair valued using observable interest rates corresponding to the maturity of the agreement. The effects of non-observable inputs are not significant for forward exchange contracts and interest rate swap agreement.

6. ACCOUNTS RECEIVABLE

	As at September 30, 2023	As at September 30, 2022
	$	$
Net trade receivables	**119,269**	104,945
Sales tax receivable	**375**	611
Other receivables	**3,460**	3,122
	123,104	108,678

Allowance for estimated credit losses included in net trade receivables was $563 as at September 30, 2023 ($392 as at September 30, 2022).

7. INVENTORIES

	As at September 30, 2023	As at September 30, 2022
	$	$
Raw materials	**87,128**	96,959
Work in progress	**67,636**	57,580
Finished goods	**42,485**	36,705
	197,249	191,244

Inventories expensed in cost of sales for the year ended September 30, 2023 totaled $398,593 ($371,691 for the year ended September 30, 2022), which includes an amount of $212 of inventory write-downs ($818 for the year ended September 30, 2022).

8. OTHER CURRENT ASSETS

	As at September 30, 2023	As at September 30, 2022
	$	$
Prepaid expenses	**10,804**	7,637
Derivative financial instruments	**1,879**	2,038
Other	**204**	154
	12,887	9,829

(In thousands of Canadian dollars, except share and per share amounts)

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Equipment for rental	Others	Capital projects in progress	Total
	$	$	$	$	$	$
Cost						
Balance as at September 30, 2021	32,754	83,811	12,419	9,656	5,741	144,381
Final purchase price allocation impact	4,318	749	-	(17)	-	5,050
Acquired in business combinations (Note 4)	9,699	43,936	-	3,450	769	57,854
Additions	2,076	13,658	14,509	3,733	3,016	36,992
Disposals/transfers	13	252	(5,268)	(1,211)	(3,367)	(9,581)
Exchange difference	1,833	1,050	-	485	38	3,406
Balance as at September 30, 2022	**50,693**	**143,456**	**21,660**	**16,096**	**6,197**	**238,102**
Acquired in business combinations (Note 4)	**139**	**12,598**	**-**	**5,067**	**-**	**17,804**
Additions	**1,833**	**12,336**	**13,696**	**3,612**	**1,780**	**33,257**
Disposals/transfers	**(476)**	**698**	**(7,400)**	**(1,139)**	**(5,881)**	**(14,198)**
Exchange difference	**(347)**	**(150)**	**-**	**20**	**(8)**	**(485)**
Balance as at September 30, 2023	**51,842**	**168,938**	**27,956**	**23,656**	**2,088**	**274,480**
Accumulated depreciation						
Balance as at September 30, 2021	4,302	45,779	2,376	5,991	-	58,448
Depreciation for the year	2,430	15,048	1,954	2,253	-	21,685
Disposals	(24)	(1,970)	(393)	(986)	-	(3,373)
Exchange difference	301	264	-	106	-	671
Balance as at September 30, 2022	**7,009**	**59,121**	**3,937**	**7,364**	**-**	**77,431**
Depreciation for the year	**2,796**	**17,418**	**2,602**	**3,565**	**-**	**26,381**
Disposals	**(396)**	**(1,068)**	**(785)**	**(164)**	**-**	**(2,413)**
Exchange difference	**(11)**	**6**	**-**	**54**	**-**	**49**
Balance as at September 30, 2023	**9,398**	**75,477**	**5,754**	**10,819**	**-**	**101,448**
Net carrying value						
As at September 30, 2022	43,684	84,335	17,723	8,732	6,197	160,671
As at September 30, 2023	**42,444**	**93,461**	**22,202**	**12,837**	**2,088**	**173,032**

(In thousands of Canadian dollars, except share and per share amounts)

10. RIGHT-OF-USE ASSETS

	Land and buildings	Others	Total
	$	$	$
Cost			
Balance as at September 30, 2021	36,113	696	36,809
Acquired in business combinations (Note 4)	5,054	851	5,905
Additions	703	885	1,588
Disposals	-	(114)	(114)
Exchange difference	149	17	166
Balance as at September 30, 2022	**42,019**	**2,335**	**44,354**
Acquired in business combinations (Note 4)	**-**	**1,642**	**1,642**
Additions	**3,044**	**1,992**	**5,036**
Disposals	**(3,065)**	**(338)**	**(3,403)**
Exchange difference	**(29)**	**(5)**	**(34)**
Balance as at September 30, 2023	**41,969**	**5,626**	**47,595**
Accumulated depreciation			
Balance as at September 30, 2021	8,738	265	9,003
Depreciation for the year	5,346	600	5,946
Disposals	-	(35)	(35)
Exchange difference	35	10	45
Balance as at September 30, 2022	**14,119**	**840**	**14,959**
Depreciation for the year	**4,904**	**1,249**	**6,153**
Disposals	**(3,065)**	**(266)**	**(3,331)**
Exchange difference	**(6)**	**(2)**	**(8)**
Balance as at September 30, 2023	**15,952**	**1,821**	**17,773**
Net carrying value			
As at September 30, 2022	27,900	1,495	29,395
As at September 30, 2023	**26,017**	**3,805**	**29,822**

(In thousands of Canadian dollars, except share and per share amounts)

11. INTANGIBLE ASSETS

	Customer-related	Technology-based	Non-compete agreements	Trademarks	Total
	$	$	$	$	$
Cost					
Balance as at September 30, 2021	38,238	3,651	6,479	1,460	49,828
Final purchase price allocation impact	7,452	-	4,258	6,199	17,909
Acquired in business combinations (Note 4)	3,708	-	836	2,641	7,185
Additions	-	298	-	-	298
Disposals	-	(7)	-	-	(7)
Exchange difference	1,444	15	607	648	2,714
Balance as at September 30, 2022	**50,842**	**3,957**	**12,180**	**10,948**	**77,927**
Acquired in business combinations (Note 4)	**458**	**-**	**55**	**-**	**513**
Additions	**-**	**358**	**-**	**-**	**358**
Exchange difference	**(595)**	**(3)**	**(103)**	**(129)**	**(830)**
Balance as at September 30, 2023	**50,705**	**4,312**	**12,132**	**10,819**	**77,968**
Accumulated amortization					
Balance as at September 30, 2021	26,036	1,360	5,543	-	32,939
Amortization for the year	5,776	366	1,516	-	7,658
Exchange difference	675	2	120	-	797
Balance as at September 30, 2022	**32,487**	**1,728**	**7,179**	**-**	**41,394**
Amortization for the year	**5,532**	**411**	**1,418**	**-**	**7,361**
Exchange difference	**(403)**	**-**	**(36)**	**-**	**(439)**
Balance as at September 30, 2023	**37,616**	**2,139**	**8,561**	**-**	**48,316**
Net carrying value					
As at September 30, 2022	18,355	2,229	5,001	10,948	36,533
As at September 30, 2023	**13,089**	**2,173**	**3,571**	**10,819**	**29,652**

12. INVESTMENTS

	As at September 30, 2023	As at September 30, 2022
	$	$
At equity method		
Investment in associate	**1,136**	1,138
Investment in joint venture	**327**	314
	1,463	1,452
At fair value through profit or loss		
Investment in equity instruments	**5,850**	5,031
Investment in a limited partnership	**7,902**	6,935
	13,752	11,966
	15,215	13,418

(In thousands of Canadian dollars, except share and per share amounts)

13. GOODWILL

Goodwill acquired in business combinations and intangible assets with indefinite lives have been allocated to four cash-generating units ("CGUs") for impairment testing as follows:

- HVAC Equipment CGU
- Compressed Gas Equipment CGU
- Processing Equipment CGU
- Service CGU

13.1 Goodwill reconciliation and allocation table

	HVAC Equipment	Compressed Gas Equipment	Processing Equipment	Service	Total
	$	$	$	$	$
Balance as at September 30, 2021	20,702	7,446	1,941	-	30,089
Final purchase price allocation impact	(17,449)	-	-	-	(17,449)
Acquired in business combinations (Note 4)	-	6,951	-	3,591	10,542
Exchange difference	94	955	-	-	1,049
Balance as at September 30, 2022	**3,347**	**15,352**	**1,941**	**3,591**	**24,231**
Final purchase price allocation impact (Note 4)	**-**	**(496)**	**-**	**-**	**(496)**
Acquired in business combinations (Note 4)	**290**	**-**	**-**	**169**	**459**
Exchange difference	**(5)**	**(213)**	**-**	**-**	**(218)**
Balance as at September 30, 2023	**3,632**	**14,643**	**1,941**	**3,760**	**23,976**

The carrying amount of indefinite life intangible assets attributable to the HVAC Equipment and Compressed Gas Equipment CGUs is $8,012 and $2,807 respectively as at September 30, 2023 ($8,103 and $2,845 respectively as at September 30, 2022).

13.2 Impairment testing

TerraVest performed an annual impairment test for goodwill and indefinite life intangible assets. The recoverable values of the CGUs were determined based on value-in-use calculations, covering a five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives. Expected cash flows considered projected growth over the 5-year forecast period, takes into account factors such as the nature of the industry in which the CGU operates, market growth projections, market maturity and TerraVest's strategic plan as set by management. The recoverable values of the HVAC Equipment, Compressed Gas Equipment, Processing Equipment and Service CGUs exceeded their carrying amounts. Accordingly, no impairment loss was recognized on goodwill or indefinite life intangible assets for the years ended September 30, 2023 and 2022. For each of the CGUs, no reasonably possible change in the key assumptions used in determining the recoverable amount would results in any impairment of goodwill of indefinite life intangible assets.

(In thousands of Canadian dollars, except share and per share amounts)

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at September 30, 2023	As at September 30, 2022
	$	$
Trade accounts payable	**48,768**	45,126
Accrued liabilities	**14,421**	18,338
Accrued compensation	**14,754**	14,767
Sales tax payable	**2,432**	2,081
Interest payable	**676**	389
Derivative financial instruments liability	**923**	2,547
	81,974	83,248

15. SHORT-TERM REVOLVING CREDIT FACILITIES AND LONG-TERM DEBT

15.1 Short-term revolving credit facilities

The maximum borrowing amount available based on margin requirements and the amount drawn were as follows:

	As at September 30, 2023	As at September 30, 2022
	$	$
Revolving credit facilities		
Amount drawn	**29,255**	3,332
Maximum amount	**49,732**	14,204

15.1.1 Credit facilities in Processing Equipment segment

As at September 30, 2023, a subsidiary of TerraVest operating in the Processing Equipment segment had credit facilities with a Canadian financial institution. The credit facilities include a revolving operating loan of $9,000 ($9,000 as at September 30, 2022) and a loan.

Borrowing capacity for the revolving operating loan is based on the margining of certain accounts receivable and inventories less certain accounts payable.

The revolving operating loan can be used for general corporate purposes and bears interest at Canadian prime rate plus 65 basis points. As at September 30, 2023, the interest rate was 7.85% (6.10% as at September 30, 2022). The revolving operating loan is due on demand.

On December 12, 2022, the subsidiary obtained a loan of $2,600 to finance the acquisition of property, plant and equipment. The loan currently bears interest at the Canadian prime rate and is payable in monthly blended instalments of $17. As at September 30, 2023, the interest rate was 7.20%.

The transaction costs of $27, incurred during the year ended September 30, 2023 to obtain the loan, were recorded as prepaid expenses and are amortized on a straight-line basis over the initial term.

(In thousands of Canadian dollars, except share and per share amounts)

The credit facilities contain an obligation to comply with the following quarterly financial covenants:

Financial covenants	Required measurements	As at September 30, 2023
Total debt to equity ratio	≤ 2.50:1	**1.96**
Current ratio	≥ 1.15:1	**1.46**

The credit facilities are secured by:

- a first ranking security on all present and future personal property of the subsidiary;
- a first ranking fixed charge in the amount of $2,600 on specific real property of the subsidiary; and
- an assignment of insurance policies.

15.1.2 Credit facilities in Service segment

As at September 30, 2023, a subsidiary of TerraVest operating in the Service segment had credit facilities with a Canadian financial institution. The credit facilities include a short-term revolving operating loan for a maximum borrowing capacity of $10,000 ($10,000 as at September 30, 2022), a revolving term loan of $12,000 ($9,500 as at September 30, 2022) and three term loans recorded as long-term debt.

Borrowing capacity for the revolving operating loan is based on the margining of certain accounts receivable.

The revolving operating loan can be used for general corporate purposes and bears interest at Canadian prime rate or at the financial institution's U.S. base rate, depending on the currency of the borrowing, plus 75 basis points (100 basis points as at September 30, 2022). As at September 30, 2023, the interest rate was 7.95% (6.45% as at September 30, 2022).

The revolving term loan can be used to finance the purchase or leasing of equipment up to 75% of its cost. It bears interest at Canadian prime rate or at the financial institution's U.S. base rate, depending on the currency of the borrowing, plus 75 basis points (100 basis points as at September 30, 2022) and/or bears interest at the financial institution fixed rate upon the use of term borrowings.

The credit facilities contain an obligation to comply with the following quarterly financial covenants:

Financial covenants	Required measurements	As at September 30, 2023
Funded debt to EBITDA ratio	≤ 2.50:1	**0.49**
Fixed charge coverage ratio	≥ 1.25:1	**4.52**

The credit facilities are secured by:

- a first ranking security on all present and future personal property and equipment financed under the revolving term credit facility of the subsidiary;
- a first ranking collateral floating charge on land on the present and future property of the subsidiary;
- a guarantee and postponement of claim supported by a general security agreement on the property of the subsidiary; and
- an assignment of insurance policies.

(In thousands of Canadian dollars, except share and per share amounts)

15.2 Long-term debt

	Notes	As at September 30, 2023	As at September 30, 2022
		$	$
Revolving credit facilities:			
Revolving credit facility, floating rate, maturing in December 2024	15.2.1	**118,152**	127,153
Revolving credit facilities, interest at prime rate plus 0.25%, maturing in February 2024	15.2.2	**43,671**	45,659
Revolving term loan, interest at 2.15%, payable in equal and consecutive monthly instalments of $73, maturing in May 2026	15.1.2	**2,249**	3,068
Revolving term loan, interest at prime rate plus 0.75%, payable in consecutive monthly capital instalments of $108 plus interest maturing in March 2028	15.1.2	**5,850**	-
Interest bearing financing:			
Loan, interest at 6%, payable in 59 equal and consecutive monthly capital instalments of $450 plus interest, and final payment for the remaining balance at maturity, maturing in May 2028	15.2.3	**48,650**	50,000
Loans, interest at 5.45% and 6.25%, payable in 72 equal and consecutive monthly capital instalments totaling $23 plus interest, maturing in January 2025	15.2.4	**366**	644
Loan, interest at 2.15%, payable in equal and consecutive monthly instalments of $154, maturing in May 2026	15.1.2	**4,779**	6,502
Loan, interest at prime rate plus 0.75%, payable in equal and consecutive monthly capital instalments of $29 plus interest, maturing in June 2026	15.1.2	**968**	1,324
Loan, interest at prime rate plus 0.75%, payable in equal and consecutive monthly capital instalments of $50 plus interest, maturing in July 2027	15.1.2	**2,300**	2,900
Loan, interest at prime rate, payable in equal and consecutive monthly instalments of $17, maturing in November 2047	15.1.1	**2,568**	-
Other		**930**	541
Non-interest bearing financing:			
Loans, effective interest rates between 2.70% and 3.95%, payable in 60 equal and consecutive monthly instalments totaling $20, maturing in February 2026		**522**	743
Loans, effective interest rates between 3.45% and 3.95%, payable in 72 equal and consecutive monthly instalments totaling $23, maturing in August 2026	15.2.4	**786**	1,031
		231,791	239,565
Current portion of long-term debt		**(29,665)**	(11,106)
Short-term revolving credit facilities		**(25,598)**	-
		176,528	228,459

(In thousands of Canadian dollars, except share and per share amounts)

Revolving credit facilities

15.2.1 Revolving operating credit facility

As at September 30, 2023, certain subsidiaries of TerraVest operating in the HVAC Equipment and Compressed Gas Equipment segments had a credit facility with a Canadian financial institution. The credit facility includes a revolving operating loan of $130,000 ($130,000 as at September 30, 2022) and a derivative risk facility in the amount of $7,000 ($7,000 as at September 30, 2022) granted to enter into forward exchange contracts and interest rate swap agreement. The term of the credit facility expires on December 1, 2024.

The revolving operating credit facility can be used to finance current operations, purchase PP&E and finance business acquisitions. It bears interest at Canadian or U.S. prime rate, depending on the currency of the borrowing, plus 0 to 75 basis points for open ended borrowings and/or bears interest at the financial institution offered rate, plus 140 to 265 basis points, upon the use of term borrowings. As at September 30, 2023, the interest rate was 7.45% on Canadian open ended borrowings and 9.25% on U.S. open ended borrowings (5.70% and 7.00% respectively as at September 30, 2022). Interest rates margin varies based on a prescribed ratio. As at September 30, 2023 and 2022 the standby fee was $nil.

The credit facility contains an obligation to comply with the following quarterly financial covenants:

Financial covenants	Required measurements	As at September 30, 2023
Interest-bearing debt to EBITDA ratio	≤ 3.50:1	**2.71**
Interest coverage ratio	≥ 3.50:1	**5.37**

The credit facility is secured by:

- a first ranking security in the amount of $150,000 over movable and immovable properties and movable assets, tangible and intangible, present and future of certain subsidiaries;
- a first ranking collateral charge on the universality of certain subsidiaries real property;
- a security agreement on machinery and equipment, inventory and accounts receivable of a specific subsidiary; and
- an assignment of insurance policies.

15.2.2 Revolving credit facilities

As at September 30, 2023, certain subsidiaries of TerraVest operating in the Compressed Gas Equipment, Processing Equipment and Service segments had credit facilities totaling $55,000 ($55,000 as at September 30, 2022) with a Canadian financial institution. The credit facilities include a revolving operating loan for a maximum available borrowing capacity of $35,000 and a revolving term loan of $20,000. Borrowing capacity for the revolving operating loan is based on the margining of certain accounts receivable and inventories less certain accounts payable. The terms of the credit facilities expire on February 15, 2024.

The revolving operating loan can be used to finance current operations, including working capital requirements and permitted acquisitions. The revolving term loan can be used to purchase PP&E. These credit facilities bear interest at Canadian or U.S. prime rate, depending on the currency of the borrowing, plus 25 basis points. As at September 30, 2023, the interest rate was 7.45% (5.70% as at September 30, 2022).

The credit facilities contain an obligation to comply with the following quarterly financial covenants:

Financial covenants	Required measurements	As at September 30, 2023
Funded debt to EBITDA ratio	≤ 3.00:1	**1.41**
Fixed charge coverage ratio	≥ 1.15:1	**2.43**

(In thousands of Canadian dollars, except share and per share amounts)

The credit facilities are secured by a first ranking security on all present and future personal property and assets of certain subsidiaries and an assignment of insurance policies.

Interest bearing and non-interest bearing financings

15.2.3 Term loan

As at September 30, 2023, a subsidiary of TerraVest presented in the Corporate segment had an unsecured interest-bearing loan with a Canadian financial institution to finance business acquisitions.

The loan contains an obligation to comply with the following quarterly financial covenants:

Financial covenants	**Required measurements**	**As at September 30, 2023**
Funded debt to EBITDA ratio	≤ 3.50:1	**2.85**
Interest coverage ratio	≥ 3.50:1	**5.29**

15.2.4 Loans

The loans contain an obligation to comply with the following annual financial covenant:

Financial covenants	**Required measurements**	**As at September 30, 2023**
Fixed charge coverage ratio	≥ 1.20:1	**3.88**

The loans are secured by:

- a security in the amount of $4,008 over the universality of movable assets, tangible and intangible, present and future, of specific subsidiaries of TerraVest;
- a security agreement of $3,340 from a specific subsidiary of TerraVest; and
- an assignment of insurance policies.

15.3 Long-term debt maturities

The aggregate maturities of TerraVest's long-term debt for each of the next five years and beyond are as follows:

	Total principal payments
	$
2024	**29,665**
2025	**129,254**
2026	**9,833**
2027	**7,294**
2028	**27,734**
Beyond 2028	**2,413**
	206,193

15.4 Covenants

As at September 30, 2023 and throughout the year, TerraVest was in compliance with all of its financial and non-financial covenants.

(In thousands of Canadian dollars, except share and per share amounts)

16. LEASE LIABILITIES

	As at September 30, 2023	As at September 30, 2022
	$	$
Balance, beginning of year	**32,605**	30,788
Acquired in business combinations (Note 4)	**1,642**	5,905
Additions	**5,036**	1,588
Lease payments	**(5,828)**	(5,753)
Disposals	**-**	(53)
Exchange difference	**(28)**	130
	33,427	32,605
Current portion of lease liabilities	**(6,064)**	(4,953)
Balance, end of year	**27,363**	27,652

Lease payments were $7,316 for the year ended September 30, 2023 ($7,094 for the year ended September 30, 2022).

16.1 Lease liabilities maturities

The aggregate maturities of TerraVest's lease liabilities for each of the next five years and beyond are as follows:

	Principal	Interests	Total
	$	$	$
2024	**6,064**	**1,470**	**7,534**
2025	**5,212**	**1,202**	**6,414**
2026	**4,771**	**946**	**5,717**
2027	**4,414**	**710**	**5,124**
2028	**3,305**	**503**	**3,808**
Beyond 2028	**9,661**	**964**	**10,625**
	33,427	**5,795**	**39,222**

For details on right-of-use assets, please refer to Note 10.

(In thousands of Canadian dollars, except share and per share amounts)

17. INCOME TAXES

17.1 Reconciliation between earnings before income taxes and income tax expense

The following is a reconciliation of income taxes, calculated at the Canadian combined federal and provincial income tax rate, to the income tax expense included in the consolidated statements of income:

	As at September 30, 2023	As at September 30, 2022
	$	$
Earnings before income taxes	**67,268**	58,655
Income tax – statutory rate	**23.84%**	24.11%
Income taxes at statutory rate	**16,037**	14,142
Income tax rates in other jurisdictions and rate changes	**656**	535
Non-taxable and non-deductible items	**1,594**	(2,892)
Change in unrecognized deferred tax assets	**(199)**	38
Adjustment for prior years	**(384)**	27
Other	**(69)**	35
Income tax expense	**17,635**	11,885

17.2 Income tax expense

	As at September 30, 2023	As at September 30, 2022
	$	$
Current income tax expense		
Current year	**14,238**	9,434
Adjustment for prior years	**(1,694)**	(253)
	12,544	9,181
Deferred income tax expense		
Origination and reversal of temporary differences	**3,587**	2,425
Change in income tax rates	**364**	44
Change in unrecognized deferred tax assets	**(199)**	38
Adjustment for prior years	**1,310**	280
Other	**29**	(83)
	5,091	2,704
Income tax expense	**17,635**	11,885

Deferred income tax expense reflects the net effect of losses carried forward and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(In thousands of Canadian dollars, except share and per share amounts)

17.3 Significant components of TerraVest's deferred income tax assets and liabilities

	As at September 30, 2023	As at September 30, 2022
	$	**$**
Deferred income tax assets		
Inventories	**744**	909
Non-capital losses carried forward	**13,036**	15,772
Income tax credits carried forward	**2,411**	3,388
Goodwill and intangible assets	**6,291**	7,231
Property, plant and equipment	**-**	352
Net defined benefit liability	**1,060**	1,106
Accounts payable and accrued liabilities	**576**	796
Lease liabilities	**8,129**	7,992
Other	**290**	540
Deferred income tax assets	**32,537**	38,086
Offset by deferred income tax liabilities	**(21,360)**	(15,866)
	11,177	22,220
Deferred income tax liabilities		
Inventories	**1,887**	1,347
Property, plant and equipment	**20,464**	19,521
Right-of-use assets	**7,236**	7,191
Goodwill and intangible assets	**4,779**	6,579
Net defined benefit asset	**2,124**	1,785
Other	**1,639**	1,014
Deferred income tax liabilities	**38,129**	37,437
Offset by deferred income tax assets	**(21,360)**	(15,866)
	16,769	21,571

(In thousands of Canadian dollars, except share and per share amounts)

17.4 Movement in deferred income tax assets and liabilities

						As at September 30, 2023
	Net assets (liabilities), opening balance	Final purchase price allocation impact (Note 4)	Acquired in business combinations (Note 4)	Recognizedin shareholders' equity	Recognized in profit or loss	Net assets (liabilities), closing balance
	$	$	$	$	$	$
Non-capital losses carried forward	15,772	176	-	-	(2,912)	13,036
Income tax credits carried forward	3,388	(58)	-	-	(919)	2,411
Goodwill and intangible assets	652	13	(108)	-	955	1,512
Property, plant and equipment	(19,169)	(28)	(588)	-	(679)	(20,464)
Right-of-use assets	(7,191)	-	(328)	-	283	(7,236)
Net defined benefit asset	(1,785)	-	-	(540)	201	(2,124)
Inventories	(438)	50	-	-	(755)	(1,143)
Accounts payable and accrued liabilities	796	14	-	-	(234)	576
Lease liabilities	7,992	-	328	-	(191)	8,129
Net defined benefit liability	1,106	-	-	(113)	67	1,060
Other	(474)	7	1	24	(907)	(1,349)
	649	174	(695)	(629)	(5,091)	(5,592)

(In thousands of Canadian dollars, except share and per share amounts)

						As at September 30, 2022
	Net assets (liabilities), opening balance	Final purchase price allocation impact	Acquired in business combinations (Note 4)	Recognized in shareholders' equity	Recognized in profit or loss	Net assets (liabilities), closing balance
	$	$	$	$	$	$
Non-capital losses carried forward	4,447	-	11,797	-	(472)	15,772
Income tax credits carried forward	1,989	-	1,102	-	297	3,388
Goodwill and intangible assets	5,852	(4,298)	(1,697)	-	795	652
Property, plant and equipment	(9,916)	(1,212)	(6,163)	-	(1,878)	(19,169)
Right-of-use assets	(6,836)	-	(1,358)	-	1,003	(7,191)
Net defined benefit asset	(1,594)	-	-	89	(280)	(1,785)
Inventories	(215)	-	371	-	(594)	(438)
Accounts payable and accrued liabilities	1,593	-	36	-	(833)	796
Lease liabilities	7,574	-	1,358	-	(940)	7,992
Net defined benefit liability	1,378	-	-	(470)	198	1,106
Other	(349)	-	(88)	(37)	-	(474)
	3,923	(5,510)	5,358	(418)	(2,704)	649

17.5 Deferred income tax

As at September 30, 2023, TerraVest has non-capital losses available to be carried forward of $54,481 ($64,664 as at September 30, 2022). These losses expire between 2032 and 2043, except for certain losses in the amount of $11,171 which can be carried forward indefinitely. These losses are available to carry forward indefinitely, but may only be used to offset up to 80% of taxable income in any one tax period. Deferred income tax assets have been recognized in respect of these losses as it is probable that future taxable profit will be available against which TerraVest can utilize these benefits.

TerraVest also has capital losses of $54,126 ($54,281 as at September 30, 2022) that are available for carry forward indefinitely. No deferred income tax asset has been recognized with respect to these capital losses.

As at September 30, 2023 and 2022, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Company controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

(In thousands of Canadian dollars, except share and per share amounts)

18. POST-EMPLOYMENT BENEFITS

18.1 Description of the plans

A subsidiary of TerraVest administers two defined benefit pension plans and one unfunded post-retirement healthwelfare plan to various groups of its employees and retirees. One of the defined benefit plans was frozen in 2000 and has been terminated during fiscal 2023. As a result of the plan termination, TerraVest's subsidiary settled all participating members' obligation by the end of fiscal 2023. The assets associated with the terminated plan was drawn down to nil. TerraVest's subsidiary defined benefit plan funding policy is to contribute annually amounts which at least meet the funding requirement under the Employee Retirement Income Security Act of 1974 (ERISA) of the United States Department of Labor.

18.2 Change in the present value of the defined benefit obligation

			As at September 30, 2023
	Defined benefit pension plans	**Post-retirement plan**	**Total**
	$	**$**	**$**
Balance, beginning of year	**18,347**	**4,049**	**22,396**
Current service cost	**392**	**67**	**459**
Interest expense	**849**	**207**	**1,056**
Benefits paid	**(2,774)**	**(237)**	**(3,011)**
Actuarial (gains) losses arising from:			
Effect of changes in demographic assumptions	**-**	**(44)**	**(44)**
Effect of changes in financial assumptions	**(573)**	**(141)**	**(714)**
Effect of experience adjustments	**(179)**	**(291)**	**(470)**
Exchange difference	**(259)**	**(56)**	**(315)**
Balance, end of year	**15,803**	**3,554**	**19,357**

The weighted average duration of the defined benefit obligation is 9.6 years at September 30, 2023.

			As at September 30, 2022
	Defined benefit pension plans	**Post-retirement plan**	**Total**
	$	**$**	**$**
Balance, beginning of year	26,675	5,512	32,187
Current service cost	534	125	659
Interest expense	730	150	880
Benefits paid	(1,359)	(150)	(1,509)
Settlement payments	(3,815)	-	(3,815)
Actuarial (gains) losses arising from:			
Effect of changes in demographic assumptions	(42)	79	37
Effect of changes in financial assumptions	(5,449)	(1,460)	(6,909)
Effect of experience adjustments	(632)	(578)	(1,210)
Exchange difference	1,705	371	2,076
Balance, end of year	18,347	4,049	22,396

The weighted average duration of the defined benefit obligation is 10.2 years at September 30, 2022.

(In thousands of Canadian dollars, except share and per share amounts)

18.3 Change in the fair value of plan assets

	As at September 30, 2023	As at September 30, 2022
	$	$
Balance, beginning of year	**24,100**	32,453
Termination of benefits pension plan	**(749)**	-
Interest income	**1,117**	890
Return on plan assets, excluding amounts included in interest income	**1,503**	(6,496)
Employer contributions to post-employment benefits plans	**237**	672
Benefits paid	**(3,011)**	(1,509)
Settlement payments	**-**	(3,815)
Administrative expenses	**(197)**	(234)
Exchange difference	**(339)**	2,139
Balance, end of year	**22,661**	24,100

18.4 Net defined benefit asset (liability)

	As at September 30, 2023	As at September 30, 2022
	$	$
Fair value of plan assets	**22,661**	24,100
Defined benefit obligation	**(19,357)**	(22,396)
Net defined benefit asset	**3,304**	1,704
Presented as follows in the consolidated statements of financial position:		
Net defined benefit asset	**6,858**	5,753
Net defined benefit liability	**(3,554)**	(4,049)
	3,304	1,704

18.5 Cost of benefits

	As at September 30, 2023	As at September 30, 2022
	$	$
Cost of benefits recognized in profit or loss		
Current service cost	**459**	659
Net interest expense (income)	**(61)**	(10)
Administrative expenses	**197**	234
	595	883
Cost of benefits recognized in retained earnings		
Actuarial (gains) losses	**(1,228)**	(8,082)
Return on plan assets, excluding amounts included in net interest	**(1,503)**	6,496
	(2,731)	(1,586)

(In thousands of Canadian dollars, except share and per share amounts)

18.6 Composition of pension plan assets

	As at September 30, 2023	As at September 30, 2022
	$	$
Plan assets quoted in active markets		
Cash and cash equivalents	**330**	3,496
Debt instruments	**1,756**	1,835
Investment funds	**12,066**	11,086
Equity instruments	**5,268**	4,605
	19,420	21,022
Plan assets not quoted in active markets		
Debt instruments	**3,241**	3,078
Total plan assets	**22,661**	24,100

18.7 Expected contributions

During fiscal 2024, TerraVest does not expect to contribute to its defined benefit pension plans.

18.8 Actuarial assumptions

The key actuarial assumptions used for the valuation of the defined benefit obligation are as follows:

	As at September 30, 2023	As at September 30, 2022
Defined benefit obligation		
Discount rate	**5.68%**	5.27%
Mortality table [i)]	**PRI-2012**	PRI-2012

[i)] As at September 30, 2023, the mortality table used was the PRI-2012 with MP-2021 Projection, Blue Collar for one defined benefit plan (PRI-2012 with MP-2021 Projection, Blue Collar as at September 30, 2022)

18.9 Sensitivity analyses

The sensitivity analyses were prepared in accordance with TerraVest's accounting policies described in Note 2.8. The sensitivity analyses of the defined benefit obligation were calculated based on reasonably possible changes to each key actuarial assumption without considering simultaneous changes to several key actuarial assumptions. A change in one actuarial assumption could trigger a change in another actuarial assumption, which could amplify or mitigate the impact of the change in these assumptions on the present value of the defined benefit obligation. The actual results of items subject to assumptions may differ.

Assumption	**Change in assumption**	**Impact [i)] of increase in assumption**	**Impact [i)] of decrease in assumption**
		$	$
Discount rate	0.25%	(448)	468
Mortality table – life expectancy of plan participants	1 year	677	(692)

[i)] Increase (decrease) in the defined benefit obligation.

(In thousands of Canadian dollars, except share and per share amounts)

19. SHARE CAPITAL AND SHARE-BASED PAYMENTS

19.1 Common shares

Changes in the common shares issued and outstanding were as follows:

	As at September 30, 2023		As at September 30, 2022	
	Number	Amount	Number	Amount
		$		$
Balance, beginning of year	**17,886,018**	**150,467**	17,567,455	141,712
Issued on business combination, net of transaction costs (Note 4)	**-**	**-**	361,663	9,118
Issued on exercise of stock options	**81,181**	**85**	-	-
Repurchased and cancelled	**(54,700)**	**(460)**	(43,100)	(363)
Balance, end of year	**17,912,499**	**150,092**	17,886,018	150,467

During the year ended September 30, 2023, TerraVest repurchased 54,700 common shares (43,100 during the year ended September 30, 2022) under its common shares normal course issuer bid ("NCIB") for total consideration of $1,312 ($982 during the year ended September 30, 2022). The difference between the amount paid for the common shares and their carrying value was recorded in share premium.

On March 17, 2023, TerraVest renewed its common shares NCIB under which it may repurchase 949,963 common shares and entered into an Automatic Share Purchase Plan ("ASPP") in order to facilitate, on any trading day, the repurchase of common shares under its common shares NCIB. The common shares NCIB expires on March 16, 2024. The remaining number of common shares available for repurchase under the current common shares NCIB was 949,963 as at September 30, 2023.

19.2 Share-based payments arrangement

TerraVest has a stock option plan for which options are granted to key management personnel to purchase common shares of TerraVest. The stock option plan is a "rolling" plan whereby the amount of common shares that may be reserved for issuance shall be up to 10% of the issued common shares outstanding from time to time. An aggregate of 1,625,411 common shares were reserved for issuance under the stock option plan, of which 442,411 were available for grant as at September 30, 2023.

Total expense arising from the share-based payment transactions recognized during the year ended September 30, 2023 as compensation expense was $1,140 ($621 for the year ended September 30, 2022).

The stock options outstanding and the weighted average exercise prices as at September 30, 2023 were as follows:

Grant Date	Expiry Date	Exercise price	Opening balance	Settled or exercised	Closing balance	Vested and exercisable	Unvested
Mar. 9, 2017	Mar. 9, 2024	$9.10	267,500	(167,500)	100,000	100,000	-
Jan. 20, 2020	Jan. 20, 2027	$13.12	100,000	-	100,000	100,000	-
Feb. 18, 2022	Feb. 18, 2032	$24.49	583,000	-	583,000	194,333	388,667
Feb. 18, 2022	Feb. 18, 2032	$26.99	100,000	-	100,000	-	100,000
Feb. 18, 2022	Feb. 18, 2032	$29.49	100,000	-	100,000	-	100,000
Feb. 18, 2022	Feb. 18, 2032	$31.99	100,000	-	100,000	-	100,000
Feb. 18, 2022	Feb. 18, 2032	$34.49	100,000	-	100,000	-	100,000
			1,350,500	(167,500)	1,183,000	394,333	788,667
Weighted average exercise price			$22.45	$9.10	$24.34	$17.70	

(In thousands of Canadian dollars, except share and per share amounts)

During the year ended September 30, 2023, no stock options were granted or forfeited and 167,500 stock options were exercised by way of cashless exercise. The related withholding tax obligation was recorded in share premium. The net settlement of this transaction resulted in TerraVest issuing 81,181 common shares. The weighted average share price on the date of exercise was $26.91 per common share based on the average trading price of the common shares on the Toronto Stock Exchange for the five trading days immediately preceding the exercise date of the stock options.

19.3 Dividends

During the year ended September 30, 2023, TerraVest has declared dividends totaling $0.50 per common share ($0.40 per common share during the year ended September 30, 2022). As at September 30, 2023, $2,239 was included in dividends payable ($1,789 as at September 30, 2022).

Subsequent to the end of the year, TerraVest declared a cash dividend of $0.15 per common share payable on January 10, 2024 to shareholders of record on December 31, 2023. This represents a 20% increase over the prior quarterly dividend.

20. EARNINGS PER SHARE

The following table provides a breakdown of the numerator and denominator used in the calculation of earnings per share and diluted earnings per share:

	Years ended	
	September 30, 2023	**September 30, 2022**
Numerator		
Net income attributable to common shareholders	**$42,073**	$45,252
Denominator		
Common shares, beginning of year	**17,886,018**	17,567,455
Weighted average shares issued	**39,367**	323,020
Weighted average shares repurchased	**(47,830)**	(12,534)
Weighted average shares, end of year - basic	**17,877,555**	17,877,941
Dilutive effect of options	**244,710**	215,737
Weighted average shares, end of year - diluted	**18,122,265**	18,093,678
Net income per share - basic	**$2.35**	$2.53
Net income per share - diluted	**$2.32**	$2.50

(In thousands of Canadian dollars, except share and per share amounts)

21. OPERATING EXPENSES

	Years ended	
	September 30, 2023	September 30, 2022
	$	$
Cost of sales		
Personnel expenses	**131,094**	110,556
Depreciation of other property, plant and equipment	**22,690**	18,582
Depreciation of property, plant and equipment for rental	**2,602**	1,954
Depreciation of right-of-use assets	**5,109**	5,065
Administration		
Personnel expenses	**32,614**	28,214
Depreciation of other property, plant and equipment	**1,080**	1,124
Depreciation of right-of-use assets	**1,014**	841
Amortization of finite life intangible assets	**7,361**	7,658
Selling		
Personnel expenses	**15,526**	13,984
Depreciation of other property, plant and equipment	**9**	25
Depreciation of right-of-use assets	**30**	40

22. FINANCING COSTS

	Years ended	
	September 30, 2023	September 30, 2022
	$	$
Interest on revolving credit facilities and long-term debt	**14,197**	7,659
Interest on lease liabilities	**1,488**	1,341
Amortization of financing costs	**195**	342
	15,880	9,342

(In thousands of Canadian dollars, except share and per share amounts)

23. OTHER (GAINS) LOSSES

	Years ended	
	September 30, 2023	September 30, 2022
	$	$
(Gain) loss on foreign exchange	**1,265**	(5,175)
Change in fair value of derivative financial instruments	**(1,576)**	1,173
Change in fair value of investment in equity instruments	**(22)**	293
Change in fair value of investment in a limited partnership	**(1,070)**	-
(Gain) loss on disposal of other property, plant and equipment	**(2,361)**	(1,110)
(Gain) loss on disposal of property, plant and equipment for rental	**(1,013)**	(801)
(Gain) loss on disposal of intangible assets	**-**	7
(Gain) loss on lease modification	**19**	-
(Gain) loss on remeasurement of an equity interest	**-**	(1,956)
Gain on bargain purchase (Note 4.3)	**-**	(9,468)
	(4,758)	(17,037)

24. SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended	
	September 30, 2023	September 30, 2022
	$	$
Adjustments for items not affecting cash		
Depreciation of other property, plant and equipment	**23,779**	19,731
Depreciation of property, plant and equipment for rental	**2,602**	1,954
Depreciation of right-of-use assets	**6,153**	5,946
Amortization of intangible assets	**7,361**	7,658
Amortization of financing costs	**195**	342
Post-employment benefits costs	**595**	883
Share-based compensation expense	**1,930**	621
Inventory write-downs	**212**	818
Change in fair value of derivative financial instruments	**(1,576)**	1,173
Change in fair value of investment in equity instruments	**(22)**	293
Change in fair value of investment in a limited partnership	**(1,070)**	-
(Gain) loss on disposal of other property, plant and equipment	**(2,361)**	(1,110)
(Gain) loss on disposal of property, plant and equipment for rental	**(1,013)**	(801)
(Gain) loss on lease modification	**19**	-
(Gain) loss on disposal of intangible assets	**-**	7
(Gain) loss on remeasurement of an equity interest	**-**	(1,956)
Gain on bargain purchase (Note 4.3)	**-**	(9,468)
Deferred income tax expense	**5,091**	2,704
Share of an associate and a joint venture net (income) loss	**(11)**	62
Unrealized foreign exchange (gain) loss [i]	**1,212**	(4,679)
	43,096	24,178

[i] Includes $675 of unrealized foreign exchange gain on long-term debt for the year ended September 30, 2023 (unrealized foreign exchange loss of $3,900 for the year ended September 30, 2022).

(In thousands of Canadian dollars, except share and per share amounts)

	Years ended	
	September 30, 2023	**September 30, 2022**
	$	**$**
Changes in non-cash operating working capital items		
Accounts receivable	**(11,896)**	(30,801)
Inventories	**(7,136)**	(34,809)
Other current assets	**(1,733)**	506
Accounts payable and accrued liabilities	**(1,591)**	16,394
Customer deposits	**4,954**	10,364
	(17,402)	(38,346)

Investments		
Investment in equity instruments	**(867)**	(3,905)
Investment in a limited partnership	**-**	(6,935)
Investment in joint venture	**-**	(130)
	(867)	(10,970)

24.1 Additional cash flow information

Deposits on purchase of PP&E of $2,354 were recorded in other current assets as at September 30, 2023 ($838 as at September 30, 2022).

Purchase of PP&E of $1,712 was unpaid and recorded as accounts payable and accrued liabilities as at September 30, 2023 ($597 as at September 30, 2022).

Proceeds from disposal of other PP&E of $790 was not received and was recorded as accounts receivable as at September 30, 2023 ($nil as at September 30, 2022).

Proceeds from disposal of PP&E for rental of $1,499 was not received and was recorded as accounts receivable as at September 30, 2023 ($nil as at September 30, 2022).

Investment and innovation tax credits of $818 were recognized as a reduction of other property, plant and equipment during the year ended September 30, 2023 ($nil during the year ended September 30, 2022) and $174 were recorded in accounts receivable as at September 30, 2023 ($nil as at September 30, 2022).

Leases, for which an amount of $5,036 was recognized in right-of-use assets and lease liabilities during the year ended September 30, 2023 ($1,588 during the year ended September 30, 2022), had no cash impact on investing and financing activities at initial recognition.

25. FINANCIAL INSTRUMENTS RISKS

TerraVest is exposed to various risks in relation to financial instruments. The main type of risks are market risk, credit risk and liquidity risk. An analysis of these risks as at September 30, 2023, is provided below.

25.1 Market risk

TerraVest is exposed to market risk, through its use of financial instruments, specifically to foreign currency risk and interest rate risk.

(In thousands of Canadian dollars, except share and per share amounts)

Foreign currency risk

Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. TerraVest is subject to foreign currency risk for:

- sales and operating expenses denominated in foreign currencies made by Canadian entities; and
- financial instruments denominated in foreign currency in Canadian entities.

	As at September 30, 2023	As at September 30, 2022
	US$	**US$**
Financial assets and liabilities exposure		
Cash	**3,471**	2,829
Trade and other receivables	**7,469**	8,493
Investment in equity instruments	**4,308**	3,667
Investment in a limited partnership	**5,844**	5,053
Accounts payable and accrued liabilities	**(3,032)**	(8,135)
Long-term debt	**(27,395)**	(43,862)
	(9,335)	(31,955)

Based on the net U.S. dollar exposure as at September 30, 2023, a one cent increase in the Canadian/U.S. dollar exchange rate would have had a unfavorable impact of $94 on net income ($332 for the year ended September 30, 2022). A one cent decrease in the Canadian/U.S. dollar exchange rate would have had an impact of a similar magnitude but in opposite directions on net income.

TerraVest does not have a policy to hedge its foreign currency risk and manages its exposure to foreign currency risk by periodically entering into forward exchange contracts. As at September 30, 2023, TerraVest had forward exchange contracts to sell Canadian dollars into US dollars for notional amounts totaling $36,132 ($36,934 as at September 30, 2022) and to sell US dollars into EUROS for notional amounts totaling US$nil (US$2,496 as at September 30, 2022), to sell at various rates and expiring on various dates up to and including September 28, 2026. The fair value of forward exchange contracts was a liability of $923 as at September 30, 2023 ($2,547 as at September 30, 2022) included in accounts payable and accrued liabilities.

Interest rate risk

TerraVest does not have a policy to hedge its interest rate risk and is exposed to interest rate risk arising from fluctuations in interest rates on revolving credit facilities and long-term debt at variable interest rates. As at September 30, 2023, TerraVest had an interest rate swap agreement expiring on June 9, 2025 for the notional amount of $25,000. Under the interest rate swap agreement, TerraVest receives interest on the notional amount at the 1-month CDOR rate in exchange for payments at a fixed rate of 0.87%, plus 140 to 265 basis points based on a prescribed ratio. The fair value of the interest rate swap was an asset of $1,879 as at September 30, 2023 ($2,038 as at September 30, 2022) included in other current assets.

For the year ended September 30, 2023, a 1% increase in the interest rate would have had an unfavorable impact of $1,166 on net income ($893 for the year ended September 30, 2022), calculated using the average outstanding balances during the year on revolving credit facilities and long-term debt at variable interest rates. A 1% decrease in the interest rate would have had an impact of a similar magnitude but in opposite directions on net income.

(In thousands of Canadian dollars, except share and per share amounts)

25.2 Credit risk

Credit risk is the risk that a counterparty will fail to perform its obligations to TerraVest. TerraVest's credit risk comes mainly from accounts receivable and is mitigated through credit policies that limit transactions according to counterparties' creditworthiness, which is assessed by considering counterparties' financial position, past experience and other factors. In addition, a large majority of TerraVest's clients are well established companies with a history of prompt payment. Accounts receivable amounts are presented on the consolidated statements of financial position net of the allowance for expected credit losses. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. The expected loss rates are based on the payment profile for sales based on historical credit losses. Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with TerraVest on alternative payment arrangement, amongst other, may be considered indicators of no reasonable expectation of recovery. The credit risk on cash is considered negligible since cash is held in reputable financial institutions with high quality external credit ratings. TerraVest's maximum exposure to credit risk is $147,862 as at September 30, 2023 ($118,072 as at September 30, 2022).

25.3 Liquidity risk

Liquidity risk refers to the possibility of TerraVest not being able to meet its financial obligations when they come due. TerraVest's objective is to maintain cash and cash availability to meet its liquidity requirements. TerraVest monitors its cash and trade receivable balances as well as cash flows generated from operations to meet its financial obligations. TerraVest also has access to various authorized revolving credit facilities to manage its liquidity needs.

As at September 30, 2023 and 2022, TerraVest's contractual financial liabilities maturities are as follows:

		Contractual cash flows			
	Carrying value	**Next 12 months**	**2 to 5 years**	**Beyond 5 years**	**Total i)**
	$	**$**	**$**	**$**	**$**
Bank overdrafts	**173**	**173**	**-**	**-**	**173**
Revolving credit facilities	**29,255**	**29,255**	**-**	**-**	**29,255**
Accounts payable and accrued liabilities ii)	**64,788**	**64,788**	**-**	**-**	**64,788**
Dividends payable	**2,239**	**2,239**	**-**	**-**	**2,239**
Long-term debt iii)	**206,193**	**29,703**	**174,154**	**2,413**	**206,270**
Interest payments	**-**	**14,048**	**10,464**	**2,553**	**27,065**
As at September 30, 2023	**302,648**	**140,206**	**184,618**	**4,966**	**329,790**
As at September 30, 2022	311,446	96,371	220,868	27,604	344,843

i) The amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

ii) Excludes accrued compensation and sales tax payable.

iii) Include current and non-current portion of long-term debt.

26. CAPITAL MANAGEMENT

The capital structure of TerraVest consists of its revolving credit facilities, long-term debt and shareholders' equity attributable to common shareholders as presented in the consolidated statements of financial position. TerraVest's objective in managing its capital resources is to ensure that there are adequate capital resources to support the operations of its various business segments, permit opportunistic acquisitions and maximize the return to shareholders. Management continually assesses TerraVest's capital needs to meet its objectives. There were no significant changes in TerraVest's capital management approach from the prior year.

(In thousands of Canadian dollars, except share and per share amounts)

The following table outlines TerraVest's capital structure:

	As at September 30, 2023	As at September 30, 2022
	$	$
Bank overdrafts	**173**	360
Drawn on current revolving credit facilities	**29,255**	3,332
Available on current revolving credit facilities, net of amount drawn	**20,477**	10,872
Drawn on long-term revolving operating loans	**118,152**	153,638
Available on long-term revolving operating loans, net of amount drawn	**11,848**	11,362
Long-term debt (current and non-current)	**88,041**	85,927
Shareholders' equity attributable to common shareholders	**217,076**	183,573
	485,022	449,064

Other than the financial covenants and restrictive non-financial covenants contained in the loan agreements described in Note 15, TerraVest is not subject to any externally imposed capital restrictions.

The Board of Directors does not establish quantitative return on capital criteria for management. TerraVest intends to maintain a flexible capital structure that is consistent with its stated objectives and adjust it in the light of changes in economic conditions and the risk characteristics of the underlying instruments. In order to maintain or adjust its capital structure, TerraVest may, from time to time, acquire shares for cancellation in connection with a substantial issuer bid ("SIB") or an NCIB, issue new shares, raise capital through various debt instruments or refinance current debt through instruments with different characteristics.

27. CONTINGENCIES

In the ordinary course of business, TerraVest is exposed to various proceedings and claims. TerraVest assesses the validity of these proceedings and claims. Provisions are made whenever a payment seems probable and a reliable estimate can be made of the amount.

A number of these claims are related to a subsidiary of TerraVest who has been named as one of the defendants in numerous lawsuits alleging personal injury arising from asbestos-containing materials allegedly contained in certain boilers manufactured by the subsidiary or its predecessors, many of which are covered by insurance. The subsidiary is vigorously defending these lawsuits and as one of the numerous defendants initially named, the amount of damages sought and the proportionate share of liability, if any, is not estimable in this regard. Although management believes that the costs and liabilities associated with these lawsuits will not have a material adverse effect on its operations or financial position, there can be no assurance to this effect.

Management believes that any settlement arising from these claims will not have a significant effect on TerraVest's current consolidated financial position or on net income. No provision has been recognized in these consolidated financial statements.

28. RELATED PARTY TRANSACTIONS

28.1 Identification

As at September 30, 2023 and 2022, TerraVest common shares were held by multiple shareholders, none of whom controlled TerraVest. As at September 30, 2023 and 2022, a member of TerraVest's Board of Directors was considered as having significant influence over TerraVest.

(In thousands of Canadian dollars, except share and per share amounts)

A joint venture is an entity that TerraVest has joint control over. An associate is an entity that TerraVest has significant influence over, by holding 20% or greater of the voting rights of the entity. Key management personnel includes members of the Board of Directors, the President and Chief Executive Officer, the Chief Investment Officer and the Chief Financial Officer. Other related parties include close family members of key management personnel and entities controlled by a key management personnel.

28.2 Transactions and account balances

	Year ended September 30, 2023		
	Joint venture	**Associate**	**Other related parties**
	$	**$**	**$**
Transactions			
Sales [i)]	**224**	**250**	**-**
Purchases [i)]	**50**	**862**	**-**
Professional fees expense [i)]	**-**	**-**	**204**
Account balances			
Accounts receivable	**224**	**-**	**-**
Other current assets	**85**	**44**	**-**
Accounts payable and accrued liabilities	**29**	**-**	**-**

[i)] The related party transactions during the year ended September 30, 2023 were carried out under market terms and conditions and as part of ordinary course of business.

	Year ended September 30, 2022			
	Joint venture	**Associate**	**Key management personnel**	**Other related parties**
	$	**$**	**$**	**$**
Transactions				
Sales [i)]	166	156	-	-
Purchases [i)]	91	609	-	-
Professional fees expense [i)]	-	-	-	182
Consideration paid on business combination [ii)]	-	-	250	-
Account balances				
Accounts receivable	54	97	-	-
Other current assets	35	-	-	-

[i)] The related party transactions during the year ended September 30, 2022 were carried out under market terms and conditions and as part of ordinary course of business.

[ii)] On November 1, 2021, as part of the acquisition of a controlling interest in GES, TerraVest purchased GES shares owned by a member of TerraVest's Board of Directors for a total cash consideration of $250. The transaction was carried out at the same terms and conditions as with the other shareholders of GES.

(In thousands of Canadian dollars, except share and per share amounts)

28.3 Additional information on other related parties' transactions

	Years ended	
	September 30, 2023	September 30, 2022
	$	$
Professional fees expense		
Pellerin Strategies Conseils Inc. i)	**204**	182

i) Controlled by the Executive Chairman of TerraVest's Board of Directors.

28.4 Compensation of key management personnel

	Years ended	
	September 30, 2023	September 30, 2022
	$	$
Compensation expense including Directors' fee	**1,523**	1,324
Share-based compensation expense	**1,140**	621
	2,663	1,945

29. SEGMENTED INFORMATION

29.1 Reportable segments

On October 1, 2022, TerraVest changed its reportable segments and now reports four operating segments by market: HVAC Equipment, Compressed Gas Equipment, Processing Equipment and Service. Previously, TerraVest reported three operating segments based on the structure of its operations: Fuel Containment, Processing Equipment and Service. Corporate is not a segment, is disclosed for reconciliation purposes and includes primarily the long-term debt and interest expense, the derivative financial instruments, the income taxes assets, liabilities and expenses, intersegment eliminations and other corporate related items or expenses. The comparative information has been changed accordingly to reflect the new reportable segments.

The following tables also provide information on disaggregated revenue as part of its segmented information disclosure.

						Year ended September 30, 2023
	HVAC Equipment	Compressed Gas Equipment	Processing Equipment	Service	Corporate	Total
	$	$	$	$	$	$
Sales	**180,254**	**211,254**	**128,046**	**159,446**	**(650)**	**678,350**
Depreciation and amortization	**9,131**	**12,618**	**5,257**	**12,859**	**30**	**39,895**
Financing costs	**450**	**338**	**414**	**286**	**14,392**	**15,880**
Income tax expense	**-**	**-**	**-**	**-**	**17,635**	**17,635**
Net income (loss)	**21,662**	**23,618**	**10,391**	**33,342**	**(39,380)**	**49,633**
Goodwill	**3,632**	**14,643**	**1,941**	**3,760**	**-**	**23,976**
Intangible assets	**16,964**	**9,411**	**2,625**	**424**	**228**	**29,652**
Segment assets	**164,678**	**235,314**	**91,929**	**128,842**	**32,152**	**652,915**
Segment liabilities	**37,111**	**53,567**	**40,136**	**23,125**	**261,233**	**415,172**
Purchase of property, plant and equipment, net of proceeds	**4,791**	**10,002**	**1,356**	**4,888**	**-**	**21,037**

(In thousands of Canadian dollars, except share and per share amounts)

	Year ended September 30, 2022					
	HVAC Equipment	Compressed Gas Equipment	Processing Equipment	Service	Corporate	Total
	$	$	$	$	$	$
Sales	196,294	182,857	107,775	90,163	(385)	576,704
Depreciation and amortization	8,315	11,048	5,368	10,556	2	35,289
Financing costs	420	246	509	166	8,001	9,342
Income tax expense	-	-	-	-	11,885	11,885
Net income (loss)	27,958	18,516	391	8,991	(9,086)	46,770
Goodwill	3,347	15,352	1,941	3,591	-	24,231
Intangible assets	19,466	12,667	3,793	398	209	36,533
Segment assets	172,632	211,047	94,651	92,912	43,281	614,523
Segment liabilities	49,722	38,347	45,378	15,351	269,808	418,606
Purchase of property, plant and equipment, net of proceeds	4,817	11,548	1,174	7,367	-	24,906

For the years ended September 30, 2023 and 2022, no customer accounted for more than 10% of consolidated sales.

29.2 Geographical information

TerraVest generates revenue from two segmental regions. The concentration of TerraVest's revenue is derived from Canadian and U.S. sales.

	Years ended	
	September 30, 2023	**September 30, 2022**
	$	$
SALES		
Canada	**392,269**	308,289
United States	**286,081**	268,415
	678,350	576,704

(In thousands of Canadian dollars, except share and per share amounts)

Certain non-current assets and goodwill by geographic segment:

			As at September 30, 2023
	Canada	**United States**	**Total**
	$	**$**	**$**
Property, plant and equipment	**134,115**	**38,917**	**173,032**
Right-of-use assets	**28,267**	**1,555**	**29,822**
Intangible assets	**6,324**	**23,328**	**29,652**
Goodwill	**10,965**	**13,011**	**23,976**
	179,671	**76,811**	**256,482**

			As at September 30, 2022
	Canada	**United States**	**Total**
	$	**$**	**$**
Property, plant and equipment	121,431	39,240	160,671
Right-of-use assets	27,698	1,697	29,395
Intangible assets	8,691	27,842	36,533
Goodwill	10,506	13,725	24,231
	168,326	82,504	250,830

30. SUBSEQUENT EVENTS

30.1 Long-term debt

On October 23, 2023, TerraVest obtained, through certain of its subsidiaries operating in the HVAC and Compressed Gas Equipment segments, a credit facility totaling $310,000 with a syndicate of lenders. This new credit facility is replacing the revolving operating loan of $130,000. The new credit facility expires in October 2026 and is secured by the assets of the HVAC and Compressed Gas Equipment segments.

30.2 Business combinations

On November 1, 2023, a subsidiary of TerraVest entered into an acquisition agreement to acquire all the operating assets of the subsidiaries of Highland Tank Holdings, LLC (“HT”) for a total consideration of US$78,000, of which US$5,000 was paid with the issuance of TerraVest shares and the remaining was paid in cash using the new credit facility. HT is a leading manufacturer of fuel and chemical storage tanks, LPG vessels and other custom built steel storage products in North America.

On November 3, 2023, TerraVest’s partially owned subsidiary, GES, entered into a share purchase agreement to purchase all of the issued and outstanding shares of LV Energy Services Ltd. (“LV”) for a total consideration of $25,000, of which $3,000 was paid with the issuance of GES shares and the remaining was paid in cash. LV provides water management and other related services in the Western Canadian energy industry. GES acquired the shares of LV using its existing credit facilities.