TERRAVEST INDUSTRIES

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2024 and 2023

KPMG LLP
Tour KPMG
600 de Maisonneuve Blvd West, Suite 1500
Montréal, QC H3A 0A3
Canada
Telephone 514 840 2100
Fax 514 840 2187

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 statements of financial position as at September 30, 2024 and 2023
- the consolidated statements of income for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years 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, 2024. 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 2.11 and 7 to the financial statements. The raw materials and work-in-progress inventories totaled $92.2 million and $63.2 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 include 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.

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 Accounting 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

December 12, 2024

*CPA auditor, public accountancy permit No. A120220

TERRAVEST INDUSTRIES INC.

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

	Note	As at September 30, 2024	As at September 30, 2023
		$	$
ASSETS			
Current			
Cash		**28,375**	24,758
Accounts receivable	6	**126,365**	123,104
Income taxes receivable		**3,235**	5,185
Inventories	7	**211,179**	197,249
Other current assets	8	**19,721**	12,887
		388,875	363,183
Non-Current			
Property, plant and equipment	9	**197,443**	173,032
Right-of-use assets	10	**105,213**	29,822
Intangible assets	11	**58,092**	29,652
Net defined benefit asset	18	**8,941**	6,858
Deferred income tax assets	17	**14,320**	11,177
Investments	12	**17,376**	15,215
Goodwill	13	**77,567**	23,976
		867,827	652,915
LIABILITIES			
Current			
Bank overdrafts		**-**	173
Revolving credit facilities	15	**-**	29,255
Accounts payable and accrued liabilities	14	**76,946**	81,974
Customer deposits		**48,092**	34,613
Dividends payable	19	**2,925**	2,239
Income taxes payable		**6,130**	6,975
Current portion of long-term debt	15	**15,701**	29,665
Current portion of lease liabilities	16	**9,414**	6,064
		159,208	190,958
Non-Current			
Long-term debt	15	**173,157**	176,528
Lease liabilities	16	**104,586**	27,363
Contingent consideration	4.1	**4,000**	-
Net defined benefit liability	18	**3,359**	3,554
Deferred income tax liabilities	17	**23,899**	16,769
		468,209	415,172
SHAREHOLDERS' EQUITY			
Share capital	19	**250,644**	150,092
Share premium		**14,838**	18,788
Share-based payments reserve		**2,144**	1,980
Accumulated other comprehensive income		**1,318**	1,652
Retained earnings		**98,707**	44,564
		367,651	217,076
Non-controlling interests		**31,967**	20,667
		399,618	237,743
		867,827	652,915

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, 2024	September 30, 2023
		$	$
SALES	29		
Products		**708,366**	518,904
Services		**203,450**	159,446
		911,816	678,350
Cost of sales		**648,450**	512,391
Gross profit		**263,366**	165,959
EXPENSES			
Administration [i)]		**113,365**	66,856
Selling		**30,820**	20,724
Financing costs	22	**25,138**	15,880
Share of an associate and joint ventures net (income) loss		**18**	(11)
Other (gains) losses	23	**(2,707)**	(4,758)
		166,634	98,691
EARNINGS BEFORE INCOME TAXES		**96,732**	67,268
INCOME TAX EXPENSE (RECOVERY)	17		
Current		**28,115**	12,544
Deferred		**(4,627)**	5,091
		23,488	17,635
NET INCOME		**73,244**	49,633
Net income attributable to:			
Common shareholders		**63,571**	42,073
Non-controlling interests		**9,673**	7,560
		73,244	49,633
Weighted average number of common shares:			
Basic	20	**18,630,378**	17,877,555
Diluted	20	**19,324,764**	18,122,265
Net income per share:			
Basic	20	**$3.41**	$2.35
Diluted	20	**$3.29**	$2.32

[i)] Includes amortization of intangible assets expense of $27,166 for the year ended September 30, 2024 ($7,361 for the year ended September 30, 2023).

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, 2024	**September 30, 2023**
	$	**$**
NET INCOME	**73,244**	49,633
Other comprehensive income (loss), net of income tax:		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translating foreign operations	**(334)**	(628)
COMPREHENSIVE INCOME	**72,910**	49,005
Attributable to:		
Common shareholders	**63,237**	41,445
Non-controlling interests	**9,673**	7,560
	72,910	49,005

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, 2024	September 30, 2023
		$	$
Share capital			
Common shares:	19		
Balance, beginning of year		**150,092**	150,467
Issued on bought deal offering, net of transaction costs		**93,039**	-
Issued on business combination, net of transaction costs		**6,916**	-
Issued on exercise of stock options		**597**	85
Repurchased and cancelled during the year		**-**	(460)
Balance, end of year		**250,644**	150,092
Share premium			
Balance, beginning of year		**18,788**	20,408
Carrying value of common shares repurchased lower than consideration paid		**-**	(852)
Reduction on exercise of stock options		**(1,178)**	(768)
Excess consideration paid on settlement of stock options		**(2,772)**	-
Balance, end of year		**14,838**	18,788
Share-based payments reserve			
Balance, beginning of year		**1,980**	955
Share-based payments expense	19	**514**	1,140
Reduction on exercise and settlement of stock options		**(350)**	(115)
Balance, end of year		**2,144**	1,980
Accumulated other comprehensive income			
Balance, beginning of year		**1,652**	2,280
Other comprehensive income (loss)		**(334)**	(628)
Balance, end of year		**1,318**	1,652
Retained earnings			
Balance, beginning of year		**44,564**	9,463
Net income attributable to common shareholders		**63,571**	42,073
Net remeasurement gain on defined benefit plans, net of income tax		**1,951**	2,078
Change in non-controlling interest		**(88)**	(114)
Dividends declared during the year		**(11,291)**	(8,936)
Balance, end of year		**98,707**	44,564
Total shareholders' equity attributable to common shareholders		**367,651**	217,076
Non-controlling interests			
Balance, beginning of year		**20,667**	12,344
Change in non-controlling interest		**1,041**	270
Change attributable to subsidiary's stock options plan		**586**	493
Net income attributable to non-controlling interests		**9,673**	7,560
Balance, end of year		**31,967**	20,667
Total shareholders' equity		**399,618**	237,743

See accompanying notes to the consolidated financial statements

TERRAVEST INDUSTRIES INC.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

	Note	Years ended September 30, 2024	September 30, 2023
		$	$
OPERATING ACTIVITIES			
Net income		**73,244**	49,633
Adjustments for:			
Current income tax expense		**28,115**	12,544
Interest expense		**24,500**	15,685
Items not affecting cash	24	**64,300**	43,096
Interest paid		**(24,155)**	(15,346)
Net income taxes paid		**(27,051)**	(9,591)
Contributions to post-employment benefits plans	18	**(226)**	(237)
Termination of benefits pension plan	18	**-**	749
Settlement of derivative financial instruments		**107**	111
Change in non-cash operating working capital items	24	**17,644**	(17,402)
		156,478	79,242
INVESTING ACTIVITIES			
Consideration paid on business combinations, net of cash acquired	4	**(149,114)**	(17,912)
Purchase of other property, plant and equipment		**(44,013)**	(19,459)
Proceeds from disposal of other property, plant and equipment		**19,159**	5,989
Purchase of property, plant and equipment for rental		**(11,751)**	(13,696)
Proceeds from disposal of property, plant and equipment for rental		**11,825**	6,129
Purchase of intangible assets		**(574)**	(352)
Investments	24	**(2,948)**	(867)
Proceeds from sale of business		**4,260**	-
Net change in non-controlling interest		**(2,220)**	(16)
		(175,376)	(40,184)
FINANCING ACTIVITIES			
Net change in current revolving credit facilities		**(14,983)**	325
Net change in long-term revolving operating loans, net of transaction costs		**(13,036)**	(9,313)
Issuance of long-term debt, net of transaction costs		**21,667**	13,201
Repayment of long-term debt		**(39,407)**	(11,908)
Repayment of lease liabilities		**(8,336)**	(5,828)
Issuance of common shares, net of transaction costs	19	**91,928**	-
Common shares repurchased and cancelled	19	**-**	(1,312)
Settlement of subsidiary's stock options		**(63)**	(63)
Settlement of stock options, net of exercise proceeds		**(4,501)**	-
Dividends paid		**(10,604)**	(8,485)
		22,665	(23,383)
Net inflows for the year		**3,767**	15,675
Cash and bank overdrafts, beginning of year		**24,585**	9,034
Impact of foreign exchange on cash and bank overdrafts		**23**	(124)
CASH AND BANK OVERDRAFTS, END OF YEAR		**28,375**	24,585

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 60th Street in Vegreville, Alberta, Canada.

TerraVest is a diversified industrial company that manufactures and sells goods and services to various end-markets including: agriculture, mining, energy production and distribution, chemical, utilities, transportation and construction, 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 products and services that complement TerraVest’s existing operations and provide integration benefits.

TerraVest is comprised of four operating segments as 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, 2024.

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.

In October 2023, TerraVest adopted the amended version of IAS 1 *Presentation of financial statements* (“IAS 1”), which requires entities to disclose information about their material accounting policies rather than their significant policies. The adoption of this amended version had no impact on TerraVest consolidated financial statements, excepts in terms of accounting policies disclosure in Note 2.

The following material 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 2.21.

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
Advance Engineered Products Ltd.	Canada	100
Advance Tank Centres Ltd.	Canada	100
Advance Tank Production Ltd.	Canada	100
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	63.2
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
Granby Heating Products, LLC	United States	100
Granby Industries Transport USA, LLC	United States	100
Highland Tank, LLC	United States	100
Iowa Steel Fabricators, LLC	United States	100
Mississippi Tank & Manufacturing Company	United States	100
MTankCo Supply, LLC	United States	100
Signature Truck Systems, LLC	United States	100
TerraVest Tanks LLC	United States	100
TerraVest Tanks MI 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 statement of income as a bargain purchase gain.

2.6 Segment reporting

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.

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

- HVAC and Containment Equipment: is a provider of products and services to a variety of industries across Canada and the United States. The HVAC and Containment Equipment segment manufactures and distributes products including commercial and residential refined fuel tanks, furnaces, boilers, air conditioning equipment and controls as well as chemical storage tanks, wastewater treatment systems, grease removal systems and other custom built steel storage products. This segment sells its products through various distribution networks and direct to end users. The end users of the products are fuel distributors, commercial, residential and industrial consumers, municipalities and government agencies.
- 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, crude oil, refined fuel, dry bulk and other liquids. Compressed gases include liquid propane gas (“LPG”), natural gas liquids (“NGL’s”), liquified natural gas (“LNG”), anhydrous ammonia (“NH_3”), carbon dioxide (“CO_2”) 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 petroleum and 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 its industry-leading service product offering. This segment services many of the largest energy producers in Canada.

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 and Containment 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 and Containment 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 revenue not recognized; amounts are recorded as customer deposits on the consolidated statement 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.

2.9 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 statement 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.

2.10 Earnings per share

Basic earnings per share is calculated using the net income attributable to TerraVest's shareholders 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.

2.11 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.

2.12 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.

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 statement of income as other (gains) losses.

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

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.

2.13 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	6 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.

2.14 Investment in associate and investment in joint ventures

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

2.15 Goodwill

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

2.16 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.

PP&E, 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.

2.17 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 statement 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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, investment in a limited partnership and contingent consideration 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 statement 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. 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.

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 and to the net defined benefit asset or liability presented in the consolidated statement of financial position. Refer to Note 18 for additional information on the assumptions used.

4. BUSINESS COMBINATIONS

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 estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

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 PP&E of LV Energy Services Ltd.

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 future lease payments of the acquired business using its incremental borrowing rate as at the acquisition 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.

2024 Business combinations

4.1 Acquisition of Advance Engineered Products Ltd.

On April 1, 2024, a subsidiary of TerraVest entered into an agreement to acquire all the issued and outstanding shares of Advance Engineered Products Ltd. ("AEPL"). AEPL is a leading Canadian manufacturer and service provider in the tank trailer industry in Canada.

The acquisition was a business combination and 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 $588 were incurred and recognized as administration expenses during the year ended September 30, 2024.

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

Fair value of the consideration transferred at the acquisition date

	Final
	$
Fair value of the cash consideration	**29,664**
Contingent consideration payable to the vendors [i]	**4,000**
Amount receivable from the vendors	**(20)**
	33,644

[i] The share purchase agreement contains an "earn-out payment" clause to the vendors of a maximum amount of $4,000 related to future profitability of the acquired business. The acquisition date fair value of the contingent consideration payable recognized was measured based on management's estimates of budgeted average annual earnings before interests, income taxes, depreciation and amortization ("EBITDA") for the 24-month period following the share purchase.

Assets acquired and liabilities assumed at the acquisition date

The preliminary fair value of the identifiable assets acquired and liabilities assumed as at April 1, 2024 acquisition date is as follows:

	Preliminary
	$
ASSETS	
Cash	**447**
Accounts receivable	**7,272**
Income taxes receivable	**242**
Inventories	**16,547**
Prepaid expenses	**641**
Property, plant and equipment	**4,178**
Right-of-use assets	**21,386**
Intangible assets	**9,865**
	60,578
LIABILITIES	
Accounts payable	**4,457**
Customer deposits	**1,048**
Lease liabilities	**21,386**
Deferred income tax liabilities	**3,290**
	30,181
Net identifiable assets acquired	**30,397**

Determination of fair value

TerraVest is currently evaluating the fair value of assets acquired and liabilities assumed at the acquisition date. The estimated fair value of assets acquired and liabilities assumed may be subject to change until the business combination has been finalized.

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

Goodwill arising from the business combination

	Preliminary
	$
Consideration transferred	**33,644**
Less:	
Fair value of net identifiable assets acquired	**30,397**
Goodwill	**3,247**

The acquisition was undertaken in order to leverage TerraVest products suite and scale since AEPL manufactures and services complementary products. The preliminary goodwill associated with this acquisition is mainly attributable to the existing workforce and is non-deductible for income tax purposes.

AEPL contribution to TerraVest results

TerraVest’s consolidated net income during the year ended September 30, 2024 includes sales of $35,975 and a net income of $940 generated from AEPL’s results since the acquisition date of April 1, 2024.

If AEPL had been acquired on October 1, 2023, TerraVest’s consolidated sales and net income would have stood at $950,607 and $76,246 respectively, for the year ended September 30, 2024. TerraVest considers the pro forma figures to be an approximative measurement of the financial performance of the combined entities over a twelve-month period.

4.2 Acquisition of Highland Tank Holdings LLC

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”). HT is a leading manufacturer of fuel and chemical storage tanks, wastewater storage and treatment tanks, LPG vessels and other custom built steel storage products in North America.

The acquisition was a business combination and has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition. The acquisition-related costs total $522, of which $300 were incurred and recognized as administration expenses during the year ended September 30, 2024 and $222 in fiscal 2023.

Fair value of the consideration transferred at the acquisition date

	Final
	$
Fair value of the cash consideration	**99,572**
TerraVest common shares issued [i)]	**6,936**
	106,508

i) See note 19.1 for additional details on the transaction.

(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, 2023 acquisition date is as follows:

	Final
	$
ASSETS	
Cash	**6**
Accounts receivable	**12,067**
Inventories	**21,098**
Prepaid expenses	**1,965**
Property, plant and equipment	**11,239**
Right-of-use assets	**38,624**
Intangible assets	**41,539**
Investment	**37**
	126,575
LIABILITIES	
Accounts payable	**7,535**
Customer deposits	**19,910**
Lease liabilities	**38,624**
	66,069
Net identifiable assets acquired	**60,506**

Goodwill arising from the business combination

	Final
	$
Consideration transferred	**106,508**
Less:	
Fair value of net identifiable assets acquired	**60,506**
Goodwill	**46,002**

The acquisition was undertaken in order to leverage TerraVest's product suite and scale since HT produces complementary products. The goodwill associated with this acquisition is partially attributable to brand recognition and to the existing workforce and is deductible for income tax purposes.

HT contribution to TerraVest results

TerraVest's consolidated net income during the year ended September 30, 2024 includes sales of $158,439 and a net income of $15,879 generated from HT's results since the acquisition date of November 1, 2023.

Due to lack of IFRS-specific data prior to the acquisition of HT, pro-forma revenue and profit or loss of the combined entity during the year ended September 30, 2024 cannot be determined reliably.

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

4.3 Acquisition of LV Energy Services Ltd.

On October 1, 2023, TerraVest's partially owned subsidiary, Green Energy Services Inc. ("GES"), entered into a share purchase agreement to acquire all the issued and outstanding shares of LV Energy Services Ltd. and its sister company (together referred to as "LV"). LV provides water management and other related services in the Western Canadian energy industry.

The acquisition was a business combination and 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 $201 were incurred and recognized as administration expenses during the year ended September 30, 2024.

As contemplated in the initial acquisition of LV, the sister company of LV was sold during the second quarter ended March 31, 2024.

Fair value of the consideration transferred at the acquisition date

	Final
	$
Fair value of the cash consideration	**21,969**
GES common shares issued [i)]	**3,000**
	24,969

[i)] 400,000 common shares at a share price of $7.50 per common share.

Assets acquired and liabilities assumed at the acquisition date

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

	Final
	$
ASSETS	
Cash	**1,638**
Accounts receivable	**3,143**
Inventories	**371**
Prepaid expenses	**28**
Property, plant and equipment	**15,706**
Right-of-use assets	**720**
Intangible assets	**4,548**
	26,154
LIABILITIES	
Accounts payable and accrued liabilities	**2,211**
Income taxes payable	**684**
Lease liabilities	**720**
Long-term debt	**154**
Deferred income tax liabilities	**4,216**
	7,985
Net identifiable assets acquired	**18,169**

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

Goodwill arising from the business combination

	Final
	$
Consideration transferred	**24,969**
Less:	
Fair value of net identifiable assets acquired	**18,169**
Goodwill	**6,800**

The acquisition was undertaken in order to grow the water management and heating activities that complement TerraVest's existing operations in the Service segment. The goodwill associated with this acquisition is mainly attributable to the existing workforce and is non-deductible for income tax purposes.

LV contribution to TerraVest results

TerraVest's consolidated net income during the year ended September 30, 2024 includes sales of $14,260 generated from LV's results since the acquisition date of October 1, 2023. LV's 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 LV's net income in TerraVest's results since the acquisition date.

2023 Business combinations

4.4 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**

(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 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**

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.

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

4.5 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

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

(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.

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.

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:

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

Carrying amount	Level	As at September 30, 2024	As at September 30, 2023
		$	$
Financial assets			
At amortized cost			
Cash		**28,375**	24,758
Accounts receivable [i]		**125,579**	122,729
		153,954	147,487
At fair value through profit or loss			
Investment in equity instruments	1	**8,119**	5,850
Derivative financial instruments [ii]	2	**255**	1,879
Investment in a limited partnership	3	**7,742**	7,902
		16,116	15,631
Financial liabilities			
At amortized cost			
Bank overdrafts		**-**	173
Revolving credit facilities		**-**	29,255
Accounts payable and accrued liabilities [iii]		**52,971**	63,865
Dividends payable		**2,925**	2,239
Long-term debt (current and non-current) [iv]	2	**188,858**	206,193
		244,754	301,725
At fair value through profit or loss			
Derivative financial instruments [ii]	2	**37**	923
Contingent consideration	3	**4,000**	-
		4,037	923

[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, 2024, the fair value of long-term debt was $185,627 ($199,104 as at September 30, 2023).

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 agreements 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 agreements have been fair valued using observable interest rates corresponding to the maturity of the agreements. The effects of non-observable inputs are not significant for forward exchange contracts and interest rate swap agreements.

6. ACCOUNTS RECEIVABLE

	As at September 30, 2024	As at September 30, 2023
	$	$
Net trade receivables	**122,148**	119,269
Sales tax receivable	**786**	375
Other receivables	**3,431**	3,460
	126,365	123,104

Allowance for estimated credit losses included in net trade receivables was $1,254 as at September 30, 2024 ($563 as at September 30, 2023).

7. INVENTORIES

	As at September 30, 2024	As at September 30, 2023
	$	$
Raw materials	**92,210**	87,128
Work in progress	**63,237**	67,636
Finished goods	**55,732**	42,485
	211,179	197,249

Inventories expensed in cost of sales for the year ended September 30, 2024 totaled $492,106 ($398,593 for the year ended September 30, 2023), which includes an amount of $260 of inventory write-downs ($212 for the year ended September 30, 2023).

8. OTHER CURRENT ASSETS

	As at September 30, 2024	As at September 30, 2023
	$	$
Prepaid expenses	**18,295**	10,804
Derivative financial instruments	**255**	1,879
Other	**1,171**	204
	19,721	12,887

(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, 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**
Acquired in business combinations (Note 4)	**2,440**	**23,669**	**-**	**4,997**	**17**	**31,123**
Additions	**2,920**	**20,047**	**12,084**	**4,768**	**12,425**	**52,244**
Disposals/transfers	**(14,324)**	**(2,612)**	**(13,014)**	**(2,881)**	**(1,399)**	**(34,230)**
Disposals on sale of business	**-**	**(3,693)**	**-**	**-**	**-**	**(3,693)**
Exchange difference	**(138)**	**(245)**	**-**	**(69)**	**(9)**	**(461)**
Balance as at September 30, 2024	**42,740**	**206,104**	**27,026**	**30,471**	**13,122**	**319,463**
Accumulated depreciation						
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**
Depreciation for the year	**2,545**	**21,340**	**2,885**	**4,977**	**-**	**31,747**
Disposals	**(3,498)**	**(2,362)**	**(2,828)**	**(2,156)**	**-**	**(10,844)**
Disposals on sale of business	**-**	**(245)**	**-**	**-**	**-**	**(245)**
Exchange difference	**(90)**	**(19)**	**-**	**23**	**-**	**(86)**
Balance as at September 30, 2024	**8,355**	**94,191**	**5,811**	**13,663**	**-**	**122,020**
Net carrying value						
As at September 30, 2023	42,444	93,461	22,202	12,837	2,088	173,032
As at September 30, 2024	**34,385**	**111,913**	**21,215**	**16,808**	**13,122**	**197,443**

(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, 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**
Acquired in business combinations (Note 4)	**58,521**	**2,209**	**60,730**
Additions	**25,351**	**920**	**26,271**
Disposals	**(3,004)**	**(598)**	**(3,602)**
Exchange difference	**(1,031)**	**(40)**	**(1,071)**
Balance as at September 30, 2024	**121,806**	**8,117**	**129,923**
Accumulated depreciation			
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**
Depreciation for the year	**8,175**	**2,259**	**10,434**
Disposals	**(3,004)**	**(476)**	**(3,480)**
Exchange difference	**(17)**	**-**	**(17)**
Balance as at September 30, 2024	**21,106**	**3,604**	**24,710**
Net carrying value			
As at September 30, 2023	26,017	3,805	29,822
As at September 30, 2024	**100,700**	**4,513**	**105,213**

(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, 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**
Acquired in business combinations (Note 4)	**40,108**	**6,442**	**6,243**	**3,159**	**55,952**
Additions	**-**	**649**	**-**	**-**	**649**
Exchange difference	**(833)**	**(112)**	**(134)**	**(99)**	**(1,178)**
Balance as at September 30, 2024	**89,980**	**11,291**	**18,241**	**13,879**	**133,391**
Accumulated amortization					
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**
Amortization for the year	**23,269**	**1,487**	**2,410**	**-**	**27,166**
Exchange difference	**(155)**	**(9)**	**(19)**	**-**	**(183)**
Balance as at September 30, 2024	**60,730**	**3,617**	**10,952**	**-**	**75,299**
Net carrying value					
As at September 30, 2023	13,089	2,173	3,571	10,819	29,652
As at September 30, 2024	**29,250**	**7,674**	**7,289**	**13,879**	**58,092**

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

12. INVESTMENTS

	As at September 30, 2024	As at September 30, 2023
	$	$
At equity method		
Investment in associate	**1,181**	1,136
Investment in joint ventures	**334**	327
	1,515	1,463
At fair value through profit or loss		
Investment in equity instruments	**8,119**	5,850
Investment in a limited partnership	**7,742**	7,902
	15,861	13,752
	17,376	15,215

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 and Containment Equipment CGU
- Compressed Gas Equipment CGU
- Processing Equipment CGU
- Service CGU

13.1 Goodwill reconciliation and allocation table

	HVAC and Containment Equipment	Compressed Gas Equipment	Processing Equipment	Service	Total
	$	$	$	$	$
Balance as at September 30, 2022	3,347	15,352	1,941	3,591	24,231
Final purchase price allocation impact	-	(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**
Acquired in business combinations (Note 4)	**46,002**	**3,247**	**-**	**6,800**	**56,049**
Disposals on sale of business	**-**	**-**	**-**	**(1,204)**	**(1,204)**
Exchange difference	**(1,234)**	**(20)**	**-**	**-**	**(1,254)**
Balance as at September 30, 2024	**48,400**	**17,870**	**1,941**	**9,356**	**77,567**

The carrying amount of indefinite life intangible assets attributable to the HVAC and Containment Equipment and Compressed Gas Equipment CGUs is $11,076 and $2,803 respectively as at September 30, 2024 ($8,012 and $2,807 respectively as at September 30, 2023).

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

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 and Containment 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, 2024 and 2023. 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 or indefinite life intangible assets.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at September 30, 2024	As at September 30, 2023
	$	$
Trade accounts payable	**32,871**	48,768
Accrued liabilities	**19,132**	14,421
Accrued compensation	**20,715**	14,754
Sales tax payable	**3,223**	2,432
Interest payable	**968**	676
Derivative financial instruments liability	**37**	923
	76,946	81,974

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

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

	Note	As at September 30, 2024	As at September 30, 2023
		$	$
Revolving credit facilities:			
Revolving operating credit facility, floating rate, maturing in October 2026	15.1	**102,523**	-
Revolving credit facility, repaid in October 2023	15.1	**-**	118,152
Revolving credit facilities, floating rate, maturing in February 2027	15.2	**26,409**	43,671
Revolving term loans, floating rate, payable in consecutive monthly capital instalments totaling $275 plus interest, maturing up to November 2028	15.3	**9,383**	8,099
Short-term revolving credit facilities, repaid in February 2024		**-**	3,657
Interest bearing financing:			
Loan, interest at 7% (6% as at September 30, 2023), 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	15.4	**43,250**	48,650
Loans, floating rate, payable in equal and consecutive monthly capital instalments totaling $210 plus interest, maturing up to July 2027	15.3	**5,370**	8,047
Other		**476**	1,296
Loan, repaid in February 2024		**-**	2,568
Non-interest bearing financing:			
Loans, effective interest rates between 3.45% and 3.95%, payable in 72 equal and consecutive monthly instalments totaling $23, maturing in August 2026	15.5	**553**	786
Loan, payable in 60 equal and consecutive monthly instalments of $10 starting in December 2027, maturing in November 2032		**600**	-
Loans, effective interest rates between 2.70% and 3.95%, payable in 60 equal and consecutive monthly instalments totaling $20, maturing in February 2026		**294**	522
		188,858	235,448
Current portion of long-term debt		**(15,701)**	(29,665)
Presented in short-term revolving credit facilities		**-**	(29,255)
		173,157	176,528

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

15.1 Revolving operating credit facility

As at September 30, 2024, certain subsidiaries of TerraVest operating in the HVAC and Containment Equipment and Compressed Gas Equipment segments had a revolving operating credit facility totaling $310,000 with a syndicate of lenders. This revolving operating credit facility replaced the revolving credit facility of $130,000. The revolving operating credit facility is committed for a term of 3 years and can be extended at any time, no more than once per year, provided that the maturity date is within 3 years on which the extension becomes effective.

The revolving operating credit facility can be used to finance current operations, purchase PP&E, enter into forward exchange contracts and interest rate swap agreements and finance business acquisitions. It bears interest at Canadian prime rate or U.S. base rate, depending on the currency of the borrowing, plus 0 to 150 basis points for open-ended borrowings and/or bears interest at Adjusted Term CORRA or Daily Compounded CORRA ("CORRA") or Adjusted term SOFR ("SOFR"), plus 150 to 300 basis points, upon the use of term borrowings. The standby fee varies from 30 to 60 basis points. Interest rate margins and standby fees vary based on a prescribed ratio. As at September 30, 2024, the interest rate was 6.45% on Canadian open-ended borrowings, 8.50% on U.S. open ended borrowings and the standby fee was 0.30% (7.45%, 9.25% and nil respectively as at September 30, 2023).

Transaction costs of $1,644, incurred during the year ended September 30, 2024 to obtain the credit facilities, were recorded as prepaid expenses and are amortized on a straight-line basis over the 36-month term of the credit facility.

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

Financial covenants	Required measurements	As at September 30, 2024
Funded debt to EBITDA ratio	≤ 4.50:1	**1.17**
Fixed charge coverage ratio	≥ 1.20:1	**3.89**

The revolving operating credit facility is secured by a first-ranking security over all of the assets, movable/personal, tangible and intangible, corporeal and incorporeal, present and future of certain subsidiaries; a first-ranking collateral charge on the universality of certain subsidiaries real property and an assignment of insurance policies.

15.2 Revolving credit facilities

As at September 30, 2024, certain subsidiaries of TerraVest operating in the Processing Equipment and Service segments had credit facilities totaling $55,000 ($55,000 as at September 30, 2023) 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 credit facilities expire on February 15, 2027 and were used to refinance the $9,000 short-term revolving credit facilities repaid in February 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. The credit facilities bear interest at Canadian prime rate or U.S. base rate, depending on the currency of the borrowing, plus 25 to 50 basis points for open-ended borrowings and/or bears interest at CORRA plus 175 to 200 basis points upon the use of Canadian term borrowings. The standby fee varies from 35 to 40 basis points. Interest rate margins and standby fees vary based on a prescribed ratio. As at September 30, 2024, the interest rate was 6.70% on Canadian open-ended borrowings and the standby fee was 0.35% (7.45% and 0.25% respectively as at September 30, 2023).

(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, 2024
Funded debt to EBITDA ratio	≤ 3.00:1	**1.80**
Fixed charge coverage ratio	≥ 1.15:1	**1.72**

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.

15.3 Credit facilities in Service segment

As at September 30, 2024, 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, 2023), a revolving term loan of $22,000 ($12,000 as at September 30, 2023) and three term loans recorded as long-term debt. An additional term loan of $5,000 was obtained in November 2023 to finance a portion of the LV acquisition and has been fully repaid in January 2024. 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 the revolving term loan can be used to finance the purchase or leasing of equipment up to 75% of its cost. The credit facilities bear interest at Canadian prime rate or U.S. base rate, depending on the currency of the borrowing, plus 50 basis points (75 basis points as at September 30, 2023) for open-ended borrowings and/or bears interest at CORRA or SOFR plus 225 basis point (250 basis point as at September 30, 2023) or at the financial institution fixed rate upon the use of term borrowings. As at September 30, 2024, the interest rate was 6.95% on Canadian open-ended borrowings (7.95% as at September 30, 2023).

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

Financial covenants	Required measurements	As at September 30, 2024
Funded debt to EBITDA ratio	≤ 2.50:1	**0.33**
Fixed charge coverage ratio	≥ 1.25:1	**2.46**

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.

15.4 Term loan

As at September 30, 2024, 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 interest rate varies from 7% to 8.5% based on a prescribed financial ratio.

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

Financial covenants	Required measurements	As at September 30, 2024
Funded debt to EBITDA ratio	≤ 4.00:1	**1.17**
Fixed charge coverage ratio	≥ 1.20:1	**3.89**

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

15.5 Loans

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

Financial covenant	Required measurement	As at September 30, 2024
Fixed charge coverage ratio	≥ 1.20:1	**3.39**

15.6 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
	$
2025	**15,701**
2026	**13,527**
2027	**129,735**
2028	**29,170**
2029	**455**
Beyond 2029	**270**
	188,858

15.7 Covenants

As at September 30, 2024 and throughout the year, TerraVest was in compliance with all of its financial and non-financial covenants.

16. LEASE LIABILITIES

	As at September 30, 2024	As at September 30, 2023
	$	$
Balance, beginning of year	**33,427**	32,605
Acquired in business combinations (Note 4)	**60,730**	1,642
Additions	**29,315**	5,036
Lease payments	**(8,336)**	(5,828)
Disposals	**(73)**	-
Exchange difference	**(1,063)**	(28)
	114,000	33,427
Current portion of lease liabilities	**(9,414)**	(6,064)
Balance, end of year	**104,586**	27,363

Lease payments including interests were $13,237 for the year ended September 30, 2024 ($7,316 for the year ended September 30, 2023).

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

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
	$	$	$
2025	**9,414**	**7,755**	**17,169**
2026	**9,257**	**7,541**	**16,798**
2027	**9,317**	**7,295**	**16,612**
2028	**7,630**	**7,043**	**14,673**
2029	**6,632**	**6,871**	**13,503**
Beyond 2029	**71,749**	**36,337**	**108,086**
	113,999	**72,842**	**186,841**

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

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, 2024	As at September 30, 2023
	$	$
Earnings before income taxes	**96,732**	67,268
Income tax – statutory rate	**23.85%**	23.84%
Income taxes at statutory rate	**23,071**	16,037
Income tax rates in other jurisdictions and rate changes	**(214)**	656
Non-taxable and non-deductible items	**1,066**	1,594
Change in unrecognized deferred tax assets	**(28)**	(199)
Adjustment for prior years	**(142)**	(384)
Other	**(265)**	(69)
Income tax expense	**23,488**	17,635

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

17.2 Income tax expense

	As at September 30, 2024	**As at September 30, 2023**
	$	**$**
Current income tax expense		
Current year	**27,915**	14,238
Adjustment for prior years	**200**	(1,694)
	28,115	12,544
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**(3,983)**	3,587
Change in income tax rates	**(23)**	364
Change in unrecognized deferred tax assets	**(28)**	(199)
Adjustment for prior years	**(342)**	1,310
Other	**(251)**	29
	(4,627)	5,091
Income tax expense	**23,488**	17,635

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, 2024	As at September 30, 2023
	$	$
Deferred income tax assets		
Inventories	**1,241**	744
Non-capital losses carried forward	**10,892**	13,036
Income tax credits carried forward	**-**	2,411
Goodwill and intangible assets	**9,247**	6,291
Net defined benefit liability	**1,105**	1,060
Accounts payable and accrued liabilities	**271**	576
Lease liabilities	**26,565**	8,129
Other	**1,355**	290
Deferred income tax assets	**50,676**	32,537
Offset by deferred income tax liabilities	**(36,356)**	(21,360)
	14,320	11,177

	As at September 30, 2024	As at September 30, 2023
Deferred income tax liabilities		
Inventories	**2,448**	1,887
Property, plant and equipment	**23,424**	20,464
Right-of-use assets	**24,368**	7,236
Goodwill and intangible assets	**6,896**	4,779
Net defined benefit asset	**2,574**	2,124
Other	**545**	1,639
Deferred income tax liabilities	**60,255**	38,129
Offset by deferred income tax assets	**(36,356)**	(21,360)
	23,899	16,769

(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, 2024
	Net assets (liabilities), opening balance	**Acquired in business combinations (Note 4)**	**Sale of business and reclassification**	**Recognized in shareholders' equity**	**Recognized in profit or loss**	**Net assets (liabilities), closing balance**
	$	**$**	**$**	**$**	**$**	**$**
Non-capital losses carried forward	**13,036**	**39**	**-**	**-**	**(2,183)**	**10,892**
Income tax credits carried forward	**2,411**	**-**	**(2,287)**	**-**	**(124)**	**-**
Goodwill and intangible assets	**1,512**	**(3,515)**	**-**	**-**	**4,354**	**2,351**
Property, plant and equipment	**(20,464)**	**(4,097)**	**731**	**-**	**406**	**(23,424)**
Right-of-use assets	**(7,236)**	**(14,471)**	**-**	**-**	**(2,661)**	**(24,368)**
Net defined benefit asset	**(2,124)**	**-**	**-**	**(569)**	**119**	**(2,574)**
Inventories	**(1,143)**	**49**	**-**	**-**	**(113)**	**(1,207)**
Accounts payable and accrued liabilities	**576**	**18**	**-**	**-**	**(323)**	**271**
Lease liabilities	**8,129**	**14,471**	**-**	**-**	**3,965**	**26,565**
Net defined benefit liability	**1,060**	**-**	**-**	**(49)**	**94**	**1,105**
Other	**(1,349)**	**-**	**-**	**1,066**	**1,093**	**810**
	(5,592)	**(7,506)**	**(1,556)**	**448**	**4,627**	**(9,579)**

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

					As at September 30, 2023
	Net assets (liabilities), opening balance	**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	15,772	176	-	(2,912)	13,036
Income tax credits carried forward	3,388	(58)	-	(919)	2,411
Goodwill and intangible assets	652	(95)	-	955	1,512
Property, plant and equipment	(19,169)	(616)	-	(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)	8	24	(907)	(1,349)
	649	(521)	(629)	(5,091)	(5,592)

17.5 Deferred income tax

As at September 30, 2024, TerraVest had non-capital losses available to be carried forward of $44,824 ($54,481 as at September 30, 2023). These losses expire between 2032 and 2044, except for certain losses in the amount of $8,961 which can be carried 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 non-capital losses available as it is probable that future taxable profit will be available against which TerraVest can utilize these benefits.

TerraVest also has capital losses of $52,953 ($54,126 as at September 30, 2023) 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, 2024 and 2023, 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.

18. POST-EMPLOYMENT BENEFITS

18.1 Description of the plans

A subsidiary of TerraVest administers one defined benefit pension plan and one unfunded post-retirement healthwelfare plan to various groups of its employees and retirees. One defined benefit plan 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.

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

18.2 Change in the present value of the defined benefit obligation

	As at September 30, 2024		
	Defined benefit pension plan	**Post-retirement plan**	**Total**
	$	**$**	**$**
Balance, beginning of year	**15,803**	**3,554**	**19,357**
Current service cost	**389**	**46**	**435**
Past service cost	**71**	**-**	**71**
Interest expense	**871**	**196**	**1,067**
Benefits paid	**(1,124)**	**(226)**	**(1,350)**
Actuarial (gains) losses arising from:			
Effect of changes in financial assumptions	**1,555**	**271**	**1,826**
Effect of experience adjustments	**(185)**	**(478)**	**(663)**
Exchange difference	**(31)**	**(4)**	**(35)**
Balance, end of year	**17,349**	**3,359**	**20,708**

The weighted average duration of the defined benefit obligation is 10.3 years at September 30, 2024.

	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.

(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, 2024	As at September 30, 2023
	$	$
Balance, beginning of year	**22,661**	24,100
Termination of benefits pension plan	**-**	(749)
Interest income	**1,259**	1,117
Return on plan assets, excluding amounts included in interest income	**3,732**	1,503
Employer contributions to post-employment benefits plans	**226**	237
Benefits paid	**(1,350)**	(3,011)
Administrative expenses	**(189)**	(197)
Exchange difference	**(49)**	(339)
Balance, end of year	**26,290**	22,661

18.4 Net defined benefit asset (liability)

	As at September 30, 2024	As at September 30, 2023
	$	$
Fair value of plan assets	**26,290**	22,661
Defined benefit obligation	**(20,708)**	(19,357)
Net defined benefit asset	**5,582**	3,304
Presented as follows in the consolidated statements of financial position:		
Net defined benefit asset	**8,941**	6,858
Net defined benefit liability	**(3,359)**	(3,554)
	5,582	3,304

18.5 Cost of benefits

	As at September 30, 2024	As at September 30, 2023
	$	$
Cost of benefits recognized in profit or loss		
Current service cost	**435**	459
Past service cost	**71**	-
Net interest expense (income)	**(192)**	(61)
Administrative expenses	**189**	197
	503	595
Cost of benefits recognized in retained earnings		
Actuarial (gains) losses	**1,163**	(1,228)
Return on plan assets, excluding amounts included in net interest	**(3,732)**	(1,503)
	(2,569)	(2,731)

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

18.6 Composition of pension plan assets

	As at September 30, 2024	As at September 30, 2023
	$	$
Plan assets quoted in active markets		
Cash and cash equivalents	**427**	330
Debt instruments	**14,903**	1,756
Investment funds	**2,066**	12,066
Equity instruments	**5,440**	5,268
	22,836	19,420
Plan assets not quoted in active markets		
Debt instruments	**3,454**	3,241
Total plan assets	**26,290**	22,661

18.7 Expected contributions

During fiscal 2025, TerraVest does not expect to contribute to its defined benefit pension plan.

18.8 Actuarial assumptions

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

	As at September 30, 2024	As at September 30, 2023
Defined benefit obligation		
Discount rate	**4.76%**	5.68%
Mortality table [i)]	**PRI-2012**	PRI-2012

[i)] As at September 30, 2024 and 2023, the mortality table used was the PRI-2012 with MP-2021 Projection, Blue Collar.

18.9 Sensitivity analyses

The sensitivity analyses were prepared in accordance with TerraVest's accounting policies. 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%	(502)	525
Mortality table – life expectancy of plan participants	1 year	764	(780)

[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, 2024		As at September 30, 2023	
	Number	Amount	Number	Amount
		$		$
Balance, beginning of year	**17,912,499**	**150,092**	17,886,018	150,467
Issued on bought deal offering, net of transaction costs	**1,300,000**	**93,039**	-	-
Issued on business combination, net of transaction costs (note 4.2)	**201,403**	**6,916**	-	-
Issued on exercise of stock options	**87,531**	**597**	81,181	85
Repurchased and cancelled	**-**	**-**	(54,700)	(460)
Balance, end of year	**19,501,433**	**250,644**	17,912,499	150,092

On May 15, 2024, TerraVest issued 1,300,000 common shares under a bought deal offering at a price of $74.25 per common share for gross proceeds of $96,525. Transaction costs of $4,577 were incurred to complete the offering and were accounted for, net of income tax, as a reduction of the carrying value of the shares issued. Net proceeds were used to repay the long-term debt. In addition, during the year ended September 30, 2024, TerraVest issued 201,403 common shares on a business combination. The transaction was recognized at the acquisition date fair value price of $34.44 per common share based on the Toronto Stock Exchange trading price. Transaction costs of $20 were incurred to issue the shares and were accounted for as a reduction of the carrying value of the shares issued.

During the year ended September 30, 2024, TerraVest did not repurchase any common shares under its common shares normal course issuer bid (“NCIB”) (54,700 during the year ended September 30, 2023 for total consideration of $1,312). The common shares NCIB expired on March 16, 2024 and was not renewed.

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 1,950,143 common shares can be issued under the stock option plan, of which 967,143 were available for grant as at September 30, 2024. Total expense arising from the share-based payment transactions recognized during the year ended September 30, 2024 as compensation expense was $514 ($1,140 for the year ended September 30, 2023).

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

The stock options outstanding and the weighted average exercise prices as at September 30, 2024 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	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	(66,667)	516,333	322,000	194,333
Feb. 18, 2022	Feb. 18, 2032	$26.99	100,000	(33,333)	66,667	-	66,667
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
			1,183,000	(200,000)	983,000	422,000	561,000
Weighted average exercise price			$24.34	$17.21	$25.79	$21.80	

During the year ended September 30, 2024, no stock options were granted or forfeited. In April 2024, 100,000 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 47,531 common shares. The weighted average share price on the date of exercise was $72.15 per common shares. In March 2024, 40,000 stock options were exercised for total cash proceeds of $364 and 60,000 stock options were settled for a cash consideration of $2,813. The total value of the cash consideration represented the intrinsic value of the 60,000 stock options at the settlement date and was recorded in share premium. The weighted average share price on the date of exercise was $55.99 per common shares. The weighted average share prices used were based on the average trading price of the common shares on the Toronto Stock Exchange for the five trading days immediately preceding the exercise and settlement date of the stock options.

19.3 Dividends

During the year ended September 30, 2024, TerraVest has declared dividends totaling $0.60 per common share ($0.50 per common share during the year ended September 30, 2023). As at September 30, 2024, $2,925 was included in dividends payable ($2,239 as at September 30, 2023).

Subsequent to the end of the year, TerraVest declared a cash dividend of $0.175 per common share payable on January 10, 2025 to shareholders of record on December 31, 2024. This represents a 17% increase over the prior quarterly dividend.

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

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, 2024	**September 30, 2023**
Numerator		
Net income attributable to common shareholders	**$63,571**	$42,073
Denominator		
Common shares, beginning of year	**17,912,499**	17,886,018
Weighted average shares issued	**717,879**	39,367
Weighted average shares repurchased	**-**	(47,830)
Weighted average shares, end of year - basic	**18,630,378**	17,877,555
Dilutive effect of options	**694,386**	244,710
Weighted average shares, end of year - diluted	**19,324,764**	18,122,265
Net income per share - basic	**$3.41**	$2.35
Net income per share - diluted	**$3.29**	$2.32

21. OPERATING EXPENSES

	Years ended	
	September 30, 2024	**September 30, 2023**
	$	**$**
Cost of sales		
Personnel expenses	**169,212**	131,094
Depreciation of other property, plant and equipment	**27,219**	22,690
Depreciation of property, plant and equipment for rental	**2,712**	2,602
Depreciation of right-of-use assets	**7,485**	5,109
Administration		
Personnel expenses	**53,751**	32,614
Depreciation of other property, plant and equipment	**1,665**	1,080
Depreciation of right-of-use assets	**2,905**	1,014
Amortization of finite life intangible assets	**27,166**	7,361
Selling		
Personnel expenses	**20,211**	15,526
Depreciation of other property, plant and equipment	**151**	9
Depreciation of right-of-use assets	**44**	30

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

22. FINANCING COSTS

	Years ended	
	September 30, 2024	September 30, 2023
	$	$
Interest on revolving credit facilities and long-term debt	**19,599**	14,197
Interest on lease liabilities	**4,901**	1,488
Amortization of financing costs	**638**	195
	25,138	15,880

23. OTHER (GAINS) LOSSES

	Years ended	
	September 30, 2024	September 30, 2023
	$	$
(Gain) loss on foreign exchange	**453**	1,265
Change in fair value of derivative financial instruments	**631**	(1,576)
Change in fair value of investment in equity instruments	**(615)**	(22)
Change in fair value of investment in a limited partnership	**1,425**	(1,070)
(Gain) loss on disposal of other property, plant and equipment	**(2,958)**	(2,361)
(Gain) loss on disposal of property, plant and equipment for rental	**(1,199)**	(1,013)
(Gain) loss on lease modification	**-**	19
(Gain) loss on sale of business	**(444)**	-
	(2,707)	(4,758)

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

24. SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended	
	September 30, 2024	September 30, 2023
	$	$
Adjustments for items not affecting cash		
Depreciation of other property, plant and equipment	**29,035**	23,779
Depreciation of property, plant and equipment for rental	**2,712**	2,602
Depreciation of right-of-use assets	**10,434**	6,153
Amortization of intangible assets	**27,166**	7,361
Amortization of financing costs	**638**	195
Post-employment benefits costs	**503**	595
Share-based compensation expense	**1,272**	1,930
Inventory write-downs	**260**	212
Change in fair value of derivative financial instruments	**631**	(1,576)
Change in fair value of investment in equity instruments	**(615)**	(22)
Change in fair value of investment in a limited partnership	**1,425**	(1,070)
(Gain) loss on disposal of other property, plant and equipment	**(2,958)**	(2,361)
(Gain) loss on disposal of property, plant and equipment for rental	**(1,199)**	(1,013)
(Gain) loss on lease modification	**-**	19
(Gain) loss on sale of business	**(444)**	-
Deferred income tax expense (recovery)	**(4,627)**	5,091
Share of an associate and joint ventures net (income) loss	**18**	(11)
Unrealized foreign exchange (gain) loss [i]	**49**	1,212
	64,300	43,096

[i] Includes $2,878 of unrealized foreign exchange gain on long-term debt for the year ended September 30, 2024 ($675 for the year ended September 30, 2023).

	Years ended	
	September 30, 2024	September 30, 2023
	$	$
Changes in non-cash operating working capital items		
Accounts receivable	**19,422**	(11,896)
Inventories	**22,989**	(7,136)
Other current assets	**(1,122)**	(1,733)
Accounts payable and accrued liabilities	**(16,671)**	(1,591)
Customer deposits	**(6,974)**	4,954
	17,644	(17,402)
Investments		
Investment in equity instruments	**(1,652)**	(867)
Investment in a limited partnership	**(1,262)**	-
Investment in joint venture	**(34)**	-
	(2,948)	(867)

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

24.1 Additional cash flow information

Deposits on purchase of PP&E of $4,836 were recorded in other current assets as at September 30, 2024 ($2,354 as at September 30, 2023).

Purchase of other PP&E of $1,197 and of intangible assets of $75 were unpaid and recorded as accounts payable and accrued liabilities as at September 30, 2024 ($1,712 and $nil as at September 30, 2023).

Proceeds from disposal of other PP&E of $634 was not received and was recorded in accounts receivable as at September 30, 2024 ($790 as at September 30, 2023).

Proceeds from disposal of PP&E for rental of $741 was not received and was recorded in accounts receivable as at September 30, 2024 ($1,499 as at September 30, 2023).

Investment and innovation tax credits of $412 were recognized as a reduction of other PP&E during the year ended September 30, 2024 ($818 during the year ended September 30, 2023) and $143 were recorded in accounts receivable as at September 30, 2024 ($174 as at September 30, 2023).

Leases, for which an amount of $26,271 was recognized in right-of-use assets and $29,315 in lease liabilities during the year ended September 30, 2024 ($5,036 in right of use assets and in lease liabilities during the year ended September 30, 2023), 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, 2024, 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.

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, 2024	As at September 30, 2023
	US$	US$
Financial assets and liabilities exposure		
Cash	**1,120**	3,471
Trade and other receivables	**8,138**	7,469
Investment in equity instruments	**5,996**	4,308
Investment in a limited partnership	**5,735**	5,844
Accounts payable and accrued liabilities	**(1,822)**	(3,032)
Long-term debt	**(22,630)**	(27,395)
	(3,463)	(9,335)

Based on the net U.S. dollar exposure as at September 30, 2024, a one cent increase in the Canadian/U.S. dollar exchange rate would have had an unfavorable impact of $36 on net income ($94 for the year ended September 30, 2023). 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.

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

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, 2024, TerraVest had forward exchange contracts to sell US dollars into Canadian dollars for notional amounts totaling US$27,600 (US$28,800 as at September 30, 2023) to sell at various rates and expiring on various dates up to and including August 31, 2027. The fair value of forward exchange contracts was a liability of $37 as at September 30, 2024 ($923 as at September 30, 2023) 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. TerraVest had interest rate swap agreements to cover the impact of future fluctuations in interest rates under which TerraVest receives interest on the notional amount at the 1-month CORRA rate in exchange for payment at a fixed rate, plus 150 to 300 basis points based on a prescribed ratio.

As at September 30, 2024 and 2023, the interest rate swaps agreements were as follows:

			As at September 30, 2024	**As at September 30, 2023**
Maturity	**Fixed rate**	**Notional amount**	**Fair value** [i)]	**Fair value** [i)]
		$	**$**	**$**
June 2025	0.87%	**25,000**	**536**	1,879
August 2027	3.13%	**10,000**	**(116)**	-
August 2029	2.98%	**10,000**	**(165)**	-
			255	1,879

[i)] Included in other current assets.

For the year ended September 30, 2024, a 1% increase in the interest rate would have had an unfavorable impact of $955 on net income ($1,166 for the year ended September 30, 2023), 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.

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 $154,740 as at September 30, 2024 ($147,862 as at September 30, 2023).

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

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, 2024 and 2023, 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]
	$	$	$	$	$
Accounts payable and accrued liabilities [ii]	**53,008**	**53,008**	**-**	**-**	**53,008**
Dividends payable	**2,925**	**2,925**	**-**	**-**	**2,925**
Long-term debt [iii]	**188,858**	**15,722**	**172,904**	**270**	**188,896**
Contingent consideration	**4,000**	**-**	**4,000**	**-**	**4,000**
Interest payments	**-**	**10,978**	**15,264**	**-**	**26,242**
As at September 30, 2024	**248,791**	**82,633**	**192,168**	**270**	**275,071**
As at September 30, 2023	302,648	140,206	184,618	4,966	329,790

[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, 2024	As at September 30, 2023
	$	**$**
Bank overdrafts	**-**	173
Drawn on current revolving credit facilities	**-**	29,255
Available on current revolving credit facilities, net of amount drawn	**10,000**	20,477
Drawn on long-term revolving operating loans	**118,365**	118,152
Available on long-term revolving operating loans, net of amount drawn	**213,832**	11,848
Long-term debt (current and non-current)	**70,493**	88,041
Shareholders' equity attributable to common shareholders	**367,651**	217,076
	780,341	485,022

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.

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

28. RELATED PARTY TRANSACTIONS

28.1 Identification

As at September 30, 2024 and 2023, TerraVest common shares were held by multiple shareholders, none of whom controlled TerraVest. As at September 30, 2024 and 2023, a member of TerraVest's Board of Directors was considered as having significant influence over TerraVest.

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 key management personnel.

28.2 Transactions and account balances

	Year ended September 30, 2024		
	Joint ventures	**Associate**	**Other related parties**
	$	**$**	**$**
Transactions			
Sales [i)]	**110**	**945**	**-**
Purchases [i)]	**41**	**204**	**-**
Professional fees expense [i)]	**-**	**-**	**244**
Account balances			
Accounts receivable	**17**	**16**	**-**
Other current assets	**90**	**44**	**-**
Accounts payable and accrued liabilities	**7**	**-**	**-**

[i)] The related party transactions during the year ended September 30, 2024 were carried out under market terms and conditions and as part of ordinary course of business.

	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.

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

28.3 Additional information on other related parties' transactions

	Years ended September 30, 2024	Years ended September 30, 2023
	$	**$**
Professional fees expense		
Pellerin Strategies Conseils Inc. [i]	**244**	204

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

28.4 Compensation of key management personnel

	Years ended September 30, 2024	Years ended September 30, 2023
	$	**$**
Compensation expense including Directors' fee	**1,702**	1,523
Share-based compensation expense	**514**	1,140
	2,216	2,663

29. SEGMENTED INFORMATION

29.1 Reportable segments

TerraVest determines its reportable segments based on the structure of its operations, which as at September 30, 2024 is divided into four operating business units: HVAC and Containment Equipment, Compressed Gas Equipment, Processing Equipment and Service. Corporate is not a segment, it is disclosed for reconciliation purposes and includes primarily long-term debt and interest expense, derivative financial instruments, income tax assets, liabilities and expenses, intersegment eliminations and other corporate related items or expenses, which are not reviewed by segment 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. Consequently, for each of the operating segments below, net income (loss) excludes items previously listed and is the measure used by the Chief Executive Officer and the Board of Directors to review performance and allocate capital.

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

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

						Year ended September 30, 2024
	HVAC and Containment Equipment	**Compressed Gas Equipment**	**Processing Equipment**	**Service**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Sales - external	**328,614**	**269,320**	**109,487**	**203,450**	**945**	**911,816**
Sales - intersegment	**970**	**236**	**616**	**-**	**(1,822)**	**-**
Depreciation and amortization	**29,399**	**16,473**	**4,852**	**18,572**	**51**	**69,347**
Financing costs	**2,433**	**1,534**	**421**	**515**	**20,235**	**25,138**
Income tax expense	**-**	**-**	**-**	**-**	**23,488**	**23,488**
Net income (loss)	**51,813**	**26,546**	**6,757**	**40,467**	**(52,339)**	**73,244**
Goodwill	**48,399**	**17,871**	**1,941**	**9,356**	**-**	**77,567**
Intangible assets	**37,992**	**14,426**	**1,545**	**3,952**	**177**	**58,092**
Segment assets	**293,497**	**292,248**	**87,873**	**158,657**	**35,552**	**867,827**
Segment liabilities	**93,570**	**82,543**	**42,336**	**26,340**	**223,420**	**468,209**
Purchase of PP&E	**7,439**	**29,056**	**1,054**	**18,642**	**(427)**	**55,764**
Proceeds from disposal of PP&E	**(8,851)**	**(19,198)**	**(508)**	**(2,461)**	**34**	**(30,984)**

						Year ended September 30, 2023
	HVAC and Containment Equipment	**Compressed Gas Equipment**	**Processing Equipment**	**Service**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Sales - external	179,556	210,903	127,992	159,446	453	678,350
Sales - intersegment	698	351	54	-	(1,103)	-
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 PP&E	4,995	16,031	1,643	10,486	-	33,155
Proceeds from disposal of PP&E	(204)	(6,029)	(287)	(5,598)	-	(12,118)

For the years ended September 30, 2024 and 2023, no customer accounted for more than 10% of consolidated sales.

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

29.2 Geographical information

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

	Years ended	
	September 30, 2024	**September 30, 2023**
	$	**$**
SALES		
Canada	**470,936**	392,269
United States	**436,355**	286,081
Other	**4,525**	-
	911,816	678,350

Certain non-current assets and goodwill by geographic segment:

			As at September 30, 2024
	Canada	**United States**	**Total**
	$	**$**	**$**
Property, plant and equipment	**152,673**	**44,770**	**197,443**
Right-of-use assets	**61,555**	**43,658**	**105,213**
Intangible assets	**15,530**	**42,562**	**58,092**
Goodwill	**19,808**	**57,759**	**77,567**
	249,566	**188,749**	**438,315**

			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

30. FUTURE ACCOUNTING POLICIES

30.1 IFRS 18 presentation and disclosure in financial statements

In April 2024, the International Accounting Standards Board ("IASB") issued IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18") to replace IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies, namely:

- Improved comparability in the statement of profit or loss by introducing separate income and expense categories and requiring new subtotals; Management-defined performance measures are disclosed in a single note in the financial statements;
- Enhanced transparency of management-defined performance measures by requiring explanations on these measures; and
- More useful grouping of information in the financial statements by providing guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

These changes apply to annual periods beginning on or after January 1, 2027.

TerraVest is currently assessing the estimated impact of this new standard on its consolidated financial statements.

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