



## Independent auditor's report

To the Shareholders of TDb Split Corp. (the Company)

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### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Company's financial statements comprise:

- the statements of financial position as at November 30, 2024 and 2023;
- the statements of comprehensive income/(loss) for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable Class A shares for the years then ended;
- the statements of cash flow for the years then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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### 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 report.

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

#### Independence

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

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### Other information

Management is responsible for the other information. The other information comprises the Annual Management Report of Fund Performance and the information, other than the financial statements and our auditor's report thereon, included in the annual report.

PricewaterhouseCoopers LLP

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\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the financial statements does not cover the other information and we do 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, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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### **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 these 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
February 20, 2025

**TDB SPLIT CORP.****STATEMENTS OF FINANCIAL POSITION**

AS AT NOVEMBER 30, 2024 AND NOVEMBER 30, 2023

	November 30, 2024 (\$)	November 30, 2023 (\$)
<b>ASSETS</b>		
Current Assets		
Investments	20,410,440	57,397,565
Cash	67,841,629	31,287,978
Interest, dividends and other receivables	3,626	995
	<u>88,255,695</u>	<u>88,686,538</u>
<b>LIABILITIES</b>		
Current Liabilities		
Written options	14,940	11,154
Fees and other accounts payable	84,960	86,719
Payable in respect of investments purchased	-	1,253,555
Distributions payable	345,090	315,768
Priority Equity shares (notes 1 and 6) <sup>(1)</sup>	78,877,600	72,175,600
Class B shares	1,000	1,000
	<u>79,323,590</u>	<u>73,843,796</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES (note 1)<sup>(1)</sup></b>		
	<b>8,932,105</b>	<b>14,842,742</b>
Number of Priority Equity shares (note 6)	7,887,760	7,217,560
Number of Class A shares (note 6)	7,763,560	7,156,460
Number of Class A shares outstanding, after giving effect to subsequent consolidation (note 1) <sup>(2)</sup>	3,881,780	3,578,230
Net assets per Priority Equity share	\$10.00	\$10.00
Net assets per Class A share	\$1.15	\$2.07
Net assets per Class A share, after giving effect to the subsequent consolidation (note 1) <sup>(2)</sup>	\$2.30	\$4.15
Net assets per unit	\$11.15	\$12.07

- (1) Priority Equity shares and net assets attributable to holders of redeemable Class A shares amounts include retraction payment amounts of \$44,093,140 and \$6,916, respectively, made on December 9, 2024 pursuant to the special retraction right offered to shareholders in connection with the extension of the termination date of the Company. See note 1 for further details.
- (2) Amounts reflect the impact of the consolidation of Class A shares on a 0.5 for 1 basis on December 12, 2024 after the payment of special retractions in connection with the extension of the termination date of the Company. See note 1 for further details.

Approved on behalf of the Board of Directors


**WAYNE FINCH**

Director


**PETER CRUICKSHANK**

Director

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

**TDB SPLIT CORP.**  
**STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)**

FOR YEARS ENDED NOVEMBER 30

	2024 (\$)	2023 (\$)
<b>INCOME</b>		
<b>Net gain (loss) on investments and derivatives</b>		
Net realized gain (loss)	542,206	3,054,528
Net change in unrealized appreciation/depreciation	(6,981,745)	(11,529,116)
Dividends	2,990,987	3,178,694
Interest for distribution purposes	1,206,672	611,854
<b>Net gain (loss) on investments and derivatives</b>	<u><b>(2,241,880)</b></u>	<u><b>(4,684,040)</b></u>
<b>EXPENSES (note 7)</b>		
Management fees	565,524	565,488
Audit fees	28,807	28,798
Directors' fees	14,312	14,334
Independent Review Committee fees	4,064	4,064
Custodial fees	10,012	25,466
Legal fees	27,754	30,182
Shareholder reporting costs	23,103	22,386
Other operating expenses	83,447	71,172
Harmonized sales tax	104,617	90,265
Transaction costs	74,310	42,132
	<u><b>935,950</b></u>	<u><b>894,287</b></u>
<b>Increase (decrease) in net assets attributable to holders of redeemable Class A shares before distributions and other income (charges) related to Priority Equity shares</b>		
	<b>(3,177,830)</b>	<b>(5,578,327)</b>
Distributions on Priority Equity shares	(3,903,306)	(3,605,290)
Premium (discount) on Priority Equity shares	16,566	(144,469)
Issuance costs on Priority Equity shares	(173,634)	(192,317)
<b>Increase (decrease) in net assets attributable to holders of redeemable Class A shares</b>	<u><b>(7,238,204)</b></u>	<u><b>(9,520,403)</b></u>
<b>Increase (decrease) in net assets attributable to holders of redeemable Class A shares per share (note 8)</b>		
	<b>(0.98)</b>	<b>(1.38)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable Class A shares per share, after giving effect to subsequent consolidation (note 1 and note 8)<sup>(1)</sup></b>		
	<b>(1.96)</b>	<b>(2.76)</b>

(1) Amounts reflect the impact of the consolidation of Class A shares on a 0.5 for 1 basis on December 12, 2024 after the payment of special retractions in connection with the extension of the termination date of the Company. See note 1 for further details.

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

**TDB SPLIT CORP.**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES**  
**FOR YEARS ENDED NOVEMBER 30**

	2024 (\$)	2023 (\$)
<b>Net Assets attributable to holders of redeemable Class A shares - Beginning of period</b>	<b>14,842,742</b>	<b>24,111,622</b>
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	(7,238,204)	(9,520,403)
Gross proceeds on issuance of Class A shares (note 6)	1,429,057	2,729,303
Issuance costs on Class A shares	<u>(101,490)</u>	<u>(81,439)</u>
Net proceeds on issuance of Class A shares	<u>1,327,567</u>	<u>2,647,864</u>
<b>Distributions on Class A shares<sup>(1)</sup></b>		
Canadian dividends	-	(2,396,341)
<b>Change in net assets attributable to holders of redeemable Class A shares</b>	<u><b>(5,910,637)</b></u>	<u><b>(9,268,880)</b></u>
<b>Net Assets attributable to holders of redeemable Class A shares - End of period</b>	<u><b>8,932,105</b></u>	<u><b>14,842,742</b></u>

(1) Characterization of distributions is based on the tax treatment that is received by shareholders.

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

**TDB SPLIT CORP.**  
**STATEMENTS OF CASH FLOW**  
FOR THE YEARS ENDED NOVEMBER 30

	2024 (\$)	2023 (\$)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	(7,238,204)	(9,520,403)
Adjustment for:		
Distributions on Priority Equity shares	3,903,306	3,605,290
(Premium) discount on Priority Equity shares	(16,566)	144,469
Issuance costs on Priority Equity shares	173,634	192,317
Net realized (gain) loss on investments and derivatives	(542,206)	(3,054,528)
Net change in unrealized appreciation/depreciation of investments and derivatives	6,981,745	11,529,116
Purchase of investments, net of option premiums	(43,353,715)	(16,597,636)
Proceeds from sale of investments	72,651,532	32,684,536
(Increase) decrease in interest, dividends and other receivables	(2,631)	65
Increase (decrease) in fees and other accounts payable	(1,759)	941
Net cash flows from (used in) operating activities	<u>32,555,136</u>	<u>18,984,167</u>
<b>Cash flows from (used in) financing activities</b>		
Gross proceeds on issuance of Class A shares and Priority Equity shares (note 6)	8,147,623	10,002,834
Issuance costs on Class A shares and Priority Equity shares	(275,124)	(273,756)
Distributions on Class A shares	-	(2,723,059)
Distributions on Priority Equity shares	(3,873,984)	(3,572,837)
Net cash flows from (used in) financing activities	<u>3,998,515</u>	<u>3,433,182</u>
Net increase (decrease) in cash	36,553,651	22,417,349
Cash at beginning of the year	<u>31,287,978</u>	<u>8,870,629</u>
<b>Cash at end of the year</b>	<b><u>67,841,629</u></b>	<b><u>31,287,978</u></b>
Dividends received*	2,990,987	3,178,694
Interest received*	1,206,672	611,854

\* Included as part of Cash Flows from Operating Activities.

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

**TDB SPLIT CORP.**  
**SCHEDULE OF PORTFOLIO INVESTMENTS**  
AS AT NOVEMBER 30, 2024

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
	<b>Core Holding</b>		
	<b>Canadian Common Equities</b>		
257,610	Toronto-Dominion Bank	20,266,054	20,410,440
	<b>Total Canadian Common Equities in Core Holding (100.1%)</b>	<u>20,266,054</u>	<u>20,410,440</u>
	<b>Call options written (100 shares per contract)</b>		
	<b>Canadian call options written</b>		
(360)	Toronto-Dominion Bank @ \$82 December 2024	(21,600)	(14,940)
	<b>Total Canadian call options written (-0.1%)</b>	<u>(21,600)</u>	<u>(14,940)</u>
		<u>20,244,454</u>	<u>20,395,500</u>
	less adjustment for transaction costs	(6,621)	
	<b>Total Investments (100.0%)</b>	<u>20,237,833</u>	<u>20,395,500</u>

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# TDB SPLIT CORP.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2024 AND 2023

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### 1. Incorporation

TDb Split Corp. (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario on May 24, 2007 that began investment operations on August 7, 2007. The manager and the investment manager of the Company is Quadravest Capital Management Inc. (“Quadravest” or “Manager”). The Company’s principal office is located at 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2. The Company invests in the common shares of Toronto-Dominion Bank (“TD Bank”). The Company employs an active covered call writing program to generate additional income in addition to the dividends received.

In connection with the extension of the Company’s term for a further five year period from December 1, 2024 to December 1, 2029, a special retraction right was offered allowing shareholders to tender one or both classes of shares and receive a retraction price based on the November 29, 2024 net asset value per unit of \$11.15 (\$10 per Priority Equity share and \$1.15 per Class A share). The Company redeemed 4,409,314 Priority Equity shares and 6,014 Class A shares on December 9, 2024, pursuant to the special retraction right. As at November 30, 2024, Priority Equity shares and net assets attributable to holders of redeemable Class A shares amounts on the statements of financial position include subsequent retraction payment amounts of \$44,093,140 and \$6,916, respectively.

In connection with the extension, the Company amended the dividend entitlement of the Priority Equity shares, increasing the annual distribution rate to 7.0% from 5.25% effective December 1, 2024.

The termination date may be extended thereafter at the Company’s discretion for additional terms of five years each. Shareholders will be provided with a special retraction right in connection with any such extension.

Following the special retraction payment, and in order to restore balance in the number of shares outstanding for each class of shares, Class A shares were consolidated on the basis of 0.5 post-consolidation Class A shares for every 1 pre-consolidation Class A share outstanding on December 12, 2024.

### 2. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss (“FVTPL”).

These financial statements were approved by the Board of Directors of the Company on February 20, 2025.

### 3. Material accounting policy information

The following is a summary of material accounting policy information applicable to the Company.

#### Investments and financial instruments

The Company classifies its investments, including derivatives, based on both the Company’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions.

The Company has not taken the option to irrevocably designate any equity securities as fair

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**TDB SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED NOVEMBER 30, 2024 AND 2023

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value in other comprehensive income (“FVOCI”). Consequently, all investments, including derivatives are measured at fair value through profit or loss.

The Company’s obligations for net assets attributable to holders of redeemable Class A shares are presented at the annual redemption amount. All other financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost, which approximates fair value.

The Company recognizes regular purchases and sales of financial instruments on the trade date, which is the date on which it commits to purchase or sell the instrument. Transaction costs, such as brokerage commissions, related to financial assets and financial liabilities at FVTPL are expensed as incurred and transaction costs related to financial instruments not at FVTPL are included in the carrying amounts thereof. A financial asset is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the Company has transferred substantially all the risks and rewards of ownership of the asset. Dividends are recognized as income on the ex-dividend date. Realized gains and losses and unrealized appreciation and depreciation are determined on an average cost basis. The cost of investments is determined using the average cost method.

Written option premiums received by the Company are, so long as the options are outstanding, reflected as a liability, in the Statements of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Gains or losses realized upon expiration or exercise of the option are included in net realized gain (loss) on investments and derivatives in the Statements of Comprehensive Income/(Loss).

The Priority Equity shares rank prior to the Class A and Class B shares and are thus not subordinate to all other classes of puttable instruments and therefore, the shares have been classified as financial liabilities. These shares are carried at amortized cost. Amortization of premiums or discounts on the issuance of Priority Equity shares is included in the Statements of Comprehensive Income/(Loss).

The Class B shares are subordinate to the Priority Equity shares but rank prior to the Class A shares and are thus not subordinate to all other classes of puttable instruments and therefore, the shares have been classified as financial liabilities. These shares are carried at amortized cost.

The Class A shares may be retracted monthly, annually, or on the termination date of the Company. As a result, the shares contain multiple contractual obligations, and therefore, have been presented as financial liabilities.

The net asset value of the Company is determined in accordance with requirements of law, including National Instrument 81-106, Investment Fund Continuous Disclosure, and is used to process shareholder transactions. For financial reporting purposes under IFRS Accounting Standards, net assets of the Company is determined as the difference between the aggregate amount of the Company’s assets and the aggregate amount of its liabilities, excluding Priority Equity shares and net assets attributable to holders of redeemable Class A shares (“Net Assets of the Company”). Priority Equity shares and Class A shares are issued on the basis that an equal number of Priority Equity shares and Class A shares (together, a “unit”) will be issued and outstanding at all material times. At times when there is an unequal number of Class A and Priority Equity shares outstanding, a notional unit amount will be determined as the quotient of the total net asset value of the Company and the sum of the net asset value per share attributable to Class A shares and Priority Equity shares.

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# TDB SPLIT CORP.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2024 AND 2023

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### Valuation of investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded shares and options) are based on the last traded prices at the close of trading on the reporting date. The Company uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Company's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs. Refer to note 5 for further information about the Company's fair value measurements.

### Cash

Cash is comprised of demand deposits with a financial institution.

### Translation of foreign currencies

The Company's functional and presentation currency is Canadian dollars. The fair value of investments and other assets and liabilities in foreign currencies are translated into the Company's functional currency at the rates of exchange prevailing at each measurement date. Purchases and sales of investments, income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions.

### Management fees and administration fees

Management fees and administration fees are accrued by the Company over time, as services are rendered by Quadravest. Refer to note 7 for further information about the calculation of management and administration fees of the Company.

### Increase (decrease) in net assets attributable to holders per redeemable Class A share

Increase (decrease) in net assets attributable to holders per redeemable Class A share is based on the increase or decrease in net assets attributable to holders of redeemable Class A shares divided by the weighted average number of such shares outstanding during the year. Refer to note 8 for the calculation.

### Taxation

The Company qualifies as a mutual fund corporation under the Income Tax Act (Canada) (the "Tax Act") and it is subject to income tax in each taxation year on the amount of its net income for the taxation year, including net realized taxable capital gains, if any, at the rate applicable to mutual fund corporations. The general income tax rules associated with

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**TDB SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2024 AND 2023**

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a public corporation also apply to a mutual fund corporation with the exception that taxes payable on net realized capital gains are refundable on a formula basis when its shares are redeemed or when it pays capital gains dividends out of its capital gains dividend account to its shareholders.

Interest and foreign income are taxed at normal corporate rates applicable to mutual fund corporations and can be reduced by permitted deductions for tax purposes.

All of the Company's expenses including management fees, administration fees and operating expenses will be taken into account in determining its overall tax liability.

As a mutual fund corporation, taxable dividends received from taxable Canadian corporations are subject to a Part IV tax of 38 1/3%. Such taxes are fully refundable upon payment of taxable dividends to its shareholders on a basis of \$1.15 for every \$3 of dividends paid. Any such tax paid is reported as an amount receivable until recovered through the payment to shareholders of dividends out of net investment income. All tax on net taxable realized capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption of shares at the request of shareholders, while the Company qualifies as a mutual fund corporation. As a result of the capital gains refund mechanism and Part IV tax refunds, the Company recovers any Canadian income taxes paid in respect of its capital gains and taxable Canadian dividends. As a result, the Company has determined that it is in substance not taxable. Consequently, the tax benefit of capital and non-capital losses and other temporary differences have not been reflected in the Statements of Financial Position as deferred income tax assets or liabilities.

The Company has estimated accumulated non capital losses for tax purposes as at November 30, 2024 of \$6,283,603 (November 30, 2023-\$6,283,603) that are available to lower taxable income in future years if required and expire after the scheduled termination date of the Company. The Company also has estimated accumulated capital losses for tax purposes of \$4,021,544 (November 30, 2023-\$4,026,626) which may be used to lower future capital gains if required and which do not expire.

#### **4. Critical Accounting Estimates and Judgments**

The preparation of these financial statements include estimates and assumptions by management based on past experiences, present conditions and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time these financial statements were prepared. The Company's most significant estimates involve the measurement of investments and derivatives at fair value as described in note 5.

#### **5. Management of Risk of Financial Instruments**

The Company classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs that are unobservable for the asset or liability.

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**TDB SPLIT CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2024 AND 2023

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The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at November 30, 2024 and November 30, 2023:

## Financial assets and liabilities at fair value as at November 30, 2024

	Level 1	Level 2	Level 3	Total
Equities	\$20,410,440	-	-	\$20,410,440
Options	(\$14,940)	-	-	(\$14,940)
	<u>\$20,395,500</u>	<u>-</u>	<u>-</u>	<u>\$20,395,500</u>

## Financial assets and liabilities at fair value as at November 30, 2023

	Level 1	Level 2	Level 3	Total
Equities	\$57,397,565	-	-	\$57,397,565
Options	(\$11,154)	-	-	(\$11,154)
	<u>\$57,386,411</u>	<u>-</u>	<u>-</u>	<u>\$57,386,411</u>

All fair value measurements above are recurring and fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. There were no transfers or reclassifications between levels for the years ended November 30, 2024 and 2023.

The Company's investment activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

Any sensitivity analysis presented below may differ from actual results and the difference could be material.

**Market Price Risk**

All securities investments present a risk of loss of capital.

The market price risk is affected by three main components: price risk, interest rate risk and foreign currency movements.

**Price risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

The supplemental covered call writing program generates an additional stream of income to the portfolio which may also help mitigate against market price declines during years in which a covered call option is written against a position in TD Bank.

The Company is exposed to other price risk from its investment in equity securities and written options. As at November 30, 2024, had the prices on the respective stock exchanges for these equity securities increased by 10%, with all other variables held constant, Net Assets of the Company would have increased by approximately \$1,870,000 (November 30, 2023-\$5,387,000). Similarly, had the prices on the respective stock exchanges for these equity securities decreased by 10%, with all other variables held constant, Net Assets of the Company would have decreased by approximately \$2,033,000 (November 30, 2023-\$5,734,000).

**Interest rate risk**

Interest rate risk is the risk that the fair value of interest bearing financial instruments will fluctuate due to changes in market interest rates. The majority of the Company's financial

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# TDB SPLIT CORP.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2024 AND 2023

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assets and liabilities are non interest bearing. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates and considers interest rate risk insignificant as at November 30, 2024 and 2023.

### Currency risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency, will fluctuate due to changes in exchange rates. All portfolio holdings and Net Assets of the Company are denominated in Canadian dollars and therefore there is no currency risk as at November 30, 2024 and 2023.

### Other risks

#### Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. All of the Company's transactions are in listed securities and options and are settled and paid for using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on purchase once the securities have been received by the broker. Cash is held with a reputable and regulated financial institution. As at November 30, 2024 and 2023, the Company did not have significant credit risk exposure.

#### Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company is exposed to liquidity risk primarily through its monthly and annual retractions of Class A shares and Priority Equity shares. The Company receives adequate notice for all retraction requests. The Company's portfolio is invested in TD Bank which is a highly liquid large capitalization stock that trades on the Toronto Stock Exchange ("TSX"). All Class A shares and Priority Equity shares outstanding are redeemable on a monthly and annual basis but are scheduled to be redeemed upon termination of the Company. As at November 30, 2024 and 2023, all other financial liabilities are payable within three months from the end of the year.

#### Concentration risk

The Company's only equity holding is concentrated in the common shares of TD Bank and as such will be exposed to the specific factors that affect this stock.

#### The Company's investment portfolio is concentrated in the following segments as at:

	November 30, 2024	November 30, 2023
TD Bank common shares	23.2%	66.0%
Call options written	0.0%	0.0%
Other assets less liabilities (excluding Priority Equity shares)	76.8%	34.0%
	<u>100%</u>	<u>100%</u>

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**6. Redeemable Units**

**Priority Equity shares**

The Company is authorized to issue an unlimited number of Priority Equity shares.

<u>Priority Equity share transactions</u>	November 30, 2024	November 30, 2023
Beginning of year	7,217,560	6,475,760
Issued during the year	670,200	741,800
End of year	<u>7,887,760</u>	<u>7,217,560</u>

Priority Equity shares are entitled to cumulative monthly cash dividends of \$0.04375 per Priority Equity share (effective December 1, 2024, \$0.05833 per Priority Equity share to yield 7.0% per annum). All Priority Equity shares outstanding on the termination date will be redeemed by the Company on that date. The Priority Equity shares have been presented as liabilities in the financial statements.

Priority Equity shares trade under the symbol “XTD.PR.A” on the TSX. The trading price of Priority Equity shares on the TSX was \$10.19 as at November 30, 2024 (November 30, 2023-\$9.75). Priority Equity shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last business day of each month. Shareholders who concurrently retract a Priority Equity share and a Class A share in the month of December in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last business day of December. Priority Equity shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a recirculation agreement, the Company may, but is not obligated to, require the recirculation agent to use its best efforts to find purchasers for any Priority Equity shares or Class A shares tendered for retraction.

The Priority Equity shares rank in priority to the Class A shares and Class B shares with respect to the payment of dividends. Priority Equity shares rank in priority to the Class A shares upon termination of the Company.

The Company may issue shares to the public from time to time, at the Company’s discretion, under an at-the-market equity program (the “ATM Program”). Any Class A shares or Priority Equity shares sold in the ATM Program will be sold through the TSX or any other marketplace in Canada on which the Class A shares and Priority Equity shares are listed, quoted or otherwise traded at the prevailing market price at the time of sale.

During the year ended November 30, 2024, 670,200 Priority Equity shares were sold through the ATM Program at an average selling price of \$10.02 per Priority Equity share. Gross proceeds, net proceeds and commissions on the Priority Equity share sales were \$6,718,566, \$6,621,073 and \$97,493, respectively.

During the year ended November 30, 2023, 741,800 Priority Equity shares were sold through the ATM Program at an average selling price of \$9.81 per Priority Equity share. Gross proceeds, net proceeds and commissions on the Priority Equity share sales were \$7,273,531, \$7,094,751 and \$178,780, respectively.

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**Class A shares and Class B shares**

Authorized

An unlimited number of Class A shares

1,000 Class B shares

<u>Class A share transactions</u>	November 30, 2024	November 30, 2023
Beginning of year	7,156,460	6,534,360
Issued during the year	<u>607,100</u>	<u>622,100</u>
End of year	7,763,560	7,156,460

Class A shares were originally issued at \$10.00 per share. Class A share distributions are targeted at \$0.05 per month per share, when the net asset value per unit exceeds \$12.50. All Class A shares outstanding on the termination date will be redeemed by the Company on that date. Class A shares trade under the symbol "XTD" on the TSX. The trading price of Class A shares on the TSX was \$2.07 as at November 30, 2024 (November 30, 2023-\$3.05). Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last business day of each month. Shareholders who concurrently retract a Class A share and a Priority Equity share in the month of December in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last business day of December. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a recirculation agreement, the Company may, but is not obligated to, require the recirculation agent to use its best efforts to find purchasers for any Priority Equity shares or Class A shares tendered for retraction. Gains or losses from the redemption of shares, if any, are recorded in gain (loss) on redemptions on the Statements of Comprehensive Income/(Loss).

The Priority Equity shares rank in priority to the Class A shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the net asset value per unit less \$10.00 (the repayment value of the Priority Equity shares). During the year ended November 30, 2024, 607,100 Class A shares were sold through the ATM Program at an average selling price of \$2.35 per Class A share. Gross proceeds, net proceeds and commissions on the Priority Equity share sales were \$1,429,057, \$1,403,707 and \$25,350, respectively.

During the year ended November 30, 2023, 622,100 Class A shares were sold through the ATM Program at an average selling price of \$4.39 per Class A share. Gross proceeds, net proceeds and commissions on the Class A share sales were \$2,729,303, \$2,661,402 and \$67,901, respectively.

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On May 29, 2007, the Company issued 1,000 Class B shares to TDb Split Corp. Holding Trust, for cash consideration of \$1,000.

## **7. Expenses**

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, accounting and administration fees, custodian fees, transfer agent fees, legal and audit expenses, fees payable to the independent directors of the Company and the Company's independent review committee, regulatory filing and stock exchange fees, costs of reporting to shareholders and costs and expenses arising as a result of complying with all applicable laws, regulations and policies.

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Pursuant to the management agreement, Quadravest is entitled to an administration fee payable monthly in arrears at an annual rate of 0.10% of the net asset value of the Company, which includes the outstanding Priority Equity shares, calculated as at each month-end valuation date.

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable in arrears at an annual rate equal to 0.55% of the net asset value of the Company, which includes the outstanding Priority Equity shares, calculated as at each month-end valuation date.

The monthly discount to net asset value of 2% applicable to the redemption of Priority Equity shares and Class A shares is payable to Quadravest. Redemption fees paid for the year ended November 30, 2024 were \$NIL (November 30, 2023-\$NIL).

Total management fees of \$565,524 (November 30, 2023-\$565,488) incurred during the year ended November 30, 2024 include the administration fee and base management fee. As at November 30, 2024, \$46,619 (November 30, 2023-\$46,614) was payable to the Manager with respect to the administration fee and investment management fee.

The brokerage commissions paid during the year ended November 30, 2024 by the Company for its portfolio transactions were \$74,310 (November 30, 2023-\$42,132). Brokerage commissions paid to certain brokers may, in addition to paying for the cost of brokerage services in respect of portfolio transactions, also provide for the cost of investment research services provided to the investment manager. The value of such research services included in commissions paid to brokers for the year ended November 30, 2024 amounted to \$5,206 (November 30, 2023-\$5,893).

For the year ended November 30, 2024, fees paid or payable to PricewaterhouseCoopers LLP and other PwC Network firms for the audit of the financial statements of the Company were \$23,278. Fees for other services, which pertained largely to the issuance of shares of the Company, were \$57,190.

**8. Increase (decrease) in net assets attributable to holders per redeemable Class A share**

The increase (decrease) in net assets attributable to holders per redeemable Class A share for the years ended November 30, 2024 and 2023 is calculated as follows:

	2024	2023
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	(\$7,238,204)	(\$9,520,403)
Weighted average Class A shares outstanding	7,379,548	6,905,368
Increase (decrease) in net assets attributable to holders of redeemable Class A shares per share	(\$0.98)	(\$1.38)
Increase (decrease) in net assets attributable to holders per redeemable Class A share, after giving effect to subsequent Class A share consolidation <sup>(1)</sup>	(\$1.96)	(\$2.76)

(1) Amounts reflect the impact of the consolidation of Class A shares on a 0.5 for 1 basis on December 12, 2024 after the payment of special retractions in connection with the extension of the termination date of the Company. See note 1 for further details.

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### 9. Distributions

Distributions per share were as follows:

	November 30, 2024	November 30, 2023
Priority Equity shares	\$0.5250	\$0.5250
Class A shares	\$-	\$0.35

### 10. Capital Management

The Company considers its capital to consist of Class A, Class B and Priority Equity shares.

The Company's objectives in managing its capital are:

- i) to provide holders of Priority Equity shares with fixed cumulative preferential monthly cash dividends in an amount of \$0.04375 per Priority Equity share to yield 5.25% per annum on the Priority Equity share repayment amount of \$10 (effective December 1, 2024, \$0.05833 per Priority Equity share to yield 7.0% per annum) and to pay holders the Priority Equity share repayment amount of \$10 per share on the termination date; and
- ii) to provide holders of Class A shares with regular monthly cash distribution targeted to be \$0.05 per Class A share when the net asset value per unit exceeds \$12.50 and to permit such holders to participate in all growth in the net asset value of the Company above \$10.00 per unit.

In order to manage its capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

### 11. Reconciliation of net asset value per Class A share to net assets attributable to holders per redeemable Class A share

As at November 30, 2024 and November 30, 2023, there were no differences between net asset value per Class A share used for transactional purposes and net assets attributable to holders per redeemable Class A share for financial reporting purposes.

### 12. New IFRS Accounting Standard

In April 2024, the International Accounting Standards Board issued IFRS 18, "Presentation and Disclosure in the Financial Statements" which aims to improve the quality of financial reporting by introducing new requirements which include new required categories and subtotals in the statement of comprehensive income and enhanced guidance on grouping of information. IFRS 18 replaces IAS 1, "Presentation of Financial Statements". This standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. The Company is currently assessing the impact of these new requirements.

### 13. Subsequent event

Pursuant to the special retraction right in connection with the extension of the termination date of the Company, the Company redeemed 4,409,314 Priority Equity shares and 6,014 Class A shares and made retraction payments of \$44,093,140 and \$6,916, respectively, to each class of shares on December 9, 2024.

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Following the special retraction payment, and in order to restore balance in the number of shares outstanding for each class of shares, Class A shares were consolidated on the basis of 0.5 post-consolidation Class A shares for every 1 pre-consolidation Class A share outstanding on December 12, 2024.