



2022

**BIRD CONSTRUCTION INC.
CONSOLIDATED
FINANCIAL STATEMENTS**

for the years ended
December 31, 2022 and 2021

Management's Responsibility for Financial Reporting

The management of Bird Construction Inc. (the "Company") is responsible for the preparation and integrity of the accompanying consolidated financial statements. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and includes certain estimates that reflect management's best judgement.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors has reviewed and approved the consolidated financial statements. The Board fulfills its responsibility in this regard through its Audit Committee. The Audit Committee is composed entirely of independent Directors and the members are financially literate. The Audit Committee meets regularly with management and the external auditors to discuss reporting and control issues and ensures each party is properly discharging its responsibilities.

The consolidated financial statements have been audited by KPMG LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.



Terrance L. McKibbon
President & Chief Executive Officer



Wayne R. Gingrich
Chief Financial Officer

March 7, 2023



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bird Construction Inc.

Opinion

We have audited the consolidated financial statements of Bird Construction Inc. (the Entity), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the 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 December 31, 2022. 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 matter described below to be the key audit matter to be communicated in our auditor's report.

Estimate of costs to complete and variable consideration to be received for fixed price construction contracts

Description of the matter

The Entity recognizes revenue from contracts with customers in accordance with the pattern of satisfying the Entity's performance obligations under a contract. In fiscal 2022, Entity recognized \$2,377,549 thousand in construction revenue. Revenue from fixed price contracts, which is a significant portion of construction revenue, is recognized using the input method with reference to costs incurred. To determine the estimated costs to complete for fixed price construction contracts, assumptions and estimates are required to evaluate matters related to schedule, material and labour costs, labour productivity, and changes to contract scope and subcontractor costs. Change orders may be issued by customers to modify the original contract scope of work or conditions, and there may be disputes or claims regarding additional amounts owing. Claims against customers for variable consideration due to delays, scope changes, or other matters are assessed under the Entity's revenue recognition policy, which requires significant judgment.



Why the matter is a key audit matter

We identified the evaluation of the estimate of costs to complete and variable consideration to be received for fixed price construction contracts as a key audit matter. The evaluation of the estimated costs to complete and variable consideration to be received for fixed price construction contracts involved significant auditor judgment to evaluate the results of audit procedures, given the significant judgment applied by management in the determination of these estimates.

How the matter was addressed in our audit

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

We evaluated the design and implementation, and tested the operating effectiveness, of certain internal controls within the Entity's revenue recognition process. This included a control related to the review of estimated costs to complete for construction contracts at year-end.

We evaluated the Entity's ability to estimate costs to complete and variable consideration by comparing to the final costs to complete and variable consideration received for contracts completed in fiscal 2022 and estimated in the prior period.

For a selection of fixed price construction contracts at December 31, 2022, we evaluated the appropriateness of the Entity's determination of costs to complete and variable consideration to be received by performing the following:

- Agreed estimated costs to complete to appropriate supporting documentation and key contractual terms back to signed contracts.
- Performed procedures to compare the estimated total costs to actual costs incurred to date.
- Inquired with relevant operational Entity personnel to gain an understanding of the status of project activities and factors impacting the estimate of costs to complete and variable consideration to be received, and corroborated by agreeing to appropriate supporting documentation.
- Determined the reasonableness of any variable consideration recognized as revenue on unbilled change orders or claims by inspecting change orders, directives, or other correspondence with customers, where applicable; considering the historical outcomes of previously settled claims, and corresponding with internal and external legal counsel, where applicable.

Other Information

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

- Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- Information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2022 Annual Report".

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 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.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2022 Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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, 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.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Austin Abas.

Winnipeg, Canada
March 7, 2023

Bird Construction Inc.
Consolidated Statement of Financial Position
As at December 31, 2022 and 2021

(in thousands of Canadian dollars)

	Note	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	8	\$ 174,607	\$ 190,191
Accounts receivable	9	708,161	597,814
Contract assets	10	56,938	55,949
Inventory and prepaid expenses		10,385	9,406
Income taxes recoverable		13,633	9,175
Other assets	11	4,236	6,119
Assets held for sale	12	2,341	4,416
Total current assets		970,301	873,070
Non-current assets			
Other assets	11	5,539	9,104
Investments in equity accounted entities	13	9,786	13,471
Property and equipment	14	55,471	55,004
Right-of-use assets	15	66,136	67,497
Deferred income tax asset	20	31,564	32,784
Intangible assets	16	34,742	30,478
Goodwill	17	55,740	55,740
Total non-current assets		258,978	264,078
TOTAL ASSETS		\$ 1,229,279	\$ 1,137,148
LIABILITIES			
Current liabilities			
Accounts payable		\$ 573,224	\$ 514,330
Contract liabilities	10	146,986	130,315
Dividends payable to shareholders		1,745	1,745
Income taxes payable		10,848	7,991
Current portion of loans and borrowings	18	7,084	7,470
Current portion of right-of-use liabilities	19	17,790	19,782
Provisions	21	18,543	27,316
Other liabilities	22	9,449	12,311
Total current liabilities		785,669	721,260
Non-current liabilities			
Loans and borrowings	18	68,007	71,211
Right-of-use liabilities	19	55,469	59,576
Deferred income tax liability	20	35,756	24,798
Other liabilities	22	11,390	16,583
Pension liabilities	23	—	232
Total non-current liabilities		170,622	172,400
TOTAL LIABILITIES		956,291	893,660
SHAREHOLDERS' EQUITY			
Shareholders' capital	25	114,584	114,584
Contributed surplus		1,956	1,956
Retained earnings		156,537	126,935
Accumulated other comprehensive income (loss)		(89)	13
Total shareholders' equity		272,988	243,488
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 1,229,279	\$ 1,137,148

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

Approved on behalf of the Board of Directors



Paul R. Raboud
Chairman of the Board



Karyn A. Brooks
Audit Committee Chair

Bird Construction Inc.
Consolidated Statement of Income
For the years ended December 31, 2022 and 2021
(in thousands of Canadian dollars, except per share amounts)

	Note	2022	2021
Construction revenue	10	\$ 2,377,549	\$ 2,220,026
Costs of construction	29	2,175,787	2,033,341
Gross profit		201,762	186,685
Income (loss) from equity accounted investments	13	(2,714)	4,187
General and administrative expenses	29	(132,386)	(127,014)
Income from operations		66,662	63,858
Finance and other income	27	10,341	1,322
Finance and other costs	28	(9,818)	(7,550)
Income before income taxes		67,185	57,630
Income tax expense	20	17,322	14,847
Net income for the period		\$ 49,863	\$ 42,783
Basic and diluted earnings per share	26	\$ 0.93	\$ 0.80

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

Bird Construction Inc.
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2022 and 2021

(in thousands of Canadian dollars)

	Note	2022	2021
Net income for the period		\$ 49,863	\$ 42,783
Other comprehensive income (loss) for the period:			
Items that will not be reclassified to net income in subsequent periods:			
Defined benefit plan actuarial gain (loss)	23	908	3,197
Deferred tax recovery (expense)		(228)	(795)
		680	2,402
Items that may be reclassified to net income in subsequent periods:			
Foreign currency translation on equity accounted investments	13	(187)	(21)
Other foreign currency translation		53	(18)
Deferred tax recovery (expense)		32	(18)
		(102)	(57)
Total comprehensive income for the period		\$ 50,441	\$ 45,128

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

Bird Construction Inc.
Consolidated Statement of Changes in Equity
For the years ended December 31, 2022 and 2021
(in thousands of Canadian dollars, except per share amounts)

	Note	Shareholders' capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at December 31, 2021		\$ 114,584	\$ 1,956	\$ 126,935	\$ 13	\$ 243,488
Net income for the period		—	—	49,863	—	49,863
Other comprehensive income (loss) for the period	13,23	—	—	680	(102)	578
Total comprehensive income (loss) for the period		—	—	50,543	(102)	50,441
Contributions by and dividends to owners						
Dividends declared to shareholders		—	—	(20,941)	—	(20,941)
		—	—	(20,941)	—	(20,941)
Balance at December 31, 2022		\$ 114,584	\$ 1,956	\$ 156,537	\$ (89)	\$ 272,988
Dividends declared per share				\$ 0.39		
Balance at December 31, 2020		\$ 108,064	\$ 1,956	\$ 102,520	\$ 70	\$ 212,610
Net income for the period		—	—	42,783	—	42,783
Other comprehensive income (loss) for the period		—	—	2,402	(57)	2,345
Total comprehensive income (loss) for the period		—	—	45,185	(57)	45,128
Contributions by and dividends to owners						
Common shares issued on acquisition of Dagmar	7	6,520	—	—	—	6,520
Dividends declared to shareholders		—	—	(20,770)	—	(20,770)
		6,520	—	(20,770)	—	(14,250)
Balance at December 31, 2021		\$ 114,584	\$ 1,956	\$ 126,935	\$ 13	\$ 243,488
Dividends declared per share				\$ 0.39		

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

Bird Construction Inc.
Consolidated Statement of Cash Flows
For the years ended December 31, 2022 and 2021
(in thousands of Canadian dollars)

	Note	2022	2021
Cash flows from (used in) operating activities			
Net income for the period		\$ 49,863	\$ 42,783
Items not involving cash:			
Amortization	16	6,665	6,258
Depreciation	14, 15	29,774	28,279
Gain on sale of property and equipment		(4,403)	(1,576)
(Income) loss from equity accounted investments	13	2,714	(4,187)
Finance and other income	27	(3,652)	(1,322)
Finance and other costs	28	9,818	7,550
Deferred compensation plan expense and other		5,985	10,056
Defined benefit pension plan expense, net of contributions	23	308	(171)
Unrealized (gain) loss on investments and other		(24)	106
Income tax expense (recovery)	20	17,322	14,847
Cash flows from operations before changes in non-cash working capital		114,370	102,623
Changes in non-cash working capital relating to operating activities	31	(59,317)	(31,535)
Interest received		4,559	1,321
Interest paid		(9,272)	(7,243)
Income taxes recovered (paid)		(6,941)	(29,340)
Net cash from (used in) operating activities		43,399	35,826
Cash flows from (used in) investing activities			
Investments in equity accounted entities	13	—	(768)
Capital distributions from equity accounted entities	13	922	2,193
Proceeds on sale of investment in equity accounted entities	13	1,501	—
Additions to property and equipment and intangible assets	14, 16	(27,766)	(11,756)
Proceeds on sale of property and equipment	14	6,444	3,614
Acquisitions, net of cash acquired	7	—	(20,563)
Other long-term assets		4,087	3,975
Net cash from (used in) investing activities		(14,812)	(23,305)
Cash flows from (used in) financing activities			
Dividends paid on shares		(20,941)	(20,749)
Proceeds from loans and borrowings	18	52,776	58,600
Repayment of loans and borrowings	18	(56,366)	(52,832)
Repayment of right-of-use liabilities	19	(19,747)	(19,265)
Net cash from (used in) financing activities		(44,278)	(34,246)
Net increase (decrease) in cash and cash equivalents during the period		(15,691)	(21,725)
Effects of foreign exchange on cash balances		107	(152)
Cash and cash equivalents, beginning of the period		190,191	212,068
Cash and cash equivalents, end of the period	8	\$ 174,607	\$ 190,191

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

Bird Construction Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(in thousands of Canadian dollars, except per share amounts)

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Bird Construction Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

(in thousands of Canadian dollars, except per share amounts)

1. Structure of the company

Bird Construction Inc. (the "Company") is a corporation incorporated in the province of Ontario, Canada. The address of the Company's registered office is 5700 Explorer Drive, Suite 400, Mississauga, Ontario, Canada. The Company's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol BDT.

The Company operates from coast-to-coast and services all of Canada's major geographic markets. The Company provides a comprehensive range of construction services from new construction for industrial, commercial, institutional and civil infrastructure markets; to industrial maintenance, repair and operations ("MRO") services, heavy civil construction and mine support services; as well as vertical infrastructure including, electrical, mechanical, and specialty trades. The Company uses a variety of contract delivery methods including construction management, cost plus, integrated project delivery ("IPD"), progressive design build, stipulated sum, unit price, standard specification design-build, alternative finance projects, complex design-build, and public private partnership ("PPP") contract delivery methods.

2. Basis of preparation

Statement of compliance

These consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements were authorized for issue on March 7, 2023 by the Company's Board of Directors.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. Unless otherwise indicated, all financial information presented has been rounded to the nearest thousand.

Basis of measurement

These financial statements have been prepared on a going concern and historical cost basis, except for certain financial assets, derivative financial instruments and liabilities for cash-settled share-based payment arrangements which are measured at fair value as detailed in the accounting policies disclosed in Note 4.

Segmented results

Segment results are reviewed by the Company's chief operating decision maker to assess performance and allocate resources within the Company. Management applies judgement in the aggregation of the Company's operating segments and has determined that the Company operates in one reportable segment being the general contracting sector of the construction industry. The Company's operating segments have similar economic characteristics in that each of the Company's operating business units provides comparable construction services, use similar contracting methods, have similar customer types, have similar long-term economic prospects, share similar cost structures, and operate in similar regulatory environments.

3. Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date.

Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amount of an asset or liability and/or the reported amount of revenue and expense in future periods. 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 and in any future periods affected.

Bird Construction Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

(in thousands of Canadian dollars, except per share amounts)

Assets and liabilities acquired in a business combination

The Company assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3 Business Combinations. The purchase price related to a business combination is allocated to the underlying acquired assets and liabilities based on estimates of their fair value at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgements regarding future cash flows, valuation techniques, economic risk, weighted average cost of capital and future events. The measurement of purchase consideration and allocation process are therefore inherently subjective and impact the amounts assigned to identifiable assets and liabilities. As a result, the purchase price allocation impacts the Company's reported assets and liabilities (including the amounts allocated to intangible assets and goodwill), and future earnings due to the associated depreciation and amortization expense along with the required impairment testing.

Revenue and gross profit recognition

Construction revenue, construction costs, contract liabilities, and contract assets are based on estimates and judgements used in determining contract revenue and the determination of estimated costs to complete in order to calculate the stage of completion for a particular construction project, depending upon the nature of the construction contract, as more fully described in the revenue recognition policy. To determine the estimated costs to complete construction contracts, assumptions and estimates are required to evaluate matters related to schedule, material and labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction activities, estimates can change significantly from one accounting period to the next.

The value of many construction contracts increases over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or conditions. In addition, there may be disputes or claims regarding additional amounts owing as a result of changes in contract scope, delays, additional work or changed conditions. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. Change orders and claims may not be settled until the construction project is complete or subsequent to completion, and the nature of the relationship with the other party to the claim and the history of success of these claims may impact the associated revenue or cost recovery. Claims against customers for variable consideration due to factors described above are assessed under the Company's revenue policy, which requires significant judgement. The amount of variable consideration that is constrained is the difference between the total claim value and the best estimate of recovery. This constrained value is reviewed each reporting period.

Provisions

Legal, warranty and other provisions involve the use of estimates. Estimates and assumptions are required to determine when to record, and how to measure, a provision in the financial statements. The outcomes may differ significantly from the estimates used in preparing the financial statements resulting in adjustments to previously reported financial results.

Impairment of non-financial assets

Management evaluates property and equipment, intangible assets with definite lives, and right-of-use ("ROU") assets at the end of each reporting period to determine if there are events or circumstances which indicate that the carrying value may not be recoverable. Goodwill and intangible assets with indefinite lives are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Impairment testing is performed by comparing the recoverable amount of the cash-generating unit ("CGU") or groups of CGUs to its carrying amount. There is a significant amount of uncertainty with respect to the estimate of the recoverable amount given the necessity of making economic projections which employ the following key assumptions: future cash flows, growth opportunities, including economic risk assumptions, and estimates of achieving key operating metrics and drivers, and the discount rate. Refer to note 17 for further details regarding the assumptions and estimates regarding the Company's goodwill impairment assessment.

Bird Construction Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

(in thousands of Canadian dollars, except per share amounts)

Measurement of pension obligations

The Company's obligations and expenses related to defined benefit ("DB") pension plans are determined using actuarial valuations and are dependent on a number of significant assumptions. The DB obligations and benefit cost levels will change as a result of future changes in actuarial methods and assumptions, membership data, plan provisions, legislative rules, and future experience gains or losses. Actual experience that differs from assumptions may result in gains or losses that will be disclosed in future accounting valuations. Refer to note 23 for further details regarding the Company's DB pension plans.

Share-based payments

Compensation expense accrued for performance share units ("PSU") is dependent upon the final number of PSU awards that will eventually vest, adjusted for a performance multiplier, that is estimated by management and approved by the Board of Directors. Large fluctuations in compensation expense may occur due to changes in the underlying share price or revised management estimates of relevant performance factors.

Leases

The Company applies judgement in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16 Leases. Leases that are recognized are subject to further management judgement and estimation in various areas specific to the arrangement, including the term of the lease. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Where a lease does not specify an interest rate, lease liabilities are estimated using a discount rate equal to the Company-specific incremental borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

Income taxes

Tax regulations and legislation are subject to change and there are differing interpretations requiring management judgement. Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in future periods, which requires management judgement. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods, which requires management judgement. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances and interpretations of tax laws may result in a material increase or decrease in the Company's provision for income taxes.

4. Significant accounting policies

Consolidation

The financial statements include the accounts of the Company, its subsidiaries and partnerships, as well as its pro-rata share of assets, liabilities, revenues, expenses and cash flows from joint operations. Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation.

Bird Construction Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

(in thousands of Canadian dollars, except per share amounts)

The financial statements include the accounts of the following significant subsidiaries:

Company	Ownership / Voting Interest	
	2022	2021
Fully consolidated subsidiaries		
Bird Construction Inc.	100%	100%
Bird Construction Company Limited	100%	100%
Bird Construction Company (Limited Partnership)	100%	100%
Bird Management Ltd.	100%	100%
Bird Design-Build Construction Inc.	100%	100%
Bird Construction Group (Limited Partnership)	100%	100%
Bird Construction Group Ltd.	100%	100%
Bird Construction Industrial Services Ltd.	100%	100%
Bird General Contractors Ltd.	100%	100%
Stuart Olson Inc.	100%	100%
Stuart Olson Buildings Ltd.	100%	100%
Stuart Olson Construction Ltd.	100%	100%
Stuart Olson Industrial Inc.	100%	100%
Stuart Olson Industrial Services Ltd.	100%	100%
Stuart Olson Industrial Projects Inc.	100%	100%
Stuart Olson Industrial Constructors Inc.	100%	100%
Canem Systems Ltd.	100%	100%
The Churchill Corporation	100%	100%
Dagmar Construction Inc.	100%	100% ¹
Proportionately consolidated joint arrangements		
Bird Kiewit Joint Venture	60%	60%
Pomerleau/O'Connell JV	50%	50%
Bird – Maple Reinders JV	50%	50%
Maple Reinders – Bird JV	50%	50%
Bird – ATCO Joint Venture	60%	60%
CBS Joint Venture	42.5%	42.5%
Chandos Bird Joint Venture	50%	50%
BCIFSL – TCMLP JV	49%	49%
Acciona Stuart Olson Joint Venture	50%	50%
Stuart Olson/Nunavut Ltd.	40%	40%
Canem/Plan Group Joint Venture	50%	50%
Stuart Olson Industrial Contractors/Andritz Hydro Canada Inc.	50%	50%
FCG Construction/Stuart Olson, a Joint Venture	50%	50%
Maple –Bird IPD Joint Venture	50%	n/a
Bird Dawson Joint Venture	60%	n/a

¹ Acquired on September 1, 2021 (note 7)

The Company has invested in a number of Public Private Partnership (“PPP”) concession ventures, usually holding a minority interest position in the venture. The Company has also invested in the Stack Modular group of companies. In these instances, the Company can either exercise significant influence or joint control over the financial and operational policies of the venture (or investee). The Company uses the equity method of accounting to account for these investments. The investment is recorded as the amount of the initial investment adjusted for the pro-rata share of the investee’s earnings less any distributions received from the investment.

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Company	Ownership / Voting Interest	
	2022	2021
Equity accounted investment in associates/joint ventures		
Chinook Resources Management General Partnership	50%	50%
Hartland Resource Management General Partnership	20%	20%
Plenary Infrastructure ERMF GP	10%	10%
Stack Modular Structures Ltd.	50%	50%
Stack Modular Structures Hong Kong Limited	50%	50%
Niagara Falls Entertainment Partners	20% / 16.2%	20% / 16.2%
Timmiak Construction Limited Partnership	69.99% / 33.33%	69.99% / 33.33%
Bird Capital P3SB2 Holdings Inc.	20%	20%

All of the above subsidiaries, joint arrangements, joint ventures and associates are incorporated or registered in Canada except Stack Modular Structure Hong Kong Limited which is incorporated and registered in Hong Kong and Innovative Trenching USA Inc which is incorporated and registered in Delaware.

Revenue recognition

Contract revenue is recognized in the consolidated statement of income (the “statement of income”) in accordance with the pattern of satisfying the Company’s performance obligations under a contract. This satisfaction occurs when control of a good or service transfers to the customer. In the majority of the Company’s contracts, the customer controls the work in process as evidenced by the right to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use to the Company, and the work is performed on the customer’s property. Based on the nature of these contractual arrangements, control is transferred over time and revenue is recognized over time.

For each performance obligation satisfied over time, the Company recognizes revenue by measuring progress toward complete satisfaction of that performance obligation. Using output or input methods based on the type of contract, the Company recognizes revenue in a pattern that reflects the transfer of control of the promised goods or services to the customer. Revenue from fixed price (including PPP, alternative finance, design-build, and stipulated sum) and cost reimbursable (including cost plus and IPD) contracts is recognized using the input method with reference to costs incurred. Revenue from unit price contracts in the heavy construction, civil construction and contract surface mining construction sectors is recognized based on the amount of billable work completed, established by surveys of work performed, an output method. For agency relationships, such as construction management contracts, where the Company acts as an agent for its customers, fee revenue only is recognized, generally in accordance with the contract terms. Some contracts, particularly master service agreements and maintenance service contracts, do not specify the amount of fixed consideration at contract inception, but will have a transaction price assigned to it once a work order is issued. For the purpose of revenue recognition and disclosure, only the transaction price of secured work, as evidenced by work orders, would be included in revenue. If the outcome of a construction contract cannot be estimated reliably for management to estimate the ultimate profitability of the contract with a reasonable degree of certainty, no profit is recognized. As the contract progresses further, the constrained margin and associated revenue are reassessed.

Revenue from contract modifications, commonly referred to as change orders and claims, is recognized to the extent that the contract modifications have been approved by the customer and the amount can be measured reliably. In cases where the contract modification is approved, but the price has not been finalized, the Company accounts for the contract modification using variable consideration guidance described below. A claim against or dispute with a customer is considered variable consideration as it is in addition to the agreed upon performance obligations outlined in the original contract because of additional costs incurred due to delays and/or scope changes, for example. The subsequent settlement of a claim or dispute through negotiation results in uncertainty as to the likelihood and amount that will be ultimately collected.

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The amount of variable consideration included in the transaction price may be constrained due to the uncertain nature of the recovery of the associated revenue. The Company will make an estimate of the amount to be constrained by using either the most likely amount or the expected value method, by contract, depending which method is considered to best predict the amount of consideration to which the Company will be entitled. The amount of variable consideration to be included in the transaction price is only that to which it is highly probable that a significant reversal of cumulative revenue recognized to date will not occur. Management considers the following factors in their assessment of the probability of reversal:

- i. Susceptibility of consideration to factors outside the Company's influence.
- ii. Length of time, that is commercially unusual, before resolution of the uncertainty associated with the amount of consideration is expected.
- iii. The Company's experience with similar types of contracts is limited or the experience is not relevant or has limited predictive value.
- iv. If, historically the Company has a practice of offering a broad range of pricing concessions or changing the payment terms and conditions of similar contracts in similar situations.
- v. The contract has a larger number and broad range of possible consideration amounts.

Where the above factors indicate uncertainty associated with the outcome of the transaction price, the Company reviews the historical performance under similar contracts in order to determine the appropriate proportion of the variable consideration to be included in the transaction price.

For most arrangements, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project or capability (even if that single project results in the delivery of multiple units). The Company therefore considers that the entire contract results in the delivery of a single performance obligation. Less commonly, the Company may promise to provide distinct goods or services within a contract, in which case the contract is separated into the associated performance obligations as assessed from the customer's perspective. If a contract contains multiple performance obligations, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. When the Company is contracted to construct projects, the budgets and overall transaction prices are built up using the Company's best estimate of costs associated to complete the project using the appropriate overhead and subcontractor rates for a given project and location. This approach to estimate the overall costs and associated revenues is considered the most appropriate assessment of the standalone selling price for the associated performance obligations.

Where costs are determined to be greater than total revenues, losses from any construction contracts are recognized in full in the period the loss becomes known. Losses are recorded within provisions on the statement of financial position.

Costs of construction

Construction costs are expensed as incurred unless they result in an asset related to future contract activity and meet the criteria to be capitalized as contract assets. Construction costs include all expenses that relate directly to execution of the specific contract, including site labour and site supervision, direct materials, subcontractor costs, equipment rentals and depreciation, design and technical assistance, and warranty claims. Construction costs also include overheads that can be attributed to the project in a systematic and consistent manner and include general insurance and bonding costs, and staff costs relating to project management.

Contract assets and liabilities

Any excess of costs and estimated earnings over progress billings on construction contracts is carried as a contract asset in the financial statements. Contract assets also arise when the Company capitalizes incremental costs of obtaining contracts with customers and the costs incurred in fulfilling those contracts, such as mobilization costs. Costs to fulfill a contract are required to be capitalized where they are determined to relate directly to a contract or an anticipated contract that the entity can specifically identify, they generate

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or enhance resources of the Company that will be used in satisfying performance obligations in the future, and they are expected to be recovered under that specific contract.

In all cases, the specific contract asset is amortized with reference to the same pattern of recognition as the revenue recognized on the associated project.

Any excess of progress billings over earned revenue on construction contracts is carried as a contract liability in the financial statements.

Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. All contract assets and liabilities are classified as current in the financial statements as they are expected to be settled within the Company's normal operating cycle. The operating cycle of many of the Company's contracts exceed 12 months, depending on the type of project or the nature of the service being provided.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Company, liabilities assumed by the Company and the equity interests issued or cash paid by the Company in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred, unless related to the issuance of debt or equity.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- i. Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income taxes, and IAS 19 Employee benefits, respectively;
- ii. For any ROU (i.e. lease) assets and ROU liabilities identified in which the acquiree is the lessee, IFRS 3 Business combinations requires the lease liability to be measured at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. The ROU asset is measured at an amount equal to the lease liability, adjusted to reflect the favourable or unfavourable terms of the lease when compared with market terms.

The Company measures goodwill as the excess of the fair value of the consideration transferred, if any, over the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Government assistance

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grant will be received. When the conditions of a grant relate to income or expense, to the extent possible, it is recognized in the statement of income in the period in which eligible expenses were incurred or when the services have been performed. There may be circumstances in which the determination of applicability of the government grant may cross over reporting periods and cannot be recorded in the period in which eligible expenses were incurred or when the services have been performed. For grants related to expense, the Company deducts the grant in reporting the related expense.

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment includes the purchase price and the directly attributable costs required to bring the asset to the condition necessary for the asset to be capable of operating in the manner intended by management. The cost of replacing or repairing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits will occur and the cost can be measured reliably. The costs of routine maintenance of property and equipment are recognized in the statement of income as incurred.

Depreciation is calculated based on the cost of an asset (or deemed cost) less its residual value. Depreciation commences when the asset is available for use and ceases on the earliest of when the asset is derecognized

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or classified as held-for-sale. When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment and depreciated accordingly. The carrying amount of a replaced component is derecognized. The Company reviews the residual value, useful lives and depreciation methods used on an annual basis and, where revisions are required, the Company applies such changes in estimates on a prospective basis.

Depreciation of property and equipment over the estimated useful lives of the assets is as follows:

Diminishing balance method

Buildings	4%
Equipment, trucks and automotive	20% - 40%
Heavy equipment	Hours of use
Furniture, fixtures and office equipment	20% - 55%

Straight line method

Leasehold improvements	Over the lease term
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Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of general and administrative expenses in the statement of income.

Leases

Lessee arrangements

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On the date that the leased asset becomes available for use, the Company recognizes a ROU asset and a corresponding ROU liability. Finance costs associated with the lease obligation are charged to the statement of income over the lease period with a corresponding increase to the ROU liability. The ROU liability is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized as part of costs of construction or general and administrative expenses, depending on the nature of the leased asset.

ROU assets and liabilities are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include: fixed lease payments, variable lease payments that are based on an index or a rate, amounts expected to be payable under residual value guarantees, and payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the ROU liability, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

The Company has applied a number of practical expedients identified in the standard as follows:

- i. Short-term leases and leases of low-value assets are not recognized in the statement of financial position and lease payments are instead recognized in the financial statements as incurred.
- ii. For certain classes of leases, the Company has elected not to separate lease and non-lease components (which transfer a separate good or service under the same contract) and instead the Company accounts for these leases as a single lease component.
- iii. Certain leases having similar characteristics are accounted for as a portfolio.

Lessor arrangements

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease

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transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators, such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired less liabilities assumed, based on their fair values. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired. Goodwill is carried at cost less any accumulated impairment.

Intangible assets

Intangible assets with finite lives are comprised of computer software, and assets related to the acquisition of a business, including backlog and agency contracts and customer relationships. These intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is calculated using the cost of the asset, and commences once the asset is available for use and is recognized in the statement of income based on the expected pattern of consumption of the economic benefits of the asset. Amortization methods, useful lives and residual values are reviewed on an annual basis and adjusted where appropriate. Intangible assets with indefinite lives comprising of trade names are not amortized.

The estimated useful lives of each class of intangible assets are as follows:

Asset	Basis	Useful Life
Computer software	Straight line	1 to 10 years
Backlog and agency contracts	As related revenue is earned	1 to 3 years
Customer relationships	Straight line	3 to 7 years
Trade names	Straight line	Indefinite or 5 years

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets for which separate processes apply, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have an indefinite useful life or intangible assets that are not yet available for use, the recoverable amount is estimated annually.

The recoverable amount of a CGU is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (i.e. a CGU). For the purpose of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling and reflects the lowest level at which the goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

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An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions and contingent assets

Provisions

Provisions are recognized when, at the financial statement date, the Company has a present obligation as a result of a past event, it is more likely than not that the Company will be required to settle that obligation, and the cash outflow can be estimated reliably. The amount recognized for provisions is the best estimate of the expenditure to be incurred. Where the Company expects some or all of the provision to be reimbursed, for example through insurance, the reimbursement is recognized as an asset only when it is virtually certain of realization. The recoverable amount will not exceed the amount of the provision. Provisions include:

- i. Provisions for potential legal claims relating to the Company's performance and completion of construction contracts. The Company attempts to settle claims within the construction period of the contracts, but a legal claim may take years to settle.
- ii. Provisions for potential warranty claims relating to construction projects. These claims are usually settled during the project's warranty period.
- iii. Provisions for loss contracts are recorded when costs are estimated to be greater than total revenues for the contract. Losses from construction contracts are recognized in full in the period the loss becomes known. The loss provision will be net of management's estimate of probable expected recoveries, which differs from the criterion used for revenue recognition.

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Cost recovery claims associated with claims against subcontractors and parties other than customers are considered contingent assets until it is virtually certain that the claims will be settled. Contingent assets are not recorded or disclosed in the financial statements.

Subcontractor/ supplier performance default insurance

The Company maintains an insurance policy which provides the Company with comprehensive coverage in respect of subcontractor or supplier default on certain projects where the subcontractor or supplier is enrolled in the program. The total insurance premium paid by the Company to the insurer is comprised of a non-refundable premium and a deposit premium. The deposit premium paid by the Company is included in other non-current assets on the consolidated statement of financial position (the "statement of financial position"). The liabilities included in provisions on the statement of financial position relate to management's best estimate of exposures and costs associated with prior or existing subcontractor or supplier performance defaults. Management conducts a thorough review of the liability every reporting period and takes into consideration the Company's experience to date with those subcontractors or suppliers that are enrolled in the program.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions and balances are recorded in the accounts as follows:

- i. Monetary assets and liabilities at the exchange rate in effect at the financial statement date;
- ii. Non-monetary assets and liabilities at exchange rates prevailing at the time of the transaction;
- iii. Depreciation expense at the exchange rate in effect at the time the related assets are acquired; and
- iv. Revenue and expenses at the average exchange rate prevailing on the date of the transaction.

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Translation of equity accounted foreign entities

Assets and liabilities of equity accounted foreign entities are translated from the functional currency to the Company's presentation currency at the closing rate at the end of the reporting period. The statements of income are translated at exchange rates at the dates of the transactions or at the average rate if it approximates the actual rates. All resulting exchange differences are recognized in other comprehensive income.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable based on applying enacted income tax rates to the taxable income realized in the current year. Current tax includes adjustments to taxes payable or recoverable in respect of previous years.

Deferred income tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, as well as for the benefit of tax losses available to be carried forward to future years provided they are likely to be realized. Deferred taxes are recognized using enacted or substantively enacted rates expected to apply in the periods in which the asset is realized or the liability is settled. Deferred taxes are measured on an undiscounted basis. Deferred taxes are presented as non-current. Current and deferred tax assets and liabilities are offset only when a legally enforceable right exists to offset current tax assets against current tax liabilities relating to the same taxable entity and the same tax authority.

Post-employment benefits

DB pension costs are actuarially determined using the projected unit credit method and management's best estimate of salary escalation and retirement age of employees. The Company's net obligation in respect of DB pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any recognized past service costs and the fair value of plan assets are deducted. The discount rate used to establish the pension obligation was determined by reference to market interest rates on AA-rated corporate bonds with cash flows that approximate the timing and amount of expected benefit payments. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan within the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The pension deficit or surplus is adjusted for any material changes in underlying assumptions. The Company recognizes all actuarial gains and losses arising from the DB plans in other comprehensive earnings in the period in which they occur. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognized in the statement of income on a straight-line basis over the average service period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the statement of income.

Medium term incentive plan

The Company's Medium Term Incentive Plan ("MTIP") is a cash-settled share-based payment plan which provides for the granting of phantom shares. The phantom shares provide the holder with the opportunity to earn a cash benefit in relation to the value of a specified number of underlying notional shares. When new MTIP awards are issued, the value of the initial award is determined, which is then used to determine the number of shares allocated to the employee. The total liabilities for this plan are computed based on the estimated number of phantom shares expected to vest at the end of the vesting period. The liability is measured at each reporting date at fair value with changes in fair value recognized in income. The fair value of the phantom shares outstanding at the end of a reporting period is measured based on the quoted market

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price of the Company's shares. The phantom shares earn notional dividends, equivalent to actual dividends declared on the Company's shares. Compensation expense relating to the initial award, notional dividends and changes in the market price of the phantom shares is recognized on a straight-line basis in general and administrative expenses in the statement of income over the vesting period.

Equity incentive plan

The Company has an Equity Incentive Plan ("EIP") as part of the Company's executive compensation plan. The purpose of the EIP is to provide certain officers and employees of the Company with the opportunity to be granted performance share units ("PSU") or time-based restricted share units ("RSU"), and together with PSUs, the ("Units"). The EIP is a full-value share unit plan using the value of the Company's shares as the basis for the Units. In the case of the PSUs, the amount of award payable at the end of the vesting period will be determined by a performance multiplier. Under the EIP, the Company is entitled, in its sole discretion, to settle the Units in either cash or the Company's Shares purchased on the TSX or issued from treasury, or a combination thereof. The Company intends to settle the EIP in cash.

As a cash-settled compensation arrangement, the fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities over the vesting period. The Units will vest and be settled on their issue date, which will be no later than December 31 in the third year following the date of grant, or in accordance with the EIP, participant's award agreement, or the Company's discretion. The liabilities for this plan are calculated based on the estimated number of Units expected to vest at the end of the vesting period. The Units earn notional dividends, equivalent to actual dividends declared on the Company's shares. The liability is remeasured at each reporting date at fair value with changes in fair value recognized in income. The fair value of the Units outstanding at the end of a reporting period is measured based on the quoted market price of the Company's shares, with PSUs also adjusted by a performance multiplier. Compensation expense relating to the initial award, notional dividends and changes in the market price of the Units is recognized on a straight-line basis in general and administrative expenses in the statement of income over the vesting period.

Deferred share unit plan

The Company has a Deferred Share Unit Plan ("DSU Plan"), which is a cash-settled share-based payment plan. The fair value of the amount payable to eligible Directors in respect of Deferred Share Units ("DSU") is equivalent to the cash value of the common shares at the reporting date. The DSUs earn notional dividends, equivalent to actual dividends declared on the Company's shares. DSUs are eligible to be cash-settled no later than December 31 of the following year in which the Director ceases to hold any position within the Company. The liability associated with the DSU Plan is recalculated at each reporting date and at settlement. Any change in the fair value of the liability is recognized in general and administrative expenses in the statement of income.

Cash and cash equivalents

The Company considers cash, bank indebtedness, if any, bankers' acceptances and short-term deposits with original maturities of three months or less, as cash and cash equivalents.

Restricted cash

Restricted cash represent amounts that management has determined are not available for general operating purposes. Restricted cash consists of cash held in trust, relating to trust obligations on certain projects for which we have segregated accounts, and cash held to support letters of credit.

Financial instruments

Classification and measurement of financial instruments

Financial assets and liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument or derivative contract. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or

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liability. Financial liabilities are derecognized when their contractual obligations are discharged, cancelled or have expired. Financial instruments are initially measured at fair value and are subsequently accounted for based on their classification as described below. The classification of financial assets is determined by their context in the Company's business model and by the characteristics of the financial asset's contractual cash flows.

- Amortized cost: The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. The financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.
- Fair value through profit or loss ("FVTPL"): A financial asset is measured at FVTPL if it does not meet the criteria for assets measured at amortized cost or FVTOCI. Financial assets at FVTPL include held for trading assets and derivative instruments. Financial assets at FVTPL are measured at fair value with changes recognized in the statement of income. Transaction costs associated with assets classified as FVTPL are expensed as incurred.
- Fair value through other comprehensive income ("FVTOCI"): The Company does not have any financial assets held at FVTOCI at December 31, 2022 or 2021.

The Company has the following financial assets and liabilities:

	Classification & basis of measurement
Financial assets:	
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Subcontractor / Supplier insurance deposits	Amortized cost
Derivative contracts	FVTPL
Lease receivables	Amortized cost
Financial liabilities:	
Accounts payable	Amortized cost
Dividends payable to shareholders	Amortized cost
Loans and borrowings	Amortized cost
Right-of-use liabilities	Amortized cost
Acquisition holdback liability	Amortized cost
Derivative contracts	FVTPL

Derivative financial instruments

The Company uses interest rate swaps to manage its interest rate risk on non-recourse project financing and its variable rate loans and borrowings. The Company also uses Total Return Swap ("TRS") derivative contracts for the purpose of managing its exposure to changes in the fair value of its MTIP, EIP and DSU share-based compensation plans due to changes in the fair value of the Company's common shares. The changes in the fair market value are recorded as compensation expense in general and administrative expenses in the statement of income. The Company uses foreign currency forward contracts to buy US dollars for the purpose of managing its foreign currency risk. Unrealized gains and losses in the fair value of the foreign currency forward contracts are recognized in general and administrative expenses in the statement of income. The Company does not designate any of its derivative contracts as hedges.

Impairment of financial assets

Financial assets measured at amortized cost are assessed at each reporting date to determine whether there is objective evidence of impairment. An expected credit loss ("ECL") impairment model is applied, where the ECL is the present value of all cash shortfalls over the expected life of the financial asset. Impairment is measured at either the 12-month ECL or lifetime ECL. The Company recognizes the 12-

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month ECL in the statement of income; however, for trade receivables and contract assets that do not contain a significant financing component, a lifetime ECL is measured at the date of initial recognition.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event will have a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized in general and administrative expenses in the statement of income.

Joint arrangements

A joint arrangement is an arrangement in which the Company has joint control, established by contractual agreements requiring unanimous consent for decisions about activities that significantly affect the arrangement's returns. Joint arrangements are classified as either a joint operation or a joint venture. A joint operation is an arrangement where the joint controlling parties have direct rights to the assets and direct obligations for the liabilities of the arrangement in the normal course of business. Interests in a joint operation are accounted for by recognizing the Company's share of assets, liabilities, revenues and expenses. A joint venture is an arrangement where the joint controlling parties have rights to the net assets of the arrangement. Interests in a joint venture are recognized as an investment and accounted for using the equity method. The determination as to whether a joint arrangement is a joint venture or a joint operation requires significant judgement based on the structure of the arrangement, the legal form of any separate vehicle, the contractual terms of the arrangement and other facts and circumstances. The joint arrangements in which Bird participates are typically formed to undertake a specific construction project, are jointly controlled by the parties, and are dissolved upon completion of the project.

Finance and other income and finance and other costs

Finance and other income is comprised of interest earned on cash and cash equivalents, interest earned on lease receivables, gains/losses on disposal of investments and changes in the fair value of financial assets classified as FVTPL. Interest income is recognized as it accrues in the income statement.

Finance and other costs are comprised of interest on loans and borrowings including non-recourse project financing using the effective interest rate method, interest expense related to ROU liabilities, interest expense related to the net gain or loss on interest rate swaps, interest associated with TRS contracts, fees associated with credit facilities, bank charges and other interest expenses.

5. New accounting standards, amendments and interpretations adopted

The Company has adopted new amendments effective January 1, 2022 related to IAS 37 *Onerous Contracts* and annual improvements to IFRS standards 2018-2020 for IFRS 9 *Financial Instruments* and IFRS 16 *Leases* that did not have a material impact on the Company's financial statements.

6. Future accounting changes

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2023 that have not been applied in preparing the financial statements for the period ended December 31, 2022. These standards and interpretations are not expected to have a material impact on the Company's financial statements.

7. Business combinations

Acquisition of Dagmar Construction Inc.

In the prior year, on September 1, 2021, the Company acquired all of the issued and outstanding shares of Dagmar Construction Inc. ("Dagmar"). Dagmar is an Ontario-based construction company with extensive experience across key civil infrastructure sub-sectors including road, bridge, rail, sewer and water, and commercial-institutional sites. One of the key rationales for the business combination was to combine and

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integrate Dagmar's capabilities and service offerings for both private and public owners across Ontario, acting as a catalyst in this attractive end market. In selected national markets where Bird has civil activity, Dagmar will add specialized capabilities to broaden client service offerings and increase diversification.

The purchase price of the transaction totalled \$32,502 and included cash of \$23,600, equity of \$6,538, and a holdback and other liability of \$2,364. The \$2,364 holdback and other liability consisted of \$1,364 related to a final working capital reconciliation and \$1,000 relating to any indemnities provisions to be reconciled as at the second anniversary of the closing date. The Company has paid \$1,364 towards the final working capital reconciliation in the year ended December 31, 2022.

In connection with this acquisition, the Company incurred acquisition costs of approximately \$787, comprised mainly of consulting and other professional fees, which were presented in general and administrative expenses in the statement of income. Transaction costs of \$18 directly attributable to the issue of common shares related to the transaction were recognized as a reduction from shareholders' capital.

The value of the assets and liabilities associated with the Dagmar acquisition were finalized on September 1, 2022. During the year ended December 31, 2022, no measurement period adjustments were made to the purchase price allocation to reflect new information obtained by the Company with respect to the facts and circumstances that existed as of September 1, 2021.

Total common shares issued as consideration		656,364
Common share price at close on September 1, 2021	\$	9.96
Equity consideration	\$	6,538
Acquisition holdback and other liability		2,364
Cash consideration		23,600
Total Consideration	\$	32,502
Fair value of assets and liabilities of Dagmar acquired:		
Assets acquired		
Cash and cash equivalents	\$	3,055
Accounts receivable		6,887
Contract assets		50
Income taxes recoverable		332
Prepaid expenses		74
Property and equipment		3,211
ROU assets		5,489
Intangible assets		6,004
Liabilities assumed		
Accounts payable		(2,058)
Contract liabilities		(1,043)
ROU liabilities		(5,489)
Net deferred income tax liabilities		(2,790)
Net identifiable assets acquired	\$	13,722
Goodwill		18,780
Net assets acquired	\$	32,502

The fair value and gross amount of the trade receivables acquired amounted to \$6,887.

Goodwill and intangible assets

Goodwill of \$18,780 recognized as part of the acquisition is attributed to expected revenue growth and future market development specifically in the civil infrastructure sector. These benefits are not recognized separately from goodwill, as the future economic benefits arising from them cannot be reliably measured.

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The goodwill recognized is not deductible for tax purposes. Identifiable intangible assets acquired of \$6,004 include computer software, backlog and agency contracts, customer relationships and trade names.

8. Cash and cash equivalents

	2022	2021
Accessible cash	\$ 96,011	\$ 102,972
Cash held for joint operations	15,622	22,708
Restricted cash and cash equivalents	62,974	64,511
	\$ 174,607	\$ 190,191

9. Accounts receivable

	2022	2021
Progress billings on construction contracts	\$ 457,069	\$ 412,674
Holdbacks receivable (due within one operating cycle)	244,791	178,898
Other	6,301	6,242
	\$ 708,161	\$ 597,814

Accounts receivable are reported net of an allowance for doubtful accounts of \$1,632 as at December 31, 2022 (December 31, 2021 – \$1,527). Holdbacks receivable represent amounts billed on construction contracts which are not due until the contract work is substantially complete and the applicable lien period has expired.

10. Revenue, contract assets and contract liabilities

Disaggregation of revenue

The Company disaggregates revenue from contracts with customers by contract type, as this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	2022	2021
Public Private Partnerships (“PPP”)	\$ 55,129	\$ 14,920
Alternative finance projects and complex design-build	120,636	58,883
Stipulated sum, unit price and standard specification design-build	1,342,106	1,235,828
Construction management, cost plus and IPD	859,678	910,395
	\$ 2,377,549	\$ 2,220,026

Remaining performance obligations

The total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the reporting date is referred to as remaining performance obligations. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course.

As at December 31, 2022, the aggregate amount of remaining performance obligations from construction contracts was \$2,636,543. The value of remaining performance obligations does not include amounts for variable consideration that are constrained, agency relationship construction management projects, and estimated future work orders to be performed as part of master services agreements.

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The Company expects to recognize approximately 64% of the remaining performance obligations over the next 12 months with the remaining balance being recognized beyond 12 months. This expectation is based on management's best estimate but contains uncertainty as it is subject to factors outside of the Company's control.

The Company's measure of remaining performance obligations is also referred to as "Backlog" and additions to remaining performance obligations are also referred to by the Company as "Securements." These measures may not be comparable with the calculation of similar measures by other entities as Backlog and Securements are not terms defined under IFRS.

Summary of contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	<u>2022</u>	<u>2021</u>
Progress billings and holdbacks receivable (note 9)	\$ 701,860	\$ 591,572
Contract assets	56,938	55,949
Contract liabilities	(146,986)	(130,315)
	<u>\$ 611,812</u>	<u>\$ 517,206</u>

Progress billings and holdbacks receivable

The Company issues invoices in accordance with the billing schedule or contract terms. These invoices trigger recognition of accounts receivable.

Contract assets

The Company receives payments from customers based on a billing schedule, as established in the contracts. A contract asset relates to the conditional right to consideration for completed performance under the contract. Accounts receivable are recognized when the right to consideration becomes unconditional. Contract assets related to construction contracts are typically invoiced within a year.

	<u>2022</u>	<u>2021</u>		
	<u>Construction Contracts</u>	<u>Construction contracts</u>	<u>Alternative finance projects</u>	<u>Total</u>
Balance, December 31, 2021	\$ 55,949	\$ 60,031	\$ 113	\$ 60,144
Acquisition (note 7)	—	50	—	50
Reduction of contract assets due to progress billings	(886,941)	(1,139,620)	(113)	(1,139,733)
Additions to contract assets	887,930	1,135,488	—	1,135,488
Balance, December 31, 2022	<u>\$ 56,938</u>	<u>\$ 55,949</u>	<u>\$ —</u>	<u>\$ 55,949</u>

Contract liabilities

Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract. Typically, contract liabilities are recognized within a year as performance is achieved per contractual terms.

For the year ended December 31, 2022, \$130,315 of revenue (2021 – \$121,504) was recognized that was included in the contract liability balance at the beginning of the year.

For the year ended December 31, 2022, \$6,937 of revenue (2021 - \$3,964) was recognized from the satisfaction of performance obligations related to previous periods. Amounts represent changes in the transaction price due to contract modifications and various other cumulative catch up adjustments.

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11. Other assets

	2022	2021
Subcontractor / Supplier insurance deposits	\$ 1,751	\$ 4,403
Lease receivables	4,702	5,895
Total Return Swap ("TRS") derivatives (note 24)	2,950	4,896
Other	372	29
Other assets	\$ 9,775	\$ 15,223
Less: current portion		
TRS derivatives	2,950	4,896
Lease receivables	1,286	1,194
Other	—	29
Current portion	4,236	6,119
Non-current portion	\$ 5,539	\$ 9,104

Subcontractor/Supplier insurance deposits relate to the Company's insurance policies which provide Bird with comprehensive coverage, subject to a deductible, in respect of subcontractor or supplier default on certain projects where the subcontractor or supplier is enrolled in the program.

The Company subleases certain facilities. The following is a detailed maturity analysis of the undiscounted finance lease payments receivable as at December 31, 2022:

	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Lease receivables	\$ 4,702	\$ 4,984	\$ 1,402	\$ 3,166	\$ 416	\$ —

12. Assets held for sale

	2022	2021
Investments in equity accounted entities classified as held for sale	\$ 2,341	\$ 3,980
Property classified as held for sale	—	436
	\$ 2,341	\$ 4,416

Investments in equity accounted entities classified as held for sale

During the year ended December 31, 2022, the Company sold one of its investments in equity accounted entities.

Property classified as held for sale

During the year ended December 31, 2022, property located in Northern Alberta that was previously classified as held for sale on the statement of financial position in 2021 is no longer classified as held for sale and is included in property and equipment (note 14).

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13. Projects and entities accounted for using the equity method

The Company performs certain construction and concession related projects through joint ventures and associates which are accounted for using the equity method. The Company's joint ventures and associates are private entities and there is no quoted market value available for their shares.

	2022		
	Joint ventures	Associates	Total
Total current assets	\$ 73,809	\$ 26,372	\$ 100,181
Total non-current assets	105,372	172,802	278,174
Total assets	179,181	199,174	378,355
Total current liabilities	28,376	8,151	36,527
Total non-current liabilities	130,677	163,923	294,600
Total liabilities	159,053	172,074	331,127
Net assets – 100%	\$ 20,128	\$ 27,100	\$ 47,228
Attributable to the Company	\$ 7,076	\$ 2,710	\$ 9,786
Revenue – 100%	\$ 74,894	\$ 8,154	\$ 83,048
Total comprehensive income – 100%	\$ (7,411)	\$ 2,318	\$ (5,093)
Attributable to the Company	\$ (3,050)	\$ 232	\$ (2,818)
	2021		
	Joint ventures	Associates	Total
Total current assets	\$ 29,070	\$ 26,717	\$ 55,787
Total non-current assets	243,749	176,342	420,091
Total assets	272,819	203,059	475,878
Total current liabilities	19,246	8,694	27,940
Total non-current liabilities	213,177	167,867	381,044
Total liabilities	232,423	176,561	408,984
Net assets – 100%	\$ 40,396	\$ 26,498	\$ 66,894
Attributable to the Company	\$ 14,742	\$ 2,650	\$ 17,392
Revenue – 100%	\$ 115,822	\$ 7,373	\$ 123,195
Total comprehensive income – 100%	\$ 11,679	\$ 2,108	\$ 13,787
Attributable to the Company	\$ 3,982	\$ 205	\$ 4,187

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The movement in the investment in projects and entities accounted for using the equity method is as follows:

	2022	2021
Investments in equity accounted entities		
Balance, beginning of period	\$ 13,471	\$ 14,710
Share of net income (loss) for the period	(2,818)	4,187
Share of other comprehensive income (loss) for the period	(187)	(21)
Investments in equity accounted entities	—	768
	10,466	19,644
Capital distributions received	(680)	(2,193)
Investments in equity accounted entities reclassified as held for sale (note 12)	—	(3,980)
Balance, end of period	\$ 9,786	\$ 13,471

The carrying amount of investments in equity accounted entities may not always equal the Company's share of the net assets or net liabilities of these joint ventures and associates due to fair value adjustments including goodwill and the timing of capital contributions or distributions in accordance with contract terms.

	2022	2021
Share of net income (loss) for the period	\$ (2,818)	\$ 4,187
Gain on sale of investments in equity accounted entities	104	—
Income (loss) from equity accounted investments	\$ (2,714)	\$ 4,187

The Company recognizes the income and losses related to its investments in associates and joint ventures, as the Company has an obligation to fund its proportionate share of the net liabilities of these entities.

Transactions with these related parties are described in note 35. Amounts committed for future capital injections to concession entities are described in note 34.

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14. Property and equipment

	2022					
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost						
Balance, December 31, 2021	\$ 2,352	\$ 12,685	\$ 17,282	\$ 98,695	\$ 3,184	\$ 134,198
Reclassified from held for sale	436	—	—	—	—	436
Additions	—	210	2,864	13,555	188	16,817
Disposals	—	—	(25)	(8,788)	(235)	(9,048)
Balance, December 31, 2022	<u>2,788</u>	<u>12,895</u>	<u>20,121</u>	<u>103,462</u>	<u>3,137</u>	<u>142,403</u>
Accumulated depreciation						
Balance, December 31, 2021	—	7,210	8,452	61,342	2,190	79,194
Disposals	—	—	(9)	(6,425)	(229)	(6,663)
Depreciation expense	—	470	2,326	11,371	234	14,401
Balance, December 31, 2022	<u>—</u>	<u>7,680</u>	<u>10,769</u>	<u>66,288</u>	<u>2,195</u>	<u>86,932</u>
Net book value	\$ 2,788	\$ 5,215	\$ 9,352	\$ 37,174	\$ 942	\$ 55,471
	2021					
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost						
Balance, December 31, 2020	\$ 2,557	\$ 12,181	\$ 16,730	\$ 98,808	\$ 3,156	\$ 133,432
Acquisition	—	—	26	3,069	116	3,211
Reclassified as held for sale	(436)	—	—	—	—	(436)
Additions	231	504	619	7,089	107	8,550
Disposals	—	—	(93)	(10,271)	\$ (195)	(10,559)
Balance, December 31, 2021	<u>2,352</u>	<u>12,685</u>	<u>17,282</u>	<u>98,695</u>	<u>3,184</u>	<u>134,198</u>
Accumulated depreciation						
Balance, December 31, 2020	—	6,719	5,836	59,315	2,127	73,997
Disposals	—	—	(53)	(8,436)	(173)	(8,662)
Depreciation expense	—	491	2,669	10,463	236	13,859
Balance, December 31, 2021	<u>—</u>	<u>7,210</u>	<u>8,452</u>	<u>61,342</u>	<u>2,190</u>	<u>79,194</u>
Net book value	\$ 2,352	\$ 5,475	\$ 8,830	\$ 37,353	\$ 994	\$ 55,004

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15. Right-of-use assets

	2022			
	Buildings	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost				
Balance, December 31, 2021	\$ 43,393	\$ 51,441	\$ 1,848	\$ 96,682
Additions	8,453	6,584	8	15,045
Disposals	(778)	(3,483)	—	(4,261)
Balance, December 31, 2022	<u>51,068</u>	<u>54,542</u>	<u>1,856</u>	<u>107,466</u>
Accumulated depreciation				
Balance, December 31, 2021	11,963	16,257	965	29,185
Disposals	—	(3,228)	—	(3,228)
Depreciation expense	6,557	8,190	626	15,373
Balance, December 31, 2022	<u>18,520</u>	<u>21,219</u>	<u>1,591</u>	<u>41,330</u>
Net book value	<u>\$ 32,548</u>	<u>\$ 33,323</u>	<u>\$ 265</u>	<u>\$ 66,136</u>
2021				
	Buildings	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost				
Balance, December 31, 2020	\$ 35,085	41,053	1,900	78,038
Acquisition	4,904	585	—	5,489
Additions	4,222	11,775	—	15,997
Disposals	(818)	(1,972)	(52)	(2,842)
Balance, December 31, 2021	<u>43,393</u>	<u>51,441</u>	<u>1,848</u>	<u>96,682</u>
Accumulated depreciation				
Balance, December 31, 2020	6,057	10,243	227	16,527
Disposals	(96)	(1,637)	(29)	(1,762)
Depreciation expense	6,002	7,651	767	14,420
Balance, December 31, 2021	<u>11,963</u>	<u>16,257</u>	<u>965</u>	<u>29,185</u>
Net book value	<u>\$ 31,430</u>	<u>\$ 35,184</u>	<u>\$ 883</u>	<u>\$ 67,497</u>

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16. Intangible assets

	2022				
	Trade names	Backlog and agency contracts	Customer relationships	Computer software	Total
Cost					
Balance, December 31, 2021	\$ 8,000	\$ 4,500	\$ 15,500	\$ 17,164	\$ 45,164
Additions	—	—	—	10,949	10,949
Disposals	—	—	—	(548)	(548)
Balance, December 31, 2022	8,000	4,500	15,500	27,565	55,565
Accumulated amortization					
Balance, December 31, 2021	67	1,790	2,189	10,640	14,686
Amortization expense	200	1,709	2,242	2,514	6,665
Disposals	—	—	—	(528)	(528)
Balance, December 31, 2022	267	3,499	4,431	12,626	20,823
Net book value	\$ 7,733	\$ 1,001	\$ 11,069	\$ 14,939	\$ 34,742
	2021				
	Trade names	Backlog and agency contracts	Customer relationships	Computer software	Total
Cost					
Balance, December 31, 2020	\$ 7,000	\$ 4,000	\$ 11,000	\$ 13,954	\$ 35,954
Acquisition	1,000	500	4,500	4	6,004
Additions	—	—	—	3,206	3,206
Balance, December 31, 2021	8,000	4,500	15,500	17,164	45,164
Accumulated amortization					
Balance, December 31, 2020	—	333	393	7,702	8,428
Amortization expense	67	1,457	1,796	2,938	6,258
Balance, December 31, 2021	67	1,790	2,189	10,640	14,686
Net book value	\$ 7,933	\$ 2,710	\$ 13,311	\$ 6,524	\$ 30,478

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17. Goodwill

	<u>2022</u>	<u>2021</u>
Cost		
Balance, December 31, 2021	\$ 69,891	\$ 51,111
Balance, Acquisition (note 7)	—	18,780
Balance, December 31, 2022	<u>69,891</u>	<u>69,891</u>
Accumulated impairment	<u>14,151</u>	<u>14,151</u>
Net book value	<u>\$ 55,740</u>	<u>\$ 55,740</u>

At December 31, 2022 and 2021, the Company conducted an impairment test of its goodwill and indefinite life intangible assets. The carrying value of goodwill and the Company's indefinite life intangible assets at December 31, 2022 and 2021 was determined to not be impaired as the recoverable amount of the Company's CGUs exceeded their carrying values.

For the purposes of impairment testing, the Company allocated the carrying value of goodwill to the following groups of CGUs:

	<u>2022</u>	<u>2021</u>
Industrial	\$ 41,375	\$ 41,375
Buildings	12,794	12,794
Commercial Systems Group	1,571	1,571
	<u>\$ 55,740</u>	<u>\$ 55,740</u>

Key assumptions and sensitivity analysis

The recoverable amount of the CGUs was determined based on a value-in-use calculation using cash flow projections from financial forecasts derived from the Company's 2023 Business Plan and the 2022-2024 Strategic Plan, which was reviewed by management with the Board of Directors.

The Company selected a four year forecast period for the discounted cash flow analysis with the belief that further periods are adequately represented by a terminal value. Cash flows from growth opportunities are probability-weighted and relate to initiatives management expects to progress on in the medium to long-term time frame. These cash flows require assumptions to be made regarding the likelihood of projects progressing and the future economics of those projects. Cash flows for the remaining periods were extrapolated using a growth rate of 2.0%. An after-tax discount rate of 16.0%, which is based on a market-based cost of capital, was applied in determining the recoverable amounts. The same discount rate has been used in each of the CGUs, given the similarity in the business and the fact that business-specific risks were adjusted for in the forecasted cash flows. In addition, entity-specific risks were separately factored into each CGU forecast.

Sensitivity analyses of significant estimates and assumptions was conducted as part of the Company's impairment testing. The sensitivity ranges were selected based on management's expectations for inflationary growth and knowledge of weighted average cost of capital within the construction industry. A 1% change in the discount rate and a 0.5% change in the growth rate would not result in the carrying values of the CGUs exceeding their recoverable amounts.

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18. Loans and borrowings

Loans and borrowings

	<u>Maturity</u>	<u>Interest rate</u>	<u>2022</u>	<u>2021</u>
Committed revolving credit facility	December 15, 2025	Variable	\$ 22,725	\$ 22,725
Committed non-revolving term loan facility	December 15, 2025	Variable	47,500	49,375
Equipment financing	2023 – 2027	Fixed 2.04%-4.70%	4,866	6,581
			<u>75,091</u>	<u>78,681</u>
Current portion			<u>7,084</u>	<u>7,470</u>
Non-current portion			<u>\$ 68,007</u>	<u>\$ 71,211</u>

The following table provides details of the changes in the Company's Loans and Borrowings for the year ended December 31, 2022:

	<u>Syndicated revolving credit facility</u>	<u>Syndicated committed non-revolving term loan facility</u>	<u>Equipment financing</u>	<u>Total</u>
Balance, December 31, 2021	\$ 22,725	\$ 49,375	\$ 6,581	\$ 78,681
Proceeds	50,000	—	2,776	52,776
Repayments	(50,000)	(1,875)	(4,491)	(56,366)
Balance, December 31, 2022	<u>\$ 22,725</u>	<u>\$ 47,500</u>	<u>\$ 4,866</u>	<u>\$ 75,091</u>

Syndicated credit facility

During the fourth quarter of 2022, the Company amended its syndicated credit facility (the "Syndicated Facility"), adding additional capacity under the revolving credit facility and extending the maturity date to December 15, 2025. The Syndicated Facility is secured by a general interest in the assets of the Company, and consists of the following:

Committed revolving credit facility

The Company has a committed revolving credit facility of up to \$220,000 (December 31, 2021 – \$185,000) that includes up to \$30,000 swingline which allows the Company to enter into an overdraft position, and \$115,000 letters of credit availability. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A standby fee is payable quarterly on the unutilized portion of the facility.

At December 31, 2022, the Company has \$25,312 letters of credit outstanding on the facility (December 31, 2021 – \$21,989) and has drawn \$22,725 on the facility (December 31, 2021 – \$22,725). The \$22,725 drawn on the facility is presented as non-current loans and borrowings on the Company's statement of financial position as the amounts are not expected to be settled in the Company's normal operating cycle, and are not due to be repaid until the maturity of the facility in 2025.

Committed non-revolving term loan facility

The Company has a committed non-revolving term loan facility totalling \$47,500 which was fully drawn under the prior amendment to the credit facility to finance the acquisitions of Stuart Olson and Dagmar in 2020 and 2021 respectively (note 7). The term loan has scheduled repayments due quarterly until the maturity date of December 15, 2025. Any repayment of the facility cannot be reborrowed. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. As at

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December 31, 2022, the Company has an outstanding balance of \$47,500 on the facility (December 31, 2021 – \$49,375 outstanding under prior amendment to the credit facility).

Accordion

The Syndicated Facility includes a non-committed accordion feature allowing the Company to increase the limit of the revolving credit facility and the non-revolving term debt facility up to an additional \$50,000 in aggregate. Any increases under the accordion require creditor approval before becoming available to the Company.

The Company was in compliance with its covenants under each facility as at December 31, 2022 and December 31, 2021.

Equipment financing

The Company has committed term credit facilities of up to \$40,000 to be used to finance equipment purchases of which as at December 31, 2022, \$2,057 is outstanding (December 31, 2021 – \$5,242). Borrowings under the facilities are secured by a first charge against the equipment financed using the facilities. Interest on the facilities is charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears.

The Company also has multiple, fixed interest rate, term loans which were used to finance equipment purchases. At December 31, 2022, the balance outstanding on these term loans amounted to \$2,809 (December 31, 2021 – \$1,339). Principal and interest are payable monthly, and these term loans are secured by a first charge against the specific equipment financed using these facilities.

Letters of credit facilities

The Company has authorized operating letters of credit facilities totalling \$150,000. At December 31, 2022, the facilities were drawn for outstanding letters of credit of \$51,627 (December 31, 2021 – \$67,426). All letters of credit issued under these facilities are supported by the pledge of Company-owned financial instruments, including cash, or through a guarantee from Export Development Canada ("EDC").

The Company has an agreement with EDC to provide performance security guarantees of up to \$100,000 for letters of credit issued by financial institutions on behalf of the Company. The Company uses this facility when letters of credit have been issued as contract security for projects that qualify for EDC coverage. At December 31, 2022, EDC has issued performance security guarantees totalling \$51,537 (December 31, 2021 – \$67,289).

The letters of credit represent performance guarantees issued to support the Company's performance obligations on major construction projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at December 31, 2022 of \$90 (December 31, 2021 – \$139).

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19. Leases and right-of-use liabilities

The Company's lease contracts are effective for periods of one to twelve years but may have extension options.

The following table provides details of the changes in the Company's right-of-use ("ROU") liabilities during the period ended December 31, 2022:

	<u>2022</u>	<u>2021</u>
Balance, December 31, 2021	\$ 79,358	\$ 78,075
Acquisition (note 7)	—	5,489
Additions	15,045	15,997
Interest	2,805	2,937
Lease terminations and modifications	(1,397)	(938)
Repayment	(22,552)	(22,202)
Balance, December 31, 2022	<u>73,259</u>	<u>79,358</u>
Current portion	<u>17,790</u>	<u>19,782</u>
Non-current	<u>\$ 55,469</u>	<u>\$ 59,576</u>

Potential undiscounted cash outflows of \$51,903 (December 31, 2021 - \$55,328) have not been included in the measurement of the Company's ROU liabilities as at December 31, 2022 because it is not reasonably certain that particular leases will be extended. Included in the statement of income were expenses related to short-term leases and leases of low-value assets amounting to \$7,774 for the year ended December 31, 2022 (2021 - \$2,423). Total cash outflows for leases for the year ended December 31, 2022 were \$30,326 (2021 - \$24,625).

The Company has established operating lease lines of credit of \$25,000 with the financing arms of major heavy equipment suppliers to finance equipment leases. Draws under these facilities are generally recognized as ROU liabilities, with the lease obligations being secured by the specific leased equipment. At December 31, 2022, the Company had used \$6,460 (December 31, 2021 - \$6,864) under these facilities.

20. Income taxes

Provision for income taxes

	<u>2022</u>	<u>2021</u>
Income tax expense (recovery) comprised of:		
Current income taxes	\$ 5,340	\$ 15,786
Deferred income taxes	11,982	(939)
	<u>\$ 17,322</u>	<u>\$ 14,847</u>

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Income tax rate reconciliation

	2022	2021
Combined federal and provincial income tax rate	<u>25.6%</u>	25.9%
Increase (reductions) applicable to:		
Effect of different tax rate on equity investments	—%	—%
Non-taxable items	0.5%	0.3%
Other	<u>(0.3%)</u>	<u>(0.4%)</u>
Effective rate	<u>25.8%</u>	<u>25.8%</u>

The Company's statutory tax rate is the combined federal and provincial tax rates in the jurisdictions in which the Company operates.

Composition of deferred income tax assets and liabilities

	2022	2021
Provisions and accruals	\$ 4,675	\$ 5,255
Pension and other compensation	4,620	7,658
Timing of recognition of construction profits	(29,714)	(22,007)
Property and equipment	(5,836)	(7,254)
Right of use assets and liabilities and lease receivables	2,372	3,342
Intangible assets	(4,798)	(6,258)
Investment in equity accounted entities	(805)	(1,653)
Other	(3,365)	(3,270)
Tax loss carry forward	28,659	32,173
	<u>\$ (4,192)</u>	<u>\$ 7,986</u>

Presentation in the statement of financial position

Deferred income tax asset	31,564	32,784
Deferred income tax liability	<u>(35,756)</u>	<u>(24,798)</u>
	<u>\$ (4,192)</u>	<u>\$ 7,986</u>

The deferred tax asset balances recognized by the Company are supported by the reversal of existing taxable temporary differences and expected future taxable income in excess of deductible temporary differences.

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	2022				
	Balance, December 31, 2021	Recognized in profit or loss	Recovery in other comprehensive income		Balance, December 31, 2022
Provisions and accruals	\$ 5,255	\$ (580)	\$ —		\$ 4,675
Pension and other compensation	7,658	(2,810)	(228)		4,620
Timing of recognition of construction profits	(22,007)	(7,707)	—		(29,714)
Property and equipment	(7,254)	1,418	—		(5,836)
ROU assets and liabilities	3,342	(970)	—		2,372
Intangible assets	(6,258)	1,460	—		(4,798)
Investments in equity accounted entities	(1,653)	816	32		(805)
Other	(3,270)	(95)	—		(3,365)
Tax loss carry forward	32,173	(3,514)	—		28,659
	<u>\$ 7,986</u>	<u>\$ (11,982)</u>	<u>\$ (196)</u>		<u>\$ (4,192)</u>

	2021				
	Balance, December 31, 2020	Recognized in profit or loss	Recovery in other comprehensive income	Acquisition (note 7)	Balance, December 31, 2021
Provisions and accruals	\$ 4,325	\$ 930	\$ —	\$ —	\$ 5,255
Pension and other compensation	4,544	3,909	(795)	—	7,658
Timing of recognition of construction profits	(16,533)	(5,063)	—	(411)	(22,007)
Property and equipment	(4,305)	(2,270)	—	(679)	(7,254)
ROU assets and liabilities	3,464	(122)	—	—	3,342
Intangible assets	(5,792)	1,234	—	(1,700)	(6,258)
Investments in equity accounted entities	(911)	(724)	(18)	—	(1,653)
Other	(2,191)	(1,079)	—	—	(3,270)
Tax loss carry forward	28,049	4,124	—	—	32,173
	<u>\$ 10,650</u>	<u>\$ 939</u>	<u>\$ (813)</u>	<u>\$ (2,790)</u>	<u>\$ 7,986</u>

21. Provisions

	Warranty claims and other	Legal	Total
Balance, December 31, 2021	\$ 16,426	\$ 10,890	\$ 27,316
Provisions made during the period	13,566	2,205	15,771
Provisions used during the period	(9,470)	(1,091)	(10,561)
Provisions reversed during the period	(10,268)	(3,715)	(13,983)
Balance, December 31, 2022	<u>\$ 10,254</u>	<u>\$ 8,289</u>	<u>\$ 18,543</u>

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	Warranty claims and other	Legal	Total
Balance, December 31, 2020	\$ 16,311	\$ 11,258	\$ 27,569
Provisions made during the period	24,254	5,775	30,029
Provisions used during the period	(15,578)	(834)	(16,412)
Provisions reversed during the period	(8,561)	(5,309)	(13,870)
Balance, December 31, 2021	<u>\$ 16,426</u>	<u>\$ 10,890</u>	<u>\$ 27,316</u>

Various claims and litigation arise in the normal course of the construction business. It is the Company's opinion that an adequate provision has been made for any potential settlements relating to such matters and that they will not materially affect the financial position or future operations of the Company.

22. Other liabilities

	2022	2021
Liabilities for cash-settled share-based compensation plans (note 24)	\$ 18,511	\$ 24,918
Leasehold inducements	1,328	1,612
Acquisition holdback and other liability (note 7)	1,000	2,364
	<u>20,839</u>	<u>28,894</u>
Less: current portion		
Cash-settled share-based compensation plans (note 24)	8,181	10,630
Leasehold inducements	268	317
Acquisition holdback and other liability (note 7)	1,000	1,364
Current portion	<u>9,449</u>	<u>12,311</u>
Non-current portion	<u>\$ 11,390</u>	<u>\$ 16,583</u>

23. Pension obligations

The Company maintains two registered pension plans covering salaried employees for two of its subsidiaries. Each plan includes a defined contribution ("DC") provision and a non-contributory defined benefit ("DB") provision. During the first quarter ended 2022, the Company commenced the process of winding up one of the pension plans, which remains in process at December 31, 2022.

DC pension plans

The total expense recognized in the statement of income during the year ended December 31, 2022 of \$583 (2021 - \$274) represents contributions to these plans by the Company at rates specified in the rules of the plans.

DB pension plans

Annual employer contributions to the DB provisions, determined by an independent actuary, meet minimum amounts required by provincial pension supervisory authorities. The benefits provided by the DB provisions of the pension plans are based on years of service and final average earnings of the employees who are members of the plans.

During the third quarter ended 2022, a partial settlement of one of the the plans occurred resulting in the derecognition of obligations totalling \$13,732, a settlement loss of \$558 recorded in general and administrative expenses, and \$844 of other comprehensive income related to changes in the asset ceiling.

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Fair market value of plan assets

	2022	2021
Equity securities	\$ 5,092	\$ 8,255
Fixed income allocation	7,744	24,907
Debt securities	—	—
Other return seeking investments	2,711	4,649
Cash and cash equivalents	720	117
	\$ 16,267	\$ 37,928

Reconciliation of amounts in the financial statements

	2022	2021
Accrued benefit obligation		
Balance, beginning of period	\$ 37,339	\$ 39,912
Employer current service cost	230	275
Interest cost on the defined benefit obligation	906	980
Benefit payments	(1,649)	(1,937)
Actuarial loss due to experience adjustments	93	60
Actuarial gain due to changes in financial assumptions	(7,288)	(1,951)
Settlements	(13,732)	—
Balance, end of period	\$ 15,899	\$ 37,339

	2022	2021
Fair value of plan assets		
Balance, beginning of period	\$ 37,928	\$ 36,312
Employer contributions	981	867
Interest income on plan assets	909	892
Actuarial gain (loss) on plan assets, excluding interest income	(7,131)	2,127
Benefit payments	(1,650)	(1,937)
Administration costs	(480)	(333)
Settlements	(14,290)	—
Balance, end of period	\$ 16,267	\$ 37,928

	2022	2021
Funded status – surplus (deficit)	\$ 368	\$ 589
Unrecognized amount due to asset ceiling	—	(821)
Recognized asset (liability) for defined benefit obligations	\$ 368	\$ (232)

	2022	2021
Asset ceiling		
Balance, beginning of period	\$ 821	\$ —
Interest on asset ceiling	23	—
Change in asset ceiling	(844)	821
Balance, end of period	\$ —	\$ 821

During the period ended December 31, 2022, \$1,289 (2021 – \$696) was recorded in general and administrative expenses in the statement of income, and a gain of \$908 (2021 – \$3,197) before tax, was recorded in other comprehensive income, relating to the DB plans. The gain relates to investment earnings

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being greater than the expected interest income on the plans' assets and changes in financial assumptions, which is partially offset by the impact of an asset ceiling.

Actuarial assumptions

	2022	2021
Discount rate on net benefit obligations	5.1 %	2.9 %
Rate of compensation increase	3.0 %	3.0%
Inflation rate	2.0 %	2.0%

The discount rate used to establish the pension obligation is based on AA-rated Canadian corporate bond yields at the measurement date. A change of 100 basis points in the discount rate at the reporting date would have increased or decreased the accrued benefit obligation by \$1,873 (December 31, 2021 – \$4,983).

24. Share-based compensation plans

Medium term incentive plan ("MTIP"), Equity incentive plan ("EIP") and Deferred share unit ("DSU") plan

The terms of the Company's MTIP, EIP and DSU plan are described in note 4.

	2022	2021
MTIP liability	\$ 1,168	\$ 6,347
EIP liability	8,975	10,585
DSU liability	8,368	7,986
Liabilities for cash-settled share-based compensation plans	18,511	24,918
Less: current portion		
MTIP liability	1,168	5,540
EIP liability	4,707	5,090
DSU liability	2,306	—
Current portion	8,181	10,630
Non-current portion	\$ 10,330	\$ 14,288

	2022			2021		
	MTIP	EIP¹	DSUs	MTIP	EIP¹	DSUs
Units, beginning of period	809,213	1,398,029	813,258	1,082,701	1,130,053	680,718
Granted ²	47,980	735,192	217,294	36,741	561,016	132,540
Forfeited	(18,687)	—	—	(152,522)	(83,580)	—
Change in estimate	—	—	—	(61,597)	—	—
Vested and paid	(649,600)	(420,247)	—	(96,110)	(209,460)	—
Units, end of period	188,906	1,712,974	1,030,552	809,213	1,398,029	813,258

¹ Based on underlying units before the impact of a performance multiplier, but after the effects of the dividend adjustment ratio and the estimated forfeiture rate.

² MTIP and DSU grants include dividend reinvestments.

The Company's EIP provides certain officers and employees of the Company with the opportunity to be granted PSUs or time-based RSUs. As at December 31, 2022, the Company had 856,487 outstanding RSUs and 856,487 outstanding PSUs, before the impact of the performance multiplier (December 31, 2021 – 715,155 and 682,874 units, respectively). The outstanding PSU balance as at December 31, 2022, adjusted

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for the performance conditions that modify the vested value, is 956,192 units (December 31, 2021 – 999,422 units).

Compensation expense accrued for PSUs issued under the Company's EIP is dependent on an adjustment to the final number of PSUs that will vest based on a performance multiplier that is estimated by management and approved by the Board of Directors. The performance multiplier applicable to the PSUs is determined based on relative total shareholder return ("TSR") and based on the achievement of earnings before income tax compared to the Company's business plan. The performance multiplier for achievement of TSR is based on a comparison against TSR achieved in the performance period by comparative companies. The range of the performance multiplier for the TSR and the achievement of earnings before income tax is between zero to a maximum of 2, if the Company performs within the highest range of its performance targets. RSU awards are set at a specific number of shares which are time-vested with no performance multiplier.

During the first, second, third and fourth quarter of 2022, the Company granted 31,796, 39,320, 57,466 and 45,709 units under the DSU plan at a fair market value of \$9.23, \$7.83, \$6.07 and \$7.95 respectively, excluding dividend reinvestments.

In the second quarter of 2022 the Company granted 661,563 units under the EIP plan at a fair market value of \$9.03, excluding dividend reinvestments.

As at December 31, 2022, a total of 1,901,880 unvested phantom units of the MTIP and EIP (December 31, 2021 – 2,207,242) are outstanding and valued at \$16,253 (December 31, 2021 - \$24,686) of which \$10,143 has been recognized to date in the statement of income (2021 - \$16,932).

Pursuant to the Company's MTIP granted in 2020, payments are due by November 2023, or upon retirement, if earlier. Payments pursuant to the Company's EIP granted in 2020, 2021 and 2022 vest on December 2023, December 2024 and December 2025, respectively. Payments pursuant to the Company's DSU Plan are cash settled no later than December 31 of the following year in which the Director ceases to hold any position within the Company.

Expenses (recoveries) arising from share-based payment transactions¹

	2022	2021
MTIP	\$ 399	\$ 4,420
EIP	3,543	6,583
DSU	382	2,540
	\$ 4,324	\$ 13,543

¹ Expenses are before the effect of the TRS derivative contracts.

The Company enters into TRS derivative contracts for the purpose of managing its exposure to changes in the fair value of its MTIP, EIP and DSU share-based compensation plans, due to changes in the fair value of the Company's common shares. The Company recognized a loss of \$1,946 on these derivatives in the statement of income in general and administrative expenses for the year ended December 31, 2022 (2021 – \$3,292 gain).

25. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares. The Company is authorized to issue preference shares in series with rights set by the Board of Directors, up to a balance not to exceed 35% of the outstanding common shares. As at December 31, 2022 and December 31, 2021, no preferred shares have been issued. In 2021, transaction costs of \$18 directly attributable to the issuance of common shares for the acquisition of Dagmar were recognized as a deduction from shareholders' capital (note 7).

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	2022		2021	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	53,695,293	\$ 114,584	53,038,929	\$ 108,064
Common shares issued (note 7)	—	—	656,364	6,520
Balance, end of period	53,695,293	\$ 114,584	53,695,293	\$ 114,584

26. Earnings per share

	2022	2021
Net income	\$ 49,863	\$ 42,783
Weighted average number of common shares (basic and diluted)	53,695,293	53,258,316
Basic and diluted earnings per share	\$ 0.93	\$ 0.80

27. Finance and other income

	2022	2021
Interest income on lease receivables	\$ 151	\$ 183
Gain on settlement of trade accounts receivable	7,596	—
Other interest income	3,497	1,139
Gain (loss) on warrants	(903)	—
	\$ 10,341	\$ 1,322

During the quarter ended June 30, 2022, in connection with the settlement of historical construction billings and interest charges with a customer, the Company recorded a gain of \$7,596 and interest income of \$1,722. The construction billings were recorded and carried at fair value upon the acquisition of Stuart Olson in 2020, and interest income includes the reversal of expected credit losses recorded against interest accrued subsequent to the acquisition. In connection with the settlement, the Company received warrants which were classified as a derivative financial instrument measured at fair value, with subsequent changes in fair value recognized through profit and loss in finance and other income.

28. Finance and other costs

	2022	2021
Interest on loans and borrowings	\$ 6,189	\$ 3,785
Interest on ROU liabilities	2,805	2,937
Other	824	828
	\$ 9,818	\$ 7,550

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29. Personnel costs

	2022	2021
Short-term employee benefits	\$ 667,032	\$ 644,463
Defined benefit and defined contribution plan expense (note 23)	1,872	970
Deferred compensation (note 24)	4,324	13,543
	\$ 673,228	\$ 658,976

For the year ended December 31, 2022, personnel costs of \$594,518 were included in costs of construction (2021 – \$577,845) and \$78,710 in general and administrative expenses (2021 – \$81,131). Short-term employee benefits consist primarily of salaries and bonuses, as well as employee share purchase plan (“ESPP”) expense and employee registered retirement savings plan (“RRSP”) matching contributions. Deferred compensation consists of share-based compensation expenses.

30. Government assistance

On April 11, 2020, the Government of Canada passed the Canadian Emergency Wage Subsidy to support a company's ability to continue employing its workforce in the face of revenue declines because of the COVID-19 pandemic. During the year ended December 31, 2022, the Company recognized a recovery of compensation expense in costs of construction of \$nil (2021 – \$18,798) and general and administrative expenses of \$nil (2021 – \$3,141).

31. Other cash flow information

Changes in non-cash working capital relating to operating activities

	2022	2021
Accounts receivable	\$ (111,409)	\$ (60,944)
Contract assets	(989)	4,132
Contract assets – alternative finance projects	—	113
Inventory and prepaid expenses	(979)	(1,294)
Other assets	(92)	53
Accounts payable	58,349	21,444
Contract liabilities	16,671	7,768
Provisions	(8,773)	(253)
Deferred compensation plan expense and other	(12,095)	(2,554)
	\$ (59,317)	\$ (31,535)

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Change in liabilities arising from financing activities

	2022			
	Dividend payable	Loans and borrowings	ROU liabilities	Total
Balance, December 31, 2021	\$ 1,745	\$ 78,681	\$ 79,358	\$ 159,784
Cash flows				
Proceeds	—	52,776	—	52,776
Repayments	—	(56,366)	(22,552)	(78,918)
Dividends paid on shares	(20,941)	—	—	(20,941)
Non-cash changes				
Net additions to ROU liabilities	—	—	13,648	13,648
Interest accretion	—	—	2,805	2,805
Dividends declared	20,941	—	—	20,941
Balance, December 31, 2022	<u>\$ 1,745</u>	<u>\$ 75,091</u>	<u>\$ 73,259</u>	<u>\$ 150,095</u>
	2021			
	Dividend payable	Loans and borrowings	ROU liabilities	Total
Balance, December 31, 2020	\$ 1,724	\$ 72,913	\$ 78,075	\$ 152,712
Acquisition (note 7)	—	—	5,489	5,489
Cash flows				
Proceeds	—	58,600	—	58,600
Repayments	—	(52,832)	(22,202)	(75,034)
Dividends paid on shares	(20,749)	—	—	(20,749)
Non-cash changes				
Net additions to ROU liabilities	—	—	15,059	15,059
Interest accretion	—	—	2,937	2,937
Dividends declared	20,770	—	—	20,770
Balance, December 31, 2021	<u>\$ 1,745</u>	<u>\$ 78,681</u>	<u>\$ 79,358</u>	<u>\$ 159,784</u>

32. Financial instruments

Carrying values and fair values

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The hierarchy of inputs is summarized below:

- i. Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and
- iii. Level 3 - inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

The Company's foreign currency forward contract, interest rate swaps, TRS derivative contracts (note 11) and warrants are classified as Level 2 measurements in the fair value hierarchy. The Company does not

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have any financial instruments classified as Level 3 that are carried at fair value. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2022 and 2021.

The fair value of the Company's loans and borrowings approximate their carrying values on a discounted cash flow basis as the majority of these obligations bear interest at market rates. The fair values of the remaining financial instruments approximate their carrying value due to their relatively short periods to maturity.

Financial risk management

In the normal course of business, the Company is exposed to several risks related to financial instruments that can affect its operating performance. These risks and the actions taken to manage them are as follows:

i. Credit risk

Credit risk relates to the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet their contractual obligation.

With respect to accounts receivable, concentration of credit risk is limited due to the geographic dispersion of revenues and a diversified customer base. Before entering into any construction contract and during the course of the construction project, the Company satisfies itself that the customer has adequate resources to fulfil its contractual payment obligations as construction work is completed. If a customer was unable or unwilling to pay the amount owing, the Company will generally have a right to register a lien against the project that will normally provide some security that the amount owed would be realized.

For the year ended December 31, 2022, no customer accounted for 10% or more of contract revenue (2021 - one customer representing revenue of \$323,648). Although large projects may occasionally result in individual customers being significant, credit risk is mitigated through regular progress billings and other contract security.

Short-term deposits and short-term investments are subject to minimal credit risk as they are placed with only major Canadian financial institutions. As is reasonably practical, these investments are placed with several different Canadian financial institutions, thereby reducing the Company's exposure to a default by any one financial institution.

At December 31, 2022, accounts receivable outstanding for greater than 90 days and considered past due by the Company represent 16.6% (December 31, 2021 – 14.8%) of the balance of progress billings on construction contracts receivable. The Company has recorded an allowance of \$1,632 (December 31, 2021 – \$1,527) against these past due receivables, net of amounts recoverable from others.

	Amounts past due			
	Up to 12 months	Over 12 months	2022	2021
Trade receivables	\$ 25,625	\$ 50,673	\$ 76,298	\$ 61,207
Impairment	(62)	(1,570)	(1,632)	(1,527)
Total Trade receivables	<u>\$ 25,563</u>	<u>\$ 49,103</u>	<u>\$ 74,666</u>	<u>\$ 59,680</u>

ii. Liquidity risk

Liquidity risk relates to the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages this risk through management of its capital structure, monitoring and reviewing actual and forecasted cash flows and the effect on bank covenants, and maintaining unused credit facilities where possible to ensure there are available cash resources to meet the Company's liquidity needs. In managing liquidity risk, the Company has access to committed short and long-term debt facilities as well as equity markets, the availability of which is dependent on market conditions.

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The Company has working capital of \$184,632 (December 31, 2021 – \$151,810) which is available to support surety requirements related to construction projects. Working capital is calculated as total current assets less total current liabilities. As a component of working capital, the Company maintains significant balances of cash and cash equivalents. These balances, less \$90 hypothecated to support outstanding letters of credit and \$62,884 held in restricted trust accounts, are available to meet the general financial obligations of the Company as they become due. Restricted cash in trust is held in segregated accounts for payment obligations on certain projects. Refer to note 18 in respect of the Syndicated facility and the Company's other debt instruments, which further improves the Company's access to liquidity. At December 31, 2022, the Company had a total undrawn balance on its committed revolving credit facility and committed non-revolving term loan facility of \$171,963 (December 31, 2021 – \$140,286). Also, the Company has a non-committed accordion of up to an additional \$50,000 to increase the limit of the committed revolving credit facility and the committed non-revolving term debt facility. The Company also has committed term credit facilities of up to \$40,000 to be used to finance equipment purchases of which \$37,943 is undrawn as at December 31, 2022 (December 31, 2021 – \$34,758). The Company believes that it has access to sufficient funding through the use of these facilities and its cash and cash equivalents to meet its foreseeable operating requirements.

The following are the contractual obligations, including estimated interest payments, as at December 31, 2022, in respect of the financial obligations of the Company. Interest payments on the committed revolving credit facility and committed non-revolving term loan facility are not included in the table below since they are subject to variability based upon outstanding balances at various points throughout the period.

	Carrying amount	Contractual cash flows	Not later than 1 year	2 – 3 years	4 – 5 years	Later than 5 years
Trade payables	\$ 573,224	\$ 573,224	\$ 538,577	\$ 33,343	\$ 1,304	\$ —
Dividends payable	1,745	1,745	1,745	—	—	—
ROU liabilities	73,259	82,893	20,026	31,377	16,890	14,600
Committed revolving credit facility	22,725	22,725	—	22,725	—	—
Committed non-revolving term loan	47,500	47,500	5,000	42,500	—	—
Equipment financing	4,866	5,182	2,229	2,193	760	—
Acquisition holdback and other liability (note 7)	1,000	1,000	1,000	—	—	—
	<u>\$ 724,319</u>	<u>\$ 734,269</u>	<u>\$ 568,577</u>	<u>\$ 132,138</u>	<u>\$ 18,954</u>	<u>\$ 14,600</u>

iii. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and corporate bond yields, will affect the Company's income or the value of its holdings in liquid securities. The discount rate used to establish the pension obligation was determined by reference to market interest rates on AA-rated corporate bonds with cash flows that approximate the timing and amount of expected benefit payments.

The interest rate profile of the Company's loans and borrowings was as follows:

	2022	2021
Fixed-rate facilities	\$ 4,866	\$ 6,581
Variable-rate facilities	70,225	72,100
Total loans and borrowings	<u>\$ 75,091</u>	<u>\$ 78,681</u>

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Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that its credit facilities and TRS derivatives are based on variable rates of interest.

At December 31, 2022, a one percent change in the interest rate applied to the Company's variable rate long-term debt would change annual income before income taxes by approximately \$702 (2021 – \$721).

The Company has certain share-based compensation plans, where the values are based on the common share price of the Company. The Company has fixed a portion of the settlement costs of these plans by entering into various TRS derivative contracts maturing in 2023. The TRS derivatives are not designated as a hedge. The change in the value of the TRS derivatives is recorded each quarter based on the difference between the fixed price and the market price of the Company's common shares at the end of each quarter. The TRS derivatives are classified as derivative financial instruments. At December 31, 2022, a 10 percent change in the share price applied to the Company's TRS derivatives would change income before income taxes by approximately \$1,640 (2021 – \$1,502).

iv. Currency risk

Currency risk is the risk that fluctuations in currency exchange rates will affect the Company's net income. The Company uses foreign currency to settle payments to vendors and subcontractors in the foreign currency. Foreign currency risk is managed by the Company through the use of foreign currency derivatives. At December 31, 2022, a 10 percent movement in the Canadian and U.S. dollar exchange rate would have changed income before income taxes by approximately \$233 (2021 – \$246).

33. Capital management

The Company's capital management objectives are to:

- i. ensure that the Company has the financial capacity and liquidity to achieve its strategic objectives and support its current and anticipated volume and mix of business consistent with the risk tolerance of the Company;
- ii. have the financial flexibility to absorb the seasonality and cyclical nature of the Company's operations and the construction industry, as well as unforeseen events with an appropriate level of investment in working capital and available committed credit capacity;
- iii. pursue a balanced capital allocation strategy that will deliver superior shareholder value;
- iv. generate sufficient cash flow to maintain and grow the dividend in a consistent and sustainable way as determined by the Board of Directors; and
- v. provide investors with maximum risk-adjusted long-term returns on equity.

In the management of capital, the Company defines capital as the aggregate of its shareholders' equity and non-current loans and borrowings.

The Company manages its capital within the capital management policy approved by the Board of Directors. The Company adjusts its capital structure in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new debt or repay existing debt, issue share capital, issue convertible debt, adjust capital expenditures, or may adjust the amount of dividends paid to shareholders. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction.

The Company monitors its capital on a number of bases; the amounts of working capital, non-current loans and borrowings and shareholders' equity are as follows:

	2022	2021
Working capital	\$ 184,632	\$ 151,810
Loans and borrowings – non current	\$ 68,007	\$ 71,211
Shareholders' equity	\$ 272,988	\$ 243,488

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34. Commitments and contingencies

Commitments

Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at December 31, 2022 totalled \$87,787 (December 31, 2021 – \$93,135). The Company has acquired minority equity interests in a number of PPP concession entities (note 13), which require the Company to make \$1,816 in future capital injections. These commitments have been secured by letters of credit totalling \$1,816 (December 31, 2021 – \$1,816).

During the year ended December 31, 2022, the Company signed orders with a fleet management provider for leases totalling \$3,434 that have not been recognized in the statement of financial position. The leases are expected to commence and be recognized in the statement of financial position within the next 12 months.

At December 31, 2022, the Company has minimum payments under contracts for other purchase obligations that are not recognized as liabilities in the statement of financial position of \$4,760 due within the next 12 months, \$10,680 from 1 to 3 years, \$5,697 from 3 to 5 years, and \$1,725 thereafter.

Contingencies

The Company is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts. These include the Company's contingent liability for the performance obligations of its subcontractors. Where possible and appropriate, the Company obtains performance bonds, subcontract/supplier insurance or alternative security from subcontractors. However, where this is not possible, the Company is exposed to the risk that subcontractors will fail to meet their performance obligations. In that eventuality, the Company would be obliged to complete the subcontractor's contract, generally by engaging another subcontractor, and the cost of completing the work could exceed the original subcontract price. The Company makes appropriate provision in the financial statements for all known liabilities relating to subcontractor defaults.

35. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Each of the related party transactions described below was made on terms equivalent to those that prevail in arm's length transactions unless otherwise noted.

Compensation of key management personnel represents the aggregate amounts paid and accrued to the Company's key management personnel and the Company's Board of Directors.

	<u>2022</u>		<u>2021</u>
Short-term benefits	\$ 5,889	\$	6,615
Share-based compensation	2,319		7,059
	<u>\$ 8,208</u>	<u>\$</u>	<u>13,674</u>

A Director or related parties hold positions in other entities that result in them having control over the financial reporting or operating policies of those entities. The aggregate value of transactions during the year with entities over which Directors have control was \$1,037 (2021 - \$1,030) and the outstanding balance receivable at December 31, 2022 was \$571 (December 31, 2021 - \$2).

Transactions with proportionally consolidated joint arrangements

The Company provides services of its employees, management services, cost reimbursements, parental guarantees and letters of credit to the joint arrangements. These services were transferred at the exchange amount, agreed to between the parties. The amounts recognized for services provided by the Company for the year ended December 31, 2021 totalled \$34,979 (2021 - \$45,632).

The Company has accounts receivable from the joint arrangements at December 31, 2022 totalling \$5,017 (December 31, 2021 - \$706).

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Transactions with equity accounted joint arrangements

The Company and its proportionately consolidated joint arrangements (note 4), provide development and construction services to its concession investments in associates and joint ventures which are in the normal course of business and on commercial terms. The Company's proportionate share of the amounts billed for construction services provided by these joint arrangements for the year ended December 31, 2022 totalled \$57,607 (2021 – \$26,696), of which \$53,093 has been recognized in revenue in 2022 (2021 - \$15,077). The Company's proportionate share of payments made to the joint arrangements for the year ended December 31, 2022 totalled \$580 (2021 - \$17,548). These amounts are not eliminated as they are deemed to be realized by the Company.

The Company and its proportionately consolidated joint arrangements have accounts receivable from these concession investment entities. The Company's proportionate share of accounts receivable at December 31, 2022 totalled \$24,378 (December 31, 2021 - \$12,423).

36. Subsequent events

Eligible dividends declared with a record date subsequent to the financial statement date:

As of the date of the approval of these financial statements, the Board of Directors has declared eligible dividends with a record date subsequent to the date of the financial statements, for the following months:

Eligible dividends declared	Record date	Payment date	Dividend per share
January dividend	January 31, 2023	February 17, 2023	\$0.0325
February dividend	February 28, 2023	March 20, 2023	\$0.0325
March dividend	March 31, 2023	April 20, 2023	\$0.0358
April dividend	April 28, 2023	May 19, 2023	\$0.0358

Subsequent acquisition:

Subsequent to the year ended December 31, 2022, the Company acquired a telecommunication and infrastructure utility contractor based in Ontario on February 1, 2023. The total consideration for the transaction was \$6,800, subject to customary closing adjustments, which was funded through a combination of cash, the Company's common shares and a holdback liability.