



Bird Construction Inc.

Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2019 and 2018

Notice required under National Instrument 51-102

The unaudited interim condensed consolidated financial statements have been prepared by management of Bird Construction Inc. and have not been reviewed by the Company's independent external auditors.

BIRD CONSTRUCTION INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
As at September 30, 2019 and December 31, 2018  
(in thousands of Canadian dollars)  
(unaudited)

	Note	September 30, 2019	December 31, 2018
<b>ASSETS</b>			
Current assets:			
Cash	23	\$ 90,044	\$ 157,151
Bankers' acceptances and short-term deposits	23	6,862	1,769
Short-term investments		-	1,705
Accounts receivable	8	433,603	337,663
Contract assets		25,079	28,412
Contract assets - alternative finance projects	7	46,813	7,126
Inventory		598	840
Prepaid expenses		3,187	2,566
Income taxes recoverable		11,022	5,559
Investments held for sale	10	3,431	3,762
Other assets	9	2,089	-
Total current assets		<u>622,728</u>	<u>546,553</u>
Non-current assets:			
Other assets	9	6,569	6,852
Property and equipment	11	46,346	43,153
Right-of-use assets	11	34,760	13,073
Investments in equity accounted entities	10	13,437	12,517
Deferred income tax asset		11,482	10,909
Intangible assets	12	2,406	2,575
Goodwill	12	16,389	16,389
Total non-current assets		<u>131,389</u>	<u>105,468</u>
<b>TOTAL ASSETS</b>		<b>\$ 754,117</b>	<b>\$ 652,021</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable		\$ 356,567	\$ 383,608
Contract liabilities		117,171	60,003
Dividends payable to shareholders		1,382	1,382
Income taxes payable		7,050	3,444
Non-recourse project financing	7	56,251	11,824
Current portion of loans and borrowings	13	5,962	2,151
Current portion of right-of-use liabilities	13	7,594	3,053
Provisions	19	6,847	8,593
Other liabilities	15	4,403	2,280
Total current liabilities		<u>563,227</u>	<u>476,338</u>
Non-current liabilities:			
Loans and borrowings	13	26,166	19,047
Right-of-use liabilities	13	23,958	5,706
Deferred income tax liability		9,573	7,355
Other liabilities	15	7,515	7,346
Total non-current liabilities		<u>67,212</u>	<u>39,454</u>
<b>SHAREHOLDERS' EQUITY</b>			
Shareholders' capital	17	42,527	42,527
Contributed surplus		1,956	1,956
Retained earnings		79,176	91,743
Accumulated other comprehensive income		19	3
Total shareholders' equity		<u>123,678</u>	<u>136,229</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 754,117</b>	<b>\$ 652,021</b>

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

BIRD CONSTRUCTION INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2019	2018	2019	2018
Construction revenue		\$ 378,591	\$ 381,382	\$ 955,796	\$ 995,930
Costs of construction		354,792	361,985	911,230	961,047
Gross profit		<u>23,799</u>	<u>19,397</u>	<u>44,566</u>	<u>34,883</u>
Income from equity accounted investments	10	278	(288)	1,954	372
General and administrative expenses		<u>(14,236)</u>	<u>(12,691)</u>	<u>(42,420)</u>	<u>(43,753)</u>
Income (loss) from operations		9,841	6,418	4,100	(8,498)
Finance income	20	698	281	1,827	888
Finance and other costs	21	<u>(1,237)</u>	<u>(651)</u>	<u>(4,005)</u>	<u>(2,633)</u>
Income (loss) before income taxes		9,302	6,048	1,922	(10,243)
Income tax expense (recovery)	14	<u>2,520</u>	<u>1,688</u>	<u>605</u>	<u>(2,851)</u>
Net income (loss) for the period		<u>\$ 6,782</u>	<u>\$ 4,360</u>	<u>\$ 1,317</u>	<u>\$ (7,392)</u>
Basic and diluted earnings (loss) per share	18	<u>\$ 0.16</u>	<u>\$ 0.10</u>	<u>\$ 0.03</u>	<u>\$ (0.17)</u>

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

BIRD CONSTRUCTION INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2019	2018	2019	2018
Net income (loss) for the period		\$ 6,782	\$ 4,360	\$ 1,317	\$ (7,392)
Other comprehensive income (loss) for the period:					
Exchange differences on translating equity accounted investments	10	(15)	7	16	1
Total of items that may be reclassified to net income in subsequent periods		(15)	7	16	1
Total other comprehensive income (loss) for the period		(15)	7	16	1
Total comprehensive income (loss) for the period		\$ 6,767	\$ 4,367	\$ 1,333	\$ (7,391)

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

BIRD CONSTRUCTION INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the nine month periods ended September 30, 2019 and 2018  
(in thousands of Canadian dollars, except per share amounts)  
(unaudited)

	Note	Shareholders' capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at December 31, 2017		\$ 42,527	\$ 1,949	\$ 109,338	\$ 2	\$ 153,816
Net income (loss) for the period		-	-	(7,392)	-	(7,392)
Other comprehensive income for the period	10	-	-	-	1	1
Total comprehensive income for the period		-	-	(7,392)	1	(7,391)
<i>Contributions by and dividends to owners</i>						
Stock-based compensation expense	16	-	5	-	-	5
Dividends declared to shareholders		-	-	(12,436)	-	(12,436)
Balance at September 30, 2018		\$ 42,527	\$ 1,954	\$ 89,510	\$ 3	\$ 133,994
Dividends per share declared during the nine month period ended September 30, 2018				\$ 0.29		
Balance at December 31, 2018		\$ 42,527	\$ 1,956	\$ 91,743	\$ 3	\$ 136,229
Impact on adoption of IFRS 16		-	-	(1,448)	-	(1,448)
Balance at January 1, 2019		42,527	1,956	90,295	3	134,781
Net income (loss) for the period		-	-	1,317	-	1,317
Other comprehensive income (loss) for the period	10	-	-	-	16	16
Total comprehensive income for the period		-	-	1,317	16	1,333
<i>Contributions by and dividends to owners</i>						
Stock-based compensation expense	16	-	-	-	-	-
Dividends declared to shareholders		-	-	(12,436)	-	(12,436)
Balance at September 30, 2019		\$ 42,527	\$ 1,956	\$ 79,176	\$ 19	\$ 123,678
Dividends per share declared during the nine month period ended September 30, 2019				\$ 0.29		

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

BIRD CONSTRUCTION INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine month periods ended September 30, 2019 and 2018

(in thousands of Canadian dollars)

(unaudited)

	Note	For the nine months ended September 30,	
		2019	2018
<b>Cash flows from (used in) operating activities:</b>			
Net income (loss) for the period		\$ 1,317	\$ (7,392)
Items not involving cash:			
Amortization	12	664	354
Depreciation	11	10,682	8,074
Gain on sale of property and equipment		(1,091)	(809)
Income from equity accounted investments	10	(1,954)	(372)
Finance income	20	(1,827)	(888)
Finance and other costs	21	4,005	2,633
Deferred compensation plan expense and other		2,291	3,056
Unrealized gain on investments and other		(16)	(535)
Income tax expense (recovery)	14	605	(2,851)
Stock-based compensation expense	16	-	5
Cash flows from operations before changes in non-cash working capital		<u>14,676</u>	<u>1,275</u>
Changes in non-cash working capital relating to operating activities	23	(106,135)	17,401
Interest received		1,781	914
Interest paid		(2,819)	(3,073)
Income taxes paid		(283)	(1,058)
Cash flows from (used in) operating activities		<u>(92,780)</u>	<u>15,459</u>
<b>Cash flows from (used in) investing activities:</b>			
Investments in equity accounted entities	10	(112)	(1,750)
Capital distributions from equity accounted entities	10	1,493	1,593
Additions to property and equipment	11	(11,129)	(11,223)
Proceeds on sale of property and equipment	11	1,928	2,921
Additions to intangible assets	12	(495)	(1,325)
Purchase of short-term investments		-	(4,742)
Proceeds from maturity of short-term investments		1,666	3,107
Other long-term assets		283	(209)
Cash flows used in investing activities		<u>(6,366)</u>	<u>(11,628)</u>
<b>Cash flows from (used in) financing activities:</b>			
Dividends paid on shares		(12,436)	(12,436)
Proceeds from non-recourse project financing	7	43,793	21,473
Repayment of non-recourse project financing		-	(76,474)
Proceeds from loans and borrowings	13	14,536	13,671
Repayment of loans and borrowings	13	(3,606)	(2,547)
Repayment of right-of-use liabilities	13	(5,210)	(2,773)
Cash flows from (used in) financing activities		<u>37,077</u>	<u>(59,086)</u>
Net decrease in cash and cash equivalents during the period		(62,069)	(55,255)
Effects of foreign exchange on cash balances		55	552
Cash and cash equivalents, beginning of the period		<u>158,920</u>	<u>133,055</u>
Cash and cash equivalents, end of the period	23	<u>\$ 96,906</u>	<u>\$ 78,352</u>

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

**BIRD CONSTRUCTION INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

**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, through its subsidiaries and interests in joint arrangements carries on business as a general contractor with offices across Canada. The Company serves customers in the industrial, mining, institutional, retail, commercial, multi-tenant residential, light industrial, and renovation and restoration sectors using fixed priced, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods.

Segment results are reviewed by the Company's Chief Executive Officer 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 districts provides comparable construction services, use similar contracting methods, have similar long term economic prospects, share similar cost structures and operate in similar regulatory environments.

**2. Basis of preparation**

**Authorization of financial statements:**

These unaudited interim condensed consolidated financial statements were authorized for issue on November 5, 2019 by the Company's Board of Directors.

**Statement of compliance:**

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 Interim financial reporting. These unaudited condensed consolidated interim financial statements do not include all of the information and disclosures required in the Company's annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018.

**Basis of measurement:**

These unaudited interim condensed consolidated financial statements have been prepared using the historical cost convention, except for certain financial assets, derivative financial instruments and liabilities for cash settled share-based payment arrangements which are measured at fair value.

**Use of estimates and judgements:**

The preparation of 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

*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 contract costs to determine 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. Many change orders and claims may not be settled until the construction project is completed 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 delays, changes, etc. 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*

Provisions for legal and warranty and other provisions involve the use of estimates, as determined by management. 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.

*Asset impairments*

Impairment testing of intangible assets and goodwill requires comparison of the recoverable amount of the cash generating unit ("CGU"), or groups of CGUs to its carrying amount. The recoverable amounts of the CGU are determined based on a value in use calculation. There is a significant amount of uncertainty with respect to the estimates of recoverable amounts of the CGUs' assets 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.

**3. Summary of significant accounting policies**

Except as described below, the accounting policies applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's December 31, 2018 annual consolidated financial statements.

*Leases*

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs



BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated from the commencement date to the earlier of the end of the useful life of the ROU asset or to the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The ROU liability or lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease liability is remeasured when there is a change in future lease payments such as a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected not to recognize ROU assets for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 4. New Accounting Standards, Amendments and Interpretations Adopted

##### IFRS 16, Leases:

The Company has adopted IFRS 16 in its financial statements effective January 1, 2019 using a modified retrospective approach which does not require restatement of prior period financial information. IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying assets are of low value. A lessee is required to recognize a ROU asset and a lease liability representing its obligation to make lease payments.

On adoption of the new lease standard, the Company elected to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Use hindsight in determining the lease term where the contract contains terms to extend or terminate the lease; and
- Use the Company's previous assessment of impairment under IAS 37 for onerous contracts instead of re-assessing the ROU asset for impairment on January 1, 2019.

The adoption of the standard resulted in an increase in ROU assets of \$16,074, an increase in ROU liabilities of \$18,270, a reduction in prepaids of \$36, a decrease in other liabilities of \$250, an increase in net deferred taxes asset of \$534, and a corresponding reduction to opening retained earnings for the net difference of approximately \$1,448 as at January 1, 2019.

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

The following table provides a reconciliation of the Operating lease commitments previously disclosed at December 31, 2018 and the ROU liabilities recognized on adoption of IFRS 16 at January 1, 2019:

Operating lease commitments at December 31, 2018	\$	31,635
Common area maintenance (CAM) costs previously included in operating lease commitments		(10,880)
Recognition exemption for short-term leases		(70)
Extension and termination options reasonably certain to be exercised		943
Discounting of lease obligations at January 1, 2019		(3,358)
<b>Additional ROU liabilities on adoption of IFRS 16 at January 1, 2019</b>	<b>\$</b>	<b><u>18,270</u></b>

CAM costs that were previously included in operating lease commitments are not included in the calculation of ROU liabilities.

**IFRIC 23, Uncertainty over Income Tax Treatments:**

The Company has adopted IFRIC Interpretation 23 Uncertainty over Income Tax Treatments effective January 1, 2019. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation did not have a material impact on the financial statements.

**5. Future accounting changes**

The following future change to accounting standards is not effective for the quarter ended September 30, 2019, and has not been applied in preparing these consolidated financial statements.

**Amendments to IFRS 3 - Definition of a Business**

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The definition of a business is narrower which could result in fewer business combinations being recognized. The Company will adopt the amendments to IFRS 3 on a prospective basis on January 1, 2020.

**6. Revenue**

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.

The following tables provide details of total construction revenue by contract type for the period ended September 30, 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Fixed price / Unit price	\$ 184,727	\$ 196,939	\$ 463,547	\$ 517,989
Design-Build and PPP	104,596	104,233	284,056	271,519
Cost reimbursable / Cost plus	89,268	80,210	208,193	206,422
	<b><u>\$ 378,591</u></b>	<b><u>\$ 381,382</u></b>	<b><u>\$ 955,796</u></b>	<b><u>\$ 995,930</u></b>

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

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 September 30, 2019 the aggregate amount of the transaction price allocated to total remaining performance obligations from construction contracts is \$1,440,521. 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.

The Company expects to recognize 69% 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 management's control.

**Summary of contract balances**

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

	September 30, 2019	December 31, 2018
Progress billings and holdbacks receivable (note 8)	\$ 428,625	\$ 329,891
Contract assets	25,079	28,412
Contract assets - alternative finance projects (note 7)	46,813	7,126
Contract liabilities	(117,171)	(60,003)
	<u>\$ 383,346</u>	<u>\$ 305,426</u>

Progress billings and holdbacks receivable:

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

Contract assets including alternative finance projects:

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 the completed performance under the contract. Accounts receivable are recognized when the right to consideration becomes unconditional. Contract assets related to construction contracts are typically recognized to accounts receivable within a year, while alternative finance projects follow a contractually agreed billing schedule that is recognized to accounts receivable upon substantial performance.

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.

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

7. Alternative finance projects

The following table provides details of contract assets - alternative finance projects as at September 30, 2019:

	OPP Modernization Phase 2
Balance December 31, 2018	\$ 7,126
Changes in contract assets relating to alternative finance projects	39,687
Balance September 30, 2019	<u>\$ 46,813</u>

The following table provides details of the changes in the Company's Non-Recourse Project Financing during the period:

	OPP Modernization Phase 2			Total
	Loan Facility	Transaction costs	Interest rate swap	
Balance December 31, 2018	\$ 12,235	\$ (1,024)	\$ 613	\$ 11,824
Proceeds	43,793	-	-	43,793
Amortization of Transaction costs	-	347	-	347
Change in fair value of interest rate swap	-	-	287	287
Balance September 30, 2019	<u>\$ 56,028</u>	<u>\$ (677)</u>	<u>\$ 900</u>	<u>\$ 56,251</u>

(a) OPP Modernization Phase 2

i. Background information:

During 2018, the Company was awarded a fixed-price design build-finance contract to construct the Ontario Provincial Police ("OPP") Modernization Phase 2 project.

ii. Restricted cash:

The terms of the debt financing agreement require that scheduled loan advances be deposited into a bank account, that cannot be accessed directly by the Company. Upon recommendation by the lender's technical advisor, cash is released monthly based on the progress of the work (note 23).

iii. Contract assets:

Contract assets will continue to increase throughout the project until a payment is made to the Company following substantial completion of the project.

iv. Loan payable:

The Company has arranged a \$138,475 loan facility related to the project, of which \$56,028 has been drawn at September 30, 2019 (December 31, 2018 - \$12,235). The loan is repayable in full, upon substantial completion of the project, from the proceeds of the contract payment. The scheduled substantial completion date is in 2020. In the event of a default in payment for the construction work upon substantial completion, including interim interest costs, the lender has recourse only against assets related to this project, which have been segregated in a wholly-owned subsidiary of the Company.

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

Interest is paid monthly in arrears. Borrowings under the facility bear interest at a rate per annum equal to the bankers' acceptance rate plus a spread. As part of the loan facility, the Company entered into an interest rate swap agreement that effectively fixes the interest rate at 3.29%. The interest rate swap was executed on August 17, 2018 and expires on January 4, 2021. The notional amounts of the interest rate swap agreement match the estimated draws under the loan facility. The interest rate swap agreement is not designated as a hedge, and changes in the fair market value are recorded in the statement of income. At September 30, 2019, the interest rate swap liability is \$900 (December 31, 2018 - \$613). Interest expense on the loan during the period ended September 30, 2019 of \$1,109 (September 30, 2018 - \$61) is included in finance costs.

(b) Moncton Downtown Centre

i. Background information:

During 2015, the Company was awarded a fixed-price build-finance contract to construct the Moncton Downtown Centre. The project obtained substantial completion during the second quarter of 2018. The Company had a \$77,478 loan facility related to the project and the loan was repaid in full upon substantial completion in the second quarter of 2018.

8. Accounts receivable

	September 30, 2019	December 31, 2018
Progress billings on construction contracts	\$ 316,512	\$ 221,259
Holdbacks receivable (due within one operating cycle)	112,113	108,632
Other	4,978	7,772
	<u>\$ 433,603</u>	<u>\$ 337,663</u>

Accounts receivable are reported net of an allowance for doubtful accounts of \$1,364 as at September 30, 2019 (December 31, 2018 - \$1,271).

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.

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

9. Other assets

	September 30, 2019	December 31, 2018
Subcontractor/Supplier insurance deposits	\$ 4,512	\$ 5,727
Notes receivable	4,146	1,125
Other assets	\$ 8,658	\$ 6,852
Less: current portion - notes receivable	2,089	-
Non-current portion	\$ 6,569	\$ 6,852

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.

10. Projects and entities accounted for using the equity method

The Company performs some 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.

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

Projects and entities accounted for using the equity method - December 31, 2018	\$ 12,517
Share of net income for the period	1,954
Share of other comprehensive income (loss) for the period	16
Distributions from projects and entities accounted for using the equity method	(1,162)
Investments in equity accounted entities	112
Projects and entities accounted for using the equity method - September 30, 2019	\$ 13,437

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.

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.

Investments in equity accounted entities classified as held for sale:

The Company has initiated a plan to sell its investments in two entities accounted for using the equity method. These investments have been classified as investments held for sale on the Consolidated Statements of Financial Position.

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

11. Property and equipment

	September 30, 2019					Total
	Land	Buildings	Building improvements	Equipment, trucks and automotive	Furniture and office equipment	
Cost						
Balance December 31, 2018	\$ 1,716	12,432	8,041	88,148	2,592	\$ 112,929
Additions	376	65	161	10,289	238	11,129
Disposals	-	-	-	(6,587)	-	(6,587)
Balance September 30, 2019	\$ 2,092	12,497	8,202	91,850	2,830	117,471
Accumulated depreciation						
Balance December 31, 2018	\$ -	5,583	3,844	58,473	1,876	\$ 69,776
Disposals	-	-	-	(5,760)	-	(5,760)
Depreciation expense	-	472	470	6,037	130	7,109
Balance September 30, 2019	\$ -	6,055	4,314	58,750	2,006	71,125
Net book value	\$ 2,092	6,442	3,888	33,100	824	\$ 46,346

Right-of-use assets:

The Company leases several assets including land and buildings, vehicles and furniture and equipment presented below:

	September 30, 2019				Total
	Land	Buildings	Equipment, trucks and automotive	Furniture and office equipment	
Cost					
Balance December 31, 2018	\$ 53	-	17,030	16	\$ 17,099
January 1, 2019 ROU assets	-	15,569	381	124	16,074
Balance January 1, 2019	53	15,569	17,411	140	33,173
Additions	-	1,848	7,348	-	9,196
Disposals	-	-	(40)	-	(40)
Balance September 30, 2019	\$ 53	17,417	24,719	140	\$ 42,329
Accumulated depreciation					
Balance December 31, 2018	\$ -	-	4,017	9	\$ 4,026
Disposals	-	-	(30)	-	(30)
Depreciation expense	-	1,844	1,626	103	3,573
Balance September 30, 2019	\$ -	1,844	5,613	112	\$ 7,569
Net book value	\$ 53	15,573	19,106	28	\$ 34,760

The statement of cash flows for the period ended September 30, 2019 excludes additions of ROU assets totalling \$9,196 (September 30, 2018 - \$3,683) acquired by finance leases.

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

12. Intangible assets and goodwill

	September 30, 2019	
	Computer Software	Goodwill
Cost		
Balance January 1, 2019	\$ 7,760	\$ 30,540
Additions	495	-
Disposals	-	-
Balance September 30, 2019	<u>\$ 8,255</u>	<u>\$ 30,540</u>
Accumulated amortization		
Balance January 1, 2019	\$ 5,185	\$ 14,151
Disposals	-	-
Amortization expense	664	-
Balance September 30, 2019	<u>\$ 5,849</u>	<u>\$ 14,151</u>
Net book value	<u>\$ 2,406</u>	<u>\$ 16,389</u>

13. Loans and borrowings, credit facilities and right-of-use liabilities

Loans and Borrowings and Credit facilities:

	Maturity	Interest Rate	September 30, 2019	December 31, 2018
Revolving credit facility	December 31, 2021	Variable	\$ 15,000	\$ 15,000
Equipment financing				
Term loans	2020-2024	Fixed 2.40% to 3.73%	17,128	6,198
			<u>32,128</u>	<u>21,198</u>
Current portion of loans and borrowings			<u>5,962</u>	<u>2,151</u>
Non-current portion of loans and borrowings			<u>\$ 26,166</u>	<u>\$ 19,047</u>

Committed revolving operating credit facilities:

The Company has a committed revolving credit facility of up to \$85,000, maturing December 31, 2021. As part of the agreement, the Company provides a general secured interest in the assets of the Company. At September 30, 2019, the Company has \$23,413 letters of credit outstanding on the facility (December 31, 2018 - \$24,291) and has drawn \$15,000 on the facility (December 31, 2018 - \$15,000). The full amount is recorded as non-current, as the facility is due and payable December 31, 2021. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A commitment fee that varies depending on certain consolidated financial ratios is due on the unutilized portion of the facility. The Company is in compliance with the working capital, minimum equity and debt-to-equity covenants of this facility.



BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

Committed revolving term loan facility:

The Company has a committed revolving term loan facility totalling \$35,000 for the purpose of financing acquisitions and for working capital advances in support of major projects. The facility matures on December 31, 2020. As of September 30, 2019, the Company has drawn \$nil (December 31, 2018 - \$nil) on the facility. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A commitment fee that varies depending on certain consolidated financial ratios is due on the unutilized portion of the facility. The Company is in compliance with the working capital, minimum equity and debt-to-equity covenants of this facility.

Equipment financing:

The Company and its subsidiaries have committed term credit facilities of up to \$45,000 to be used to finance equipment purchases. Borrowings under the facilities are secured by a first charge against the equipment financed using the facilities. As of September 30, 2019, the Company has \$13,548 outstanding on the facilities (December 31, 2018 - \$6,656). 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 and its subsidiaries obtained multiple fixed interest rate term loans which were used to finance equipment purchases. Principal repayments and interest are payable monthly, and these term loans are secured by specific equipment of the Company and its subsidiaries.

Letters of credit facilities:

The Company has authorized operating lines of credit totalling \$80,000, at September 30, 2019, the lines were drawn for outstanding letters of credit of \$7,158 (December 31, 2018 - \$8,468).

The Company also has an agreement with Export Development Canada ("EDC") to provide performance security guarantees for letters of credit issued by financial institutions on behalf of the Company. The Company can only use this facility when letters of credit have been issued as contract security for projects that meet the EDC criteria. EDC has issued performance security guarantees totalling \$6,421 (December 31, 2018 - \$5,948).

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to Public Private Partnerships ("PPP") and other major construction projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at September 30, 2019 of \$849 (December 31, 2018 - \$2,645).

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

ROU liabilities:

	<u>Maturity</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
ROU liabilities	2020-2034	\$ 31,552	\$ 8,759
		<u>31,552</u>	<u>8,759</u>
Current portion of ROU liabilities		<u>7,594</u>	<u>3,053</u>
Non-current portion of ROU liabilities		<u>\$ 23,958</u>	<u>\$ 5,706</u>

Subsidiaries of the Company have established operating lease lines of credit of \$32,500 with the financing arms of major heavy equipment suppliers to finance equipment leases. Draws under these facilities are generally recognized as right of use liabilities, with the lease obligations being secured by the specific leased equipment (see note 11). At September 30, 2019, the subsidiaries had used \$11,174 under these facilities.

The following table provides details of the changes in the Company's Loans and Borrowings and ROU liabilities during the nine month period ended September 30, 2019.

	<u>Revolving Credit Facility</u>	<u>Equipment financing</u>	<u>ROU liabilities</u>	<u>Total</u>
Balance December 31, 2018	\$ 15,000	\$ 6,198	\$ 8,759	\$ 29,957
January 1, 2019 ROU liabilities	-	-	18,270	18,270
Balance January 1, 2019	<u>15,000</u>	<u>6,198</u>	<u>27,029</u>	<u>48,227</u>
Proceeds	-	14,536	-	14,536
Additions to ROU liabilities	-	-	9,196	9,196
Repayment	-	(3,606)	(5,210)	(8,816)
Interest on ROU liabilities	-	-	537	537
Balance September 30, 2019	<u>\$ 15,000</u>	<u>\$ 17,128</u>	<u>\$ 31,552</u>	<u>\$ 63,680</u>

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

The aggregate amount of principal repayments and future minimum lease payments for all loans and borrowings and ROU liabilities is as follows:

	Revolving Credit Facility	Equipment financing	ROU liabilities	Total
Within 1 year	\$ -	5,962	8,538	\$ 14,500
Year 2	-	5,421	7,372	12,793
Year 3	15,000	4,050	4,648	23,698
Year 4	-	1,420	3,598	5,018
Year 5	-	275	2,010	2,285
More than 5 years	-	-	8,670	8,670
Balance September 30, 2019	\$ 15,000	17,128	34,836	\$ 66,964
Less interest	-	-	(3,284)	(3,284)
	\$ 15,000	17,128	31,552	\$ 63,680

**14. Income taxes**

	Nine months ended September 30,	
	2019	2018
<b>Provision for income taxes</b>		
Income tax expense (recovery) is comprised of:		
Current income taxes	\$ (1,568)	\$ (846)
Deferred income taxes	2,173	(2,005)
	\$ 605	\$ (2,851)
<b>Income tax rate reconciliation</b>		
Combined federal and provincial income tax rate	27.2%	27.0%
Increases (reductions) applicable to:		
Non-taxable items	2.6%	(0.5%)
Other	1.7%	1.3%
Effective rate	31.5%	27.8%

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

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

15. Other liabilities

	September 30, 2019	December 31, 2018
Liabilities for cash-settled share-based compensation plans (note 16(b))	\$ 6,637	\$ 4,374
Leasehold inducement	2,028	2,224
Deferred payment	756	756
Total return swap derivatives (note 9)	2,416	2,218
Interest rate swaps	81	54
	<u>\$ 11,918</u>	<u>\$ 9,626</u>
Less: current portion		
Cash-settled share-based compensation plans (note 16(b))	2,138	917
Leasehold inducement	260	218
Deferred payment	756	756
Total return swap derivatives	1,237	389
Interest rate swaps	12	-
	<u>\$ 4,403</u>	<u>\$ 2,280</u>
Non-current portion	<u>\$ 7,515</u>	<u>\$ 7,346</u>

The Company entered into 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 TRS derivative contracts are not designated as a hedge, and changes in the fair market value are recorded as compensation expense in the statement of income. As at September 30, 2019, the Company recorded a derivative liability of \$2,416 (December 31, 2018 – \$2,218 derivative liability).

16. Share-based compensation plans

(a) Stock option plan:

Details of changes in the balance of stock options outstanding are as follows:

	Number of share options outstanding		Weighted average exercise price
Outstanding at December 31, 2018	490,000	\$	13.55
Expired during the period	(390,000)		13.98
Outstanding at September 30, 2019	<u>100,000</u>	<u>\$</u>	<u>11.87</u>

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2019:

	Number of stock options issued and outstanding	Number of stock options exercisable	Exercise price	Weighted average fair value of the option	Expiry date	Remaining contractual life (years)
January 1, 2015 Grant	100,000	100,000	\$ 11.87	\$ 1.16	January 1, 2022	2.3

All outstanding options have fully vested. There was no stock-based compensation expense recognized during the nine month period ended September 30, 2019. This compares to an expense of \$5 during the first nine months of 2018.

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

	September 30, 2019	December 31, 2018
MTIP liability	\$ 1,584	\$ 1,226
EIP liability	2,566	1,336
DSU liability	2,487	1,812
Liabilities for cash-settled share-based compensation plans	\$ 6,637	\$ 4,374
Less: current portion - MTIP liability	1,050	917
Less: current portion - EIP liability	1,088	-
	\$ 2,138	\$ 917
Non-current portion	\$ 4,499	\$ 3,457

The Company has recognized a loss of \$198 on its TRS derivatives for the nine month period ended September 30, 2019 (September 30, 2018 - \$2,055 loss).

## 17. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares and has 42,516,853 issued and outstanding common shares as at September 30, 2019. 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.

	Number of shares	Amount
Balance, September 30, 2019 and December 31, 2018	42,516,853	\$ 42,527

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

18. Earnings per share

Details of the calculation of earnings per share are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Profit (loss) attributable to shareholders (basic and diluted)	\$ 6,782	\$ 4,360	\$ 1,317	\$ (7,392)
Average number of common shares outstanding	42,516,853	42,516,853	42,516,853	42,516,853
Effect of stock options on issue	-	-	-	-
Weighted average number of common shares (diluted)	42,516,853	42,516,853	42,516,853	42,516,853
Basic and diluted earnings (loss) per share	\$ 0.16	\$ 0.10	\$ 0.03	\$ (0.17)

At September 30, 2019, 100,000 options (December 31, 2018 - 490,000 options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

19. Provisions

	September 30, 2019	December 31, 2018
Warranty claims and other	\$ 4,428	\$ 6,666
Legal claims	2,419	1,927
	<u>\$ 6,847</u>	<u>\$ 8,593</u>

Various claims and litigation arise in the normal course of the construction business. It is management's opinion that 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.

20. Finance income

	Nine months ended September 30,	
	2019	2018
Interest income	\$ 1,827	\$ 888
	<u>\$ 1,827</u>	<u>\$ 888</u>

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

21. Finance and other costs

	Nine months ended September 30,	
	2019	2018
Interest on loans and borrowings	\$ 1,362	\$ 1,255
Interest on ROU liabilities	705	-
Loss on interest rate swaps (note 7 and note 15)	314	256
Interest on non-recourse project financing (note 7)	1,109	792
Other	515	330
	<u>\$ 4,005</u>	<u>\$ 2,633</u>

For the prior period certain borrowing costs included in general and administrative expenses were reclassified to finance and other costs to conform to the presentation adopted in the current period.

22. Commitments and contingencies

(a) Commitments:

Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at September 30, 2019 totalled \$55,593 (December 31, 2018 - \$43,301).

The Company has acquired minority equity interests in a number of PPP concession entities (note 10), which requires the Company to make \$5,859 in future capital injections. These commitments have been secured by letters of credit totalling \$5,859 (December 31, 2018 - \$5,859).

(b) 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 provisions in the financial statements for all known liabilities relating to subcontractor defaults.

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

23. Other cash flow information

	Nine months ended September 30,	
	2019	2018
Changes in non-cash working capital relating to operating activities		
Accounts receivable	\$ (95,894)	\$ (57,096)
Contract assets	3,333	5,495
Contract assets - alternative finance projects	(39,687)	69,209
Prepaid expenses	(621)	(667)
Other assets	(2,089)	-
Inventory and other assets	242	(241)
Accounts payable	(26,816)	(771)
Contract liabilities	57,168	3,715
Provisions	(1,746)	(1,351)
Medium term incentive plan and other	(25)	(892)
	<u>\$ (106,135)</u>	<u>\$ 17,401</u>

Contract assets - alternative finance project changes are driven by design build finance projects. Refer to note 7 for loan proceeds to fund contract assets - alternative finance projects.

	September 30, 2019	December 31, 2018
Cash and cash equivalents		
Cash	\$ 9,867	\$ 111,247
Restricted cash and blocked accounts	6,137	2,746
Cash held for joint operations	74,040	43,158
Bankers' acceptances and short-term deposits	6,772	-
Restricted bankers' acceptances and short-term deposits	90	1,769
	<u>\$ 96,906</u>	<u>\$ 158,920</u>

Cash, bankers' acceptances and short-term deposits include restricted cash and cash equivalents that were deposited as collateral for letters of credit issued by the Company. As such, these amounts are not available for general operating purposes.

Restricted cash and cash equivalents

Cash and cash equivalents held to support letters of credit (note 13)	\$ 849	\$ 2,645
Cash deposited in blocked accounts for special projects (notes 7)	1,420	1,870
Restricted cash	3,958	-
	<u>\$ 6,227</u>	<u>\$ 4,515</u>

Support for Letters of Credit:

In the normal course of business, the Company issues letters of credit on certain projects to guarantee its performance. These projects are typically design-build contracts relating to PPP arrangements and other major construction projects. In certain instances, the letters of credit are supported by the hypothecation of cash and cash equivalents that are not available for general corporate purposes (note 13).



BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

Blocked Accounts:

The terms of non-recourse project financing require scheduled loan advances to be deposited in a blocked bank account which cannot be accessed directly by the Company for general corporate purposes. Upon recommendation by the lender's technical advisor, cash is released monthly from the blocked account and paid to the Company based on the progress made on the related construction project. Once PPP projects that only involve short term financing reach final completion and the debt is repaid, any remaining amounts in the project accounts become unrestricted and available for general corporate purposes.

Restricted Cash:

Under the Construction Act in Ontario, a bank account has been established for the benefit of persons who have supplied services or materials to the improvement for specific projects subject to the legislation. The funds remain in the account until all subcontractors, suppliers and direct labour are paid, as appropriate.

24. Financial instruments

A. Classification and fair value of financial instruments:

	September 30, 2019	December 31, 2018
<b>Financial instruments at fair value through profit or loss</b>		
Non-recourse project financing - interest rate swaps	\$ (900)	\$ (613)
Interest rate swaps	(81)	(54)
TRS derivatives	(2,416)	(2,218)
	<u>\$ (3,397)</u>	<u>\$ (2,885)</u>
<b>Financial assets and financial liabilities</b>		
<b>Financial assets</b>		
Cash and cash equivalents	\$ 96,906	\$ 158,920
Accounts receivable	433,603	337,663
Other assets	8,658	6,852
Short-term investments	-	1,705
	<u>\$ 539,167</u>	<u>\$ 505,140</u>
<b>Financial liabilities</b>		
Accounts payable	\$ (356,567)	\$ (383,608)
Dividends payable to shareholders	(1,382)	(1,382)
Non-recourse project financing - loan facilities (note 7)	(55,351)	(11,211)
Loans and borrowings	(32,128)	(21,198)
Right-of-use liabilities	(31,552)	(8,759)
Deferred payment	(756)	(756)
	<u>\$ (477,736)</u>	<u>\$ (426,914)</u>
<b>Total financial instruments</b>	<u>\$ 58,034</u>	<u>\$ 75,341</u>

The fair value of the 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.

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

**B. 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 goes to considerable lengths to satisfy 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.

Bankers' acceptances, 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.

Accounts receivable outstanding for greater than 90 days and considered past due by the Company's management represent 10.6% (December 31, 2018 - 13.0%) of the balance of progress billings on construction contracts receivable at September 30, 2019. Management has recorded an allowance of \$1,364 (December 31, 2018 - \$1,271) against these past due receivables, net of amounts recoverable from others.

	Amounts past due			
	Up to 12 months	Over 12 months	September 30, 2019	December 31, 2018
Trade receivables	\$ 18,162	\$ 15,420	\$ 33,582	\$ 28,847
Allowance for impairment	(138)	(1,226)	(1,364)	(1,271)
Total trade receivables	\$ 18,024	\$ 14,194	\$ 32,218	\$ 27,576

The movement in the allowance for impairment in respect of loans and receivables during the period was as follows:

	September 30, 2019	December 31, 2018
Balance, beginning of period	\$ 1,271	\$ 1,672
Impairment loss recognized	139	140
Amounts written off	-	(396)
Impairment loss reversed	(46)	(145)
Balance, end of period	\$ 1,364	\$ 1,271

BIRD CONSTRUCTION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

ii. Liquidity risk:

Liquidity risk relates to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has working capital of \$59,501 which is available to support surety requirements related to construction projects. As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. These investments, less \$849 hypothecated to support outstanding letters of credit and \$5,378 held in restricted accounts, are available to meet the financial obligations of the Company as they come due.

The Company has a committed line of credit of \$85,000 available to finance operations and issue letters of credit. As at September 30, 2019, the Company has drawn \$15,000 on the facility and has \$23,413 letters of credit outstanding on the facility. The committed line of credit is available until December 31, 2021. The Company has a committed revolving term loan facility totalling \$35,000 for the purpose of financing acquisitions and for working capital advances in support of major projects. As of September 30, 2019, the Company has drawn \$nil on the facility. Also, the Company and its subsidiaries have \$45,000 in equipment facilities, of which \$13,548 is outstanding at September 30, 2019. Subsidiaries of the Company have established operating lease lines of credit for \$32,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. At September 30, 2019, the subsidiaries have used \$11,174 under these facilities. In addition, the Company has lines of credit totalling \$80,000 available for issuing letters of credit for which \$7,158 was drawn at September 30, 2019. Additional draws on this line require hypothecation of additional securities or cash deposits. Cash collateralization may not be required for certain letters of credit with an export component as the Company has entered into an agreement with EDC to provide performance security guarantees for letters of credit issued that meet their criteria. The Company believes it has access to sufficient funding through the use of these facilities to meet foreseeable operating requirements.

Principal repayments due on the loans and borrowings and non-recourse project financing are disclosed in notes 13 and 7, respectively. As disclosed in notes 15 and 16, payments required pursuant to the Company's MTIP granted in 2016, 2017 and 2018 are due on the vesting dates of November 2019, November 2020 and November 2021, respectively, or upon retirement, if earlier. Payments pursuant to the Company's EIP granted in 2017, 2018 and 2019 are due by December 2020, December 2021 and December 2022 respectively. Payments pursuant to the Company's DSU Plan are cash settled when the eligible Director ceases to hold any position within the Company.

iii. Market risk:

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the Company's income or the value of its holdings in liquid securities.

At September 30, 2019, the interest rate profile of the Company's long-term debt and non-recourse project financing was as follows:

	September 30, 2019
Fixed-rate facilities	\$ 17,128
Variable-rate facilities	15,000
Non-recourse project financing facilities	56,028
Total long-term debt and non-recourse project financing	\$ 88,156

**BIRD CONSTRUCTION INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019 and 2018

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

(unaudited)

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. The Company has the option to convert all variable-rate term facilities to fixed-rate term facilities. Interest rate risk on the non-recourse project financing is managed with the objective of reducing the cash flow interest rate risk through the use of interest rate swaps.

As at September 30, 2019, a one percent change in the interest rate applied to the Company's variable rate long-term debt will change annual income before income taxes by approximately \$150.

The Company has certain share-based compensation plans, whereby 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 derivatives maturing between 2019 and 2022. 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.

As at September 30, 2019, a 10 percent change in the share price applied to the Company's TRS derivatives will change income before income taxes by approximately \$772.

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.

A 10% movement in the Canadian and U.S. dollar exchange rate would have changed income by approximately \$850.

**25. 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 for the following months:

- i. The October dividend of \$0.0325 per share will be paid on November 20, 2019 to the Shareholders of record as of the close of business on October 31, 2019.
- ii. The November dividend of \$0.0325 per share will be paid on December 20, 2019 to the Shareholders of record as of the close of business on November 29, 2019.
- iii. The December dividend of \$0.0325 per share will be paid on January 20, 2020 to the Shareholders of record as of the close of business on December 31, 2019.
- iv. The January dividend of \$0.0325 per share will be paid on February 20, 2020 to the Shareholders of record as of the close of business on January 31, 2020.
- v. The February dividend of \$0.0325 per share will be paid on March 20, 2020 to the Shareholders of record as of the close of business on February 28, 2020.

**26. Comparative figures**

Certain comparative figures for the prior period have been reclassified to conform to the presentation adopted in the current period.