Bird Construction Inc.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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 9, 2021

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INDEPENDENT AUDITORS' 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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' 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 2020, Entity recognized $1,504,432 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 cope 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 2020 and estimated in the prior period.

For a selection of fixed price construction contracts at December 31, 2020, 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.

Evaluation of intangible assets resulting from the acquisition of Stuart Olson Inc.

Description of the matter

We draw attention to notes 3, 4 and note 7 to the financial statements. On September 25, 2020, the Entity acquired all of the issued and outstanding shares of Stuart Olson Inc. for total consideration of $95,661 thousand In connection with the acquisition, the Entity recorded intangible assets with an acquisition date fair value of $25,430 thousand. Significant assumptions used in determining the acquisition date fair value for the intangible assets included cash-flow projections and the weighted average cost of capital.

Why the matter is a key audit matter

We identified the evaluation of the acquisition date fair value of intangible assets acquired in the Stuart Olson Inc. acquisition as a key audit matter. This matter represented an area of significant risk. Significant auditor judgment and specialized skills and knowledge were required in evaluating the audit evidence. The determination of fair value of intangible assets acquired was sensitive to possible changes to the significant assumptions.

How the matter was addressed in our audit

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

We compared the Entity's cash-flow projections to Stuart Olson Inc.'s historical actual results. We took into account changes in conditions to assess the adjustments or lack of adjustments made in arriving at the cash flow projections.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the weighted average cost of capital used by the Entity to discount the cash-flow projections, by comparing it against a weighted average cost of capital range that was independently developed using publicly available market data for comparable entities.

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 auditors' report thereon, included in a document likely to be entitled "2020 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 auditors' 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 auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2020 Annual Report" is expected to be made available to us after the date of this auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

KPMG LLP

Chartered Professional Accountants

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

Winnipeg, Canada

March 9, 2021

Bird Construction Inc.
Consolidated Statement of Financial Position
As at December 31, 2020 and 2019
(in thousands of Canadian dollars)

	Note	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	8	$ **212,068**	$ 180,334
Accounts receivable	9	**529,825**	413,649
Contract assets	10	**60,031**	31,018
Contract assets - alternative finance projects	10,11	**113**	75,180
Inventory and prepaid expenses		**8,038**	3,144
Income taxes recoverable		**7,484**	13,083
Other assets	12	**2,577**	5,972
Investments held for sale	13	**-**	6,978
Total current assets		**820,136**	729,358
Non-current assets			
Other assets	12	**13,171**	6,608
Investments in equity accounted entities	13	**14,710**	10,185
Property and equipment	14	**59,435**	46,016
Right-of-use assets	15	**61,511**	34,460
Deferred income tax asset	19	**32,253**	11,287
Intangible assets	16	**27,526**	2,484
Goodwill	17	**33,054**	16,389
Total non-current assets		**241,660**	127,429
TOTAL ASSETS		$ **1,061,796**	$ 856,787
LIABILITIES			
Current liabilities			
Accounts payable		$ **490,470**	$ 419,923
Contract liabilities	10	**120,054**	112,126
Dividends payable to shareholders		**1,724**	1,382
Income taxes payable		**20,187**	6,174
Non-recourse project financing	11	**-**	85,374
Current portion of loans and borrowings	18	**8,010**	5,883
Current portion of right-of-use liabilities	18	**18,748**	8,025
Provisions	20	**23,419**	7,763
Other liabilities	21	**2,010**	2,205
Total current liabilities		**684,622**	648,855
Non-current liabilities			
Loans and borrowings	18	**64,903**	34,738
Right-of-use liabilities	18	**59,327**	23,075
Deferred income tax liability	19	**22,956**	13,868
Other liabilities	21	**13,778**	8,531
Pension liabilities	22	**3,600**	-
Total non-current liabilities		**164,564**	80,212
TOTAL LIABILITIES		**849,186**	729,067
SHAREHOLDERS' EQUITY			
Shareholders' capital	24	**108,064**	42,527
Contributed surplus		**1,956**	1,956
Retained earnings		**102,520**	83,197
Accumulated other comprehensive income		**70**	40
Total shareholders' equity		**212,610**	127,720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ **1,061,796**	$ 856,787

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

Approved on behalf of the Board of Directors

P.A. Charette
Paul A. Charette
Chairman of the Board

Karyn Brooks
Karyn A. Brooks
Audit Committee Chair

Bird Construction Inc.
Consolidated Statement of Income
For the years ended December 31, 2020 and 2019
(in thousands of Canadian dollars, except per share amounts)

	Note		2020		2019
Construction revenue	10	$	**1,504,432**	$	1,376,408
Costs of construction			**1,378,132**		1,305,458
Gross profit			**126,300**		70,950
Income from equity accounted investments	13		**7,792**		2,693
General and administrative expenses			**(78,777)**		(58,722)
Income from operations			**55,315**		14,921
Finance income	26		**1,511**		2,596
Finance and other costs	27		**(7,506)**		(5,558)
Income before income taxes			**49,320**		11,959
Income tax expense	19		**13,217**		2,475
Net income for the period		$	**36,103**	$	9,484
Basic and diluted earnings per share	25	$	**0.80**	$	0.22

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, 2020 and 2019
(in thousands of Canadian dollars)

	Note		2020		2019
Net income for the period		$	**36,103**	$	9,484
Other comprehensive income (loss) for the period:					
Defined benefit plan actuarial gain	22		**1,540**		-
Exchange differences on translating equity accounted investments	13		**47**		37
Foreign currency translation			**(17)**		-
Deferred tax recovery on other comprehensive income (loss)			**(371)**		-
Items that may be reclassified to net income in subsequent periods			**1,199**		37
Total comprehensive income for the period		$	**37,302**	$	9,521

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, 2020 and 2019
(in thousands of Canadian dollars, except per share amounts)

	Note	Shareholders' capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balance at December 31, 2019		**$ 42,527**	**$ 1,956**	**$ 83,197**	**$ 40**	**$ 127,720**
Net income for the period		**-**	**-**	**36,103**	**-**	**36,103**
Other comprehensive income for the period	13, 22	**-**	**-**	**1,169**	**30**	**1,199**
Total comprehensive income for the period		**-**	**-**	**37,272**	**30**	**37,302**
Contributions by and dividends to owners						
Common shares issued on acquisition of Stuart Olson	7	**65,537**	**-**	**-**	**-**	**65,537**
Dividends declared to shareholders		**-**	**-**	**(17,949)**	**-**	**(17,949)**
		65,537	**-**	**(17,949)**	**-**	**47,588**
Balance at December 31, 2020		**$ 108,064**	**$ 1,956**	**$ 102,520**	**$ 70**	**$ 212,610**
Dividends declared per share				**$ 0.39**		
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 for the period		-	-	9,484	-	9,484
Other comprehensive income for the period		-	-	-	37	37
Total comprehensive income for the period		-	-	9,484	37	9,521
Contributions by and dividends to owners						
Dividends declared to shareholders		-	-	(16,582)	-	(16,582)
		-	-	(16,582)	-	(16,582)
Balance at December 31, 2019		$ 42,527	$ 1,956	$ 83,197	$ 40	$ 127,720
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, 2020 and 2019
(in thousands of Canadian dollars)

	Note	2020	2019
Cash flows from (used in) operating activities			
Net income for the period		$ **36,103**	$ 9,484
Items not involving cash:			
Amortization	16	**2,370**	873
Depreciation	14,15	**19,332**	14,941
Gain on sale of property and equipment		**(2,359)**	(1,346)
Income from equity accounted investments	13	**(7,792)**	(2,693)
Finance income	26	**(1,511)**	(2,596)
Finance and other costs	27	**7,506**	5,558
Deferred compensation plan expense and other		**4,699**	3,156
Defined benefit pension plan	22	**261**	-
Contributions to defined benefit pension plan	22	**(144)**	-
Unrealized (gain) loss on investments and other		**14**	349
Income tax expense (recovery)	19	**13,217**	2,475
Cash flows from operations before changes in non-cash working capital		**71,696**	30,201
Changes in non-cash working capital relating to operating activities	30	**69,093**	(66,269)
Interest received		**2,037**	2,521
Interest paid		**(7,815)**	(3,930)
Income taxes paid		**(6,064)**	(599)
Net cash from (used in) operating activities		**128,947**	(38,076)
Cash flows from (used in) investing activities			
Investments in equity accounted entities	13	**(5,088)**	-
Capital distributions from equity accounted entities	13	**5,523**	1,846
Proceeds on sale of Investment in equity accounted entities	13	**11,034**	-
Additions to property and equipment	14	**(12,245)**	(13,649)
Proceeds on sale of property and equipment	14	**9,211**	2,661
Additions to intangible assets	16	**(1,982)**	(782)
Acquisition of Stuart Olson Inc., net of cash acquired	7	**(59,960)**	-
Proceeds from maturity of short-term investments		**-**	1,705
Other long-term assets		**(392)**	-
Net cash used in investing activities		**(53,899)**	(8,219)
Cash flows from (used in) financing activities:			
Proceeds from issue of common shares, net of issue costs	7	**39,876**	-
Dividends paid on shares		**(17,607)**	(16,582)
Proceeds from non-recourse project financing	11	**46,782**	72,832
Repayment of non-recourse project financing	11	**(131,849)**	-
Proceeds from loans and borrowings	18	**88,283**	24,536
Repayment of loans and borrowings	18	**(56,658)**	(5,113)
Repayment of right-of-use liabilities	18	**(12,110)**	(7,615)
Net cash from (used in) financing activities		**(43,283)**	68,058
Net increase (decrease) in cash and cash equivalents during the period		**31,765**	21,763
Effects of foreign exchange on cash balances		**(31)**	(349)
Cash and cash equivalents, beginning of the period		**180,334**	158,920
Cash and cash equivalents, end of the period	8	$ **212,068**	$ 180,334

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

Table of Contents – Notes to the Consolidated Financial Statements

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 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, and institutional markets; to industrial maintenance, repair and operations ("MRO") services, heavy civil construction and contract surface mining; as well as vertical infrastructure including, electrical, mechanical, and specialty trades. The Company uses fixed priced, design-build, unit price, cost reimbursable, guaranteed upset price, construction management and integrated project delivery ("IPD") 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 9, 2021 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 long term economic prospects, share similar cost structures and operate in similar regulatory environments.

Comparative figures

Certain comparative figures for the prior period have been reclassified to conform to the presentation adopted in the current period. The Company restated certain movements within its reconciliation of contract assets in the comparative period (note 10). The Company restated certain comparative balances between categories in the composition of its deferred income tax assets and liabilities to align with categorization in the current year to better reflect the nature of these balances considering the acquisition of Stuart Olson (note 19). There is no resultant impact on the net income, comprehensive income, cash flow, or financial position of the Company from this change.

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.

Impact of the COVID-19 pandemic

On March 11, 2020 the World Health Organization (“WHO”) declared COVID-19 a global pandemic (“COVID-19 pandemic” or “the pandemic”). Since the declaration, the Canadian construction industry has faced uncertainty as each provincial government has responded by implementing social and work restrictions to address the public health threat. COVID-19, along with the variants of the virus that have emerged, continue to have a significant negative impact on the global and Canadian economy and preventative safety measures remain in place and continue to vary from province to province as governments respond to fluctuations in case numbers.

Due to the impact of the COVID-19 pandemic on both current and future market conditions and the economic environment, there is significant uncertainty and complexity in respect of certain judgements, estimates and assumptions used in the preparation of these financial statements. These include the amount of Canada Emergency Wage Subsidy (“CEWS”) the Company has accrued or may qualify for in the future, project timing and progress, future contract awards, and collectability of accounts receivable and contract assets. The Company’s operations could be impacted from disruptions to projects, the supply chain and shortages of labour. In addition, several projects that were expected to be awarded and secured have been delayed, suspended or cancelled, and this could continue as a result of the pandemic. The future effectiveness of the Company’s business continuity plan and various safety and austerity measures implemented is also subject to uncertainty.

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 their estimated fair value at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgements regarding cash flow projections, valuation techniques, economic risk, weighted average cost of capital and future events. The measurement of the purchase consideration and allocation process is therefore inherently subjective and impacts the amounts assigned to individually 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 including the calculation 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. Many 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 and 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 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 is 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.

Measurement of pension obligations

The Company's obligations and expenses related to defined benefit ("DB") pension plans, including supplementary executive retirement plans, are determined using actuarial valuations and are dependent on many 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, which have not been anticipated at this time. Actual experience that differs from assumptions will result in gains or losses that will be disclosed in future accounting valuations. Refer to note 22 for further details regarding the Company's DB plans as well as a sensitivity analysis of a change in the discount rate assumption used in the calculations and the resultant impact to financial results.

Share-based payments

Compensation expense accrued for performance share units ("PSU") is dependent on an adjustment to the final number of PSU awards that will eventually vest based on 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. 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.

Lease liabilities have been 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.

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

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

Company	Ownership / Voting Interest	
	2020	2019
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 Limited	100%	100%
Bird Capital Limited	100%	100%
Bird Capital Limited Partnership	100%	100%
Bird Industrial Group Limited	100%	100%
Bird Design-Build Construction Inc.	100%	100%
Westrac Resources Ltd.	100%	100%
Westrac Resources Limited Partnership	100%	100%
Bird Construction Group (Limited Partnership)	100%	100%
Bird Construction Group Limited	100%	100%
Bird General Contractors Ltd.	100%	100%
Bird Civil et mines Ltee	100%	100%
Bird Heavy Civil Ltd.	100%	100%
Nason Contracting Group Ltd.	100%	100%
Bird Casey House Limited Partnership	100%	100%
Bird Capital MDC Project Co. Inc.	100%	100%
Bird Construction Industrial Services Ltd.	100%	100%
Bird Construction Group Ltd.	100%	100%
NCGL Industrial Ltd.	100%	100%
NCGL Construction Ltd.	100%	100%
BFL Fabricators Ltd.	100%	100%
Canadian Consulting Group Limited	100%	100%
Innovative Trenching Solutions Ltd.	100%	100%
Innovative Trenching Solutions Field Services Ltd.	100%	100%
Innovative Trenching USA Inc.	100%	n/a
Bird Capital OMP Project Co. Inc.	100%	100%
Stuart Olson Buildings Ltd.*	100%	n/a
Stuart Olson Industrial Inc.*	100%	n/a
411007 Alberta Ltd.*	100%	n/a
TCC Holdings Inc.*	100%	n/a
The Churchill Corporation*	100%	n/a
Stuart Olson Asset Corp.*	100%	n/a
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%

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

CBS Joint Venture	42.5%	42.5%
Chandos Bird Joint Venture	50%	50%
Acciona Stuart Olson Joint Venture*	50%	n/a
Stuart Olson/Nunavut Ltd.*	40%	n/a
Canem/Plan Group Joint Venture*	50%	n/a
Stuart Olson Industrial Contractors/Andritz Hydro Canada Inc.*	50%	n/a
FCG Construction/Stuart Olson, a Joint Venture*	50%	n/a

* Acquired on September 25, 2020 (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.

Company	**Ownership / Voting Interest**	
	2020	**2019**
Equity accounted investment in associates/joint ventures		
Boreal Health Partnership*	n/a	25%
Chinook Resources Management General Partnership	50%	50%
Harbour City Solutions General Partnership	20%	20%
Hartland Resource Management General Partnership	20%	20%
Joint Use Mutual Partnership #1*	n/a	20%
Joint Use Mutual Partnership #2*	n/a	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%

* Disposed during the year ended December 31, 2020 (note 13)

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.

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 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:

- 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;
- 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 sum 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 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

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:

- 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.
- 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.
- 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 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 right-of-use 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. Subsequently, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized.

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		Indefinite

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.

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 statements of financial position (the "statements of financial position"). The liabilities included in provisions on the statements 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.

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.

Basic and diluted earnings per share

The Company's basic earnings per share calculation is based on the net income available to common shareholders for the period divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing the net income available to common shareholders for the period by the weighted average number of common shares outstanding for the period, adjusted for the effects of all dilutive potential common shares, including stock options granted to employees.

Post-employment benefits

The Company maintains two registered pension plans. Each plan includes a defined contribution ("DC") provision and a non-contributory DB provision. The DB provision covers salaried employees for two of its subsidiaries. Annual employer contributions to the DB provision of each plan, which are actuarially determined by an independent actuary, are made on the basis of being not less than the minimum amounts required by provincial pension supervisory authorities. Unlike the DB provision, there is no obligation recorded for the DC provision. The DC contributions made by the Company are measured on an undiscounted basis and are expensed as the related services are provided.

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.

Stock option plan

The Company's Stock Option Plan, as described in note 23, is a share-based payment plan which provides for the granting of stock options. The fair value of share-based payment awards is recognized as an employee expense, with a corresponding increase in contributed surplus, on a straight-line basis over the vesting period. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

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. MTIP awards for 2018 and 2019 grants vest on November 30 of the third year following the year to which the award relates, and for 2020 grants vest between November and December of the second and third year following the year to which the award relates, if the employee has maintained continuous employment with the Company, or at the Company's discretion. Annually, the Board of Directors determines the amount of the initial award, 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 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 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 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 cash-settled when the eligible 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 as an expense 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.

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 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, 2020 or 2019.

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
Notes receivable	Amortized cost
Derivative contracts	FVTPL
Financial liabilities:	
Accounts payable	Amortized cost
Dividends payable to shareholders	Amortized cost
Loans and borrowings	Amortized cost
Non-recourse project financing – loan facilities	Amortized cost
Right-of-use liabilities	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 Company does not employ hedge accounting for any of its derivative contracts currently in place.

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-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 income and finance costs

Finance 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 fair value through profit and loss. Interest income is recognized as it accrues in the income statement.

Finance 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

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 adopted the amendments to IFRS 3 on a prospective basis on January 1, 2020. The adoption of the amendments to IFRS 3 did not have an impact on the financial statements.

6. Future accounting changes

There are new accounting standards, amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2021 and have not been applied in preparing the financial statements for the year ended December 31, 2020. These standards and interpretations are not expected to have a material impact on the Company’s financial statements. The following standard is applicable to the Company:

Amendments to IFRS 16 *Leases*

On May 28, 2020, the IASB issued *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*. The amendments are effective for annual periods beginning on or after June 1, 2020. Early adoption is permitted.

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The Company will adopt the amendments to IFRS 16 on a prospective basis and the amendments are not expected to have a material impact on the financial statements.

7. Business combination

On July 29, 2020, the Company entered into an arrangement agreement (“Arrangement Agreement”) pursuant to which, among other things, the Company agreed to acquire all of the outstanding common shares of Stuart Olson Inc. (“Stuart Olson”) by way of a plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement").

The principal activities of Stuart Olson and its subsidiaries are to provide general contracting and electrical building systems contracting in the public and private construction markets, as well as general contracting, electrical, mechanical and specialty trades, such as insulation, cladding and asbestos abatement, in the industrial construction and services market. Stuart Olson provides its services to a wide array of clients within Canada. One of the key rationales for the business combination was to further diversify the Company’s risk profile by expanding its service offerings and revenue streams. The Company has grown its industrial general contracting business, including industrial maintenance, repair and operations. In the institutional and commercial sectors, the Company has added capability in construction management services, and its newly acquired commercial systems business is one of Canada’s largest electrical and data system contractors. The acquisition further enhances the Company’s ability to service maintenance, repair and operations.

On September 25, 2020, the Arrangement was completed, pursuant to which the Company acquired all of the issued and outstanding common shares of Stuart Olson in exchange for common shares of the Company and cash consideration, and completed the payout and termination of all indebtedness as detailed below. Under the terms of the Arrangement:

- Stuart Olson's secured creditors received an aggregate cash payment of $70.0 million in full satisfaction of all obligations, indebtedness and liabilities of Stuart Olson and its affiliates under the bank credit facility, including unpaid interest, fees and expenses;

- Canso Investment Counsel Ltd. ("Canso"), in its capacity as portfolio manager for and on behalf of certain accounts managed by it, acquired an aggregate of 6,329,114 common shares for gross proceeds of approximately $40.0 million;

- Those accounts managed by Canso, in its capacity as portfolio manager, that held the convertible unsecured subordinated debentures due September 20, 2024 (the “Debentures”), received 3,560,127 common shares valued at $21.8 million based on a deemed issue price equal to $6.32 per share for $22.5 million of principal value of Debentures in full satisfaction of all indebtedness, accrued interest and obligations of Stuart Olson and its affiliates under the indenture governing the Debentures; and

- Stuart Olson shareholders received an aggregate of 632,835 common shares, based on an exchange ratio of 0.02006051 common shares for each Stuart Olson common share. Those Stuart Olson shareholders entitled to receive less than one common share for all Stuart Olson shares received a cash payment determined by reference to the volume weighted average trading price of the Company’s common shares on the Toronto Stock Exchange for the five trading days immediately preceding September 25, 2020.

In connection with this acquisition, the Company incurred acquisition costs of approximately $5,570 comprised mainly of consulting and other professional fees. These costs have been included in general and administrative expenses in the statement of income. Transaction costs of $124 directly attributable to the issue of common shares are recognized as a deduction from shareholders' capital.

The Arrangement has been accounted for as a business combination using the acquisition method of accounting whereby the assets acquired, and liabilities assumed are recognized at their fair value, except for deferred tax assets or liabilities, assets or liabilities related to employee benefit arrangements and any ROU assets and ROU liabilities identified in which the acquiree is the lessee.

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

The value of the assets and liabilities associated with the Stuart Olson acquisition were not finalized by March 9, 2021, and therefore are preliminary figures. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition that identifies adjustments to the amounts noted below, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

During the three months ended December 31, 2020, measurement period adjustments were made to the purchase price allocation to reflect new information obtained by management with respect to facts and circumstances that existed as of September 25, 2020. The impact of these measurement period adjustments were: $5,010 increase in accounts receivable, $991 increase in contract assets, $126 increase in income taxes recoverable, $10 decrease in other assets, $232 increase in property and equipment, $2,146 decrease in ROU assets, $3,000 decrease in intangible assets, $1,816 decrease in the net deferred tax assets, $1,695 decrease in accounts payable, $4,478 increase in contract liabilities, $1,806 decrease in income taxes payable, $5,929 increase in provisions, $1,578 decrease in other liabilities and $5,941 increase in goodwill.

Number of common shares issued to Stuart Olson shareholders		**632,835**
Number of common shares issued on settlement of Debentures		**3,560,127**
Total common shares issued as consideration		**4,192,962**
Common share price at close on September 25, 2020	**$**	**6.12**
Equity consideration	$	25,661
Cash consideration		70,000
Total Consideration	**$**	**95,661**
Fair value of assets and liabilities of Stuart Olson acquired:		
Assets acquired		
Cash and cash equivalents	$	10,040
Accounts receivable		269,736
Contract assets		33,534
Income taxes recoverable		622
Lease receivables		7,506
Other assets		3,634
Property and equipment		15,483
Right-of-use assets		26,728
Intangible assets		25,430
Net deferred tax assets		8,262
Liabilities assumed		
Accounts payable		(190,450)
Contract liabilities		(56,316)
Income taxes payable		(7,913)
Provisions		(14,482)
Pension liabilities		(5,023)
Loans and borrowings		(667)
Right-of-use liabilities		(46,887)
Other liabilities		(241)
Net identifiable assets acquired	**$**	**78,996**
Goodwill		16,665
Net assets acquired	**$**	**95,661**

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

Goodwill and intangible assets

Goodwill of $16,665 recognized as part of the acquisition is attributed to expected revenue growth, future market development, the assembled workforce and the synergies achieved from the integration of Stuart Olson into the Company's business. These benefits are not recognized separately from goodwill, as the future economic benefits arising from them cannot be reliably measured. The goodwill recognized is not deductible for tax purposes. Identifiable intangible assets acquired of $25,430 includes computer software, backlog and agency contracts, customer relationships and trade names.

The fair value of the trade receivables acquired amounts to $269,736. The gross amount of trade receivables was $282,443, of which $12,707 was expected to be uncollectible at acquisition date. From the date of acquisition, Stuart Olson has contributed $251,663 of revenue and $3,476 of net income. If the acquisition had occurred on January 1, 2020, revenue for the combined entity would be $2,179,178 and net income would be $31,512 for the year ended December 31, 2020.

8. Cash and cash equivalents

Cash and cash equivalents		2020		2019
Cash	$	**96,671**	$	36,127
Restricted cash and blocked accounts*		**55,107**		10,102
Cash held for joint operations		**60,200**		134,015
Short-term deposits held to support letters of credit*		**90**		90
	$	**212,068**	$	180,334

* Cash and cash equivalents include the following restricted cash and blocked accounts. These amounts are not available for general operating purposes.

Restricted cash and cash equivalents		2020		2019
Cash and cash equivalents held to support letters of credit (note 18)	$	**139**	$	139
Cash deposited in blocked accounts for special projects (note 11)		**1,033**		212
Restricted cash		**54,025**		9,841
	$	**55,197**	$	10,192

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 18).

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.

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

9. Accounts receivable

		2020		2019
Progress billings on construction contracts	$	**336,286**	$	271,931
Holdbacks receivable (due within one operating cycle)		**160,364**		134,751
Other		**33,175**		6,967
	$	**529,825**	$	413,649

Accounts receivable are reported net of an allowance for doubtful accounts of $1,471 as at December 31, 2020 (December 31, 2019 - $1,538). 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.

Included in other accounts receivable are government assistance receivables of $25,847 at December 31, 2020 (December 31, 2019 - $nil) related to the Canada Emergency Wage Subsidy ("CEWS"). See note 29.

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.

		2020		2019
Public Private Partnerships ("PPP")	$	**28,760**	$	102,105
Alternative finance projects and complex design-build		**100,572**		176,887
Stipulated sum, unit price and standard specification design-build		**942,776**		792,492
Construction management, cost plus and IPD		**432,324**		304,924
	$	**1,504,432**	$	1,376,408

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, 2020 the aggregate amount of the transaction price allocated to total remaining performance obligations from construction contracts was $2,682,498. 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 approximately 59% 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.

The Company's measure of remaining performance obligations is also referred to as "Backlog"; this measure may not be comparable with the calculation of similar measures by other entities as Backlog is not a term defined under IFRS.

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

Summary of contract balances

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

		2020		2019
Progress billings and holdbacks receivable (note 9)	$	**496,650**	$	406,682
Contract assets		**60,031**		31,018
Contract assets – alternative finance projects (note 11)		**113**		75,180
Contract liabilities		**(120,054)**		(112,126)
	$	**436,740**	$	400,754

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 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 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, while alternative finance projects (note 11) follow a contractually agreed billing schedule and contract assets are recognized in accounts receivable upon substantial performance.

		2020				
		Construction contracts		Alternative finance projects		Total
Balance, December 31, 2019	$	**31,018**	$	**75,180**	$	**106,198**
Acquisition (note 7)		**33,534**		**–**		**33,534**
Reduction of contract assets due to progress billings		**(325,692)**		**(149,837)**		**(475,529)**
Additions to contract assets		**321,171**		**74,770**		**395,941**
Balance, December 31, 2020	$	**60,031**	$	**113**	$	**60,144**

		2019				
		Construction contracts		Alternative finance projects		Total
Balance, December 31, 2018	$	28,412	$	7,126	$	35,538
Reduction of contract assets due to progress billings		(390,054)		–		(390,054)
Additions to contract assets		392,660		68,054		460,714
Balance, December 31, 2019	$	31,018	$	75,180	$	106,198

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, 2020, $112,126 of revenue (2019 – $60,003) was recognized that was included in the contract liability balance at the beginning of the year.

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

For the year ended December 31, 2020, $nil (2019 – $1,203) of revenue was recognized from the satisfaction of performance obligations related to previous periods. This amount represents changes in the transaction price due to contract modifications and various other cumulative catch up adjustments.

11. Alternative finance projects

During 2018, the Company was awarded a fixed-price design-build-finance contract to construct the Ontario Provincial Police ("OPP") Modernization Phase 2 project. The project obtained substantial completion and was billed during the fourth quarter of 2020.

The Company had arranged a $138,475 loan facility related to the project, of which $nil is outstanding at December 31, 2020, as the loan was repaid in full in the fourth quarter of 2020. 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 8).

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. Interest expense on the loan during the year ended December 31, 2020 of $3,522 (2019 – $1,995) is included in finance costs. 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 agreement was settled in the fourth quarter of 2020. The notional amounts of the interest rate swap agreement matched 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 finance costs in the statement of income.

	2020			
	Loan facility	**Transaction costs**	**Interest rate swap**	**Total**
Balance, December 31, 2019	**$ 85,067**	**$ (369)**	**$ 676**	**$ 85,374**
Proceeds	**46,782**	**–**	**–**	**46,782**
Repayment of debt	**(131,849)**	**–**	**–**	**(131,849)**
Transaction costs, net of amortization	**–**	**369**	**–**	**369**
Change in fair value of interest rate swap	**–**	**–**	**(676)**	**(676)**
Balance, December 31, 2020	**$ –**	**$ –**	**$ –**	**$ –**

	2019			
	Loan facility	**Transaction costs**	**Interest rate swap**	**Total**
Balance, December 31, 2018	$ 12,235	$ (1,024)	$ 613	$ 11,824
Proceeds	72,832	–	–	72,832
Repayment of debt	–	–	–	–
Transaction costs, net of amortization	–	655	–	655
Change in fair value of interest rate swap	–	–	63	63
Balance, December 31, 2019	$ 85,067	(369)	676	85,374

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

12. Other assets

	2020	2019
Subcontractor / Supplier insurance deposits	$ 5,197	$ 4,511
Notes receivable	1,806	8,069
Lease receivables (note 7)	7,141	–
TRS derivatives (note 21)	1,604	–
Other assets	15,748	12,580
Less: current portion		
TRS derivatives (note 21)	1,330	–
Notes receivable	–	5,972
Lease receivables	1,247	–
Current portion	2,577	5,972
Non-current portion	$ 13,171	$ 6,608

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 has promissory notes (Notes receivable) outstanding from an equity accounted joint arrangement. One promissory note is available to the borrower for working capital purposes and is due on September 8, 2022. The second promissory note is available to the borrower for a specific project, was due upon completion of the project, and was fully repaid in 2020.

The Company entered 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 TRS derivative contracts are not designated as a hedge and changes in the fair market value are recorded as compensation expense in general and administrative expenses in the statement of income.

The Company subleases certain facilities, resulting from the acquisition of Stuart Olson (note 7). The following is a detailed maturity analysis of the undiscounted finance lease payments receivable as at December 31, 2020:

	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	$ 7,141	$ 7,757	$ 1,429	$ 2,746	$ 2,284	$ 1,298

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

13. 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.

	2020		
	Joint Ventures	Associates	Total
Total current assets	$ 100,893	$ 38,966	$ 139,859
Total non-current assets	163,170	167,778	330,948
Total assets	264,063	206,744	470,807
Total current liabilities	13,150	12,840	25,990
Total non-current liabilities	214,239	167,759	381,998
Total liabilities	227,389	180,599	407,988
Net assets – 100%	$ 36,673	$ 26,145	$ 62,818
Attributable to the Company	$ 12,008	$ 2,615	$ 14,623
Revenue – 100%	$ 56,009	$ 8,074	$ 64,083
Total comprehensive income – 100%	$ 7,205	$ 2,379	$ 9,584
Attributable to the Company	$ 4,456	$ 232	$ 4,688

	2019		
	Joint Ventures	Associates	Total
Total current assets	$ 124,396	$ 31,607	$ 156,003
Total non-current assets	615,582	171,015	786,597
Total assets	739,978	202,622	942,600
Total current liabilities	88,152	14,634	102,786
Total non-current liabilities	614,137	171,544	785,681
Total liabilities	702,289	186,178	888,467
Net assets – 100%	$ 37,689	$ 16,444	$ 54,133
Attributable to the Company	$ 10,938	$ 1,644	$ 12,582
Revenue – 100%	$ 155,380	$ 9,160	$ 164,540
Total comprehensive income – 100%	$ 6,784	$ 2,395	$ 9,179
Attributable to the Company	$ 2,459	$ 234	$ 2,693

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

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

Investments in equity accounted entities	**2020**	2019
Balance, beginning of period	**$ 10,185**	$ 12,517
Share of net income for the year	**4,688**	2,693
Share of other comprehensive income for the year	**47**	37
Investments in equity accounted entities	**5,088**	–
	20,008	15,247
Capital distributions received	**(5,298)**	(1,223)
Investments in equity accounted entities reclassified as held for sale	**–**	(3,839)
Balance, end of period	**$ 14,710**	$ 10,185

Investments held for sale	**2020**	2019
Balance, beginning of period	**$ 6,978**	$ 3,762
Investments in equity accounted entities classified as held for sale	**–**	3,839
Capital distributions received	**(225)**	(623)
Sale of investment	**(6,753)**	–
Balance, end of period	**$ –**	$ 6,978

	2020	2019
Share of net income for the year	**$ 4,688**	$ 2,693
Gain on sale of investments in equity accounted entities	**3,104**	–
Income from equity accounted investments	**$ 7,792**	$ 2,693

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.

Transactions with these related parties are described in note 34. Amounts committed for future capital injections to concession entities are described in note 33.

Investments in equity accounted entities classified as held for sale

During the year ended December 31, 2020, the Company disposed of investments in three entities accounted for using the equity method for proceeds of $11,034 (2019 - $nil) and received distributions of $225 (2019 - $623). The Company recognized net gains on the transactions of $3,104 (2019 - $nil) which is included in income from equity accounted entities on the statement of income. These investments were previously classified as investments held for sale on the statement of financial position.

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

14. Property and equipment

	2020					
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost						
Balance, December 31, 2019	$ 2,130	$ 12,129	$ 8,932	$ 92,114	$ 2,752	$ 118,057
Acquisition (note 7)	436	–	6,848	8,027	172	15,483
Additions	–	52	950	13,061	270	14,333
Disposals	(9)	–	–	(14,394)	(38)	(14,441)
Balance, December 31, 2020	2,557	12,181	16,730	98,808	3,156	133,432
Accumulated depreciation						
Balance, December 31, 2019	–	6,192	4,478	59,415	1,956	72,041
Disposals	–	–	–	(8,497)	(30)	(8,527)
Depreciation expense	–	527	1,358	8,397	201	10,483
Balance, December 31, 2020	–	6,719	5,836	59,315	2,127	73,997
Net book value	$ 2,557	$ 5,462	$ 10,894	$ 39,493	$ 1,029	$ 59,435

	2019					
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost						
Balance, January 1, 2019	$ 1,716	$ 12,432	$ 8,041	$ 88,148	$ 2,592	$ 112,929
Additions	414	65	891	12,003	276	13,649
Disposals	–	(368)	–	(8,037)	(116)	(8,521)
Balance, December 31, 2019	2,130	12,129	8,932	92,114	2,752	118,057
Accumulated depreciation						
Balance, January 1, 2019	–	5,583	3,844	58,473	1,876	69,776
Disposals	–	(19)	–	(7,111)	(99)	(7,229)
Depreciation expense	–	628	634	8,053	179	9,494
Balance, December 31, 2019	–	6,192	4,478	59,415	1,956	72,041
Net book value	$ 2,130	$ 5,937	$ 4,454	$ 32,699	$ 796	$ 46,016

15. Right-of-use assets

	2020				
	Land	Buildings	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost					
Balance, December 31, 2019	$ 53	$ 17,511	$ 26,125	$ 136	$ 43,825
Acquisition (note 7)	–	15,286	9,827	1,615	26,728
Additions	–	2,415	9,587	275	12,277
Disposals	–	(180)	(4,486)	(126)	(4,792)
Balance, December 31, 2020	53	35,032	41,053	1,900	78,038
Accumulated depreciation					
Balance, December 31, 2019	–	2,572	6,759	34	9,365
Disposals	–	(140)	(1,506)	(41)	(1,687)
Depreciation expense	–	3,625	4,990	234	8,849
Balance, December 31, 2020	–	6,057	10,243	227	16,527
Net book value	$ 53	$ 28,975	$ 30,810	$ 1,673	$ 61,511

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

	2019				
	Land	Buildings	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost					
Balance, January 1, 2019	$ 53	$ 15,569	$ 17,411	$ 140	$ 33,173
Additions	–	1,942	8,829	12	10,783
Disposals	–	–	(115)	(16)	(131)
Balance, December 31, 2019	53	17,511	26,125	136	43,825
Accumulated depreciation					
Balance, January 1, 2019	–	–	4,017	9	4,026
Disposals	–	–	(99)	(9)	(108)
Depreciation expense	–	2,572	2,841	34	5,447
Balance, December 31, 2019	–	2,572	6,759	34	9,365
Net book value	$ 53	$ 14,939	$ 19,366	$ 102	$ 34,460

16. Intangible assets

	2020				
	Trade Names	**Backlog and Agency Contracts**	**Customer Relationships**	**Computer Software**	**Total**
Cost					
Balance, December 31, 2019	**$ –**	**$ –**	**$ –**	**$ 8,542**	**$ 8,542**
Acquisition (note 7)	**7,000**	**4,000**	**11,000**	**3,430**	**25,430**
Additions	**–**	**–**	**–**	**1,982**	**1,982**
Balance, December 31, 2020	**7,000**	**4,000**	**11,000**	**13,954**	**35,954**
Accumulated amortization					
Balance, December 31, 2019	**–**	**–**	**–**	**6,058**	**6,058**
Amortization expense	**–**	**333**	**393**	**1,644**	**2,370**
Balance, December 31, 2020	**–**	**333**	**393**	**7,702**	**8,428**
Net book value	**$ 7,000**	**$ 3,667**	**$ 10,607**	**$ 6,252**	**$ 27,526**

	2019				
	Trade Names	Backlog and Agency Contracts	Customer Relationships	Computer Software	Total
Cost					
Balance, December 31, 2018	$ –	$ –	$ –	$ 7,760	$ 7,760
Additions	–	–	–	782	782
Balance, December 31, 2019	–	–	–	8,542	8,542
Accumulated amortization					
Balance, December 31, 2018	–	–	–	5,185	5,185
Amortization expense	–	–	–	873	873
Balance, December 31, 2019	–	–	–	6,058	6,058
Net book value	$ –	$ –	$ –	$ 2,484	$ 2,484

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

17. Goodwill

		2020		2019
Cost				
Balance, beginning of period	$	**30,540**	$	30,540
Acquisition (note 7)		**16,665**		–
Balance, end of period		**47,205**		30,540
Accumulated impairment				
Balance, beginning of period		**14,151**		14,151
Balance, end of period		**14,151**		14,151
Net book value	$	**33,054**	$	16,389

At December 31, 2020 and 2019, the Company conducted an impairment test of its goodwill. The carrying value of goodwill at December 31, 2020 and 2019 was determined to not be impaired as the recoverable amount of the Company's CGUs exceeded their carrying values.

The Company allocated the carrying value of goodwill to the following CGUs:

Goodwill		2020		2019
Rideau CGU	$	**9,294**	$	9,294
Nason CGU		**7,095**		7,095
Stuart Olson CGU (note 7)		**16,665**		–
	$	**33,054**	$	16,389

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 approved by senior management covering a three-year period. A three-year period for the discounted cash flow analysis was used since financial projections beyond a three-year time period are generally best represented by a terminal value. This period is appropriate given the timing of the project backlog and the predictability of CGU cash flows. 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.

There is a significant amount of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' assets given the necessity of making key economic assumptions about the future. Significant assumptions used in the calculation of value-in-use were the level of new awards, the construction gross margin percentage, the level of operating and capital costs, the discount rate and the terminal value growth rate. Budgeted net income was based on expectation of future outcomes considering past experience, the Company's annual business plan and the Company's strategic plan adjusted for a number of weighted probabilities based on current economic conditions. Cash flows for the remaining periods were extrapolated using a growth rate of 2.5%. An after-tax discount rate of 15.0%, 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. They take into consideration market rates of return, capital structure, company size, industry risk and the after-tax cost of debt and equity.

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

A sensitivity analysis of significant estimates is conducted as part of the Company's impairment testing. A 1% change in the discount rate and a 0.5% change in the growth rate did not materially change the recoverable amount of the CGUS's, which continue to remain in excess of their carrying values.

18. Loans and borrowings and right-of-use liabilities

Loans and borrowings

	Maturity	Interest rate	2020	2019
Committed revolving facility	fully repaid	Variable	$ –	$ 15,000
Committed revolving term loan facility	fully repaid	Variable	–	10,000
Committed revolving credit facility	Dec 7, 2023	Variable	**25,000**	–
Committed non-revolving term loan facility	Dec 7, 2023	Variable	**35,000**	–
Equipment financing	2020 – 2024	Fixed 2.04%-3.73%	**12,315**	15,621
Note payable (note 7)		Variable	**598**	–
			$ 72,913	$ 40,621
Current portion			**$ 8,010**	$ 5,883
Non-current portion			**$ 64,903**	$ 34,738

Syndicated credit facility

During the fourth quarter of 2020, the Company entered into a three-year, $200,000 committed, syndicated credit facility (the "Syndicated facility") consisting of the following:

Committed revolving credit facility

As part of the Syndicated facility, the Company replaced its previous committed revolving operating credit facility of $85,000 at December 31, 2019, which was increased to $100,000 during the third quarter of 2020, with a $165,000 committed revolving credit facility. The $165,000 committed revolving credit facility matures December 7, 2023. As part of the agreement, the Company provided a general secured interest in the assets of the Company. At December 31, 2020, the Company has $22,702 letters of credit outstanding on the facility and has drawn $25,000 on the facility. The full amount is recorded as non-current, as the facility is due and payable December 7, 2023. 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. Draws of $25,000 (December 31, 2019 - $15,000) on the previous committed revolving operating credit facility were repaid in full in 2020.

Committed non-revolving term debt facility

As part of the Syndicated facility, the Company replaced its previous $35,000 committed, term debt revolving facility with a committed non-revolving term loan facility totalling $35,000. As of December 31, 2020, the Company has drawn $35,000 to finance the acquisition of Stuart Olson (note 7). The loan has scheduled repayments due quarterly until the maturity date of September 24, 2028. 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. Draws of $26,250 (December 31, 2019 - $10,000) on the previous committed revolving term loan facility were repaid in full in 2020.

Accordion

The Company has an 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 aggregate increases to the committed revolving credit facility and Committed non-revolving term debt facility combined may not exceed $50,000.

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

The Company was in full compliance with its covenants under each facility as at December 31, 2020 and 2019.

Equipment financing

The Company has committed term credit facilities of up to $40,000 to be used to finance equipment purchases. At December 31, 2020, $9,248 is outstanding, of which $572 is classified as ROU liabilities (December 31, 2019 - $12,397 is outstanding, of which $2,722 is classified as ROU liabilities). 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, 2020, the balance outstanding on these term loans amounted to $3,639 (December 31, 2019 - $5,946). Principal and interest are payable monthly, and these term loans are secured by specific equipment of the Company.

Letters of credit facilities

The Company has authorized operating letters of credit facilities totalling $125,000. At December 31, 2020 the facilities were drawn for outstanding letters of credit of $44,490 (December 31, 2019 - $6,559). 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 EDC.

The Company has an agreement with Export Development Canada (“EDC”) to provide performance security guarantees of up to $75,000 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 meet the EDC criteria. At December 31, 2020 EDC has issued performance security guarantees totalling $44,353 (December 31, 2019 - $6,421).

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to PPP and other major construction projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at December 31, 2020 of $139 (December 31, 2019 - $139).

The following table provides details of the changes in the Company’s Loans and Borrowings during the year ended December 31, 2020:

	Revolving Credit Facility	Syndicated Revolving Credit Facility	Committed Revolving Term Loan Facility	Syndicated Committed Non-Revolving Term Loan Facility	Note Payable	Equipment financing	Total
Balance, December 31, 2019	$ 15,000	$ –	$ 10,000	$ –	$ –	$ 15,621	$ 40,621
Proceeds	10,000	25,000	16,250	35,000	–	2,033	88,283
Acquisition (note 7)	–	–	–	–	667	–	667
Repayment	(25,000)	–	(26,250)	–	(69)	(5,339)	(56,658)
Balance, December 31, 2020	$ –	$ 25,000	$ –	$ 35,000	$ 598	$ 12,315	$ 72,913

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

ROU liabilities

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

The following table provides details of the changes in the Company's ROU liabilities during the period ended December 31, 2020:

		2020		2019
Balance, beginning of period	$	**31,100**	$	27,029
Acquisition (note 7)		**46,887**		–
Additions		**12,277**		10,783
Interest		**1,262**		903
Lease terminations		**(79)**		–
Repayment		**(13,372)**		(7,615)
Balance, end of period	$	**78,075**	$	31,100
Current portion	$	**18,748**	$	8,025
Non-current	$	**59,327**	$	23,075

Potential undiscounted cash outflows of $50,636 have not been included in the measurement of the Company's ROU liabilities as at December 31, 2020 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 $5,697 for the year ended December 31, 2020 (2019 - $6,943). Total cash outflows for leases for the year ended December 31, 2020 were $19,069 (2019 - $14,558).

Subsidiaries of the Company have established operating lease lines of credit of $31,800 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 (note 15). At December 31, 2020, the subsidiaries had used $10,008 (December 31, 2019 - $11,653) under these facilities.

19. Income taxes

Provision for income taxes

		2020		2019
Income tax expense (recovery) comprised of:				
Current income taxes	$	**18,382**	$	(4,194)
Deferred income taxes		**(5,165)**		6,669
	$	**13,217**	$	2,475

Income tax rate reconciliation

	2020	2019
Combined federal and provincial income tax rate	**26.6%**	27.5%
Increase (reductions) applicable to:		
Effect of different tax rate on equity investments	**(1.5%)**	(10.4%)
Non-taxable items	**0.4%**	1.0%
Other	**1.3%**	2.6%
Effective rate	**26.8%**	20.7%

The Company's statutory tax rate is the combined federal and provincial tax rates in the jurisdictions in which the Company operates. The year-over-year decline in the statutory rate reflects the decline in the Alberta corporate income tax rate in 2020.

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

Composition of deferred income tax assets and liabilities

		2020		2019
Provisions and accruals	$	**4,187**	$	2,559
Pension and other compensation		**4,544**		2,245
Timing of recognition of construction profits		**(17,748)**		(35,745)
Property and equipment		**(4,305)**		(3,854)
Right of use assets and liabilities and lease receivables		**3,464**		620
Intangible assets		**(5,792)**		(203)
Investment in equity accounted entities		**(911)**		(2,715)
Other		**(2,191)**		195
Tax loss carry forward		**28,049**		34,317
	$	**9,297**	$	(2,581)
Presentation in the statement of financial position				
Deferred income tax asset		**32,253**		11,287
Deferred income tax liability		**(22,956)**		(13,868)
	$	**9,297**	$	(2,581)

The Company has deferred tax assets in the amount of $945 that have not been recognized in these financial statements in respect of capital losses realized on the disposal of bonds and preferred share investments in 2011, 2013 and 2015. A deferred tax asset has not been recognized because it is not probable the Company will generate future taxable capital gains.

Included in the tax loss carry forward balance in 2019 is $21,768 related to an alternative finance project, which was off-set by a deferred tax liability of $21,793 included in timing of recognition of construction profits, and a deferred tax asset of $179 included in provisions and accruals. In 2020 this project achieved substantial completion and the tax loss carry forward balance was utilized to off-set the tax liability.

2020									
		Balance December 31, 2019		Recognized in profit or loss	Recovery in Other Comprehensive Income	Disposition of equity investment (note 13)	Acquisition (note 7)		Balance December 31, 2020
Provisions and accruals	$	2,559	$	1,175	–	–	453	$	4,187
Pension and other compensation		2,245		1,436	(371)	–	1,234		4,544
Timing of recognition of construction profits		(35,745)		22,060	–	–	(4,063)		(17,748)
Property and equipment		(3,854)		(562)	–	–	111		(4,305)
ROU assets and liabilities		620		(117)	–	–	2,961		3,464
Intangible assets		(203)		653	–	–	(6,242)		(5,792)
Investments in equity accounted entities		(2,715)		2,982	–	(1,178)	–		(911)
Other		195		(826)	–	–	(1,560)		(2,191)
Tax loss carry forward		34,317		(21,636)	–	–	15,368		28,049
	$	(2,581)	$	5,165	(371)	(1,178)	8,262	$	9,297

2019								
		Balance December 31, 2018		Recognized in profit or loss		Adoption of IFRS 16		Balance December 31, 2019
Provisions and accruals	$	2,306	$	253	$	–	$	2,559
Other compensation		1,175		1,070				2,245
Timing of recognition of construction profits		(9,028)		(26,717)		–		(35,745)
Property and equipment		(1,083)		(2,771)		–		(3,854)
Right of use assets and liabilities		(736)		822		534		620
Intangible assets		(321)		118		–		(203)
Investments in equity accounted entities		(3,293)		578		–		(2,715)
Other		701		(506)		–		195
Tax loss carry forward		13,833		20,484		–		34,317
	$	3,554	$	(6,669)	$	534	$	(2,581)

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

20. Provisions

		Warranty claims and other		Legal		Total
Balance, December 31, 2019	$	**5,218**	$	**2,545**	$	**7,763**
Acquisition (note 7)		**9,076**		**5,406**		**14,482**
Provisions made during the period		**22,578**		**6,903**		**29,481**
Provisions used during the period		**(16,761)**		**(986)**		**(17,747)**
Provisions reversed during the period		**(7,400)**		**(3,160)**		**(10,560)**
Balance, December 31, 2020	$	**12,711**	$	**10,708**	$	**23,419**
Balance, December 31, 2018	$	6,666	$	1,927	$	8,593
Provisions made during the period		20,588		1,365		21,953
Provisions used during the period		(20,416)		(549)		(20,965)
Provisions reversed during the period		(1,620)		(198)		(1,818)
Balance, December 31, 2019	$	5,218	$	2,545	$	7,763

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.

21. Other liabilities

		2020		2019
Liabilities for cash-settled share-based compensation plans (note 23)	$	**13,929**	$	8,443
Leasehold inducements		**1,808**		1,964
TRS derivatives (note 12)		–		271
Interest rate swaps		**51**		58
	$	**15,788**	$	10,736
Less: current portion				
Cash-settled share-based compensation plans (note 23)		**1,795**		1,762
Leasehold inducements		**164**		261
TRS derivatives (note 12)		–		175
Interest rate swaps		**51**		7
Current portion	$	**2,010**	$	2,205
Non-current portion	$	**13,778**	$	8,531

As at December 31, 2020, the Company recognized an asset on the TRS derivatives which are recorded in other assets on the statement of financial position (note 12).

22. Pension obligations

The following pension obligations were acquired on the acquisition of Stuart Olson (note 7):

DC Pension Plans

The total expense recognized in the statement of income during the year ended December 31, 2020 of $154 represents contributions to these plans by the Company at rates specified in the rules of the plans.

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

DB Pension Plans

The Company maintains two non-contributory DB provisions that cover salaried employees for two of the operating entities. 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.

Future benefits

		2020
Wholly or partially funded defined benefit obligation	$	39,912
Fair value of plan assets		36,312
Recognized liability for defined benefit obligations	$	3,600

Fair market value of plan assets

		2020
Equity securities	$	23,188
Debt securities		12,916
Cash and cash equivalents		208
	$	36,312

Reconciliation of amounts in the financial statements

		2020
Accrued benefit obligation		
Balance, at acquisition (note 7)	$	39,065
Employer current service cost		64
Interest cost on the defined benefit obligation		291
Benefit payments		(469)
Actuarial loss due to changes in financial assumptions		961
Balance, end of period	$	39,912

		2020
Fair value of plan assets		
Balance, at acquisition (note 7)	$	34,042
Employer contributions		144
Interest income on plan assets		269
Actuarial gain on plan assets, excluding interest income		2,501
Benefit payments		(469)
Administration costs		(175)
Balance, end of period	$	36,312

		2020
Net pension liability	$	3,600
Funded status - deficit	$	3,600

During the period ended December 31, 2020, $228 was recorded in general and administrative expenses in the statement of income, and a gain of $1,540 before tax, was recorded in other comprehensive income, relating to the DB plans. The gain relates to investment earnings being greater than the expected interest income on the plans' assets, and is partially offset by a loss due to changes in financial assumptions, specifically a decrease in the assumed discount rate from September 30, 2020 to December 31, 2020.

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

Actuarial assumptions

	2020
Discount rate on net benefit obligations	**2.5%**
Rate of compensation increase	**3.0%**
Inflation rate	**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 $5,659.

23. 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.

		2020		2019
MTIP liability	$	**2,865**	$	1,069
EIP liability		**5,618**		3,925
DSU liability		**5,446**		3,449
Liabilities for cash-settled share-based compensation plans	$	**13,929**	$	8,443
Less: current portion				
MTIP liability		**491**		257
EIP liability		**1,304**		1,505
Current portion	$	**1,795**	$	1,762
Non-current portion	$	**12,134**	$	6,681

		MTIP & EIP		
		2020		2019
Balance, beginning of the period	$	**4,994**	$	2,562
Granted		**1,849**		2,011
Vested and paid		**(1,486)**		(1,295)
Granted – notional dividends		**182**		116
Change in fair value and forfeitures		**2,944**		1,600
Balance, end of the period *	$	**8,483**	$	4,994
Less: current portion		**1,795**		1,762
Non-current portion	$	**6,688**	$	3,232

* Includes the effects of the performance multiplier on PSUs of $3,102 (December 31, 2019 - $1,718).

During the year ended December 31, 2020 the Company granted 664,821 units, 499,398 units, and 198,314 units under the MTIP, EIP and DSU plans respectively (2019 - 163,143 units, 582,226 units, and 185,867 units under the MTIP, EIP and DSU plans respectively).

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

As at December 31, 2020, a total of 2,212,754 unvested phantom units of the MTIP and EIP (December 31, 2019 – 1,482,683) are outstanding and valued at $19,718 (December 31, 2019 - $11,057) of which $8,483 has been recognized to date in the statement of income (December 31, 2019 - $4,994).

As at December 31, 2020, a total of 680,718 DSU phantom units (December 31, 2019 – 482,404) were outstanding and valued at $5,446 (December 31, 2019 - $3,449).

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.

The Company entered 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 gain on these derivatives in the statement of income in general and administrative expenses for the year ended December 31, 2020 of $1,875 (2019 - $1,947 gain).

Stock option plan

The Company has a Stock Option Plan that provides all option holders the right to receive common shares in exchange for the options exercised. The Board of Directors selects eligible employees to be granted options, the number of options granted, the exercise price, the term of the option and the vesting periods. The number of common shares issuable under the Stock Option Plan shall not exceed 10% of the number of common shares outstanding. With the approval of the Equity Incentive Plan in May 2017, the Board of Directors has resolved to suspend the stock option plan.

	Number of stock options outstanding		Weighted average exercise price
Outstanding at December 31, 2018	490,000	$	13.55
Expired during the year	(390,000)		13.98
Outstanding at December 31, 2019	100,000		11.87
Forfeited during the year	**(100,000)**		**11.87**
Outstanding at December 31, 2020	**–**	$	**–**

There was $nil share-based compensation expense related to the stock options recognized during the year ended December 31, 2020 (2019 – $nil).

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

24. 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, 2020 and 2019, no preferred shares have been issued. Transaction costs of $124 directly attributable to the issuance of common shares are recognized as a deduction from shareholders' capital.

	2020			2019		
	Number of shares		**Amount**	Number of shares		Amount
Balance, beginning of period	**42,516,853**	**$**	**42,527**	42,516,853	$	42,527
Common shares issued (note 7)	**10,522,076**		**65,537**	–		–
Balance, end of period	**53,038,929**	**$**	**108,064**	42,516,853	$	42,527

25. Earnings per share

		2020		2019
Net income (basic and diluted)	**$**	**36,103**	$	9,484
Weighted average number of common shares (basic and diluted)		**45,334,239**		42,516,853
Basic and diluted earnings per share	**$**	**0.80**	$	0.22

For the year ended December 31, 2020, nil options (2019 - 100,000 options) were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

26. Finance income

		2020		2019
Interest income on lease receivables	**$**	**51**	$	–
Other interest income		**1,460**		2,596
	$	**1,511**	$	2,596

27. Finance and other costs

		2020		2019
Interest on loans and borrowings	**$**	**2,989**	$	2,331
Interest on ROU liabilities		**1,262**		903
(Gain) loss on interest rate swaps (note 11 and note 21)		**(683)**		67
Interest on non-recourse project financing (note 11)		**3,522**		1,995
Other		**416**		262
	$	**7,506**	$	5,558

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

28. Personnel costs

		2020		2019
Short-term employee benefits	$	**330,580**	$	233,634
Defined benefit and defined contribution plan expense (note 22)		**322**		–
Deferred compensation		**6,971**		5,354
	$	**337,873**	$	238,988

For the year ended December 31, 2020, personnel costs of $291,433 were included in costs of construction (2019 – $202,450) and $46,440 in general and administrative expenses (2019 – $36,538). 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.

29. Government assistance

On April 11, 2020, the Government of Canada passed the CEWS to support employers facing financial hardship as measured by certain revenue declines as a result of the COVID-19 pandemic. Certain entities of the Company qualified for CEWS in the March to December 2020 qualification periods. During the year ended December 31, 2020, the Company recognized a recovery of compensation expense in costs of construction of $21,196 and general and administrative expenses of $3,590. As at December 31, 2020, the Company recognized an amount receivable related to CEWS of $25,847 included in accounts receivable in the statement of financial position. Included in the amount receivable is an amount of $9,995 from the acquisition of Stuart Olson, net of acquisition adjustments of $144. The Government of Canada announced they will extend CEWS until at least June 2021 and the Company will continue to monitor its eligibility under the program.

30. Other cash flow information

Changes in non-cash working capital relating to operating activities

		2020		2019
Accounts receivable	$	**153,398**	$	(75,911)
Contract assets		**4,521**		(2,606)
Contract assets – alternative finance projects*		**75,067**		(68,054)
Inventory and prepaid expenses		**(1,260)**		(262)
Other assets		**5,971**		(5,240)
Accounts payable		**(119,903)**		36,563
Contract liabilities		**(48,388)**		52,123
Provisions		**1,173**		(830)
EIP and other		**(1,486)**		(2,052)
	$	**69,093**	$	(66,269)

* Contract assets – alternative finance project changes are driven by design-build-finance projects. Refer to note 11 for loan proceeds to fund contract assets – alternative finance projects.

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

Change in liabilities arising from financing activities

	Dividend payable	Non-recourse project financing	Loans and borrowings	ROU liabilities	Total
Balance, December 31, 2019	$ **1,382**	$ **85,374**	$ **40,621**	$ **31,100**	$ **158,477**
Acquisition (note 7)	**–**	**–**	**667**	**46,887**	**47,554**
Cash flows					
Proceeds	**–**	**46,782**	**88,283**	**–**	**135,065**
Repayments	**–**	**(131,849)**	**(56,658)**	**(13,372)**	**(201,879)**
Dividends paid on shares	**(17,607)**	**–**	**–**	**–**	**(17,607)**
Non-cash changes					
Net additions to ROU liabilities	**–**	**–**	**–**	**12,198**	**12,198**
Transaction costs, net of amortization	**–**	**369**	**–**	**–**	**369**
Change in fair value of interest rate swaps	**–**	**(676)**	**–**	**–**	**(676)**
Interest accretion	**–**	**–**	**–**	**1,262**	**1,262**
Dividends declared	**17,949**	**–**	**–**	**–**	**17,949**
Balance, December 31, 2020	$ **1,724**	$ **–**	$ **72,913**	$ **78,075**	$ **152,712**

	Dividend payable	Non-recourse project financing	Loans and borrowings	ROU liabilities	Total
Balance, December 31, 2018	$ 1,382	$ 11,824	$ 21,198	$ 27,029	$ 61,433
Cash flows					
Proceeds	–	72,832	24,536	–	97,368
Repayments	–	–	(5,113)	(7,615)	(12,728)
Dividends paid on shares	(16,582)	–	–	–	(16,582)
Non-cash changes					
Net additions to ROU liabilities	–	–	–	10,783	10,783
Transaction costs, net of amortization	–	655	–	–	655
Change in fair value of interest rate swaps	–	63	–	–	63
Interest accretion	–	–	–	903	903
Dividends declared	16,582	–	–	–	16,582
Balance, December 31, 2019	$ 1,382	$ 85,374	$ 40,621	$ 31,100	$ 158,477

31. Financial instruments

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.

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

The Company's non-recourse project financing interest rate swaps (note 11), interest rate swaps and total return swap derivative contracts (note 12 and note 21) are classified as Level 2 measurements in the fair value hierarchy. The Company does not 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, 2020 and 2019.

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 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.

A significant customer is one that represents 10% or more of contract revenue earned during the year. For the year ended December 31, 2020, the Company had revenue of $206,255 from one significant customer (2019 - $188,070).

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, 2020, accounts receivable outstanding for greater than 90 days and considered past due by the Company's management represent 17.2% (December 31, 2019 – 17.1%) of the balance of progress billings on construction contracts receivable. Management has recorded an allowance of $1,471 (December 31, 2019 - $1,538) against these past due receivables, net of amounts recoverable from others.

	Amounts past due			
	Up to 12 months	**Over 12 months**	**2020**	2019
Trade receivables	$ **30,223**	$ **28,517**	$ **58,740**	$ 47,174
Impairment	**(8)**	**(1,463)**	**(1,471)**	(1,538)
Total Trade receivables	$ **30,215**	$ **27,054**	$ **57,269**	$ 45,636

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

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

		2020		2019
Balance, beginning of period	$	**1,538**	$	1,271
Impairment loss recognized		**747**		313
Amounts written off as uncollectible		**(814)**		–
Amounts recovered		**–**		(46)
Balance, end of period	$	**1,471**	$	1,538

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.

The Company has working capital of $135,514 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 $139 hypothecated to support outstanding letters of credit and $55,058 held in restricted accounts, are available to meet the financial obligations of the Company as they become due. Refer to note 18 in respect of the Syndicated facility entered into in the fourth quarter of 2020 and the Company's other debt instruments, which further improves the Company's access to liquidity. As at December 31, 2020, the Company had a total undrawn balance on its Syndicated facility of $167,298 (December 31, 2019 - $81,496 undrawn on its revolving credit facility and committed revolving term loan facility). The Company also has committed term credit facilities of up to $40,000 to be used to finance equipment purchases of which $30,752 is undrawn as at December 31, 2020 (December 31, 2019 - $22,603). 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, 2020, in respect of the financial obligations of the Company. Interest payments on the committed revolving credit facility, committed non-revolving term loan facility and note payable 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	$	**490,470**	$	**490,470**	$	**479,189**	$	**11,281**	$	**–**	$	**–**
Dividends payable		**1,724**		**1,724**		**1,724**		**–**		**–**		**–**
ROU liabilities		**78,075**		**87,881**		**20,646**		**32,762**		**18,860**		**15,613**
Committed revolving credit facility		**25,000**		**25,000**		**–**		**25,000**		**–**		**–**
Committed non-revolving term loan		**35,000**		**35,000**		**1,750**		**8,750**		**9,800**		**14,700**
Equipment financing		**12,315**		**12,807**		**5,973**		**6,066**		**768**		**–**
Note payable		**598**		**598**		**598**		**–**		**–**		**–**
	$	**643,182**	$	**653,480**	$	**509,880**	$	**83,859**	$	**29,428**	$	**30,313**

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

As disclosed in notes 4 and 23, payments required pursuant to the Company's MTIP granted in 2018 and 2019 are due on the vesting dates of November 2021 and November 2022 respectively, or upon retirement, if earlier. Pursuant to the Company's MTIP granted in 2020, payments are due on the vesting dates between December 2022 and November 2023 respectively, or upon retirement, if earlier. Payments pursuant to the Company's EIP granted in 2018, 2019 and 2020 are due by December 2021, December 2022 and December 2023, 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, 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.

At December 31, 2020, the interest rate profile of the Company's loans and borrowings and non-recourse project financing was as follows:

		2020		2019
Fixed-rate facilities	$	**12,315**	$	15,621
Variable-rate facilities		**60,598**		25,000
Non-recourse project financing facilities		**–**		85,067
Total loans and borrowings and non-recourse project financing	$	**72,913**	$	125,688

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. Interest rate risk is managed through the use of interest rate swaps.

For the year ended December 31, 2020, 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 $606 (2019 – $250).

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 2021 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. The TRS derivatives are classified as derivative financial instruments. For the year ended December 31, 2020, a 10 percent change in the share price applied to the Company's TRS derivatives would change income before income taxes by approximately $1,175 (2019 – $987).

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. For the year ended December 31, 2020, a 10% movement in the Canadian and U.S. dollar exchange rate would have changed income by approximately $210 (2019 – $141).

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

32. Capital management

The Company's capital management objectives are to:

i. Ensure that the Company has the financial capacity to support its current and anticipated volume and mix of business and to manage unforeseen operational and industry developments.
ii. Ensure that the Company has sufficient financial capacity to support the execution of its longer-term growth strategies.
iii. Provide its investors with the maximum long-term returns on equity and to generate sufficient cash flow to sustain shareholder dividends and payments on long-term debt.

In the management of capital, the Company defines capital as shareholders' equity and loans and borrowings. Loans and borrowings include the current and non-current portions of long-term debt and finance leases.

The Company manages its capital within the investment policy approved by the Board of Directors. The Company makes changes to capital based on changes in business conditions and the mix of construction contracts. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Company shareholders, issue new debt or repay existing debt, issue new Company shares, and to a lesser degree, may adjust capital expenditures.

As a component of working capital, the Company maintains significant balances of cash and cash equivalents. These cash and cash equivalents are intended to cover net current liabilities, fund current dividends payable to shareholders and provide capital to support surety and contract security requirements, including issuing letters of credit relating to the current and near-term backlog of construction projects.

The amounts of shareholders' equity, working capital and loans and borrowings at December 31, 2020 and December 31, 2019 are as follows:

		2020		2019
Shareholders' equity	$	**212,610**	$	127,720
Working capital	$	**135,514**	$	80,503
Loans and borrowings	$	**72,913**	$	40,621

33. 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, 2020 totalled $93,375 (December 31, 2019 - $56,606). The Company has acquired minority equity interests in a number of PPP concession entities (note 13), which require the Company to make $768 in future capital injections. These commitments have been secured by letters of credit totalling $1,918 (December 31, 2019 - $5,859).

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.

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

34. 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 Named Executives and the Company's Board of Directors.

		2020		2019
Short-term benefits	$	**6,808**	$	4,375
Share-based compensation		**3,388**		4,126
	$	**10,196**	$	8,501

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 $657 (2019 - $1,935) and the outstanding balance receivable at December 31, 2020 was $nil (December 31, 2019 - $891).

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, 2020 totalled $47,349 (2019 - $35,565).

The Company has accounts receivable from the joint arrangements at December 31, 2020 totalling $22,314 (December 31, 2019 - $4,154).

Transactions with equity accounted joint arrangements

The Company and its proportionately consolidated joint arrangements (note 3), 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, 2020 totalled $16,492 (2019 – $98,889), of which $28,257 has been recognized in revenue in 2020 (2019 - $109,574). The Company's proportionate share of payments made to the joint arrangements for the year ended December 31, 2020 totalled $11,849 (2019 - $6,827). 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, 2020 totalled $14,341 (December 31, 2019 - $39,867). The Company also has notes receivable from an equity accounted joint arrangement at December 31, 2020 totalling $1,806 (December 31, 2019 - $8,069).

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

35. Subsequent event

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 financial statement date for the following months:

Eligible dividends declared	Record date	Payment date	Dividend per share
January dividend	January 29, 2021	February 19, 2021	$0.0325
February dividend	February 26, 2021	March 19, 2021	$0.0325
March dividend	March 31, 2021	April 20, 2021	$0.0325
April dividend	April 30, 2021	May 20,2021	$0.0325