Bird Construction Inc.

Unaudited Interim Condensed Consolidated Financial Statements

For the three month period ended March 31, 2020 and 2019

Notice required under National Instrument 51 - 102

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

Bird Construction Inc.
Consolidated Statement of Financial Position
As at March 31, 2020 and December 31,2019
(in thousands of Canadian dollars, except per share amounts)
(unaudited)

	Note		March 31, 2020		December 31, 2019
ASSETS					
Current assets					
Cash	23	$	**140,405**	$	180,244
Bankers' acceptances and short-term deposits	23		**3,999**		90
Accounts receivable	8		**400,923**		413,649
Contract assets	6		**23,029**		31,018
Contract assets – alternative finance projects	7		**102,292**		75,180
Inventory			**549**		549
Prepaid expenses			**2,309**		2,595
Income taxes recoverable			**10,979**		13,083
Investments held for sale	10		**3,033**		6,978
Other assets	9		**7,866**		5,972
Total current assets			**695,384**		729,358
Non-current assets					
Other assets	9		**7,047**		6,608
Property and equipment	11		**45,641**		46,016
Right-of-use assets	11		**32,908**		34,460
Investments in equity accounted entities	10		**10,736**		10,185
Deferred income tax asset			**10,944**		11,287
Intangible assets	12		**2,556**		2,484
Goodwill	12		**16,389**		16,389
Total non-current assets			**126,221**		127,429
TOTAL ASSETS		$	**821,605**	$	856,787
LIABILITIES					
Current liabilities					
Accounts payable		$	**368,207**	$	419,923
Contract liabilities	6		**96,730**		112,126
Dividends payable to shareholders			**1,382**		1,382
Income taxes payable			**1,726**		6,174
Non-recourse project financing	7		**105,328**		85,374
Current portion of loans and borrowings	13		**21,972**		5,883
Current portion of right-of-use liabilities	13		**8,180**		8,025
Provisions	19		**14,095**		7,763
Other liabilities	15		**2,731**		2,205
Total current liabilities			**620,351**		648,855
Non-current liabilities					
Loans and borrowings	13		**33,271**		34,738
Right-of-use liabilities	13		**21,687**		23,075
Deferred income tax liability			**12,250**		13,868
Other liabilities	15		**9,394**		8,531
Total non-current liabilities			**76,602**		80,212
TOTAL LIABILITITES			**696,953**		729,067
SHAREHOLDERS' EQUITY					
Shareholders' capital	17		**42,527**		42,527
Contributed surplus			**1,956**		1,956
Retained earnings			**80,175**		83,197
Accumulated other comprehensive income (loss)			**(6)**		40
Total shareholders' equity			**124,652**		127,720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	**821,605**	$	856,787

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

Bird Construction Inc.
Consolidated Statement of Income (Loss)
For the three month period ended March 31, 2020 and 2019
(in thousands of Canadian dollars, except per share amounts)
(unaudited)

	Note	For the three months ended March 31, 2020	2019
Construction revenue	6	$ **321,646**	$ 261,777
Costs of construction		**304,730**	255,461
Gross profit		**16,916**	6,316
Income from equity accounted investments	10	**1,722**	700
General and administrative expenses		**(14,769)**	(15,003)
Income (loss) from operations		**3,869**	(7,987)
Finance income	20	**766**	578
Finance and other costs	21	**(3,094)**	(1,452)
Income (loss) before income taxes		**1,541**	(8,861)
Income tax expense (recovery)	14	**418**	(2,395)
Net income (loss) for the period		$ **1,123**	$ (6,466)
Basic and diluted earnings (loss) per share	18	$ **0.03**	$ (0.15)

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

Bird Construction Inc.
Consolidated Statement of Comprehensive Income (Loss)
For the three month period ended March 31, 2020 and 2019
(in thousands of Canadian dollars)
(unaudited)

	Note	For the three months ended March 31, 2020	2019
Net income (loss) for the period		$ **1,123**	$ (6,466)
Other comprehensive income (loss) for the period:			
Exchange differences on translating equity accounted investments	10	**(46)**	37
Items that may be reclassified to net income in subsequent periods		**(46)**	37
Total other comprehensive income (loss) for the period		**(46)**	37
Total comprehensive income (loss) for the period		$ **1,077**	$ (6,429)

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

Bird Construction Inc.
Consolidated Statement of Changes in Equity
For the three month period ended March 31, 2020 and 2019
(in thousands of Canadian dollars, except per share amounts)
(unaudited)

	Note	Shareholders' capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance, January 1, 2019		$ 42,527	$ 1,956	$ 89,761	$ 3	$ 134,247
Net income (loss) for the period		–	–	(6,466)	–	(6,466)
Other comprehensive income		–	–	–	37	37
Total comprehensive income for the period		–	–	(6,466)	37	(6,429)
Contributions by and dividends to owners						
Dividends declared to shareholders		–	–	(4,145)	–	(4,145)
		–	–	(4,145)	–	(4,145)
Balance, March 31, 2019		$ 42,527	$ 1,956	$ 79,150	$ 40	$ 123,673
Dividends declared per share				$ 0.10		
Balance, December 31, 2019		**$ 42,527**	**$ 1,956**	**$ 83,197**	**$ 40**	**$ 127,720**
Net income for the period		**–**	**–**	**1,123**	**–**	**1,123**
Other comprehensive income (loss)	**10**	**–**	**–**	**–**	**(46)**	**(46)**
Total comprehensive income for the period		**–**	**–**	**1,123**	**(46)**	**1,077**
Contributions by and dividends to owners						
Dividends declared to shareholders		**–**	**–**	**(4,145)**	**–**	**(4,145)**
		–	**–**	**(4,145)**	**–**	**(4,145)**
Balance, March 31, 2020		**$ 42,527**	**$ 1,956**	**$ 80,175**	**$ (6)**	**$ 124,652**
Dividends declared per share				**$ 0.10**		

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

Bird Construction Inc.
Consolidated Statement of Cash Flows
For the three month period ended March 31, 2020 and 2019
(in thousands of Canadian dollars)
(unaudited)

	Note	For the three months ended March 31, 2020	2019
Cash flows from (used in) operating activities			
Net income (loss) for the period		$ **1,123**	$ (6,466)
Items not involving cash:			
Amortization	12	**229**	175
Depreciation	11	**3,639**	3,044
Gain on sale of property and equipment		**(175)**	(235)
Income from equity accounted investments	10	**(1,722)**	(700)
Finance income	20	**(766)**	(578)
Finance and other costs	21	**3,094**	1,452
Deferred compensation plan expense and other		**1,291**	(271)
Unrealized (gain) loss on investments and other		**(72)**	287
Income tax expense (recovery)	14	**418**	(2,395)
Cash flows from operations before changes in non-cash working capital		**7,059**	(5,687)
Changes in non-cash working capital related to operating activities	23	**(69,311)**	(52,226)
Interest received		**854**	537
Interest paid		**(1,724)**	(777)
Income taxes paid		**(5,217)**	(2,451)
Net cash used in operating activities		**(68,339)**	(60,604)
Cash flows from (used in) investing activities			
Investments in equity accounted entities	10	**(39)**	–
Capital distributions from equity accounted entities	10	**873**	200
Proceeds on sale of investment in equity accounted entities	10	**5,414**	–
Additions to property and equipment	11	**(2,026)**	(3,263)
Proceeds on sale of property and equipment	11	**1,413**	341
Additions to intangible assets	12	**(301)**	(89)
Proceeds from maturity of short-term investments		**–**	1,666
Other long-term assets		**–**	1,019
Net cash from (used in) investing activities		**5,334**	(126)
Cash flows from (used in) in financing activities			
Dividends paid on shares		**(4,145)**	(4,145)
Proceeds from non-recourse project financing	7	**18,855**	4,609
Proceeds from loans and borrowings	13	**16,250**	10,760
Repayment of loans and borrowings	13	**(1,628)**	(635)
Repayment of right-of-use liabilities	13	**(2,329)**	(1,390)
Net cash from financing activities		**27,003**	9,199
Net decrease in cash and cash equivalents, during the period		**(36,002)**	(51,531)
Effects of foreign exchange on cash balances		**72**	(248)
Cash and cash equivalents, beginning of period		**180,334**	158,920
Cash and cash equivalents, end of period	23	$ **144,404**	$ 107,141

The accompanying notes are an integral part of these interim condensed 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, through its subsidiaries and interests in joint arrangements, carries on business as a general contractor with offices across Canada. The Company serves customers in the industrial, mining, institutional, retail, commercial, multi-tenant residential, light industrial, and renovation and restoration sectors using fixed priced, design-build, unit price, cost reimbursable, guaranteed upset price, construction management and integrated project delivery ("IPD") contract delivery methods.

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

2. Basis of preparation

Authorization of financial statements

These unaudited interim condensed consolidated financial statements were authorized for issue on May 12, 2020 by the Company's Board of Directors.

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. These unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the Company's annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019.

Basis of measurement

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

Use of estimates and judgements

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

Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amount of an asset or liability and/or the reported amount of revenue and expense in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

On March 11, 2020 the World Health Organization ("WHO") declared a global pandemic ("COVID-19 pandemic") due to contagiousness of the novel coronavirus and the severe respiratory disease, COVID-19, that could be developed after contracting the virus. As a result of the COVID-19 pandemic, states of emergency were declared across the various provinces and jurisdictions that the Company operates. The Company has quickly responded to protect its people and has implemented numerous health and safety measures based on public health authority guidance. The Company's operations could be negatively impacted as a result of the global pandemic due to suspension of projects, availability of labour and disruptions to the supply chain. 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 COVID-19 pandemic has caused significant disruption to the global economy, and the duration and full financial impact of the COVID-19 pandemic is yet to be determined. The effectiveness of the Company's business continuity plan, and various safety and austerity measures implemented are also yet to be determined. There is significant uncertainty relating to any assumptions and estimates relating to the impact of COVID-19 pandemic on the operating and financial results, which could materially and adversely affect the Company.

Revenue and gross profit recognition

Construction revenue, construction costs, contract liabilities, and contract assets are based on estimates and judgements used in determining contract revenue and contract costs to 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 delays, changes, etc. are assessed under the Company's revenue policy, which requires significant judgement. The amount of variable consideration that is constrained is the difference between the total claim value and the best estimate of recovery. This constrained value is reviewed each reporting period.

Provisions

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.

Asset impairments

Impairment testing is performed annually or earlier, if a triggering event occurs, for indefinite-lived intangible assets and goodwill resulting from business combinations, by comparing the recoverable amount of the cash generating unit ("CGU"), or groups of CGUs to its carrying amount. The recoverable amounts of the CGU are determined based on a value in use calculation. There is a significant amount of uncertainty with respect to the estimates of recoverable amounts of the CGUs' assets given the necessity of making economic projections which employ the following key assumptions: future cash flows, growth opportunities, including economic risk assumptions, and estimates of achieving key operating metrics and drivers; and the discount rate.

3. Summary of significant accounting policies

The accounting principles used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's December 31, 2019 annual consolidated financial statements.

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

4. New Accounting Standards, Amendments and Interpretations Adopted

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

5. Future accounting changes

The following future change to accounting standards is not effective for the annual period ending December 31, 2020, and has not been applied in preparing these consolidated financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that: settlement of a liability includes transferring a company's own equity instruments to the counterparty; and when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

6. Revenue

Disaggregation of revenue
The Company disaggregates revenue from contracts with customers by contract type, as this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The following tables provide details of total construction revenue by contract type for the period ended March 31, 2020:

	For the three months ended March 31,	
	2020	2019
Public Private Partnerships ("PPP")	**$ 15,463**	$ 26,314
Alternative finance projects and complex design-build	**36,263**	41,992
Stipulated sum, unit price and standard specification design-build	**180,031**	141,653
Construction management, cost plus and IPD	**89,889**	51,818
	$ 321,646	$ 261,777

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.

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

As at March 31, 2020 the aggregate amount of the transaction price allocated to total remaining performance obligations from construction contracts was $1,426,616. 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 66% of the remaining performance obligations over the next 12 months with the remaining balance being recognized beyond 12 months. This expectation is based on management's best estimate but contains uncertainty as it is subject to factors outside of management's control.

Summary of contract balances

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

		March 31, 2020		December 31, 2019
Progress billings and holdbacks receivable (note 8)	**$**	**393,008**	$	406,682
Contract assets		**23,029**		31,018
Contract assets – alternative finance projects (note 7)		**102,292**		75,180
Contract liabilities		**(96,730)**		(112,126)
	$	**421,599**	$	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 follow a contractually agreed billing schedule and contract assets are recognized in accounts receivable upon substantial performance.

Contract liabilities

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

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

7. Alternative finance projects

The following table provides details of contract assets – alternative finance projects as at March 31, 2020:

OPP Modernization Phase 2		**March 31, 2020**
Balance, beginning of period	$	75,180
Change in contract asset relating to the project		27,112
Balance, end of period	$	102,292

The following table provides details of the changes in the Company's non-recourse project financing during the period:

	Non-Recourse Project Financing							
		Loan facility		**Transaction costs**		**Interest rate swap**		**Total**
Balance, December 31, 2019	$	85,067	$	(369)	$	676	$	85,374
Proceeds		18,855		–		–		18,855
Repayment of debt		–		–		–		–
Transaction costs net of amortization		–		276		–		276
Change in fair value of interest rate swap		–		–		823		823
Balance, March 31, 2020	$	103,922	$	(93)	$	1,499	$	105,328

OPP Modernization Phase 2

i. Background information

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

ii. Restricted cash

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

iii. Contract assets

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

iv. Loan payable

The Company has arranged a $138,475 loan facility related to the project. The loan is repayable in full, upon substantial completion of the project, from the proceeds of the contract payment. The scheduled substantial completion date is in the fourth quarter of 2020. In the event of a default in payment for the construction work upon substantial completion, including interim interest costs, the lender has recourse only against assets related to this project, which have been segregated in a wholly-owned subsidiary of the Company.

Interest is paid monthly in arrears. Borrowings under the facility bear interest at a rate per annum equal to the bankers' acceptance rate plus a spread. As part of the loan facility, the Company entered into an interest rate swap agreement that effectively fixes the interest rate at 3.29%. The interest rate swap was executed on August 17, 2018 and expires on January 4, 2021. The notional amounts of the interest rate swap agreement match the estimated draws under the loan facility. The interest rate swap agreement is not designated as a hedge, and changes in the fair market value are recorded in the consolidated statement of income. Interest expense on the loan during the three month period ended March 31, 2020 of $1,060 (March 31, 2019 – $221) is included in finance costs.

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

8. Accounts receivable

		March 31, 2020		December 31, 2019
Progress billings on construction contracts	$	**278,913**	$	271,931
Holdbacks receivable (due within one operating cycle)		**114,095**		134,751
Other		**7,915**		6,967
	$	**400,923**	$	413,649

Accounts receivable are reported net of an allowance for doubtful accounts of $1,542 as at March 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.

9. Other assets

		March 31, 2020		December 31, 2019
Subcontractor / Supplier insurance deposits	$	**4,909**	$	4,511
Notes receivable		**10,004**		8,069
Other assets		**14,913**		12,580
Less:				
Current portion – other assets		**7,866**		5,972
Non-current portion	$	**7,047**	$	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 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 and is due upon completion of the project.

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

10. Projects and entities accounted for using the equity method

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

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

		March 31, 2020
Projects and entities accounted for using the equity method – beginning of period	$	**10,185**
Share of net income for the period		**1,318**
Share of other comprehensive income (loss) for the period		**(46)**
Investments in equity accounted entities		**39**
		11,496
Distributions from projects and entities accounted for using the equity method		**(760)**
Projects and entities accounted for using the equity method – end of period	$	**10,736**

Investments classified as held for sale		March 31, 2020
Balance, beginning of period	$	**6,978**
Distributions received		**(113)**
Investments in equity accounted entities reclassified as held for sale (disposed)		**(3,832)**
Balance, end of period	$	**3,033**

		March 31, 2020
Share of net income for the period	$	**1,318**
Gain on sale of investment in equity accounted entities		**404**
Income from equity accounted investments	$	**1,722**

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

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

Investments in equity accounted entities classified as held for sale

The Company has initiated plans to sell its investments in two entities accounted for using the equity method. These investments have been classified as investments held for sale on the consolidated statement of financial position. For the three month period ended March 31, 2020, distributions of $113 were received from investments in equity accounted entities classified as held for sale.

During the three month period ended March 31, 2020, the Company disposed of one of its investment in entities accounted for using the equity method for proceeds of $5,414. The Company recognized a net gain on the transaction of $404 which is included in income from equity accounted entities on the consolidated statement of income.

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

11. Property and equipment

	March 31, 2020					
	Land	Buildings	Building 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
Additions	–	–	374	1,643	9	2,026
Disposals	(9)	–	–	(1,510)	–	(1,519)
Balance, March 31, 2020	2,121	12,129	9,306	92,247	2,761	118,564
Accumulated depreciation						
Balance, December 31, 2019	–	6,192	4,478	59,415	1,956	72,041
Disposals	–	–	–	(895)	–	(895)
Depreciation expense	–	150	188	1,396	43	1,777
Balance, March 31, 2020	–	6,342	4,666	59,916	1,999	72,923
Net book value	$ 2,121	$ 5,787	$ 4,640	$ 32,331	$ 762	$ 45,641

Right-of-use assets

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

	March 31, 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
Additions	–	244	638	43	925
Disposals	–	–	(870)	–	(870)
Balance, March 31, 2020	53	17,755	25,893	179	43,880
Accumulated depreciation					
Balance, December 31, 2019	–	2,572	6,759	34	9,365
Disposals	–	–	(255)	–	(255)
Depreciation expense	–	715	1,135	12	1,862
Balance, March 31, 2020	–	3,287	7,639	46	10,972
Net book value	$ 53	$ 14,468	$ 18,254	$ 133	$ 32,908

The statement of cash flows for the period ended March 31, 2020 excludes additions of ROU assets totalling $925 (March 31, 2019 - $1,779) acquired through finance leases.

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

12. Intangible assets and goodwill

	March 31, 2020	
	Computer Software	**Goodwill**
Cost		
Balance, beginning of period	$ **8,542**	$ **30,540**
Additions	**301**	**–**
Balance, end of period	**8,843**	**30,540**
Accumulated amortization		
Balance, beginning of period	**6,058**	**14,151**
Amortization expense	**229**	**–**
Balance, end of period	**6,287**	**14,151**
Net book value	$ **2,556**	$ **16,389**

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

Loans and Borrowings and Credit facilities

	Maturity	Interest rate	March 31, 2020	December 31, 2019
Committed revolving credit facility	Dec 31, 2022	Variable	$ **15,000**	$ 15,000
Committed revolving term loan facility	Dec 31, 2021	Variable	**26,250**	10,000
Equipment financing	2020 – 2024	Fixed 2.40% - 3.73%	**13,993**	15,621
			$ **55,243**	$ 40,621
Current portion of loans and borrowings			$ **21,972**	$ 5,883
Non-current portion of loans and borrowings			$ **33,271**	$ 34,738

Committed revolving operating credit facility

The Company has a committed revolving credit facility of up to $85,000, maturing December 31, 2022. As part of the agreement, the Company provides a general secured interest in the assets of the Company. At March 31, 2020, the Company has $28,299 letters of credit outstanding on the facility (December 31, 2019 – $28,504) and has drawn $15,000 on the facility (December 31, 2019 - $15,000). The full amount is recorded as non-current, as the facility is due and payable December 31, 2022. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A commitment fee that varies depending on certain consolidated financial ratios is due on the unutilized portion of the facility. The Company is in compliance with the working capital, minimum equity and debt-to-equity covenants of this facility.

Committed revolving term loan facility

The Company has a committed revolving term loan facility totalling $35,000 for the purpose of financing acquisitions and for working capital advances in support of major projects. The facility matures on December 31, 2021. As of March 31, 2020, the Company has drawn $26,250 (December 31, 2019 - $10,000) on the facility. An amount of $10,000 is recorded as non-current, as the facility is due and payable December 31, 2021. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A commitment fee that varies depending on certain consolidated financial ratios is due on the unutilized portion of the facility. The Company is in compliance with the working capital, minimum equity and debt-to-equity covenants of this facility.

Equipment financing

The Company and its subsidiaries have committed term credit facilities of up to $35,000 to be used to finance equipment purchases. Borrowings under the facilities are secured by a first charge against the equipment financed using the facilities. Interest on the facilities is charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears.

The Company and its subsidiaries obtained multiple, fixed interest rate, term loans which were used to finance equipment purchases. Principal and interest are payable monthly, and these term loans are secured by specific equipment of the Company and its subsidiaries.

Letters of credit facilities

The Company has authorized operating letters of credit facilities totalling $80,000. At March 31, 2020 the facilities were drawn for outstanding letters of credit of $4,615 (December 31, 2019 - $6,559).

The Company also has an agreement with Export Development Canada ("EDC") to provide performance security guarantees for letters of credit issued by financial institutions on behalf of the Company. The Company can only use this facility when letters of credit have been issued as contract security for projects that meet the EDC criteria. EDC has issued performance security guarantees totalling $4,478 (December 31, 2019 - $6,421). Subsequent to March 31, 2020, the Company increased its limit with EDC from $25,000 to $75,000.

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 March 31, 2020 of $139 (December 31, 2019 - $139).

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

ROU liabilities

	Maturity		March 31, 2020		December 31, 2019
ROU liabilities	2020 – 2034	$	**29,867**	$	31,100
Current portion of ROU liabilities			**8,180**		8,025
Non-current portion of ROU liabilities		$	**21,687**	$	23,075

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 (see note 11). At March 31, 2020, the subsidiaries had used $11,140 (December 31, 2019 - $11,653) under these facilities.

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

	Revolving Credit Facility	Committed Revolving Term Loan Facility	Equipment financing	ROU Liabilities	Total
Balance, December 31, 2019	15,000	10,000	15,621	31,100	71,721
Proceeds	–	16,250	–	–	16,250
Additions to ROU liabilities	–	–	–	925	925
Interest on ROU liabilities	–	–	–	171	171
Repayment	–	–	(1,628)	(2,329)	(3,957)
Balance, March 31, 2020	$ 15,000	$ 26,250	$ 13,993	$ 29,867	$ 85,110

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

	Revolving Credit Facility	Committed Revolving Term Loan Facility	Equipment financing	ROU Liabilities	Total
Within 1 year	$ –	$ 16,250	$ 5,722	$ 8,967	$ 30,939
Year 2	–	10,000	4,977	6,917	21,894
Year 3	15,000	–	2,787	4,821	22,608
Year 4	–	–	439	3,100	3,539
Year 5	–	–	68	1,852	1,920
More than 5 years	–	–	–	7,781	7,781
Balance, March 31, 2020	15,000	26,250	13,993	33,438	88,681
Less: interest	–	–	–	(3,571)	(3,571)
	$ 15,000	$ 26,250	$ 13,993	$ 29,867	$ 85,110

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

14. Income taxes

Provision for income taxes

	For the three months ended March 31,	
	2020	2019
Income tax expense (recovery) comprised of:		
Current income taxes	**$ 2,873**	$ (678)
Deferred income taxes	**(2,455)**	(1,717)
	$ 418	$ (2,395)

Income tax rate reconciliation

	2020	2019
Combined federal and provincial income tax rate	**27.4%**	27.3%
Increase (reductions) applicable to:		
Non-taxable items	**0.1%**	0.0%
Other	**(0.4%)**	(0.3%)
Effective rate	**27.1%**	27.0%

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

15. Other liabilities

	March 31, 2020	December 31, 2019
Liabilities for cash-settled share-based compensation plans (note 16)	**$ 6,329**	$ 8,443
Leasehold inducement	**1,898**	1,964
Total return swap derivatives	**3,742**	271
Interest rate swaps	**156**	58
	$ 12,125	$ 10,736
Less: current portion		
Cash-settled share-based compensation plans (note 16)	**1,333**	1,762
Leasehold inducement	**65**	261
Total return swap derivatives	**1,177**	175
Interest rate swaps	**156**	7
Current portion	**$ 2,731**	$ 2,205
Non-current portion	**$ 9,394**	$ 8,531

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

16. Share-based compensation plans

Stock option plan

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

	Number of stock options outstanding		Weighted average exercise price
Outstanding at December 31, 2019	100,000	$	11.87
Expired during the period	–		–
Outstanding at March 31, 2020	**100,000**	$	**11,87**

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2020:

	Number of stock options issued and outstanding	Number of stock options exercisable		Exercise price		Weighted average fair value of the option	Expiry date	Remaining contractual life (years)
January 1, 2015 Grant	**100,000**	**100,000**	$	**11.87**	$	**1.16**	**January 1, 2022**	**1.8**

All outstanding options have fully vested. There was no stock-based compensation expense recognized during the three month period ended March 31, 2020 (March 31, 2019 - $nil).

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

		March 31, 2020		December 31, 2019
MTIP liability	$	**810**	$	1,069
EIP liability		**3,022**		3,925
DSU liability		**2,497**		3,449
Liabilities for cash-settled share-based compensation plans	$	**6,329**	$	8,443
Less: current portion				
MTIP liability		**182**		257
EIP liability		**1,151**		1,505
Current portion	$	**1,333**	$	1,762
Non-current portion	$	**4,996**	$	6,681

The Company has recognized a loss on its TRS derivatives for the three month period ended March 31, 2020 of $3,470 (March 31, 2019 - gain of $2,445).

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

17. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares and has 42,516,853 issued and outstanding common shares as at March 31, 2020. The Company is authorized to issue preference shares in series with rights set by the Board of Directors, up to a balance not to exceed 35% of the outstanding common shares.

	Number of shares		Amount
Balance, March 31, 2020 and December 31, 2019	**42,516,853**	**$**	**42,527**

18. Earnings per share

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

		For the three months ended March 31,		
		2020		2019
Profit (loss) attributable to shareholders (basic and diluted)	**$**	**1,123**	$	(6,466)
Average number of common shares outstanding		**42,516,853**		42,516,853
Effect of stock options on issue		**–**		–
Weighted average number of common shares (diluted)		**42,516,853**		42,516,853
Basic and diluted earnings (loss) per share	**$**	**0.03**	$	(0.15)

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

19. Provisions

		Warranty claims and other		Legal		Total
Balance, December 31, 2019	**$**	**5,218**	**$**	**2,545**	**$**	**7,763**
Provisions made during the period		**6,201**		**4,986**		**11,187**
Provisions used during the period		**(3,477)**		**(26)**		**(3,503)**
Provisions reversed during the period		**(1,348)**		**(4)**		**(1,352)**
Balance, March 31, 2020	**$**	**6,594**	**$**	**7,501**	**$**	**14,095**

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.

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

20. Finance income

	For the three months ended March 31, 2020	2019
Interest income	$ **766**	$ 578

21. Finance and other costs

	For the three months ended March 31, 2020	2019
Interest on loans and borrowings	$ **872**	$ 414
Interest on ROU liabilities	**171**	223
Loss on interest rate swaps (note 7 and note 15)	**921**	459
Interest on non-recourse project financing (note 7)	**1,060**	221
Other	**70**	135
	$ **3,094**	$ 1,452

22. Commitments and contingencies

Commitments

Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at March 31, 2020 totalled $59,268 (December 31, 2019 - $56,606). The Company has acquired minority equity interests in a number of PPP concession entities (note 10), which requires the Company to make $5,820 in future capital injections. These commitments have been secured by letters of credit totalling $5,859 (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)

23. Other cash flow information

		For the three months ended March 31,		
Changes in non-cash working capital relating to operating activities		**2020**		2019
Accounts receivable	$	**12,639**	$	23,069
Contract assets		**7,989**		(4,475)
Contract assets – alternative finance projects*		**(27,112)**		(4,162)
Prepaid expenses		**286**		(76)
Inventory and other assets		**(2,333)**		157
Accounts payable		**(51,716)**		(82,859)
Contract liabilities		**(15,396)**		15,035
Provisions		**6,332**		1,085
	$	**(69,311)**	$	(52,226)

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

Cash and cash equivalents		**March 31, 2020**		December 31, 2019
Cash	$	**31,704**	$	36,127
Restricted cash and blocked accounts*		**15,769**		10,102
Cash held for joint operations		**92,932**		134,015
Bankers' acceptances and short-term deposits*		**3,999**		90
	$	**144,404**	$	180,334

* Cash, bankers' acceptances and short-term deposits include restricted cash and cash equivalents. These amounts are not available for general operating purposes.

Restricted cash and cash equivalents		**March 31, 2020**		December 31, 2019
Cash and cash equivalents held to support letters of credit (note 13)	$	**139**	$	139
Cash deposited in blocked accounts for special projects (note 7)		**383**		212
Restricted cash		**15,336**		9,841
	$	**15,858**	$	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 13).

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)

24. Financial instruments

Classification and fair value of financial instruments

		March 31, 2020		December 31, 2019
Financial instruments at fair value through profit or loss				
Non-recourse project financing – interest rate swaps	$	**(1,499)**	$	(676)
Interest rate swaps		**(156)**		(58)
Total return swap derivatives		**(3,742)**		(271)
	$	**(5,397)**	$	(1,005)
Financial assets and financial liabilities				
Financial assets				
Cash and cash equivalents (note 23)	$	**144,404**	$	180,334
Accounts receivable		**400,923**		413,649
Other non-current assets		**7,047**		6,608
	$	**552,374**	$	600,591
Financial liabilities				
Accounts payable	$	**(368,207)**	$	(419,923)
Dividends payable to shareholders		**(1,382)**		(1,382)
Non-recourse project financing – loan facilities (note 7)		**(103,829)**		(84,698)
Loans and borrowings		**(55,243)**		(40,621)
Right-of-use liabilities		**(29,867)**		(31,100)
	$	**(558,528)**	$	(577,724)
Total financial instruments	$	**(11,551)**	$	21,862

The fair value of the loans and borrowings and ROU liabilities 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.

Risk Management

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

i. Credit Risk

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

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

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

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

At March 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 $1,542 (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**	**March 31, 2020**	**December 31, 2019**
Trade receivables	$ **31,454**	$ **16,849**	$ **48,303**	$ 47,174
Impairment	**(85)**	**(1,457)**	**(1,542)**	(1,538)
Total Trade receivables	$ **31,369**	$ **15,392**	$ **46,761**	$ 45,636

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

	March 31, 2020	December 31, 2019
Balance, beginning of period	$ **1,538**	$ 1,271
Impairment loss recognized	**120**	313
Amounts written off	**(116)**	–
Impairment loss reversed	**–**	(46)
Balance, end of period	$ **1,542**	$ 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 fall due.

The Company has working capital of $75,033 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 $15,719 held in restricted accounts, are available to meet the financial obligations of the Company as they come due.

The Company has a committed line of credit of $85,000 available to finance operations and issue letters of credit. As at March 31, 2020, the Company has drawn $15,000 on the facility and has $28,299 letters of credit outstanding on the facility. The committed line of credit is available until December 31, 2022.

The Company has a committed revolving term loan facility totalling $35,000 for the purpose of financing acquisitions and for working capital advances in support of major projects. As of March 31, 2020, the Company has drawn $26,250 on the facility. Also, the Company and its subsidiaries have $35,000 in equipment facilities, of which $13,993 is outstanding at March 31, 2020.

Subsidiaries of the Company have established operating lease lines of credit for $31,800 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. At March 31, 2020, the subsidiaries have used $11,140 under these facilities. In addition, the Company has letters of credit facilities totalling $80,000 available for issuing letters of credit for which $4,615 was drawn at March 31, 2020. Additional draws on this line require hypothecation of additional securities or cash deposits. Cash collateralization may not be required for certain letters of credit with an export component as the Company has entered into an agreement with EDC to provide performance security guarantees for letters of credit issued that meet their criteria. The Company believes it has access to sufficient funding through the use of these facilities to meet foreseeable operating requirements.

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

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

iii. Market risk

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

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

		March 31, 2020
Fixed-rate facilities	$	**13,993**
Variable-rate facilities		**41,250**
Non-recourse project financing facilities		**103,922**
Total loans and borrowings and non-recourse project financing	$	**159,165**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that its credit facilities and TRS derivatives are based on variable rates of interest. The Company has the option to convert all variable-rate term facilities to fixed-rate term facilities. Interest rate risk on the non-recourse project financing is managed with the objective of reducing the cash flow interest rate risk through the use of interest rate swaps.

As at March 31, 2020, a one percent change in the interest rate applied to the Company's variable rate long-term debt will change annual income before income taxes by approximately $412.

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 2020 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. As at March 31, 2020, a 10 percent change in the share price applied to the Company's TRS derivatives will change income before income taxes by approximately $629.

iv. Currency risk

Currency risk is the risk that fluctuations in currency exchange rates will affect the Company's net income. The Company uses foreign currency to settle payments to vendors and subcontractors in the foreign currency. A 10% movement in the Canadian and U.S. dollar exchange rate would have changed income by approximately $86.

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

As of the date of the approval of these financial statements, the Board of Directors has declared eligible dividends for the following months:

i. The April dividend of $0.0325 per share will be paid on May 20, 2020 to the Shareholders of record as of the close of business on April 30, 2020.
ii. The May dividend of $0.0325 per share will be paid on June 19, 2020 to the Shareholders of record as of the close of business on May 31, 2020.

26. Comparative figures

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