Bird Construction Inc.

Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2020 and 2019

(unaudited)

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 September 30, 2020 and December 31, 2019
(in thousands of Canadian dollars, except per share amounts), (unaudited)

	Note	September 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash	24	$ **157,144**	$ 180,244
Bankers' acceptances and short-term deposits	24	**90**	90
Accounts receivable	9	**617,035**	413,649
Contract assets	7	**52,716**	31,018
Contract assets – alternative finance projects	8	**140,093**	75,180
Inventory and prepaid expenses		**7,887**	3,144
Income taxes recoverable		**3,617**	13,083
Investments held for sale	11	**–**	6,978
Other assets	10	**1,436**	5,972
Total current assets		**980,018**	729,358
Non-current assets			
Other assets	10	**12,149**	6,608
Property and equipment	12	**59,360**	46,016
Right-of-use assets	12	**57,734**	34,460
Investments in equity accounted entities	11	**16,165**	10,185
Deferred income tax asset		**28,561**	11,287
Intangible assets	13	**31,599**	2,484
Goodwill	13	**27,113**	16,389
Total non-current assets		**232,681**	127,429
TOTAL ASSETS		$ **1,212,699**	$ 856,787
LIABILITIES			
Current liabilities			
Accounts payable		$ **517,825**	$ 419,923
Contract liabilities	7	**143,886**	112,126
Dividends payable to shareholders		**1,724**	1,382
Income taxes payable		**19,844**	6,174
Non-recourse project financing	8	**130,352**	85,374
Current portion of loans and borrowings	14	**8,037**	5,883
Current portion of right-of-use liabilities	14	**18,309**	8,025
Provisions	20	**18,727**	7,763
Other liabilities	16	**2,818**	2,205
Total current liabilities		**861,522**	648,855
Non-current liabilities			
Pension liabilities		**5,023**	–
Loans and borrowings	14	**65,180**	34,738
Right-of-use liabilities	14	**55,111**	23,075
Deferred income tax liability		**18,163**	13,868
Other liabilities	16	**11,690**	8,531
Total non-current liabilities		**155,167**	80,212
TOTAL LIABILITIES		**1,016,689**	729,067
SHAREHOLDERS' EQUITY			
Shareholders' capital	18	**108,064**	42,527
Contributed surplus		**1,956**	1,956
Retained earnings		**85,988**	83,197
Accumulated other comprehensive income		**2**	40
Total shareholders' equity		**196,010**	127,720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ **1,212,699**	$ 856,787

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

Bird Construction Inc.
Consolidated Statement of Income
For the three and nine month periods ended September 30, 2020 and 2019
(in thousands of Canadian dollars, except per share amounts), (unaudited)

	Note	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Construction revenue	7	$ **345,060**	$ 378,591	$ **949,472**	$ 955,796
Costs of construction		**317,686**	354,792	**884,706**	911,230
Gross profit		**27,374**	23,799	**64,766**	44,566
Income from equity accounted investments	11	**4,135**	278	**7,981**	1,954
General and administrative expenses		**(17,695)**	(14,236)	**(45,955)**	(42,420)
Income from operations		**13,814**	9,841	**26,792**	4,100
Finance income	21	**242**	698	**1,333**	1,827
Finance and other costs	22	**(1,132)**	(1,237)	**(5,775)**	(4,005)
Income before income taxes		**12,924**	9,302	**22,350**	1,922
Income tax expense	15	**4,102**	2,520	**6,781**	605
Net income for the period		$ **8,822**	$ 6,782	$ **15,569**	$ 1,317
Basic and diluted earnings per share	19	$ **0.20**	$ 0.16	$ **0.36**	$ 0.03

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 and nine month periods ended September 30, 2020 and 2019
(in thousands of Canadian dollars), (unaudited)

	For the three months ended September 30, 2020	2019	For the nine months ended September 30, 2020	2019
Net income for the period	$ **8,822**	$ 6,782	$ **15,569**	$ 1,317
Other comprehensive income (loss) for the period:				
Exchange differences on translating equity accounted investments	**31**	(15)	**(33)**	16
Foreign currency translation	**(3)**	–	**(5)**	–
Items that may be reclassified to net income in subsequent periods	**28**	(15)	**(38)**	16
Total other comprehensive income (loss) for the period	**28**	(15)	**(38)**	16
Total comprehensive income for the period	$ **8,850**	$ 6,767	$ **15,531**	$ 1,333

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 nine month periods ended September 30, 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, December 31, 2018		$ 42,527	$ 1,956	$ 91,743	$ 3	$ 136,229
Impact on adoption of IFRS 16		–	–	(1,448)	–	(1,448)
Balance, January 1, 2019		42,527	1,956	90,295	3	134,781
Net income for the period		–	–	1,317	–	1,317
Other comprehensive income		–	–	–	16	16
Total comprehensive income for the period		–	–	1,317	16	1,333
Contributions by and dividends to owners						
Dividends declared to shareholders		–	–	(12,436)	–	(12,436)
		–	–	(12,436)	–	(12,436)
Balance, September 30, 2019		$ 42,527	$ 1,956	$ 79,176	$ 19	$ 123,678
Dividends declared per share				$ 0.29		
Balance, December 31, 2019		**$ 42,527**	**$ 1,956**	**$ 83,197**	**$ 40**	**$ 127,720**
Net income for the period		**–**	**–**	**15,569**	**–**	**15,569**
Other comprehensive loss	11	**–**	**–**	**–**	**(38)**	**(38)**
Total comprehensive income for the period		**–**	**–**	**15,569**	**(38)**	**15,531**
Contributions by and dividends to owners						
Common shares issued on acquisition of Stuart Olson Inc.	6	**65,537**	**–**	**–**	**–**	**65,537**
Dividends declared to shareholders		**–**	**–**	**(12,778)**	**–**	**(12,778)**
		65,537	**–**	**(12,778)**	**–**	**52,759**
Balance, September 30, 2020		**$ 108,064**	**$ 1,956**	**$ 85,988**	**$ 2**	**$ 196,010**
Dividends declared per share				**$ 0.29**		

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

Bird Construction Inc.
Consolidated Statement of Cash Flows
For the nine month periods ended September 30, 2020 and 2019
(in thousands of Canadian dollars), (unaudited)

	Note	For the nine months ended September 30, 2020	2019
Cash flows from (used in) operating activities			
Net income for the period		**$ 15,569**	$ 1,317
Items not involving cash:			
Amortization	13	**721**	664
Depreciation	12	**11,022**	10,682
Gain on sale of property and equipment		**(1,720)**	(1,091)
Income from equity accounted investments	11	**(7,981)**	(1,954)
Finance income	21	**(1,333)**	(1,827)
Finance and other costs	22	**5,775**	4,005
Deferred compensation plan expense and other		**3,083**	2,291
Unrealized (gain) loss on investments and other		**(27)**	(16)
Income tax expense (recovery)	15	**6,781**	605
Cash flows from operations before changes in non-cash working capital		**31,890**	14,676
Changes in non-cash working capital related to operating activities	24	**(101,255)**	(106,135)
Interest received		**1,473**	1,781
Interest paid		**(5,144)**	(2,819)
Income taxes recovered (paid)		**3,052**	(283)
Net cash used in operating activities		**(69,984)**	(92,780)
Cash flows from (used in) investing activities			
Investments in equity accounted entities	11	**(4,781)**	(112)
Capital distributions from equity accounted entities	11	**3,870**	1,493
Proceeds on sale of investment in equity accounted entities	11	**11,034**	–
Additions to property and equipment	12	**(6,753)**	(11,129)
Proceeds on sale of property and equipment	12	**6,368**	1,928
Additions to intangible assets	13	**(1,406)**	(495)
Acquisition of Stuart Olson Inc., net of cash acquired	6	**(59,960)**	–
Proceeds from maturity of short-term investments		**–**	1,666
Other long-term assets		**742**	283
Net cash used in investing activities		**(50,886)**	(6,366)
Cash flows from (used in) in financing activities			
Proceeds from issuance of common shares, net of issue costs	6	**39,876**	–
Dividends paid on shares		**(12,436)**	(12,436)
Proceeds from non-recourse project financing	8	**44,891**	43,793
Proceeds from loans and borrowings	14	**61,907**	14,536
Repayment of loans and borrowings	14	**(29,974)**	(3,606)
Repayment of right-of-use liabilities	14	**(6,521)**	(5,210)
Net cash from financing activities		**97,743**	37,077
Net decrease in cash and cash equivalents, during the period		**(23,127)**	(62,069)
Effects of foreign exchange on cash balances		**27**	55
Cash and cash equivalents, beginning of period		**180,334**	158,920
Cash and cash equivalents, end of period	24	**$ 157,234**	$ 96,906

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 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.

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

2. Basis of preparation

Authorization of financial statements

These unaudited interim condensed consolidated financial statements were authorized for issue on November 10, 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.

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 judgments 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 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.

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 may differ from assumptions, will result in gains or losses that will be disclosed in future accounting valuations.

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 except for the following:

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;
- Any right-of-use assets and right-of-use liabilities identified in which the acquiree is the lessee, IFRS 3 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 right-of-use 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, it is recognized in the consolidated statement of income 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.

Employee benefits and post-employment benefits

Post-employment benefits

The Company has a Registered Retirement Savings Plan ("RRSP"). The Company contributes to the plan based on the amount of employee contributions. The related obligation of RRSPs is measured on an undiscounted basis and are expensed as the related services are provided.

The Company maintains two registered pension plans. Each plan includes a defined contribution ("DC") provision and a non-contributory defined benefit ("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 profit or loss 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 profit or loss.

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, commences once the asset is available for use and is recognized in profit or loss based on the expected pattern of consumption of the economic benefits of the asset. Amortization methods, useful lives and residual values are reviewed at each financial year end 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	2 to 5 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

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 changes to accounting standards are 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.

Amendments to IFRS 16 – COVID-19-Related Rent Concessions

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.

6. 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 (“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 the Effective Date.

In connection with this acquisition, the Company incurred acquisition related costs of approximately $5,111 comprised mainly of consulting and other professional fees. These costs have been included in general and administrative expenses in the consolidated 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 and assets or liabilities related to employee benefit arrangements and any right-of-use assets and right-of-use liabilities identified in which the acquiree is the lessee. The fair value assigned to the net assets acquired is preliminary and based on estimates and assumptions using information available at the time of preparation of these interim condensed consolidated financial statements. The purchase price allocation may be adjusted in the future because certain fair values have not yet been finalized. Working capital adjustments, receipt of appraisals for the fair values of acquired intangible assets and property, plant and equipment, as well as the finalization of management's assessment of deferred taxes are not finalized.

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

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		264,726
Contract assets		32,543
Income taxes recoverable		496
Lease receivables		7,506
Other assets		3,644
Property and equipment		15,251
Right-of-use assets		28,874
Intangible assets		28,430
Net deferred tax assets		10,078
Liabilities assumed		
Accounts payable		(192,145)
Contract liabilities		(51,838)
Income taxes payable		(9,719)
Provisions		(8,553)
Pension liabilities		(5,023)
Loans and borrowings		(667)
Right-of-use liabilities		(46,887)
Other liabilities		(1,819)
Net identifiable assets acquired	**$**	**84,937**
Goodwill		10,724
Net assets acquired	**$**	**95,661**

Goodwill and intangible assets

Goodwill of $10,724 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. None of the goodwill recognized is expected to be deductible for tax purposes. Identifiable intangible assets acquired of $28,430 includes computer software, backlog and agency contracts, customer relationships and trade names.

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

The fair value of the trade receivables acquired amounts to $264,726. The gross amount of trade receivables was $283,527, of which $18,801 was expected to be uncollectible at acquisition date. From the date of acquisition, Stuart Olson has contributed $14,003 of revenue and a nominal amount of net income.

7. 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.

	Three months ended September 30,		Nine months ended September, 30	
	2020	2019	**2020**	2019
Public Private Partnerships ("PPP")	**$ 5,960**	$ 28,983	**$ 27,335**	$ 78,481
Alternative finance projects and complex design-build	**15,182**	44,006	**79,731**	132,483
Stipulated sum, unit price and standard specification design-build	**241,137**	216,098	**607,106**	536,308
Construction management, cost plus and IPD	**82,781**	89,504	**235,300**	208,524
	$ 345,060	$ 378,591	**$ 949,472**	$ 955,796

Remaining performance obligations

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

As at September 30, 2020 the aggregate amount of the transaction price allocated to total remaining performance obligations from construction contracts was $2,589,698. 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 61% of the remaining performance obligations over the next 12 months with the remaining balance being recognized beyond 12 months. This expectation is based on management's best estimate but contains uncertainty as it is subject to factors outside of management's control.

Summary of contract balances

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

	September 30, 2020	December 31, 2019
Progress billings and holdbacks receivable (note 9)	**$ 597,893**	$ 406,682
Contract assets	**52,716**	31,018
Contract assets – alternative finance projects (note 8)	**140,093**	75,180
Contract liabilities	**(143,886)**	(112,126)
	$ 646,816	$ 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.

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

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.

8. Alternative finance projects

The following table provides details of contract assets – alternative finance projects as at September 30, 2020:

OPP Modernization Phase 2		**September 30, 2020**
Balance, beginning of period	$	**75,180**
Change in contract asset relating to the project		**64,913**
Balance, end of period	$	**140,093**

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		**44,891**		**–**		**–**		**44,891**
Repayment of debt		**–**		**–**		**–**		**–**
Transaction costs net of amortization		**–**		**369**		**–**		**369**
Change in fair value of interest rate swap		**–**		**–**		**(282)**		**(282)**
Balance, September 30, 2020	$	**129,958**	$	**–**	$	**394**	$	**130,352**

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 24).

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.

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

Interest is paid monthly in arrears. Borrowings under the facility bear interest at a rate per annum equal to the bankers' acceptance rate plus a spread. As part of the loan facility, the Company entered into an interest rate swap agreement that effectively fixes the interest rate at 3.29%. The 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 nine month period ended September 30, 2020 of $3,162 (September 30, 2019 – $1,109) is included in finance costs.

9. Accounts receivable

		September 30, 2020		December 31, 2019
Progress billings on construction contracts	$	**427,585**	$	271,931
Holdbacks receivable (due within one operating cycle)		**170,308**		134,751
Other		**19,142**		6,967
	$	**617,035**	$	413,649

Accounts receivable are reported net of an allowance for doubtful accounts of $1,973 as at September 30, 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 $13,239 at September 30, 2020 (December 31, 2019 - $nil) related the Canada Emergency Wage Subsidy. See note 27.

10. Other assets

		September 30, 2020		December 31, 2019
Subcontractor / Supplier insurance deposits	$	**4,866**	$	4,511
Notes receivable		**1,213**		8,069
Lease receivables (note 6)		**7,506**		–
Other assets		**13,585**		12,580
Less:				
Current portion		**1,436**		5,972
Non-current portion	$	**12,149**	$	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.

The Company subleases certain facilities, acquired in the business combination (see note 6), and following is a detailed maturity analysis of the undiscounted finance lease payments receivable as at September 30, 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	$	7,506	$	8,173	$	1,524	$	2,711	$	2,419	$	1,519

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

11. 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:

Investments in equity accounted entities		**September 30, 2020**
Balance – beginning of period	$	**10,185**
Share of net income for the period		**4,877**
Share of other comprehensive income (loss) for the period		**(38)**
Investments in equity accounted entities		**4,786**
		19,810
Capital distributions received		**(3,645)**
Balance – end of period	$	**16,165**

Investments held for sale		**September 30, 2020**
Balance, beginning of period	$	**6,978**
Capital distributions received		**(225)**
Sale of investment		**(6,753)**
Balance, end of period	$	**–**

	Three months ended September 30,				Nine months ended September, 30			
		2020		2019		**2020**		2019
Share of net income for the period	**$**	**1,435**	$	278	**$**	**4,877**	$	1,954
Gain on sale of investment in equity accounted		**2,700**		–		**3,104**		–
Income from equity accounted investments	**$**	**4,135**	$	278	**$**	**7,981**	$	1,954

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

During the nine month period ended September 30, 2020, the Company disposed of investments in three entities accounted for using the equity method for proceeds of $11,034 and received distributions of $225. The Company recognized net gains on the transactions of $3,104 which is included in income from equity accounted entities on the consolidated statement of income. These investments were previously classified as investments held for sale on the consolidated statement of financial position.

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

12. Property and equipment

	September 30, 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
Assets acquired (note 6)	436	–	6,635	8,008	172	15,251
Additions	–	52	702	6,797	234	7,785
Disposals	(9)	–	–	(8,296)	–	(8,305)
Balance, September 30, 2020	2,557	12,181	16,269	98,623	3,158	132,788
Accumulated depreciation						
Balance, December 31, 2019	–	6,192	4,478	59,415	1,956	72,041
Disposals	–	–	–	(4,430)	–	(4,430)
Depreciation expense	–	401	609	4,665	142	5,817
Balance, September 30, 2020	–	6,593	5,087	59,650	2,098	73,428
Net book value	$ 2,557	$ 5,588	$ 11,182	$ 38,973	$ 1,060	$ 59,360

Right-of-use assets

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

	September 30, 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
Assets acquired (note 6)	–	16,361	10,898	1,615	28,874
Additions	–	374	995	43	1,412
Disposals	–	–	(2,488)	–	(2,488)
Balance, September 30, 2020	53	34,246	35,530	1,794	71,623
Accumulated depreciation					
Balance, December 31, 2019	–	2,572	6,759	34	9,365
Disposals	–	–	(681)	–	(681)
Depreciation expense	–	2,055	3,115	35	5,205
Balance, September 30, 2020	–	4,627	9,193	69	13,889
Net book value	$ 53	$ 29,619	$ 26,337	$ 1,725	$ 57,734

The statement of cash flows for the period ended September 30, 2020 excludes additions of ROU assets totalling $1,412 (September 30, 2019 - $9,196) acquired through finance leases.

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

13. Intangible assets and goodwill

	Trade names	Backlog and Agency Contracts	Customer Relationships	Computer Software	Total	Goodwill
Cost						
Balance, December 31, 2019	$ –	$ –	$ –	$ 8,542	$ 8,542	$ 30,540
Business combination (note 6)	7,000	1,000	17,000	3,430	28,430	10,724
Additions	–	–	–	1,406	1,406	–
Balance, September 30, 2020	–	–	–	13,378	38,378	41,264
Accumulated amortization						
Balance, December 31, 2019	–	–	–	6,058	6,058	14,151
Amortization expense	–	–	–	721	721	–
Balance, September 30, 2020	–	–	–	6,779	6,779	14,151
Net book value	$ 7,000	$ 1,000	$ 17,000	$ 6,599	$ 31,599	$ 27,113

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

Loans and Borrowings and Credit facilities

	Maturity	Interest rate	September 30, 2020	December 31, 2019
Committed revolving credit facility	Dec 31, 2022	Variable	$ 25,000	$ 15,000
Committed revolving term loan facility	Sept 24, 2028	Variable	35,000	10,000
Equipment financing	2020 – 2024	Fixed 2.40%-3.73%	12,550	15,621
Note payable			667	–
			$ 73,217	$ 40,621
Current portion			$ 8,037	$ 5,883
Non-current portion			$ 65,180	$ 34,738

Committed revolving operating credit facility

During the third quarter, the Company increased the committed revolving credit facility from $85,000 to $100,000. The increase is temporary and expires November 25, 2020 or when a new syndicated credit agreement is established. The $85,000 revolving credit facility matures December 31, 2022. As part of the agreement, the Company provides a general secured interest in the assets of the Company. At September 30, 2020, the Company has $26,035 letters of credit outstanding on the facility (December 31, 2019 – $28,504) and has drawn $25,000 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

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

The Company has a committed revolving term loan facility totalling $35,000 for the purpose of financing acquisitions and for working capital advances in support of major projects. As of September 30, 2020, the Company has drawn $35,000 (December 31, 2019 - $10,000) on the facility, to finance the acquisition of Stuart Olson. The loan has scheduled repayments due quarterly until the maturity date of September 24, 2028. 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 $125,000. At September 30, 2020 the facilities were drawn for outstanding letters of credit of $43,972 (December 31, 2019 - $6,559).

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. EDC has issued performance security guarantees totalling $43,834 (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 September 30, 2020 of $139 (December 31, 2019 - $139).

ROU liabilities

	Maturity	September 30, 2020	December 31, 2019
ROU liabilities	2020 – 2034	$ **73,420**	$ 31,100
Current portion		**18,309**	8,025
Non-current portion		$ **55,111**	$ 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 12). At September 30, 2020, the subsidiaries had used $10,472 (December 31, 2019 - $11,653) under these facilities.

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

The following table provides details of the changes in the Company's Loans and Borrowings and ROU liabilities during the period ended September 30, 2020:

	Revolving Credit Facility	Committed Revolving Term Loan Facility	Note Payable	Equipment financing	ROU Liabilities	Total
Balance, December 31, 2019	15,000	10,000	–	15,621	31,100	71,721
Proceeds	10,000	51,250	–	657	–	61,907
Business combination (note 6)	–	–	667	–	46,887	47,554
Additions to ROU liabilities	–	–	–	–	1,412	1,412
Interest on ROU liabilities	–	–	–	–	542	542
Repayment	–	(26,250)	–	(3,728)	(6,521)	(36,499)
Balance, September 30, 2020	$ 25,000	$ 35,000	$ 667	$ 12,550	$ 73,420	$ 146,637

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	Note Payable	Equipment financing	ROU Liabilities	Total
Not later than 1 year	$ –	$ 1,750	667	$ 5,620	$ 19,971	$ 28,008
Later than 1 year and less than 3 years	25,000	8,750	–	6,461	31,121	71,332
Later than 3 years and less than 5 years	–	9,800	–	469	15,466	25,735
Later than 5 years	–	14,700	–	–	18,377	33,077
Balance, September 30, 2020	25,000	35,000	667	12,550	84,935	158,152
Less: interest	–	–	–	–	(11,515)	(11,515)
	$ 25,000	$ 35,000	$ 667	$ 12,550	$ 73,420	$ 146,637

15. Income taxes

Provision for income taxes

	Nine months ended September 30, 2020	2019
Income tax expense (recovery) comprised of:		
Current income taxes	$ 10,862	$ (1,568)
Deferred income taxes	(4,081)	2,173
	$ 6,781	$ 605

Income tax rate reconciliation

	2020	2019
Combined federal and provincial income tax rate	26.9%	27.0%
Increase (reductions) applicable to:		
Effect of different tax rate on equity investments	(3.2%)	–
Non-taxable items	3.4%	(0.5%)
Other	3.2%	1.3%
Effective rate	30.3%	27.8%

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

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

16. Other liabilities

		September 30, 2020		December 31, 2019
Liabilities for cash-settled share-based compensation plans (note 17)	$	**10,002**	$	8,443
Leasehold inducements		**3,588**		1,964
Total return swap derivatives ("TRS")		**824**		271
Interest rate swaps		**94**		58
	$	**14,508**	$	10,736
Less: current portion				
Cash-settled share-based compensation plans (note 17)		**1,492**		1,762
Leasehold inducements		**564**		261
Total return swap derivatives ("TRS")		**668**		175
Interest rate swaps		**94**		7
Current portion	$	**2,818**	$	2,205
Non-current portion	$	**11,690**	$	8,531

17. Share-based compensation plans

Stock option plan

Details of changes in the balance of stock options 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	**(100,000)**		**11.87**
Outstanding at September 30, 2020	**–**	$	**–**

There are no stock options outstanding at September 30, 2020. There was no stock-based compensation expense recognized during the nine month period ended September 30, 2020 (September 30, 2019 - $nil).

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

		September 30, 2020		December 31, 2019
MTIP liability	$	**1,749**	$	1,069
EIP liability		**4,117**		3,925
DSU liability		**4,136**		3,449
Liabilities for cash-settled share-based compensation plans	$	**10,002**	$	8,443
Less: current portion				
MTIP liability		**269**		257
EIP liability		**1,223**		1,505
Current portion	$	**1,492**	$	1,762
Non-current portion	$	**8,510**	$	6,681

The Company recognized a loss on its TRS derivatives for the nine month period ended September 30, 2020 of $553 (September 30, 2019 - $198).

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

18. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares and has 53,038,929 issued and outstanding common shares as at September 30, 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. As at September 30, 2020, no preferred shares have been issued. Transaction costs directly attributable to the issue of common shares of $124 are recognized as a deduction from shareholders' capital.

	Number of shares		Amount
Balance, December 31, 2019	**42,516,853**	**$**	**42,527**
Common shares issued (note 6)	**10,522,076**		**65,537**
Balance, September 30, 2020	**53,038,929**	**$**	**108,064**

19. Earnings per share

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Profit attributable to shareholders (basic and diluted)	**$ 8,822**	$ 6,782	**$ 15,569**	$ 1,317
Average number of common shares outstanding	**43,203,075**	42,516,853	**42,747,263**	42,516,853
Effect of stock options on issue	**–**	–	**–**	–
Weighted average number of common shares (diluted)	**43,203,075**	42,516,853	**42,747,263**	42,516,853
Basic and diluted earnings per share	**$ 0.20**	$ 0.16	**$ 0.36**	$ 0.03

At September 30, 2020, no 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.

20. Provisions

	September 30, 2020	December 31, 2019
Warranty claims and other	**8,403**	**5,218**
Legal claims	**10,324**	**2,545**
	$ 18,727	**$ 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.

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

21. Finance income

	Nine months ended September 30, 2020	2019
Interest income	$ **1,333**	$ 1,827

22. Finance and other costs

	Nine months ended September 30, 2020	2019
Interest on loans and borrowings	$ **2,122**	$ 1,362
Interest on ROU liabilities	**542**	705
(Gain) loss on interest rate swaps (note 8 and note 16)	**(246)**	314
Interest on non-recourse project financing (note 8)	**3,162**	1,109
Other	**195**	515
	$ **5,775**	$ 4,005

23. Commitments and contingencies

Commitments

Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at September 30, 2020 totalled $100,468 (December 31, 2019 - $56,606). The Company has acquired minority equity interests in a number of PPP concession entities (note 11), which requires the Company to make $1,079 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), (unaudited)

24. Other cash flow information

Changes in non-cash working capital relating to operating activities	Nine months ended September 30, 2020	2019
Accounts receivable	$ **61,200**	$ (95,894)
Contract assets	**10,845**	3,333
Contract assets – alternative finance projects*	**(64,913)**	(39,687)
Inventory and prepaid expenses	**(1,099)**	(379)
Other assets	**5,759**	(2,089)
Accounts payable	**(94,214)**	(26,816)
Contract liabilities	**(20,078)**	57,168
Provisions	**2,411**	(1,746)
EIP and other	**(1,166)**	(25)
	$ **(101,255)**	$ (106,135)

* Contract assets – alternative finance project changes are driven by design-build-finance projects. Refer to note 8 for loan proceeds to fund contract assets – alternative finance projects.

Cash and cash equivalents	September 30, 2020	December 31, 2019
Cash	$ **54,339**	$ 36,127
Restricted cash and blocked accounts*	**27,932**	10,102
Cash held for joint operations	**74,873**	134,015
Bankers' acceptances and short-term deposits*	**90**	90
	$ **157,234**	$ 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	September 30, 2020	December 31, 2019
Cash and cash equivalents held to support letters of credit (note 14)	$ **139**	$ 139
Cash deposited in blocked accounts for special projects (note 8)	**129**	212
Restricted cash	**27,754**	9,841
	$ **28,022**	$ 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 14).

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), (unaudited)

25. Financial instruments

Classification and fair value of financial instruments

	September 30, 2020	December 31, 2019
Financial instruments at fair value through profit or loss		
Non-recourse project financing – interest rate swaps	$ **(394)**	$ (676)
Interest rate swaps	**(94)**	(58)
Total return swap derivatives	**(824)**	(271)
	$ **(1,312)**	$ (1,005)
Financial assets and financial liabilities		
Financial assets		
Cash and cash equivalents (note 24)	$ **157,234**	$ 180,334
Accounts receivable	**617,035**	413,649
Other assets	**13,585**	12,580
	$ **787,854**	$ 606,563
Financial liabilities		
Accounts payable	$ **(517,825)**	$ (419,923)
Dividends payable to shareholders	**(1,724)**	(1,382)
Non-recourse project financing – loan facilities (note 8)	**(129,958)**	(84,698)
Pension liabilities	**(5,023)**	–
Loans and borrowings	**(73,217)**	(40,621)
Right-of-use liabilities	**(73,420)**	(31,100)
	$ **(801,167)**	$ (577,724)
Total financial instruments	$ **(14,625)**	$ 27,834

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), (unaudited)

At September 30, 2020, accounts receivable outstanding for greater than 90 days and considered past due by the Company's management represent 12.5% (December 31, 2019 – 17.1%) of the balance of progress billings on construction contracts receivable. Management has recorded an allowance of $1,973 (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**	**September 30, 2020**	December 31, 2019
Trade receivables	$ **22,779**	$ **30,805**	$ **53,584**	$ 47,174
Impairment	**(525)**	**(1,448)**	**(1,973)**	(1,538)
Total Trade receivables	$ **22,254**	$ **29,357**	$ **51,611**	$ 45,636

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

	September 30, 2020	December 31, 2019
Balance, beginning of period	$ **1,538**	$ 1,271
Impairment loss recognized	**675**	313
Amounts written off	**(240)**	–
Impairment loss reversed	–	(46)
Balance, end of period	$ **1,973**	$ 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 $118,496 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 $27,883 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 $100,000 available to finance operations and issue letters of credit. As at September 30, 2020, the Company has drawn $25,000 on the facility and has $26,035 letters of credit outstanding on the facility. $15,000 of the committed line is temporary and expires November 25, 2020 or when a new syndicated credit agreement is established and the balance of $85,000 matures 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 September 30, 2020, the Company has drawn $35,000 on the facility. Also, the Company and its subsidiaries have $35,000 in equipment facilities, of which $12,550 is outstanding at September 30, 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 September 30, 2020, the subsidiaries have used $10,472 under these facilities. In addition, the Company has letters of credit facilities totalling $125,000 available for issuing letters of credit for which $43,972 was drawn at September 30, 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), (unaudited)

Principal repayments due on the loans and borrowings and non-recourse project financing are disclosed in notes 14 and 8, respectively. As disclosed in notes 16 and 17, payments required pursuant to the Company's MTIP granted in 2017, 2018, 2019 and 2020 are due on the vesting dates of November 2020, November 2021, November 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 September 30, 2020, the interest rate profile of the Company's loans and borrowings and non-recourse project financing was as follows:

		September 30, 2020
Fixed-rate facilities	$	**12,550**
Variable-rate facilities		**60,667**
Non-recourse project financing facilities		**129,958**
Total loans and borrowings and non-recourse project financing	$	**203,175**

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

As at September 30, 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 $607.

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 September 30, 2020, a 10 percent change in the share price applied to the Company's TRS derivatives would change income before income taxes by approximately $887.

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 $213.

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

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

i. The October dividend of $0.0325 per share will be paid on November 20, 2020 to the Shareholders of record as of the close of business on October 30, 2020.
ii. The November dividend of $0.0325 per share will be paid on December 18, 2020 to the Shareholders of record as of the close of business on November 30, 2020.
iii. The December dividend of $0.0325 per share will be paid on January 20, 2021 to the Shareholders of record as of the close of business on December 31, 2020.
iv. The January dividend of $0.0325 per share will be paid on February 19, 2021 to the Shareholders of record as of the close of business on January 29, 2021.
v. The February dividend of $0.0325 per share will be paid on March 19, 2021 to the Shareholders of record as of the close of business on February 26, 2021.

27. Government assistance

On April 11, 2020, the Government of Canada passed the Canada Emergency Wage Subsidy ("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 September 2020 qualification periods.

During the nine month period ended September 30, 2020, the Company recognized a recovery of compensation expense in costs of construction of $2,480 and administrative costs of $620. As at September 30, 2020, the Company recognized an amount receivable related to CEWS of $13,239 included in trade and other receivables in the statement of financial position. Included in the amount receivable is an amount of $10,139 from the acquisition of Stuart Olson.

The Government of Canada announced they will extend CEWS and the Company will continue to monitor its eligibility under the program.

28. Comparative figures

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