Q3 2023

BIRD CONSTRUCTION INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the three and nine month periods ended
September 30, 2023 and 2022
(unaudited)

Notice to Reader

The accompanying unaudited interim condensed consolidated financial statements of Bird Construction Inc. have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2023 and 2022 have not been reviewed by the Company's independent external auditor.

Bird Construction Inc.
Consolidated Statement of Financial Position
As at September 30, 2023 and December 31, 2022

(in thousands of Canadian dollars) (unaudited)

	Note	September 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	8	$ 104,065	$ 174,607
Accounts receivable	9	866,441	708,161
Contract assets		88,813	56,938
Inventory and prepaid expenses		11,345	10,385
Income taxes recoverable		4,290	13,633
Other assets	11	9,392	4,236
Assets held for sale	12	2,209	2,341
Total current assets		1,086,555	970,301
Non-current assets			
Other assets	11	3,794	5,539
Investments in equity accounted entities	13	8,804	9,786
Property and equipment	14	55,414	55,471
Right-of-use assets	15	75,234	66,136
Deferred income tax asset		27,900	31,564
Intangible assets	16	44,291	34,742
Goodwill	17	55,992	55,740
Total non-current assets		271,429	258,978
TOTAL ASSETS		$ 1,357,984	$ 1,229,279
LIABILITIES			
Current liabilities			
Accounts payable		$ 615,774	$ 573,224
Contract liabilities		183,212	146,986
Dividends payable to shareholders		1,925	1,745
Income taxes payable		21,649	10,848
Current portion of loans and borrowings	18	22,492	7,084
Current portion of right-of-use liabilities	19	20,907	17,790
Provisions	21	16,301	18,543
Other liabilities	22	7,364	9,449
Total current liabilities		889,624	785,669
Non-current liabilities			
Loans and borrowings	18	64,261	68,007
Right-of-use liabilities	19	58,674	55,469
Deferred income tax liability		24,880	35,756
Other liabilities	22	16,176	11,390
Total non-current liabilities		163,991	170,622
TOTAL LIABILITIES		1,053,615	956,291
SHAREHOLDERS' EQUITY			
Shareholders' capital	24	115,265	114,584
Contributed surplus		1,956	1,956
Retained earnings		187,238	156,537
Accumulated other comprehensive income (loss)		(90)	(89)
Total shareholders' equity		304,369	272,988
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 1,357,984	$ 1,229,279

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, 2023 and 2022
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Construction revenue	10	**$ 783,843**	$ 668,156	**$ 2,006,717**	$ 1,720,365
Costs of construction		**710,884**	609,533	**1,839,393**	1,576,681
Gross profit		**72,959**	58,623	**167,324**	143,684
Income (loss) from equity accounted investments	13	**600**	(1,264)	**1,817**	(1,590)
General and administrative expenses		**(34,519)**	(35,534)	**(102,275)**	(97,852)
Income from operations		**39,040**	21,825	**66,866**	44,242
Finance and other income	26	**1,323**	182	**4,010**	9,437
Finance and other costs	27	**(2,932)**	(2,793)	**(8,911)**	(6,885)
Income before income taxes		**37,431**	19,214	**61,965**	46,794
Income tax expense	20	**8,636**	4,748	**14,307**	11,863
Net income for the period		**$ 28,795**	$ 14,466	**$ 47,658**	$ 34,931
Basic and diluted earnings per share	25	**$ 0.54**	$ 0.27	**$ 0.89**	$ 0.65

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

Bird Construction Inc.
Consolidated Statement of Comprehensive Income
For the three and nine month periods ended September 30, 2023 and 2022
(in thousands of Canadian dollars) (unaudited)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net income for the period		**$ 28,795**	$ 14,466	**$ 47,658**	$ 34,931
Other comprehensive income (loss) for the period:					
Items that will not be reclassified to net income in subsequent periods:					
Defined benefit plan actuarial gain (loss)		**(15)**	369	**17**	592
Deferred tax recovery (expense)		**(14)**	(91)	**(5)**	(148)
		(29)	278	**12**	444
Items that may be reclassified to net income in subsequent periods:					
Foreign currency translation on equity accounted investments	13	**(87)**	(237)	**(38)**	(300)
Other foreign currency translation		**18**	37	**(6)**	46
Deferred tax recovery (expense)		**24**	64	**43**	63
		(45)	(136)	**(1)**	(191)
Total comprehensive income for the period		**$ 28,721**	$ 14,608	**$ 47,669**	$ 35,184

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 and nine month periods ended September 30, 2023 and 2022
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	Shareholders' capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at December 31, 2022		**$ 114,584**	**$ 1,956**	**$ 156,537**	**$ (89)**	**$ 272,988**
Net income for the period		**—**	**—**	**47,658**	**—**	**47,658**
Other comprehensive income (loss) for the period		**—**	**—**	**12**	**(1)**	**11**
Total comprehensive income (loss) for the period		**—**	**—**	**47,670**	**(1)**	**47,669**
Common shares issued on acquisition of Trinity	7	**681**	**—**	**—**	**—**	**681**
Dividends declared to shareholders		**—**	**—**	**(16,969)**	**—**	**(16,969)**
		681	**—**	**(16,969)**	**—**	**(16,288)**
Balance at September 30, 2023		**$ 115,265**	**$ 1,956**	**$ 187,238**	**$ (90)**	**$ 304,369**
Dividends declared per share				**$ 0.32**		
Balance at December 31, 2021		$ 114,584	$ 1,956	$ 126,935	$ 13	$ 243,488
Net income for the period		—	—	34,931	—	34,931
Other comprehensive income (loss) for the period		—	—	444	(191)	253
Total comprehensive income (loss) for the period		—	—	35,375	(191)	35,184
Dividends declared to shareholders		—	—	(15,706)	—	(15,706)
		—	—	(15,706)	—	(15,706)
Balance at September 30, 2022		$ 114,584	$ 1,956	$ 146,604	$ (178)	$ 262,966
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 three and nine month periods ended September 30, 2023 and 2022

(in thousands of Canadian dollars) (unaudited)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash flows from (used in) operating activities					
Net income for the period		$ **28,795**	$ 14,466	$ **47,658**	$ 34,931
Items not involving cash:					
Amortization	16	**1,475**	1,713	**4,398**	5,070
Depreciation	14, 15	**8,311**	7,880	**21,335**	22,571
(Gain) loss on sale of property and equipment and other	14, 15	**268**	(1,577)	**575**	(3,096)
(Income) loss from equity accounted investments	13	**(600)**	1,264	**(1,817)**	1,590
Finance and other income	26	**(1,323)**	(182)	**(4,010)**	(2,748)
Finance and other costs	27	**2,932**	2,793	**8,911**	6,885
Deferred compensation plan expense and other		**1,884**	831	**5,677**	3,602
Defined benefit pension plan expense, net of contributions		**25**	615	**(169)**	340
Unrealized (gain) loss on investments and other		**(8)**	(107)	**(11)**	(103)
Income tax expense (recovery)	20	**8,636**	4,748	**14,307**	11,863
Cash flows from operations before changes in non-cash working capital		**50,395**	32,444	**96,854**	80,905
Changes in non-cash working capital relating to operating activities	28	**(52,487)**	2,163	**(119,510)**	(131,519)
Interest received		**1,323**	432	**4,007**	3,753
Interest paid		**(2,766)**	(2,654)	**(8,405)**	(6,498)
Income taxes recovered (paid)		**4,751**	95	**(1,919)**	(9,044)
Net cash from (used in) operating activities		**1,216**	32,480	**(28,973)**	(62,403)
Cash flows from (used in) investing activities					
Capital distributions from equity accounted entities	12, 13	**165**	43	**485**	658
Proceeds on sale of investment in equity accounted entities	13	**—**	—	**2,408**	1,501
Additions to property and equipment and intangible assets	14, 16	**(8,200)**	(7,665)	**(21,514)**	(21,152)
Proceeds on sale of property and equipment	14	**552**	1,941	**2,155**	3,389
Acquisitions, net of cash acquired	7	**—**	—	**(5,827)**	—
Other long-term assets		**1,399**	358	**1,747**	4,200
Net cash from (used in) investing activities		**(6,084)**	(5,323)	**(20,546)**	(11,404)
Cash flows from (used in) financing activities					
Dividends paid on shares		**(5,776)**	(5,235)	**(16,789)**	(15,706)
Proceeds from loans and borrowings	18	**15,000**	32,776	**57,483**	52,776
Repayment of loans and borrowings	18	**(770)**	(30,923)	**(45,821)**	(34,799)
Repayment of right-of-use liabilities	19	**(6,694)**	(4,875)	**(15,900)**	(14,858)
Net cash from (used in) financing activities		**1,760**	(8,257)	**(21,027)**	(12,587)
Net increase (decrease) in cash and cash equivalents during the period		**(3,108)**	18,900	**(70,546)**	(86,394)
Effects of foreign exchange on cash balances		**25**	94	**4**	128
Cash and cash equivalents, beginning of the period		**107,148**	84,931	**174,607**	190,191
Cash and cash equivalents, end of the period	8	$ **104,065**	$ 103,925	$ **104,065**	$ 103,925

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

Table of Contents – Notes to the Consolidated Financial Statements

1. Structure of the company ... 8
2. Basis of preparation ... 8
3. Use of estimates and judgements ... 8
4. Significant accounting policies ... 9
5. New accounting standards, amendments and interpretations adopted ... 9
6. Future accounting changes ... 9
7. Business combinations ... 9
8. Cash and cash equivalents ... 11
9. Accounts receivable ... 11
10. Revenue ... 11
11. Other assets ... 12
12. Assets held for sale ... 12
13. Projects and entities accounted for using the equity method ... 13
14. Property and equipment ... 13
15. Right-of-use assets ... 14
16. Intangible assets ... 14
17. Goodwill ... 15
18. Loans and borrowings ... 15
19. Leases and right-of-use liabilities ... 17
20. Income taxes ... 17
21. Provisions ... 18
22. Other liabilities ... 18
23. Share-based compensation plans ... 19
24. Shareholders' capital ... 20
25. Earnings per share ... 20
26. Finance and other income ... 20
27. Finance and other costs ... 21
28. Other cash flow information ... 21
29. Financial instruments ... 21
30. Commitments and contingencies ... 23
31. Related party transactions ... 23
32. Eligible dividends declared with a record date subsequent to the financial statement date ... 24

1. Structure of the company

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

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

2. Basis of preparation

Statement of compliance

These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. These 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, 2022. These financial statements were authorized for issue on November 7, 2023 by the Company's Board of Directors.

Functional and presentation currency

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

Basis of measurement

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

Segmented results

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

3. Use of estimates and judgements

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Estimates and judgements used in the preparation of these financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2022.

Assets and liabilities acquired in a business combination

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

4. Significant accounting policies

The accounting principles used in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2022.

5. New accounting standards, amendments and interpretations adopted

The Company has adopted new amendments effective January 1, 2023 related to amendments to IAS 1 *Disclosure of Accounting Policies,* IAS 8 *Definition of Accounting Estimates* and IAS 12 *Income Taxes* that did not have a material impact on the Company's financial statements.

6. Future accounting changes

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2024 that have not been applied in preparing the financial statements for the period ended September 30, 2023. These standards and interpretations are not expected to have a material impact on the Company's financial statements.

7. Business combinations

Acquisition of Trinity Communication Services Ltd.

On February 1, 2023, the Company acquired all of the issued and outstanding shares of Trinity Communication Services Ltd. ("Trinity"). Trinity is a diversified telecommunication and utility infrastructure contractor based in Ontario, and provides services to major national and regional telecommunication, utilities, power, and internet service providers. Trinity specializes in underground, aerial, commercial inside plant, and multi-dwelling unit installations. These self-perform capabilities enable cross-selling opportunities to the Company's sizeable national client base across multiple sectors. Overall, Trinity's capabilities complement the Company's significant electrical service offering and serve as a growth catalyst for the Company's utilities portfolio.

The purchase price of the transaction totalled $6,902 and included cash of $5,620, equity of $688, and a holdback and other liability of $594. The $594 holdback and other liability consisted of $294 related to a working capital reconciliation that was paid in the second quarter of 2023, and $300 relating to any indemnities provisions to be reconciled as at the second anniversary of the closing date.

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

In connection with this acquisition, the Company incurred acquisition costs of $85, comprised mainly of consulting and other professional fees, which were presented in general and administrative expenses in the statement of income. Transaction costs of $7 directly attributable to the issue of common shares related to the transaction were recognized as a reduction from shareholders' capital.

The Trinity acquisition 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 right-of-use ("ROU") assets and ROU liabilities identified in which the acquiree is the lessee. The fair value assigned to the net assets acquired is preliminary, and is 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 as well as management's assessment of the related deferred taxes.

Total common shares issued as consideration		**79,346**
Common share price at close on February 1, 2023	**$**	**8.67**
Equity consideration	$	688
Acquisition holdback and other liability		594
Cash consideration		5,620
Total Consideration	**$**	**6,902**

Fair value of assets and liabilities of Trinity acquired:		
Assets acquired		
Accounts receivable	$	6,624
Income taxes recoverable		120
Inventory and Prepaid expense		245
Property and equipment		524
ROU assets		2,414
Intangible assets		2,517
Liabilities assumed		
Bank Indebtedness		(200)
Accounts payable		(2,478)
ROU liabilities		(2,414)
Net deferred income tax liabilities		(702)
Net identifiable assets acquired	**$**	**6,650**
Goodwill		**252**
Net assets acquired	**$**	**6,902**

The fair value and gross amount of the trade receivables acquired amounted to $6,624.

Goodwill and intangible assets

Goodwill of $252 recognized as part of the acquisition is attributed to expected revenue growth and future market development, specifically in the telecom utilities sector. These benefits are not recognized separately from goodwill, as the future economic benefits arising from them cannot be reliably measured. The goodwill recognized is not deductible for tax purposes. Identifiable intangible assets acquired of $2,517 include computer software, backlog and customer relationships.

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

8. Cash and cash equivalents

	September 30, 2023	December 31, 2022
Accessible cash	$ **56,289**	$ 96,011
Cash held for joint operations	**26,091**	15,622
Restricted cash and cash equivalents	**21,685**	62,974
	$ **104,065**	$ 174,607

9. Accounts receivable

	September 30, 2023	December 31, 2022
Progress billings on construction contracts	$ **603,417**	$ 457,069
Holdbacks receivable (due within one operating cycle)	**259,244**	244,791
Other	**3,780**	6,301
	$ **866,441**	$ 708,161

Accounts receivable are reported net of an allowance for doubtful accounts of $323 as at September 30, 2023 (December 31, 2022 – $1,632). Holdbacks receivable represent amounts billed on construction contracts which are not due until the contract work is substantially complete and the applicable lien period has expired.

10. Revenue

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,	
	2023	2022	**2023**	2022
Public Private Partnerships ("PPP")	$ **30,642**	$ 28,537	$ **90,922**	$ 40,190
Alternative finance projects and complex design-build	**44,317**	29,160	**111,304**	78,654
Stipulated sum, unit price and standard specification design-build	**381,542**	367,895	**926,482**	982,638
Construction management, cost plus and IPD	**327,342**	242,564	**878,009**	618,883
	$ **783,843**	$ 668,156	$ **2,006,717**	$ 1,720,365

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, 2023, the aggregate amount of remaining performance obligations from construction contracts was $2,818,832. 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 or other formal documents to proceed to be performed as part of recurring revenue agreements.

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

The Company expects to recognize approximately 63% of the remaining performance obligations over the next 12 months with the remaining balance being recognized beyond 12 months. This expectation is based on management's best estimate but contains uncertainty as it is subject to factors outside of the Company's control.

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

11. Other assets

	September 30, 2023	December 31, 2022
Subcontractor / Supplier insurance deposits	$ 1,099	$ 1,751
Lease receivables	3,472	4,702
Total Return Swap ("TRS") derivatives (note 23)	8,057	2,950
Other	558	372
Other assets	$ 13,186	$ 9,775
Less: current portion		
TRS derivatives	8,057	2,950
Lease receivables	1,335	1,286
Current portion	9,392	4,236
Non-current portion	$ 3,794	$ 5,539

12. Assets held for sale

Assets held for sale	September 30, 2023
Balance, December 31, 2022	$ 2,341
Capital distributions received	(174)
Sale of investment	(2,277)
Investment in equity accounted entities reclassified as held for sale	2,319
Balance, September 30, 2023	$ 2,209

Investments in equity accounted entities classified as held for sale

During the first quarter of 2023, the Company initiated plans to sell an investment in an entity accounted for using the equity method. The investment was sold for a nominal gain in the second quarter of 2023.

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

13. Projects and entities accounted for using the equity method

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

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, 2023
Balance, December 31, 2022	$ 9,786
Share of net income (loss) for the period	1,686
Share of other comprehensive income (loss) for the period	(38)
	11,434
Capital distributions received	(311)
Investments in equity accounted entities reclassified as held for sale (note 12)	(2,319)
Balance, September 30, 2023	$ 8,804

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Share of net income (loss) for the period	$ 600	$ (1,264)	$ 1,686	$ (1,694)
Gain on sale of investments in equity accounted entities	—	—	131	104
Income (loss) from equity accounted investments	$ 600	$ (1,264)	$ 1,817	$ (1,590)

14. Property and equipment

September 30, 2023	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost						
Balance, December 31, 2022	$ 2,788	$ 12,895	$ 20,121	$ 103,462	$ 3,137	$ 142,403
Acquisition (note 7)	—	—	64	442	18	524
Additions	—	555	1,699	7,341	489	10,084
Impairment	—	—	(365)	—	—	(365)
Disposals	—	—	(17)	(4,251)	(124)	(4,392)
Balance, September 30, 2023	2,788	13,450	21,502	106,994	3,520	148,254
Accumulated depreciation						
Balance, December 31, 2022	—	7,680	10,769	66,288	2,195	86,932
Disposals	—	—	(2)	(3,596)	(148)	(3,746)
Depreciation expense	—	418	1,760	7,256	220	9,654
Balance, September 30, 2023	—	8,098	12,527	69,948	2,267	92,840
Net book value	$ 2,788	$ 5,352	$ 8,975	$ 37,046	$ 1,253	$ 55,414

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

15. Right-of-use assets

	September 30, 2023			
	Buildings	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost				
Balance, December 31, 2022	$ 51,068	$ 54,542	$ 1,856	$ 107,466
Acquisition (note 7)	1,551	852	11	2,414
Additions	5,676	14,545	—	20,221
Impairment	(1,065)	—	—	(1,065)
Disposals	(1,830)	(1,605)	—	(3,435)
Balance, September 30, 2023	55,400	68,334	1,867	125,601
Accumulated depreciation				
Balance, December 31, 2022	18,520	21,219	1,591	41,330
Disposals	(1,256)	(1,388)	—	(2,644)
Depreciation expense	4,810	6,660	211	11,681
Balance, September 30, 2023	22,074	26,491	1,802	50,367
Net book value	$ 33,326	$ 41,843	$ 65	$ 75,234

During the second quarter of 2023, the Company conducted a process to rationalize its leased office space, including office locations added through recent acquisitions. As a result of the process, certain leased premises were no longer expected to be utilized in the future. Accordingly, a number of asset impairments and onerous cost provisions were recorded in the second quarter, and reflected in the statement of income as acquisition and integration costs in general and administrative expenses.

16. Intangible assets

	September 30, 2023				
	Trade names	Backlog	Customer relationships	Computer software	Total
Cost					
Balance, December 31, 2022	$ 8,000	$ 4,500	$ 15,500	$ 27,565	$ 55,565
Acquisition (note 7)	—	304	2,207	6	2,517
Additions	—	—	—	11,430	11,430
Disposals	—	—	—	(1,018)	(1,018)
Balance, September 30, 2023	8,000	4,804	17,707	37,983	68,494
Accumulated amortization					
Balance, December 31, 2022	267	3,499	4,431	12,626	20,823
Amortization expense	150	1,221	1,899	1,128	4,398
Disposals	—	—	—	(1,018)	(1,018)
Balance, September 30, 2023	417	4,720	6,330	12,736	24,203
Net book value	$ 7,583	$ 84	$ 11,377	$ 25,247	$ 44,291

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

17. Goodwill

	September 30, 2023
Cost	
Balance, December 31, 2022	$ 69,891
Acquisition (note 7)	252
Balance, September 30, 2023	70,143
Accumulated impairment	14,151
Net book value	$ 55,992

18. Loans and borrowings

Loans and borrowings

	Maturity	Interest rate	September 30, 2023	December 31, 2022
Committed revolving credit facility	December 15, 2025	Variable	$ 37,725	$ 22,725
Committed non-revolving term loan facility	December 15, 2025	Variable	43,750	47,500
Equipment financing	2024 – 2028	Fixed 2.04%-6.45%	5,278	4,866
			86,753	75,091
Current portion			22,492	7,084
Non-current portion			$ 64,261	$ 68,007

The following table provides details of the changes in the Company's Loans and Borrowings for the nine months ended September 30, 2023:

	Syndicated revolving credit facility	Syndicated committed non-revolving term loan facility	Equipment financing	Total
Balance, December 31, 2022	$ 22,725	$ 47,500	$ 4,866	$ 75,091
Proceeds	55,000	—	2,483	57,483
Repayments	(40,000)	(3,750)	(2,071)	(45,821)
Balance, September 30, 2023	$ 37,725	$ 43,750	$ 5,278	$ 86,753

Syndicated credit facility

The Company has a committed, syndicated credit facility (the "Syndicated Facility") with a maturity date to December 15, 2025. The Syndicated Facility is secured by a general interest in the assets of the Company, and consists of the following:

Committed revolving credit facility

The Company has a committed revolving credit facility of up to $220,000 (December 31, 2022 – $220,000) that includes up to $30,000 swingline which allows the Company to enter into an overdraft position, and $115,000 letters of credit availability. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A standby fee is payable quarterly on the unutilized portion of the facility.

At September 30, 2023, the Company has $25,312 letters of credit outstanding on the facility (December 31, 2022 – $25,312) and has drawn $37,725 on the facility (December 31, 2022 – $22,725). Of the $37,725 drawn on the facility, $22,725 is presented as non-current loans and borrowings on the Company's statement of financial position as the amounts are not expected to be settled in the Company's normal operating cycle, and are not due to be repaid until the maturity of the facility in 2025.

Committed non-revolving term loan facility

The Company has a committed non-revolving term loan facility totalling $47,500 which was fully drawn under the prior amendment to the credit facility to finance the acquisitions of Stuart Olson and Dagmar in 2020 and 2021 respectively. The term loan has scheduled repayments due quarterly until the maturity date of December 15, 2025. Any repayment of the facility cannot be reborrowed. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. As at September 30, 2023, the Company has an outstanding balance of $43,750 on the facility (December 31, 2022 – $47,500).

Accordion

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

The Company was in compliance with its covenants under each facility as at September 30, 2023.

Equipment financing

The Company has committed term credit facilities of up to $40,000 to be used to finance equipment purchases of which as at September 30, 2023, $753 is outstanding (December 31, 2022 – $2,057). Borrowings under the facilities are secured by a first charge against the equipment financed using the facilities. Interest on the borrowings is charged at a fixed rate and is paid monthly in arrears.

The Company also has multiple, fixed interest rate, term loans which were used to finance equipment purchases. At September 30, 2023, the balance outstanding on these term loans amounted to $4,525 (December 31, 2022 – $2,809). Principal and interest are payable monthly, and these term loans are secured by a first charge against the specific equipment financed using these facilities.

Letters of credit facilities

The Company has authorized operating letters of credit facilities totalling $150,000. At September 30, 2023, the facilities were drawn for outstanding letters of credit of $38,455 (December 31, 2022 – $51,627). All letters of credit issued under these facilities are supported by the pledge of Company-owned financial instruments, including cash, or through a guarantee from Export Development Canada (“EDC”).

The Company has an agreement with EDC to provide performance security guarantees of up to $100,000 for letters of credit issued by financial institutions on behalf of the Company. The Company uses this facility when letters of credit have been issued as contract security for projects that qualify for EDC coverage. At September 30, 2023, EDC has issued performance security guarantees totalling $38,364 (December 31, 2022 – $51,537).

The letters of credit represent performance guarantees issued to support the Company’s performance obligations on major construction projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at September 30, 2023 of $90 (December 31, 2022 – $90).

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

19. Leases and right-of-use liabilities

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

The following table provides details of the changes in the Company's right-of-use ("ROU") liabilities during the period ended September 30, 2023:

	September 30, 2023
Balance, December 31, 2022	$ 73,259
Acquisition (note 7)	2,414
Additions	19,808
Interest	2,135
Repayment	(18,035)
Balance, September 30, 2023	79,581
Current portion	20,907
Non-current	$ 58,674

The Company has established operating lease lines of credit of $25,000 with the financing arms of major heavy equipment suppliers to finance equipment leases. Draws under these facilities are generally recognized as ROU liabilities, with the lease obligations being secured by the specific leased equipment. At September 30, 2023, the Company had used $9,161 (December 31, 2022 – $6,460) under these facilities.

20. Income taxes

Provision for income taxes

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Income tax expense (recovery) comprised of:				
Current income taxes	$ 9,068	$ 2,465	$ 22,186	$ 4,963
Deferred income taxes	(432)	2,283	(7,879)	6,900
	$ 8,636	$ 4,748	$ 14,307	$ 11,863

Income tax rate reconciliation

	Nine months ended September 30,	
	2023	2022
Combined federal and provincial income tax rate	25.2%	26.0%
Increase (reductions) applicable to:		
Non-taxable items	0.4%	0.3%
Other	(2.5%)	(0.9%)
Effective rate	23.1%	25.4%

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)

21. Provisions

	Warranty claims and other	Legal	Total
Balance, December 31, 2022	$ 10,254	$ 8,289	$ 18,543
Provisions made during the period	6,141	812	6,953
Provisions used during the period	(2,305)	(838)	(3,143)
Provisions reversed during the period	(5,170)	(882)	(6,052)
Balance, September 30, 2023	$ 8,920	$ 7,381	$ 16,301

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

Warranty claims and other provisions made in the period include $1,024 of onerous contract provisions resulting from the Company's decision to optimize its leased office space, including leased premises added through recent acquisitions.

22. Other liabilities

	September 30, 2023	December 31, 2022
Liabilities for cash-settled share-based compensation plans (note 23)	$ 22,098	$ 18,511
Leasehold inducements	1,142	1,328
Acquisition holdback and other liability	300	1,000
	23,540	20,839
Less: current portion		
Cash-settled share-based compensation plans (note 23)	7,096	8,181
Leasehold inducements	268	268
Acquisition holdback and other liability	—	1,000
Current portion	7,364	9,449
Non-current portion	$ 16,176	$ 11,390

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

23. Share-based compensation plans

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

	September 30, 2023	December 31, 2022
MTIP liability	$ 1,885	$ 1,168
EIP liability	9,289	8,975
DSU liability	10,924	8,368
Liabilities for cash-settled share-based compensation plans	22,098	18,511
Less: current portion		
MTIP liability	1,819	1,168
EIP liability	3,609	4,707
DSU liability	1,668	2,306
Current portion	7,096	8,181
Non-current portion	$ 15,002	$ 10,330

	September 30, 2023		
	MTIP	EIP[1]	DSUs
Units, beginning of period	188,906	1,712,974	1,030,552
Granted [2]	42,356	842,270	156,240
Forfeited	(11,961)	—	—
Vested and paid	(2,133)	(553,215)	(125,210)
Units, end of period	217,168	2,002,029	1,061,582

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

[2] MTIP and DSU grants include dividend reinvestments.

During the first, second and third quarter of 2023, the Company granted 40,190, 41,390 and 32,855 units under the DSU plan at a fair market value of $9.05, $8.20 and $10.33 respectively, excluding dividend reinvestments. The Company also granted 719,234 units under the EIP plan in March 2023 at a fair market value of $9.34, excluding dividend reinvestments.

Pursuant to the Company's MTIP granted in 2020, payments are due by November 2023, or upon retirement, if earlier. Pursuant to the Company's MTIP granted in 2023, the units vest over periods ranging from November 2023 to November 2027. Payments pursuant to the Company's EIP granted in 2021, 2022 and 2023 vest on December 2024, December 2025 and December 2026, respectively. Payments pursuant to the Company's DSU Plan are cash settled no later than December 31 of the following year in which the Director ceases to hold any position within the Company.

Expenses (recoveries) arising from share-based payment transactions[1]

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
MTIP	$ 477	$ (218)	$ 736	$ (373)
EIP	2,959	(758)	6,382	(124)
DSU	2,570	(936)	3,849	(2,172)
	$ 6,006	$ (1,912)	$ 10,967	$ (2,669)

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

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

The Company enters into TRS derivative contracts for the purpose of managing its exposure to changes in the fair value of its MTIP, EIP and DSU share-based compensation plans, due to changes in the fair value of the Company's common shares. The Company recognized a gain of $4,057 and a gain of $5,107 on these derivatives in the statement of income in general and administrative expenses for the three and nine month periods ended September 30, 2023 (2022 – $2,808 loss and $6,482 loss, respectively).

24. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares. The Company is authorized to issue preference shares in series with rights set by the Board of Directors, up to a balance not to exceed 35% of the outstanding common shares. As at September 30, 2023 and December 31, 2022, no preferred shares have been issued. During the nine months ended September 30, 2023, transaction costs of $7 directly attributable to the issuance of common shares for the acquisition of Trinity were recognized as a deduction from shareholders' capital (note 7).

	September 30, 2023	
	Number of shares	Amount
Balance, December 31, 2022	**53,695,293**	**$ 114,584**
Common shares issued (note 7)	**79,346**	**681**
Balance, September 30, 2023	**53,774,639**	**$ 115,265**

25. Earnings per share

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Net income	**$ 28,795**	$ 14,466	**$ 47,658**	$ 34,931
Weighted average number of common shares (basic and diluted)	**53,774,639**	53,695,293	**53,765,629**	53,695,293
Basic and diluted earnings per share	**$ 0.54**	$ 0.27	**$ 0.89**	$ 0.65

26. Finance and other income

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Interest income on lease receivables	**$ 28**	$ 36	**$ 91**	$ 116
Gain on settlement of trade accounts receivable	**—**	—	**—**	7,596
Other interest income	**1,295**	421	**3,919**	2,628
Gain (loss) on warrants	**—**	(275)	**—**	(903)
	$ 1,323	$ 182	**$ 4,010**	$ 9,437

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

27. Finance and other costs

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest on loans and borrowings	**$ 1,829**	$ 1,799	**$ 5,998**	$ 4,077
Interest on ROU liabilities	**767**	705	**2,135**	2,110
Other	**336**	289	**778**	698
	$ 2,932	$ 2,793	**$ 8,911**	$ 6,885

28. Other cash flow information

Changes in non-cash working capital relating to operating activities

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Accounts receivable	**$ (88,208)**	$ (97,501)	**$ (151,743)**	$ (160,976)
Contract assets	**(5,388)**	(2,142)	**(31,875)**	(13,159)
Inventory and prepaid expenses	**(3,440)**	(3,456)	**(715)**	(2,164)
Other assets	**(17)**	(21)	**(50)**	(64)
Accounts payable	**65,003**	89,692	**39,567**	52,183
Contract liabilities	**(18,352)**	12,983	**36,226**	8,135
Provisions	**211**	2,619	**(2,242)**	(5,290)
Deferred compensation plan expense and other	**(2,296)**	(11)	**(8,678)**	(10,184)
	$ (52,487)	$ 2,163	**$ (119,510)**	$ (131,519)

29. Financial instruments

Carrying values and fair values

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

The hierarchy of inputs is summarized in note 32 of the Company's December 31, 2022. annual consolidated financial statements.

The Company's TRS derivative contracts (note 11) and warrants are classified as Level 2 measurements in the fair value hierarchy. The Company does not have any financial instruments classified as Level 3 that are carried at fair value. There were no transfers between levels in the fair value hierarchy during the three and nine month periods ended ended September 30, 2023 and 2022.

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

Financial risk management

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

i. Credit risk

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

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

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

At September 30, 2023, accounts receivable outstanding for greater than 90 days and considered past due by the Company represent 12.1% (December 31, 2022 – 16.6%) of the balance of progress billings on construction contracts receivable. The Company has recorded an allowance of $323 (December 31, 2022 – $1,632) against these past due receivables, net of amounts recoverable from others.

ii. Liquidity risk

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

The Company has working capital of $196,931 (December 31, 2022 – $184,632) which is available to support surety requirements related to construction projects. Working capital is calculated as total current assets less total current liabilities. As a component of working capital, the Company maintains significant balances of cash and cash equivalents. These balances, less $90 hypothecated to support outstanding letters of credit and $21,595 held in restricted trust accounts, are available to meet the general financial obligations of the Company as they become due. Restricted cash in trust is held in segregated accounts for payment obligations on certain projects. Refer to note 18 in respect of the Syndicated facility and the Company's other debt instruments, which further improve the Company's access to liquidity. At September 30, 2023, the Company had a total undrawn balance on its committed revolving credit facility of $156,963 (December 31, 2022 – $171,963). Also, the Company has a non-committed accordion of up to an additional $50,000 to increase the limit of the committed revolving credit facility and the committed non-revolving term debt facility. The Company also has committed term credit facilities of up to $40,000 to be used to finance equipment purchases of which $39,247 is undrawn as at September 30, 2023 (December 31, 2022 – $37,943). The Company believes that it has access to sufficient funding through the use of these facilities and its cash and cash equivalents to meet its foreseeable operating requirements.

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.

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

At September 30, 2023, 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 $815 (2022 – $909).

The Company has certain share-based compensation plans, where the values are based on the common share price of the Company. At September 30, 2023, a 10 percent change in the share price applied to the Company's share based compensation plans would change income before income taxes by approximately $2,212 (2022 – $1,352).

The Company has fixed a portion of the settlement costs of these plans by entering into various TRS derivative contracts maturing in 2024. The TRS derivatives are not designated as a hedge. The change in the value of the TRS derivatives is recorded each quarter based on the difference between the fixed price and the market price of the Company's common shares at the end of each quarter. The TRS derivatives are classified as derivative financial instruments. At September 30, 2023, a 10 percent change in the share price applied to the Company's TRS derivatives would change the fair value of the derivative by approximately $2,150 (2022 – $1,187), with a corresponding impact to income before income taxes.

iv. Currency risk

Currency risk is the risk that fluctuations in currency exchange rates will affect the Company's net income. The Company uses foreign currency to settle payments to vendors and subcontractors in the foreign currency. Foreign currency risk is managed by the Company through the use of foreign currency derivatives. At September 30, 2023, a 10 percent movement in the Canadian and U.S. dollar exchange rate would have changed the carrying value of U.S. dollar denominated assets and liabilities by approximately $239 (2022 – $122), with a corresponding impact to income before income taxes.

30. 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, 2023 totalled $95,482 (December 31, 2022 – $87,787). The Company has acquired minority equity interests in a number of PPP concession entities (note 13), which require the Company to make $1,816 in future capital injections. These commitments have been secured by letters of credit totalling $1,816 (December 31, 2022 – $1,816).

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.

31. Related party transactions

During the quarter ended September 30, 2023, the Company entered into a multi-year premises lease agreement with an entity over which a Director has control. The agreement is made on terms equivalent to those that prevail in arm's length transactions. As at September 30, 2023, the ROU liability for this lease agreement amounted to $913.

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

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

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

Eligible dividends declared	Record date	Payment date	Dividend per share
October dividend	October 31, 2023	November 20, 2023	$0.0358
November dividend	November 30, 2023	December 20, 2023	$0.0358
December dividend	December 29, 2023	January 19, 2024	$0.0358
January Dividend	January 31, 2024	February 20, 2024	$0.0358
February dividend	February 29, 2024	March 20, 2024	$0.0358