



Unaudited Interim Condensed Consolidated Financial Statements
For the three and nine month periods ended September 30, 2018 and 2017

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.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2018, December 31, 2017 and January 1, 2017
(in thousands of Canadian dollars)
(unaudited)

	Note	September 30, 2018	December 31, 2017 (restated, note 4)	January 1, 2017 (restated, note 4)
ASSETS				
Current assets:				
Cash	24	\$ 73,476	\$ 114,092	\$ 246,519
Bankers' acceptances and short-term deposits	24	4,876	18,963	15,357
Short-term investments		1,618	-	-
Accounts receivable	8	420,738	363,668	379,043
Contract assets		29,467	34,962	14,617
Contract assets - alternative finance projects	7	4,742	73,951	66,443
Inventory		752	514	567
Prepaid expenses		3,186	2,519	2,688
Income taxes recoverable		5,493	6,041	9,900
Investments held for sale	10	3,956	-	-
Other assets	9	3	409	-
Total current assets		<u>548,307</u>	<u>615,119</u>	<u>735,134</u>
Non-current assets:				
Other assets	9	6,200	7,577	3,680
Property and equipment	11	57,117	52,397	45,517
Investments in equity accounted entities	10	8,811	12,237	-
Deferred income tax asset		9,044	8,615	6,737
Intangible assets	12	2,509	1,538	1,735
Goodwill	12	16,389	16,389	16,389
Total non-current assets		<u>100,070</u>	<u>98,753</u>	<u>74,058</u>
TOTAL ASSETS		<u>\$ 648,377</u>	<u>\$ 713,872</u>	<u>\$ 809,192</u>
LIABILITIES				
Current liabilities:				
Accounts payable		\$ 379,820	\$ 380,221	\$ 441,671
Contract liabilities		66,091	62,376	81,554
Dividends payable to shareholders		1,382	1,382	2,691
Income taxes payable		3,087	5,539	18,557
Non-recourse project financing	7	7,874	63,685	59,222
Current portion of loans and borrowings	13	5,130	4,755	2,765
Provisions	19	9,352	10,703	11,833
Other liabilities	15	1,764	2,380	1,569
Total current liabilities		<u>474,500</u>	<u>531,041</u>	<u>619,862</u>
Non-current liabilities:				
Loans and borrowings	13	25,502	13,843	8,623
Deferred income tax liability		6,798	8,374	13,978
Investments in equity accounted entities	10	-	-	881
Other liabilities	15	7,583	6,798	4,305
Total non-current liabilities		<u>39,883</u>	<u>29,015</u>	<u>27,787</u>
SHAREHOLDERS' EQUITY				
Shareholders' capital	17	42,527	42,527	42,527
Contributed surplus		1,954	1,949	1,932
Retained earnings		89,510	109,338	117,084
Accumulated other comprehensive income		3	2	-
Total shareholders' equity		<u>133,994</u>	<u>153,816</u>	<u>161,543</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 648,377</u>	<u>\$ 713,872</u>	<u>\$ 809,192</u>

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

BIRD CONSTRUCTION INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the three and nine month periods ended September 30, 2018 and 2017

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

(unaudited)

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2018	2017	2018	2017
			(restated, note 4)		(restated, note 4)
Construction revenue		\$ 381,382	\$ 388,808	\$ 995,930	\$ 1,053,005
Costs of construction		<u>361,995</u>	<u>366,576</u>	<u>961,114</u>	<u>1,002,616</u>
Gross profit		<u>19,387</u>	<u>22,232</u>	<u>34,816</u>	<u>50,389</u>
Income from equity accounted investments	10	(288)	862	372	1,555
General and administrative expenses		<u>(12,805)</u>	<u>(14,999)</u>	<u>(44,084)</u>	<u>(42,572)</u>
Income (loss) from operations		6,294	8,095	(8,896)	9,372
Finance income	20	281	294	888	894
Finance and other costs	21	<u>(527)</u>	<u>(235)</u>	<u>(2,235)</u>	<u>(839)</u>
Income (loss) before income taxes		6,048	8,154	(10,243)	9,427
Income tax expense (recovery)	14	<u>1,688</u>	<u>2,260</u>	<u>(2,851)</u>	<u>2,581</u>
Net income (loss) for the period		\$ <u>4,360</u>	\$ <u>5,894</u>	\$ <u>(7,392)</u>	\$ <u>6,846</u>
Basic and diluted earnings (loss) per share	18	\$ <u>0.10</u>	\$ <u>0.14</u>	\$ <u>(0.17)</u>	\$ <u>0.16</u>

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

BIRD CONSTRUCTION INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and nine month periods ended September 30, 2018 and 2017

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

(unaudited)

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2018	2017	2018	2017
			(restated, note 4)		(restated, note 4)
Net income (loss) for the period		\$ 4,360	\$ 5,894	\$ (7,392)	\$ 6,846
Other comprehensive income (loss) for the period:					
Exchange differences on translating equity accounted investments	10	7	-	1	-
Total of items that may be reclassified to net income in subsequent periods		7	-	1	-
Total other comprehensive income (loss) for the period		7	-	1	-
Total comprehensive income (loss) for the period		\$ 4,367	\$ 5,894	\$ (7,391)	\$ 6,846

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

BIRD CONSTRUCTION INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine month periods ended September 30, 2018 and 2017
(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 January 1, 2017 (restated, note 4)		\$ 42,527	\$ 1,932	\$ 117,084	\$ -	\$ 161,543
Net income (loss) for the period (restated, note 4)		-	-	6,846	-	6,846
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	6,846	-	6,846
<i>Contributions by and dividends to owners</i>						
Stock-based compensation expense	16	-	13	-	-	13
Dividends declared to shareholders		-	-	(12,436)	-	(12,436)
Balance at September 30, 2017 (restated, note 4)		\$ 42,527	\$ 1,945	\$ 111,494	\$ -	\$ 155,966
Dividends per share declared during the nine month period ended September 30, 2017				\$ 0.29		
Balance at December 31, 2017 (restated, note 4)		\$ 42,527	\$ 1,949	\$ 109,338	\$ 2	\$ 153,816
Net income (loss) for the period		-	-	(7,392)	-	(7,392)
Other comprehensive income (loss) for the period	10	-	-	-	1	1
Total comprehensive income for the period		-	-	(7,392)	1	(7,391)
<i>Contributions by and dividends to owners</i>						
Stock-based compensation expense	16	-	5	-	-	5
Dividends declared to shareholders		-	-	(12,436)	-	(12,436)
Balance at September 30, 2018		\$ 42,527	\$ 1,954	\$ 89,510	\$ 3	\$ 133,994
Dividends per share declared during the nine month period ended September 30, 2018				\$ 0.29		

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

BIRD CONSTRUCTION INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine month periods ended September 30, 2018 and 2017
(in thousands of Canadian dollars)
(unaudited)

	Note	For the nine months ended September 30,	
		2018	2017
			(restated, note 4)
Cash flows from (used in) operating activities:			
Net income (loss) for the period		\$ (7,392)	\$ 6,846
Items not involving cash:			
Amortization	12	354	342
Depreciation	11	8,074	7,961
(Gain) loss on sale of property and equipment		(809)	(31)
(Income) loss from equity accounted investments	10	(372)	(1,555)
Finance income	20	(888)	(894)
Finance and other costs	21	2,235	839
Deferred compensation plan expense and other		3,056	1,039
Unrealized (gain) loss on investments and other		(535)	1,467
Income tax expense (recovery)	14	(2,851)	2,581
Stock-based compensation expense	16	5	13
Cash flows from (used in) operations before changes in non-cash working capital		<u>877</u>	<u>18,608</u>
Changes in non-cash working capital relating to operating activities	24	17,799	(122,828)
Interest received		914	885
Interest paid		(3,073)	(1,167)
Income taxes paid		(1,058)	(19,260)
Cash flows used in operating activities		<u>15,459</u>	<u>(123,762)</u>
Cash flows from (used in) investing activities:			
Investments in equity accounted entities	10	(1,750)	(10,536)
Capital distributions from equity accounted entities	10	1,593	-
Additions to property and equipment	11	(11,223)	(12,205)
Proceeds on sale of property and equipment	11	2,921	7,183
Additions to intangible assets	12	(1,325)	(82)
Purchase of short-term investments		(4,742)	(6,943)
Proceeds from maturity of short-term investments		3,107	-
Other long-term assets		(209)	(340)
Cash flows used in investing activities		<u>(11,628)</u>	<u>(22,923)</u>
Cash flows from (used in) financing activities:			
Dividends paid on shares		(12,436)	(13,746)
Proceeds from non-recourse project financing	7	21,473	24,878
Repayment of non-recourse project financing	7	(76,474)	(27,662)
Proceeds from loans and borrowings	13	13,671	1,786
Repayment of loans and borrowings	13	(5,320)	(2,736)
Cash flows from (used in) financing activities		<u>(59,086)</u>	<u>(17,480)</u>
Net decrease in cash and cash equivalents during the period		(55,255)	(164,165)
Effects of foreign exchange on cash balances		552	(1,201)
Cash and cash equivalents, beginning of the period		<u>133,055</u>	<u>261,876</u>
Cash and cash equivalents, end of the period	24	<u>\$ 78,352</u>	<u>\$ 96,510</u>

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

BIRD CONSTRUCTION INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

1. Structure of the Company

Bird Construction Inc. (the “Company”) is a corporation incorporated in the province of Ontario, Canada. The address of the Company’s registered office is 5700 Explorer Drive, Suite 400, Mississauga, Ontario, Canada.

The Company, through its subsidiaries and interests in joint arrangements carries on business as a general contractor with offices in St. John’s, Wabush, Halifax, Saint John, Montreal, Ottawa, Toronto, Winnipeg, Calgary, Edmonton and Vancouver. The Company focuses primarily on projects in the industrial, mining, commercial and institutional sectors of the general contracting industry. The Company serves customers in the industrial, mining, institutional, retail, commercial, multi-tenant residential, light industrial, and renovation and restoration sectors using fixed priced, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods. The operating segments of the Company are aligned with the Company’s geographic operations and 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

(a) Authorization of financial statements:

These unaudited interim condensed consolidated financial statements were authorized for issue on November 7, 2018 by the Company’s Board of Directors.

(b) Statement of compliance:

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34 Interim financial reporting. These unaudited condensed consolidated interim financial statements do not include all 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, 2017.

(c) Basis of measurement:

These unaudited interim condensed consolidated financial statements have been prepared using the historical cost convention, except for the valuation of certain financial assets and derivative financial instruments which have been classified as “fair value through profit and loss” and accordingly, are measured at fair value, and liabilities for cash settled share-based payment arrangements which are measured at fair value.

(d) 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.

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Construction revenue, construction costs, contract liabilities, and contract assets are all based on estimates and judgements used in determining an estimate of contract revenue and contract costs to determine the stage of completion for a particular construction project, depending upon the nature of the construction contract, as more fully described in the revenue recognition policy (see note 3(a)). To determine the estimated cost to complete construction contracts, assumptions and estimates are required to evaluate issues related to schedule, material and labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction, 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 our 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. As many change orders and claims may not be settled until the construction project is completed or subsequent to completion, the nature of the relationship with the other party to the claim and the history of success of these claims will determine the unpredictable nature of the associated revenue or cost recovery. Claims against customers due to delays, changes, etc. are assessed under the Company's variable consideration policy as described in note 3, which requires significant judgement and management's best estimate of recovery being ultimately added to the transaction price. This estimate is based on historical claim rates combined with a comprehensive assessment of the customer and negotiations to date. The value determined to be constrained is the difference between the total claim value and the best estimate of recovery. This constrained value is continuously reviewed as circumstances change and management will reassess estimates and update the transaction price accordingly.

Provisions involve the use of estimates, as determined by management. Estimates and assumptions are required to determine when to record and measure a provision in the financial statements for legal and warranty and other provisions. The outcomes can differ significantly from the estimates used in preparing the financial statements resulting in required adjustments to expenses and liabilities.

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 have been 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 key 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.

Information about significant judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the significant accounting policies note in the Company's December 31, 2017 annual consolidated financial statements related to revenue recognition, joint arrangements (note 3 (r)), and classification of leases (note 3 (u)).

3. Summary of significant accounting policies

Except as described below, the accounting policies applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's December 31, 2017 annual consolidated financial statements.

(a) Revenue recognition:

BIRD CONSTRUCTION INC.
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Contract revenue is recognized in profit or loss in accordance with the pattern of satisfying the Company's performance obligations under a contract. This satisfaction occurs when control of a good or service transfers to the customer. In the majority of the Company's contracts, the customer controls the work in process as evidenced by the right to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use to the Company, and the work is performed on the customer's property. Based on the nature of these contractual arrangements, control is transferred over time and revenue is recognized over time.

For each performance obligation satisfied over time, the Company will recognize revenue by measuring progress toward complete satisfaction of that performance obligation. Using output or input methods based on the type of contract, the Company recognizes revenue in a pattern that reflects the transfer of control of the promised goods or services to the customer. Revenue from fixed price and cost reimbursable contracts is recognized using the input method with reference to costs incurred. Revenue from unit price contracts in the heavy construction, civil construction and contract surface mining construction sectors is recognized based on the amount of billable work completed, established by surveys of work performed, an output method. For agency relationships, such as construction management contracts, where the Company acts as an agent for its customers, fee revenue only is recognized, generally in accordance with the contract terms. If the outcome of a construction contract cannot be estimated reliably for management to estimate the ultimate profitability of the contract with a reasonable degree of certainty, no profit is recognized. When further clarity is gained throughout the progression of the contract, the constrained margin and associated revenue will be reassessed.

Revenue from contract modifications, commonly referred to as change orders and claims, is recognized to the extent that the contract modifications have been approved by the customer and the amount can be measured reliably. In cases where the contract modification is approved, but the price has not been finalized, the Company will account for the contract modification using variable consideration guidance described below. A claim or dispute is considered variable consideration as it is in addition to the agreed upon performance obligations outlined in the original contract but due to unforeseen circumstances is claimed against the customer because of additional work and costs incurred due to delays and scope changes. The subsequent outcome and settlement of this claim through negotiation results in uncertainty as to the likelihood and amount that will be ultimately collected.

The amount of variable consideration included in the transaction price may be constrained due to the uncertain nature of the recovery of the associated revenue. The Company will make an estimate of the amount to be constrained by using either the most likely amount or the expected value method, depending which method is considered to best predict the amount of consideration by contract to which the Company will be entitled. The amount of variable consideration to be included in the transaction price is only that to which it is highly probable that a significant reversal of cumulative revenue recognized to date will not occur. Management considers the following factors in their assessment of the probability of reversal:

- (i) Susceptibility of consideration to factors outside the Company's influence.
- (ii) Length of time before resolution of the uncertainty associated with the amount of consideration is expected.
- (iii) The Company's experience with similar types of contracts is limited or the experience is not relevant or has limited predictive value.
- (iv) The Company has a practice of offering a broad range of pricing concessions or changing the payment terms and conditions of similar contracts in similar situations.
- (v) The contract has a larger number and broad range of possible consideration amounts.

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Where the above factors indicate uncertainty associated with the outcome of the transaction price, the Company reviews the historical performance under similar contracts in order to determine the appropriate proportion of the variable consideration to be included in the transaction price.

For most customer arrangements, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project or capability (even if that single project results in the delivery of multiple units). The Company therefore considers that the entire contract results in the delivery of a single performance obligation. Less commonly, the Company may promise to provide distinct goods or services within a contract in which case the contract is separated into the associated performance obligations as assessed from the customer's perspective. If a contract contains multiple performance obligations, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. When the Company is contracted to construct customer specific projects, the budgets and overall transaction prices are built up using the Company's best estimate of costs associated to complete the customized project using the appropriate overhead and subcontractor rates for a given project and location. This approach to estimate the overall costs and associated revenues is considered the most appropriate assessment of the standalone selling price for the associated performance obligations.

Where costs are determined to be greater than total revenues, losses from any construction contracts are recognized in full in the period the loss becomes apparent. Losses are recorded within provisions on the statement of financial position.

(b) Contract assets and liabilities:

Any excess of costs and estimated earnings over progress billings on construction contracts is carried as a contract asset in the financial statements. Contract assets also arise when the Company capitalizes incremental costs of obtaining contracts with customers and the costs incurred in fulfilling those contracts, such as mobilization costs. Costs to fulfill a contract are required to be capitalized where they are determined to relate directly to a contract or an anticipated contract that the entity can specifically identify, they generate or enhance resources of the Company that will be used in satisfying performance obligations in the future, and they are expected to be recovered under that specific contract.

In all cases, the specific contract asset is amortized into the project with reference to the same pattern of recognition as the revenue recognized on the associated project.

Any excess of progress billings over earned revenue on construction contracts is carried as a contract liability in the financial statements.

Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. All contract assets and liabilities are classified as current in the financial statements as they are expected to be settled within the Company's normal operating cycle.

(c) Construction costs:

Construction costs are expensed as incurred unless they result in an asset related to future contract activity and meet the criteria to be capitalized as contract assets. Construction costs include all expenses that relate directly to execution of the specific contract, including site labour and site supervision, direct materials, subcontractor costs, equipment rentals and depreciation, design and technical assistance, and warranty claims. Construction costs also include overheads that can be attributed to the project in a systematic and consistent manner and include general insurance and bonding costs, and staff costs relating to project management.

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(d) Provisions and contingent assets:

Provisions:

Provisions are recognized when, at the financial statement date, the Company has a present obligation as a result of a past event, and it is more likely than not that the Company will be required to settle that obligation and the cash outflow can be estimated reliably. The amount recognized for provisions is the best estimate of the expenditure to be incurred. Where the Company expects some or all of the provision to be reimbursed, for example through insurance, the reimbursement is recognized as an asset only when it is virtually certain of realization. The recoverable amount will not exceed the amount of the provision.

Provisions include:

- i. Provisions for potential legal claims relating to the Company's performance and completion of construction contracts. The Company attempts to settle claims within the construction period of the contracts, but a legal claim may take years to settle. A provision is recognized when it is more likely than not that a claim will require settlement. The amount recognized is the best estimate of the settlement amount.
- ii. Provisions for potential warranty claims relating to construction projects. These claims are usually settled during the project's warranty period. A provision is recognized when it is more likely than not that a warranty claim will arise. The amount recognized is the best estimate of the amount required to settle the warranty issue.
- iii. Provisions for loss contracts are recorded when costs are determined to be greater than total revenues for the contract. Losses from any construction contracts are recognized in full in the period the loss becomes apparent. The loss provision will be net of management's estimate of probable expected recoveries, which differs from the criterion used for revenue recognition.

Contingent assets:

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Cost recovery claims associated with claims against subcontractors and parties other than customers are considered contingent assets until it is virtually certain that the claims will be settled.

Contingent assets are not recorded or disclosed in the financial statements until such time as recovery of a portion or all of the claim is considered probable, at which time disclosure in the notes to the financial statements is required. For disclosed contingent assets, where the claim is accepted by the other party and realization of income is considered virtually certain, full disclosure in the financial statements as to the nature of the asset recorded is required, along with the recognition of the amount to be received in current assets.

(e) Finance income and finance costs:

Finance income is comprised of interest earned on cash and cash equivalents, gains/losses on disposal of investments and changes in the fair value of financial assets classified as fair value through profit and loss. Interest income is recognized as it accrues in the income statement.

Finance costs are comprised of interest expense related to the net gain or loss on interest rate swaps, interest associated with total return swaps and interest on loans and borrowings, including non-recourse project financing, using the effective interest rate method.

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4. New Accounting Standards and Amendments Adopted

The Company has adopted the following new accounting amendments effective January 1, 2018. These changes did not have a material impact on the Company's financial results:

- a) Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions
- b) IFRIC 22, Foreign Currency Transactions and Advance Consideration

The Company has adopted the following new accounting standards effective January 1, 2018:

- I. IFRS 15, Revenue from Contracts with Customers
- II. IFRS 9, Financial Instruments

IFRS 15, Revenue from Contracts with Customers:

The Company has adopted IFRS 15 effective January 1, 2018 using a fully retrospective approach. IFRS 15 supersedes previous accounting standards for revenue, including IAS 18 Revenue, and IAS 11 Construction Contracts. IFRS 15 introduced a single comprehensive model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. Specifically, IFRS 15 introduces a five-step approach to revenue recognition:

- 1. Identify the contract(s) with a customer;
- 2. Identify the performance obligations in the contract;
- 3. Determine the transaction price;
- 4. Allocate the transaction price to the performance obligations in the contract; and
- 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

On adoption of the new revenue standard the Company has employed the fully retrospective model therefore restating the impact on the comparative statements. The Company elected to utilize the following practical expedients on adoption:

- a) For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting periods.
- b) For all reporting periods presented before the date of initial application, January 1, 2018, an entity is not required to disclose the amount of transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognize that amount of revenue.

In accordance with the adoption of this standard, changes to the accounting policies were required. The main changes are explained below:

Revenue from contract modifications, commonly referred to as change orders and claims, are recognized to the extent that the contract modifications have been approved by the customer and the amount can be measured reliably. In cases where the contract modification is approved, but the price has not been finalized, the Company will account for the contract modification using variable consideration guidance described below. A claim or dispute is considered variable consideration as it is in addition to the agreed upon performance obligations outlined in the original contract but due to unforeseen circumstances is claimed against the customer because of additional work and costs incurred due to delays and scope changes. The subsequent outcome and settlement of this claim through negotiation results in uncertainty as to the likelihood and amount that will be ultimately collected.

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The amount of variable consideration included in the transaction price may be constrained due to the uncertain nature of the recovery of the associated revenue. The Company will make an estimate of the amount to be constrained by using either the most likely amount or the expected value method, depending which method is considered to best predict the amount of consideration by contract to which the Company will be entitled. The amount of variable consideration to be included in the transaction price is only that to which it is highly probable that a significant reversal of cumulative revenue recognized to date will not occur. Management considers relevant factors, including the amount of consideration highly susceptible to factors outside the Company's control, the period of uncertainty over the transaction price and experience of similar contracts, in order to determine whether there is an increased probability of reversal of revenue. Where these factors indicate uncertainty associated with the outcome of the transaction price, the Company reviews the historical performance under similar contracts in order to determine the appropriate proportion of the variable consideration to be included in the transaction price.

The portion of the payments retained by the customer until substantial completion, as defined in each contract has historically been discounted to reflect the time value of money. Under IFRS 15, these holdbacks from customers are no longer considered significant financing components due to the intent of the arrangement. These customer holdbacks are in place to protect the customer and ensure the Company performs as specified under the contract. All invoices are issued by the Company in line with the billing schedule included in each contract and payments of all elements (not inclusive of the holdback) is received within an appropriate period of time. Due to this change, where historically there was a portion of interest accretion on holdback receivables, this has ceased due to the understanding of the arrangement in accordance with IFRS 15. Therefore, finance income has been restated to remove the effect of the interest accretion.

Impact on Net Income

The impact to the Company's statements of income for the IFRS 15 adjustments are as follows:

	Three months ended September 30, 2017			Nine months ended September 30, 2017		
	As previously reported	Adjustments	Restated	As previously reported	Adjustments	Restated
Construction revenue	\$ 385,090	3,718	388,808	\$ 1,040,726	12,279	1,053,005
Costs of construction	363,538	3,038	366,576	990,812	11,804	1,002,616
Gross profit	<u>21,552</u>	<u>680</u>	<u>22,232</u>	<u>49,914</u>	<u>475</u>	<u>50,389</u>
Income from equity accounted investments	862	-	862	1,555	-	1,555
General and administrative expenses	<u>(14,999)</u>	<u>-</u>	<u>(14,999)</u>	<u>(42,572)</u>	<u>-</u>	<u>(42,572)</u>
Income (loss) from operations	7,415	680	8,095	8,897	475	9,372
Finance income	1,058	(764)	294	3,007	(2,113)	894
Finance and other costs	<u>(821)</u>	<u>586</u>	<u>(235)</u>	<u>(2,425)</u>	<u>1,586</u>	<u>(839)</u>
Income (loss) before income taxes	7,652	502	8,154	9,479	(52)	9,427
Income tax expense (recovery)	<u>2,124</u>	<u>136</u>	<u>2,260</u>	<u>2,595</u>	<u>(14)</u>	<u>2,581</u>
Net income (loss) and comprehensive income (loss) for the period	<u>\$ 5,528</u>	<u>366</u>	<u>5,894</u>	<u>\$ 6,884</u>	<u>(38)</u>	<u>6,846</u>
Basic and diluted earnings (loss) per share	<u>\$ 0.13</u>	<u>0.01</u>	<u>0.14</u>	<u>\$ 0.16</u>	<u>(0.00)</u>	<u>0.16</u>

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Impact on assets, liabilities and shareholders' equity at January 1, 2017 and December 31, 2017

(in thousands of Canadian dollars)	As at January 1, 2017			As at December 31, 2017		
	As previously reported	Adjustments	Restated	As previously reported	Adjustments	Restated
ASSETS						
Current assets:						
Cash	\$ 246,519	-	246,519	\$ 114,092	-	114,092
Bankers' acceptances and short-term deposits	15,357	-	15,357	18,963	-	18,963
Accounts receivable	391,804	(12,761)	379,043	374,931	(11,263)	363,668
Contract assets ⁽¹⁾	10,047	4,570	14,617	29,600	5,362	34,962
Contract assets - alternative finance projects ⁽²⁾	66,443	-	66,443	73,951	-	73,951
Inventory	567	-	567	514	-	514
Prepaid expenses	2,688	-	2,688	2,519	-	2,519
Income taxes recoverable	9,900	-	9,900	6,041	-	6,041
Other assets	-	-	-	409	-	409
Total current assets	743,325	(8,191)	735,134	621,020	(5,901)	615,119
Non-current assets:						
Other assets	3,680	-	3,680	7,577	-	7,577
Property and equipment	45,517	-	45,517	52,397	-	52,397
Investments in equity accounted entities	-	-	-	12,237	-	12,237
Deferred income tax asset	6,737	-	6,737	8,615	-	8,615
Intangible assets	1,735	-	1,735	1,538	-	1,538
Goodwill	16,389	-	16,389	16,389	-	16,389
Total non-current assets	74,058	-	74,058	98,753	-	98,753
TOTAL ASSETS	\$ 817,383	(8,191)	809,192	\$ 719,773	(5,901)	713,872
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 458,673	(17,002)	441,671	\$ 388,525	(8,304)	380,221
Contract liabilities ⁽³⁾	76,518	5,036	81,554	57,628	4,748	62,376
Dividends payable to shareholders	2,691	-	2,691	1,382	-	1,382
Income taxes payable	18,557	-	18,557	5,539	-	5,539
Non-recourse project financing	59,222	-	59,222	63,685	-	63,685
Current portion of loans and borrowings	2,765	-	2,765	4,755	-	4,755
Provisions	5,287	6,546	11,833	6,466	4,237	10,703
Other liabilities	1,569	-	1,569	2,380	-	2,380
Total current liabilities	625,282	(5,420)	619,862	530,360	681	531,041
Non-current liabilities:						
Loans and borrowings	8,623	-	8,623	13,843	-	13,843
Deferred income tax liability	14,726	(748)	13,978	10,151	(1,777)	8,374
Investments in equity accounted entities	881	-	881	-	-	-
Other liabilities	4,305	-	4,305	6,798	-	6,798
Total non-current liabilities	28,535	(748)	27,787	30,792	(1,777)	29,015
SHAREHOLDERS' EQUITY						
Shareholders' capital	42,527	-	42,527	42,527	-	42,527
Contributed surplus	1,932	-	1,932	1,949	-	1,949
Retained earnings	119,107	(2,023)	117,084	114,143	(4,805)	109,338
Accumulated other comprehensive income	-	-	-	2	-	2
Total shareholders' equity	163,566	(2,023)	161,543	158,621	(4,805)	153,816
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 817,383	(8,191)	809,192	\$ 719,773	(5,901)	713,872

⁽¹⁾ Previously reported as Costs and estimated earnings in excess of billings

⁽²⁾ Previously reported as Costs and estimated earnings in excess of billings - alternative finance projects

⁽³⁾ Previously reported as Deferred contract revenue

The application of IFRS 15 did not affect our cash flow totals from operating, investing, or financing activities.

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IFRS 9, Financial Instruments:

The Company has adopted IFRS 9 effective January 1, 2018 with no restatement. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company has completed its analysis of the impact of IFRS 9 with the following results:

- a) IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The financial assets are subsequently measured at amortized cost, fair value through profit and loss or fair value through other comprehensive income. There was no impact to the classification and measurement of the Company's financial assets.

There are no changes to the classification and measurement of the Company's financial instruments as at January 1, 2018 as a result of adopting IFRS 9 except that the grouping for loans and receivables described in note 3(m) in the December 31, 2017 annual financial statements is now referred to as financial assets.

	IAS 39	IFRS 9
Financial instruments at fair value through profit or loss (FVTPL)		
Non-recourse project financing - interest rate swaps	FVTPL	FVTPL
Interest rate swaps	FVTPL	FVTPL
Total return swap derivatives	FVTPL	FVTPL
Financial assets		
Cash and cash equivalents	Loans and receivables (amortized cost)	Financial assets (amortized cost)
Accounts receivable	Loans and receivables (amortized cost)	Financial assets (amortized cost)
Other non-current assets	Loans and receivables (amortized cost)	Financial assets (amortized cost)
Financial liabilities		
Accounts payable	Financial liabilities (amortized cost)	Financial liabilities (amortized cost)
Dividends payable to shareholders	Financial liabilities (amortized cost)	Financial liabilities (amortized cost)
Non-recourse project financing - loan facilities	Financial liabilities (amortized cost)	Financial liabilities (amortized cost)
Loans and borrowings	Financial liabilities (amortized cost)	Financial liabilities (amortized cost)
Deferred payment	Financial liabilities (amortized cost)	Financial liabilities (amortized cost)

- b) IFRS 9 replaces the incurred loss model from IAS 39 by introducing a new 'expected credit loss' model for calculating impairment of financial assets. IFRS 9 specifies different approaches for measuring and recognizing expected credit losses, by considering only defaults in the next 12 months and/or the full remaining life of the financial asset. The expected credit loss model requires a credit loss to be reflected in profit and loss immediately after an asset or receivable is acquired, with subsequent changes in expected credit losses at each reporting date recorded to reflect any change in credit risk. IFRS 9 provides a simplified approach for certain trade receivables and IFRS 15 contract assets. As a result of adopting the new standard, the Company has determined that the impact of applying the 'expected credit loss model' for calculating impairment of financial assets was not material, and therefore no amounts were recorded on the financial statements on transition date.
- c) IFRS 9 includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgement to assess the effectiveness of a hedging relationship. The Company does not currently elect hedge accounting and is not intending to apply hedge accounting under IFRS 9 and therefore there is no adjustment on transition date.

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5. Future accounting changes

Several new standards and amendments to standards and interpretations are not yet effective for the three and nine-month period ended September 30, 2018 and have not been applied in preparing these consolidated financial statements.

IFRS 16, Leases:

On January 13, 2016, the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying assets are of low value. A lessee is required to recognize a right-of-use (“ROU”) asset and a lease liability representing its obligation to make lease payments.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The standard may be applied retrospectively or using a modified retrospective approach. The Company plans to use the modified retrospective approach which does not require restatement of prior period financial information.

The Company continues to make progress in the evaluation of its contracts that may contain a ROU asset. The Company anticipates that the most significant impact of adopting IFRS 16 will be the recognition of ROU assets and corresponding lease liability related to leases with a term of 12 months or more on the Consolidated Balance Sheet at January 1, 2019. The additional right-of-use asset and lease liability is expected to result in an increase in depreciation and amortization expense and increase in interest costs on its lease liabilities, with a corresponding decrease in operating lease expenses. The Company also expects an increase in operating cashflows with a corresponding reduction in financing cashflows under IFRS 16.

On initial adoption, the Company intends to use the following practical expedients permitted under the standard:

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

The next steps will involve completing the overall analysis, assessing any potential impact to IT systems and internal controls and reviewing additional disclosures required by the new standard.

IFRIC 23, Uncertainty over Income Tax Treatments:

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company does not expect the Interpretation to have a material impact on the financial statements.

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6. Revenue

Disaggregation of revenue:

The Company disaggregates revenue from contracts with customers by contract type, as this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following tables provides details of total construction revenue by contract type for the three and nine-month periods ending September 30, 2018:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017 (restated)	2018	2017 (restated)
Fixed price / Unit price	\$ 308,527	\$ 327,324	\$ 810,779	\$ 874,277
Cost reimbursable/Cost plus	72,855	61,484	185,151	178,728
	<u>\$ 381,382</u>	<u>\$ 388,808</u>	<u>\$ 995,930</u>	<u>\$ 1,053,005</u>

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 date of the most recently completed quarter is referred to under IFRS 15 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, 2018 the aggregate amount of the transaction price allocated to total remaining performance obligations from construction contracts is \$1,235,029. 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 75% 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, 2018	December 31, 2017 (restated)	January 1, 2017 (restated)
Progress billings and holdbacks receivable (note 8)	\$ 412,210	\$ 355,812	\$ 373,149
Contract assets	29,467	34,962	14,617
Contract assets - alternative finance projects (note 7)	4,742	73,951	66,443
Contract liabilities	(66,091)	(62,376)	(81,554)
	<u>\$ 380,328</u>	<u>\$ 402,349</u>	<u>\$ 372,655</u>

Progress billings and holdbacks receivable:

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

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Contract assets:

The Company receives payments from customers based on a billing schedule, as established in the contracts. A contract asset relates to the conditional right to consideration for the completed performance under the contract. Accounts receivable are recognized when the right to consideration becomes unconditional.

Contract liability:

Contract liability relates 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.

7. Alternative finance projects

The following table provides details of contract assets - alternative finance projects as at September 30, 2018:

	Moncton Downtown Centre	OPP Modernization Phase 2	Total
Balance December 31, 2017	\$ 73,951	\$ -	\$ 73,951
Changes in non-cash working capital relating to alternative finance projects	(73,951)	4,742	(69,209)
Balance September 30, 2018	<u>\$ -</u>	<u>\$ 4,742</u>	<u>\$ 4,742</u>

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

	Moncton Downtown Centre		OPP Modernization Phase 2		Total
	Loan Facility	Interest rate swap	Loan Facility	Interest rate swap	
Balance December 31, 2017	\$ 63,975	\$ (290)	\$ -	\$ -	\$ 63,685
Proceeds	12,499	-	8,974	-	21,473
Repayment of debt	(76,474)	-	-	-	(76,474)
Transaction costs net of amortization	-	-	(1,066)	-	(1,066)
Change in fair value of interest rate swap	-	290	-	(34)	256
Balance September 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,908</u>	<u>\$ (34)</u>	<u>\$ 7,874</u>

(a) Moncton Downtown Centre

i. Background information:

During 2015, the Company was awarded a fixed-price build-finance contract to construct the Moncton Downtown Centre. The project obtained substantial completion during the second quarter of 2018.

ii. Restricted cash:

The terms of the debt financing agreement require that scheduled loan advances be deposited into a blocked bank account, which 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:

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There is \$nil contract assets as at September 30, 2018 related to the Moncton Downtown Centre project (December 31, 2017 - \$73,951). The project obtained substantial completion during the second quarter of 2018 and had billed according to contract.

iv. Loan payable:

The Company had arranged a \$77,478 loan facility related to the project, of which \$nil is outstanding at September 30, 2018 (December 31, 2017 - \$63,975). The project obtained substantial completion during the second quarter of 2018 and the loan was repaid in full.

Interest was 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 1.89%. The interest rate swap was executed on September 30, 2015 and expired on July 31, 2018. The notional amounts of the interest rate swap agreement matched the estimated draws under the loan facility. The interest rate swap agreement is not designated as a hedge, and changes in the fair market value are recorded in the statement of income. At September 30, 2018, the interest rate swap asset is \$nil (December 31, 2017 - interest rate swap asset \$290). Interest expense on the loan in the nine-month period ended September 30, 2018 of \$731 (September 30, 2017 - \$663) is included in finance costs.

(b) OPP Modernization Phase 2

i. Background information:

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

ii. Contract assets:

There is \$4,742 contract assets as at September 30, 2018 related to the OPP Modernization Phase 2 project. (December 31, 2017 - \$nil). Contract assets will continue to increase throughout the project until a contract payment is made to the Company following substantial completion of the project.

iii. Loan payable:

The Company had arranged a \$138,475 loan facility related to the project, of which \$8,974 has been drawn at September 30, 2018 (December 31, 2017 - \$nil). The loan is repayable in full, upon substantial completion of the project, from the proceeds of the fixed price build-finance contract payment. The scheduled substantial completion date is in 2020. In the event of a default in payment for the construction work upon substantial completion, including interim interest costs, the lender has recourse only against assets related to this project, which have been segregated in a wholly-owned subsidiary of the Company.

Interest is paid monthly in arrears. Borrowings under the facility bear interest at a rate per annum equal to the bankers' acceptance rate plus a spread. As part of the loan facility, the Company entered into an interest rate swap agreement that effectively fixes the interest rate at 3.29%. The interest rate swap was executed on August 17, 2018 and expires on January 4, 2021. The notional amounts of the interest rate swap agreement matched the estimated draws under the loan facility. The interest rate swap agreement is not designated as a hedge, and changes in the fair market value are recorded in the statement of income. At September 30, 2018, the interest rate swap asset is \$34 (December 31, 2017 - interest rate swap \$nil). Interest expense on the loan in the nine-month period ended September 30, 2018 of \$61 (September 30, 2017 - \$nil) is included in finance costs.

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8. Accounts receivable

	September 30, 2018	December 31, 2017 (restated)
Progress billings on construction contracts	\$ 305,421	\$ 223,763
Holdbacks receivable (due within one operating cycle)	106,789	132,049
Other	8,528	7,856
	<u>\$ 420,738</u>	<u>\$ 363,668</u>

Accounts receivable are reported net of an allowance for doubtful accounts of \$1,434 as at September 30, 2018 (\$1,672 - December 31, 2017).

Holdbacks receivable represent amounts billed on construction contracts which are not due until the contract work is substantially completed and the applicable lien period has expired.

9. Other assets

	September 30, 2018	December 31, 2017
Subcontractor/Supplier insurance deposits	\$ 5,690	\$ 4,846
Notes receivable	500	1,145
Total return swap derivatives	-	1,995
Interest rate swaps	13	-
Other assets	<u>\$ 6,203</u>	<u>\$ 7,986</u>
Less: current portion - Total return swap derivatives	-	409
Less: current portion - interest rate swaps	3	-
Non-current portion	<u>\$ 6,200</u>	<u>\$ 7,577</u>

Subcontractor/Supplier insurance deposits relate to the Company's insurance policies which provides 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. As at September 30, 2018, the funds held by the Company's subcontractor insurance providers amounted to \$5,690 (December 31, 2017 - \$4,846).

The Company entered into Total Return Swap ("TRS") derivative contracts for the purpose of managing its exposure to changes in the fair value of its MTIP, EIP and DSU share-based compensation plans (note 16(b)), due to changes in the fair value of the Company's common shares. Derivatives are initially recognized at fair value when a derivative contract is entered into and are subsequently remeasured at their fair value. The TRS derivative contracts are not designated as a hedge, and changes in the fair market value are recorded as compensation expense in the statement of income (note 16(b)). As at September 30, 2018, the Company recorded a derivative liability of \$60 (note 15) (December 31, 2017 - asset of \$1,995).

10. Projects and entities accounted for using the equity method

The Company performs some construction and concession related projects through non-consolidated entities. The Company's participation in these entities is conducted through joint ventures and associates and is accounted for using the equity method. The Company has a joint venture interest in Stack Modular

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group of companies and is accounting for these investments using the equity method. The Company's joint ventures and associates are private entities and there is no quoted market value available for their shares.

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

Projects and entities accounted for using the equity method - December 31, 2017	\$ 12,237
Share of net income for the period	372
Share of other comprehensive income (loss) for the period	1
Distributions from projects and entities accounted for using the equity method	(1,593)
Investments in equity accounted entities	1,750
Investments in equity accounted entities reclassified as held for sale	<u>(3,956)</u>
Projects and entities accounted for using the equity method - September 30, 2018	\$ <u>8,811</u>

The Company has recognized 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 reclassified as held for sale:

During the nine month period ended September 30, 2018, the Company initiated an active plan to sell its investments in two equity accounted entities. These investments have been reclassified as investments held for sale on the Consolidated Statements of Financial Position.

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11. Property and equipment

	September 30, 2018					Total
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	
Cost						
Balance January 1, 2018	\$ 1,774	13,446	7,355	95,651	2,294	\$ 120,520
Additions	-	443	284	10,278	218	11,223
Additions under finance leases	-	-	-	3,683	-	3,683
Disposals	-	(1,387)	-	(4,913)	-	(6,300)
Balance September 30, 2018	\$ 1,774	12,502	7,639	104,699	2,512	\$ 129,126
Accumulated depreciation						
Balance January 1, 2018	\$ -	5,165	3,325	57,905	1,728	\$ 68,123
Disposals	-	(232)	-	(3,956)	-	(4,188)
Depreciation expense	-	530	379	7,054	111	8,074
Balance September 30, 2018	\$ -	5,463	3,704	61,003	1,839	\$ 72,009
Net book Value	\$ 1,774	7,039	3,935	43,696	673	\$ 57,117

The statement of cash flows for the nine-month period ended September 30, 2018 excludes additions of equipment totaling \$3,683 (September 30, 2017 - \$8,771) acquired by financed leases and lessor inducements totaling \$nil (September 30, 2017 - \$420) respectively.

The carrying value of equipment, trucks and automotive held under finance leases at September 30, 2018 is \$13,296 (December 31, 2017 - \$10,747).

There were no events or circumstances requiring an impairment loss to be recognized in the nine-month period ended September 30, 2018.

12. Intangible assets and goodwill

	September 30, 2018	
	Computer Software	Goodwill
Cost		
Balance January 1, 2018	\$ 6,250	\$ 30,540
Additions	1,325	-
Disposals	-	-
Balance September 30, 2018	\$ 7,575	\$ 30,540
Accumulated amortization		
Balance January 1, 2018	\$ 4,712	\$ 14,151
Disposals	-	-
Amortization expense	354	-
Balance September 30, 2018	\$ 5,066	\$ 14,151
Net book value	\$ 2,509	\$ 16,389

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13. Operating and Equipment Lines of Credit and Loans and Borrowings

A. Letters of credit facilities:

The Company has authorized operating lines of credit totaling \$80,000, at September 30, 2018, the lines were drawn for outstanding letters of credit of \$10,542 (December 31, 2017 - \$25,060).

The Company has an agreement with Export Development Canada (EDC) to provide performance security guarantees for letters of credit issued by financial institutions on behalf of the Company. The Company can only use this facility when letters of credit have been issued as contract security for projects that meet the EDC criteria. EDC has issued performance security guarantees totaling \$4,891 (December 31, 2017 - \$4,891).

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to Public Private Partnership projects 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, 2018 of \$5,667 (December 31, 2017 - \$20,253).

B. Committed revolving operating credit facilities:

- i. The Company has a committed revolving credit facility up to \$85,000. The term of the facility matures December 31, 2021. As part of the agreement, the Company continues to provide a general secured interest in the assets of the Company. At September 30, 2018, the Company has \$25,347 letters of credit outstanding on the facility (December 31, 2017 - \$26,446) and has drawn \$15,000 on the facility (December 31, 2017 - \$5,000). The full amount is recorded as non-current, as the facility is due and payable December 31, 2021. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A commitment fee of 0.25% 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.

C. Equipment facilities:

- i. The Company and its subsidiaries have committed term credit facilities of up to \$40,000 to be used to finance equipment purchases. Borrowings under the facilities are secured by a first charge against the equipment financed using the facilities. As of September 30, 2018, the Company has \$6,598 outstanding on the facilities (December 31, 2017 - \$5,823). Interest on the facilities can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears.
- ii. The Company and its subsidiaries obtained multiple fixed interest rate term loans which have been used to finance equipment purchases. The maturity dates of term loans outstanding at September 30, 2018 range from 2018 to 2023. These term loans bear interest at a range of fixed rates from 2.40% to 3.42%. Principal repayments and interest are payable monthly, and these term loans are secured by specific equipment of the Company and its subsidiaries.
- iii. The Company and its subsidiaries obtained a variable interest rate term loan which has been used to finance equipment purchases. The term loan outstanding at September 30, 2018 had an initial principal amount of \$2,645 and matures in 2018. This loan bears interest at a variable rate of 2.65%. Principal repayments and interest are payable monthly, and this term loan is secured by specific equipment of the Company and its subsidiaries.
- iv. Subsidiaries of the Company have established operating lease lines of credit of \$42,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. Draws

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under these facilities are generally recognized as finance leases or operating leases, with the lease obligations being secured by the specific leased equipment (see note 22). At September 30, 2018, the subsidiaries had used \$7,125 under these facilities.

D. Term loan:

A subsidiary of the Company had a fixed rate term loan used to finance a building. The facility matures on September 28, 2020. Principal repayments in the amount of \$2 were payable monthly based upon a 25-year amortization period with interest at a fixed rate of 2.12%. The term loan facility was repaid in full in the third quarter of 2018.

E. Finance lease liabilities:

Finance leases relate to construction and automotive equipment and mature between October 2018 and September 2022, and bear interest at the 30-day bankers' acceptance rate plus a spread. The Corporation has the option to purchase the construction and automotive equipment under lease at the conclusion of the lease agreements. As of September 30, 2018, the Company has \$4,650 (December 31, 2017 - \$2,598) outstanding as finance leases.

The following table provides details of the outstanding Loans and Borrowings as at September 30, 2018.

	Maturity	Interest Rate	September 30, 2018	December 31, 2017
Revolving credit facility B(i)	December 31, 2021	Variable 3.63%	\$ 15,000	\$ 5,000
Equipment financing				
Term loans C (i)(ii)	2018-2021	Fixed 2.40% to 3.42%	6,281	4,381
Term loans C (iii)	2018	Variable 2.65%	20	419
Term loan (D)	September 28, 2020	Fixed 2.12%	-	377
			<u>21,301</u>	<u>10,177</u>
Finance lease liabilities (E), C(i)			<u>9,331</u>	<u>8,421</u>
			<u>30,632</u>	<u>18,598</u>
Less: current portion of long-term debt			2,169	2,479
Less: current portion of finance lease liabilities			2,961	2,276
Current portion of loans and borrowings			<u>5,130</u>	<u>4,755</u>
Non-current portion of loans and borrowings			<u>\$ 25,502</u>	<u>\$ 13,843</u>

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The following table provides details of the changes in the Company's Loans and Borrowings during the nine month period ended September 30, 2018.

	Nine months ended September 30, 2018			
	Property & Equipment financing	Revolving Credit Facility	Finance Leases	Total
Balance December 31, 2017	\$ 5,177	\$ 5,000	\$ 8,421	\$ 18,598
Proceeds	3,671	10,000	3,683	17,354
Repayment	(2,547)	-	(2,773)	(5,320)
Balance September 30, 2018	<u>\$ 6,301</u>	<u>\$ 15,000</u>	<u>\$ 9,331</u>	<u>\$ 30,632</u>

The aggregate amount of principal repayments and future minimum lease payments under finance leases for all loans and borrowings is as follows:

	Equipment and Operating Financing	Revolving Credit Facility	Finance Leases	Total
Within 1 year	\$ 2,169	-	3,172	\$ 5,341
Year 2	1,809	-	3,208	5,017
Year 3	1,274	-	2,844	4,118
Year 4	877	15,000	495	16,372
Year 5	172	-	9	181
More than 5 years	-	-	-	-
Balance September 30, 2018	<u>\$ 6,301</u>	<u>15,000</u>	<u>9,728</u>	<u>\$ 31,029</u>
Less interest	-	-	(397)	<u>(397)</u>
	<u>\$ 6,301</u>	<u>15,000</u>	<u>9,331</u>	<u>\$ 30,632</u>

14. Income taxes

	Nine months ended September 30, 2017	
	<u>2018</u>	<u>(restated)</u>
Provision for income taxes		
Income tax expense (recovery) is comprised of:		
Current income taxes	\$ (846)	\$ 8,914
Deferred income taxes	<u>(2,005)</u>	<u>(6,333)</u>
	<u>\$ (2,851)</u>	<u>\$ 2,581</u>
Income tax rate reconciliation		
Combined federal and provincial income tax rate	27.0%	27.9%
Increases (reductions) applicable to:		
Non-taxable items	(0.5%)	2.5%
Other	<u>1.3%</u>	<u>(3.0%)</u>
Effective rate	<u>27.8%</u>	<u>27.4%</u>

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

15. Other liabilities

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Liabilities for cash-settled share-based compensation plans (note 16(b))	\$ 6,242	\$ 5,558
Leasehold inducement	2,289	2,484
Deferred payment	756	1,136
Total return swap derivatives	60	-
Interest rate swaps	-	-
	<u>\$ 9,347</u>	<u>\$ 9,178</u>
Less: current portion - cash-settled share-based compensation plans (note 16(b))	1,470	1,726
Less: current portion - leasehold inducement	218	218
Less: current portion - deferred payment	56	436
Less: current portion - total return swap derivatives	20	-
Less: current portion - interest rate swaps	-	-
	<u>\$ 1,764</u>	<u>\$ 2,380</u>
Non-current portion	<u>\$ 7,583</u>	<u>\$ 6,798</u>

16. Share-based compensation plans

(a) Stock option plan:

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

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

	<u>Number of share</u> <u>options</u> <u>outstanding</u>	<u>Weighted average</u> <u>exercise price</u>
Outstanding at December 31, 2017	535,000	\$ 13.59
Forfeited during the period	(45,000)	13.98
Outstanding at September 30, 2018	<u>490,000</u>	<u>\$ 13.55</u>

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The following table summarizes information about stock options outstanding and exercisable as at September 30, 2018:

	Number of stock options issued and outstanding	Number of stock options exercisable	Exercise price	Weighted average fair value of the option	Expiry Date	Remaining Contractual life (years)
March 15, 2012 Grant	390,000	390,000	\$ 13.98	\$ 3.25	March 15, 2019	0.5
January 1, 2015 Grant	100,000	75,000	\$ 11.87	\$ 1.16	January 1, 2022	3.3

The stock-based compensation expense recognized during the nine month period ended September 30, 2018 is \$5 compared to an expense of \$13 during the nine month period ended September 30, 2017.

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

	September 30, 2018	December 31, 2017
MTIP liability	\$ 2,793	\$ 2,975
EIP liability	1,445	861
DSU liability	2,004	1,722
Liabilities for cash-settled share-based compensation plans	\$ 6,242	\$ 5,558
Less: current portion - MTIP liability	1,470	1,726
	\$ 1,470	\$ 1,726
Non-current portion	\$ 4,772	\$ 3,832

The Company has recognized a derivative loss of \$2,055 on its Total Return Swap contracts (note 9) and (note 15) for the nine month period ended September 30, 2018 (September 30, 2017 - \$1,688 gain).

17. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares and has issued and outstanding 42,516,853 common shares as at September 30, 2018. The Company is authorized to issue preference shares in series with rights set by the Board of Directors, up to a balance not to exceed 35% of the outstanding common shares.

	Number of shares	Amount
Balance, September 30, 2018 and December 31, 2017	42,516,853	\$ 42,527

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18. Earnings per share

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017 (restated)	2018	2017 (restated)
Profit (loss) attributable to shareholders (basic and diluted)	\$ 4,360	\$ 5,894	\$ (7,392)	\$ 6,846
Average number of common shares outstanding	42,516,853	42,516,853	42,516,853	42,516,853
Effect of stock options on issue	-	-	-	-
Weighted average number of common shares (diluted)	42,516,853	42,516,853	42,516,853	42,516,853
Basic earnings (loss) per share	\$ 0.10	\$ 0.14	\$ (0.17)	\$ 0.16
Diluted earnings (loss) per share	\$ 0.10	\$ 0.14	\$ (0.17)	\$ 0.16

At September 30, 2018, 490,000 options (December 31, 2017 - 535,000 options) were excluded from the diluted weighted average number of common share calculation as their effect would have been anti-dilutive.

19. Provisions

	September 30, 2018	December 31, 2017 (restated)
Warranty claims and other	\$ 7,258	\$ 8,777
Legal claims	2,094	1,926
	<u>\$ 9,352</u>	<u>\$ 10,703</u>

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

20. Finance income

	Nine months ended September 30, 2017	
	2018	(restated)
Interest income	\$ 888	\$ 894
	<u>\$ 888</u>	<u>\$ 894</u>

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21. Finance and other costs

	Nine months ended September 30,	
	2018	2017 (restated)
Interest on loans and borrowings	\$ 1,187	\$ 343
Loss on interest rate swaps (note 7)	256	(368)
Interest on non-recourse project financing	792	864
	\$ 2,235	\$ 839

22. Leases

Future minimum annual lease payments relating to lease commitments on buildings, equipment and vehicles over the next five years are:

	Maturities			
	Within 2018	From 2019 to 2022	Beyond 2022	
Operating leases	\$ 1,637	17,821	14,232	\$ 33,690

23. Commitments and contingent liabilities

(a) Commitments:

Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at September 30, 2018 totalled \$44,004 (December 31, 2017 - \$24,109).

The Company has acquired minority equity interests in a number of PPP concession entities (note 10), which requires the Company to make \$8,129 in future capital injections. These commitments have been secured by letters of credit totalling \$8,129 (December 31, 2017 - \$8,131).

(b) Contingencies:

The Company is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts. These include the Company's contingent liability for the performance obligations of its subcontractors. Where possible and appropriate, the Company obtains performance bonds, subcontract/supplier insurance or alternative security from subcontractors. However, where this is not possible, the Company is exposed to the risk that subcontractors will fail to meet their performance obligations. In that eventuality, the Company would be obliged to complete the subcontractor's contract, generally by engaging another subcontractor, and the cost of completing the work could exceed the original subcontract price. The Company makes appropriate provisions in the financial statements for all known liabilities relating to subcontractor defaults.

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24. Other cash flow information

	Nine months ended September 30,	
	2018	2017 (restated)
Changes in non-cash working capital relating to operating activities		
Accounts receivable	\$ (57,096)	\$ (45,056)
Contract assets	5,495	(9,041)
Contract assets - alternative finance projects	69,209	(552)
Prepaid expenses	(667)	269
Other assets	(3)	(299)
Inventory	(238)	27
Accounts payable	(373)	(63,433)
Contract liabilities	3,715	(1,144)
Provisions	(1,351)	(3,170)
Medium term incentive plan and other	(892)	(429)
	\$ 17,799	\$ (122,828)

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

	September 30, 2018	December 31, 2017
Cash and cash equivalents		
Cash	\$ 33,031	\$ 67,852
Cash held for joint operations	40,445	46,240
Bankers' acceptances and short-term deposits	4,876	18,963
	\$ 78,352	\$ 133,055

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

Restricted cash and cash equivalents

Cash and cash equivalents held to support letters of credit (note 13)	\$ 5,667	\$ 20,253
Cash deposited in blocked accounts for special projects	1,682	4,043
	\$ 7,349	\$ 24,296

Letters of Credit Support:

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 Public Private Partnership 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 13A).

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

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paid to the Company based on the progress made on the related construction project. Once Public Private Partnership 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.

25. Financial instruments

The Company's investments and derivative financial instruments, including interest rate swaps and TRS derivatives have been classified as fair value through profit and loss. The Company's cash, bankers' acceptances, short-term deposits, short-term investments, accounts receivable and other long-term assets are classified as financial assets. The Company's bank overdraft, if any, accounts payable, dividends payable to shareholders, non-recourse project financing, deferred payment and long-term debt have been classified as financial liabilities. The basis of the determination of the fair value of the Company's financial instruments is more fully described in note 3(m) of the December 31, 2017 annual financial statements.

A. Classification and fair value of financial instruments:

	<u>September 30, 2018</u>	<u>December 31, 2017 (restated)</u>
Financial instruments at fair value through profit or loss		
Non-recourse project financing - interest rate swaps	\$ 34	\$ 290
Interest rate swaps	13	-
Total return swap derivatives	<u>(60)</u>	<u>1,995</u>
	<u>\$ (13)</u>	<u>\$ 2,285</u>
Financial assets and financial liabilities		
Financial assets		
Cash and cash equivalents (note 24)	\$ 78,352	\$ 133,055
Accounts receivable	420,738	363,688
Other non-current assets	6,190	5,991
Short-term investments	<u>1,618</u>	<u>-</u>
	<u>\$ 506,898</u>	<u>\$ 502,734</u>
Financial liabilities		
Accounts payable	\$ (379,820)	\$ (380,221)
Dividends payable to shareholders	(1,382)	(1,382)
Non-recourse project financing - loan facilities (note 7)	(7,908)	(63,975)
Loans and borrowings	(30,632)	(18,598)
Deferred payment	<u>(756)</u>	<u>(1,136)</u>
	<u>\$ (420,498)</u>	<u>\$ (465,312)</u>
Total financial instruments	<u><u>\$ 86,387</u></u>	<u><u>\$ 39,707</u></u>

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

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B. Risk Management:

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

i. Credit Risk:

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

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

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

Accounts receivable outstanding for greater than 90 days and considered past due by the Company's management, represent 13.9% (December 31, 2017 - 16.5%) of the balance of progress billings on construction contracts receivable at September 30, 2018. Management has recorded an allowance of \$1,434 (December 31, 2017 - \$1,672) against these past due receivables, net of amounts recoverable from others.

	Amounts past due			
	Up to 12 months	Over 12 months	September 30, 2018	December 31, 2017
Trade receivables	\$ 27,295	\$ 15,233	\$ 42,528	\$ 37,122
Impairment	(280)	(1,154)	(1,434)	(1,672)
Total Trade receivables	<u>\$ 27,015</u>	<u>\$ 14,079</u>	<u>\$ 41,094</u>	<u>\$ 35,450</u>

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

	September 30, 2018	December 31, 2017
Balance, beginning of period	\$ 1,672	\$ 1,524
Impairment loss recognized	140	383
Amounts written off	(236)	(96)
Impairment loss reversed	(142)	(139)
	<u>\$ 1,434</u>	<u>\$ 1,672</u>

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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 \$73,807 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 \$5,667 hypothecated to support outstanding letters of credit and \$1,489 held in blocked accounts, are available to meet the financial obligations of the Company as they come due (note 24).

The Company has a committed line of credit of \$85,000 available to finance operations and issue letters of credit. As at September 30, 2018, the Company has drawn \$15,000 on the facility and has \$25,347 letters of credit outstanding on the facility. Also, the Company and its subsidiaries have \$40,000 in equipment facilities, of which \$6,598 is outstanding at September 30, 2018. Subsidiaries of the Company have established operating lease lines of credit for \$42,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. At September 30, 2018, the subsidiaries have used \$7,125 under these facilities. In addition, the Company has lines of credit totaling \$80,000 available for issuing letters of credit for which \$10,542 was drawn at September 30, 2018. Additional draws on this line require hypothecation of additional securities or cash deposits. Cash collateralization may not be required for certain letters of credit with an export component as the Company has entered into an agreement with EDC to provide performance security guarantees for letters of credit issued that meet their criteria. The Company believes it has access to sufficient funding through the use of these facilities to meet foreseeable operating requirements.

Principal repayments due on the loans and borrowings and non-recourse project financing are disclosed in notes 13 and 7, respectively. As disclosed in notes 15 and 16, payments required pursuant to the Company's MTIP granted in 2015, 2016 and 2017 are due on the vesting dates of November 2018, November 2019 and November 2020, respectively, or upon retirement, if earlier. Payments pursuant to the Company's EIP granted in 2017 and 2018 are due by December 2020 and December 2021 respectively. Payments pursuant to the Company's DSU Plan are cash settled when the eligible Director ceases to hold any position within the Company.

iii. Market risk:

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

At September 30, 2018, the interest rate profile of the Company's long-term debt and non-recourse project financing was as follows:

	September 30, 2018
Fixed-rate facilities	\$ 6,281
Variable-rate facilities	15,020
Non-recourse project financing facilities	8,974
Total long-term debt and non-recourse project financing	\$ <u>30,275</u>

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

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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, 2018, a one percent change in the interest rate applied to the Company's variable rate long-term debt will change annual income before income taxes by approximately \$150.

The Company has certain share-based compensation plans, whereby the values are based on the common share price of the Company. The Company has fixed a portion of the settlement costs of these plans by entering into various TRS derivatives maturing between 2018 and 2021. The TRS derivatives are not designated as a hedge. The TRS derivatives are 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, 2018, a 10 percent change in the share price applied to the Company's TRS derivatives will change income before income taxes by approximately \$1,008. The intent of these derivatives is to offset the impact associated with changes to the Company's common share price for its cash-settled share-based plans (note 16(b)).

iv. Currency risk:

Currency risk is the risk that fluctuations in currency exchange rates will affect the Company's net income.

A 10% movement in the Canadian and U.S. dollar exchange rate would have changed annual income by approximately \$1,460.

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, 2018 to the Shareholders of record as of the close of business on October 31, 2018.
- ii. The November dividend of \$0.0325 per share will be paid on December 20, 2018 to the Shareholders of record as of the close of business on November 30, 2018.
- iii. The December dividend of \$0.0325 per share will be paid on January 18, 2019 to the Shareholders of record as of the close of business on December 31, 2018.
- iv. The January dividend of \$0.0325 per share will be paid on February 20, 2019 to the Shareholders of record as of the close of business on January 31, 2019.
- v. The February dividend of \$0.0325 per share will be paid on March 20, 2019 to the Shareholders of record as of the close of business on February 28, 2019.

27. Comparative figures

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