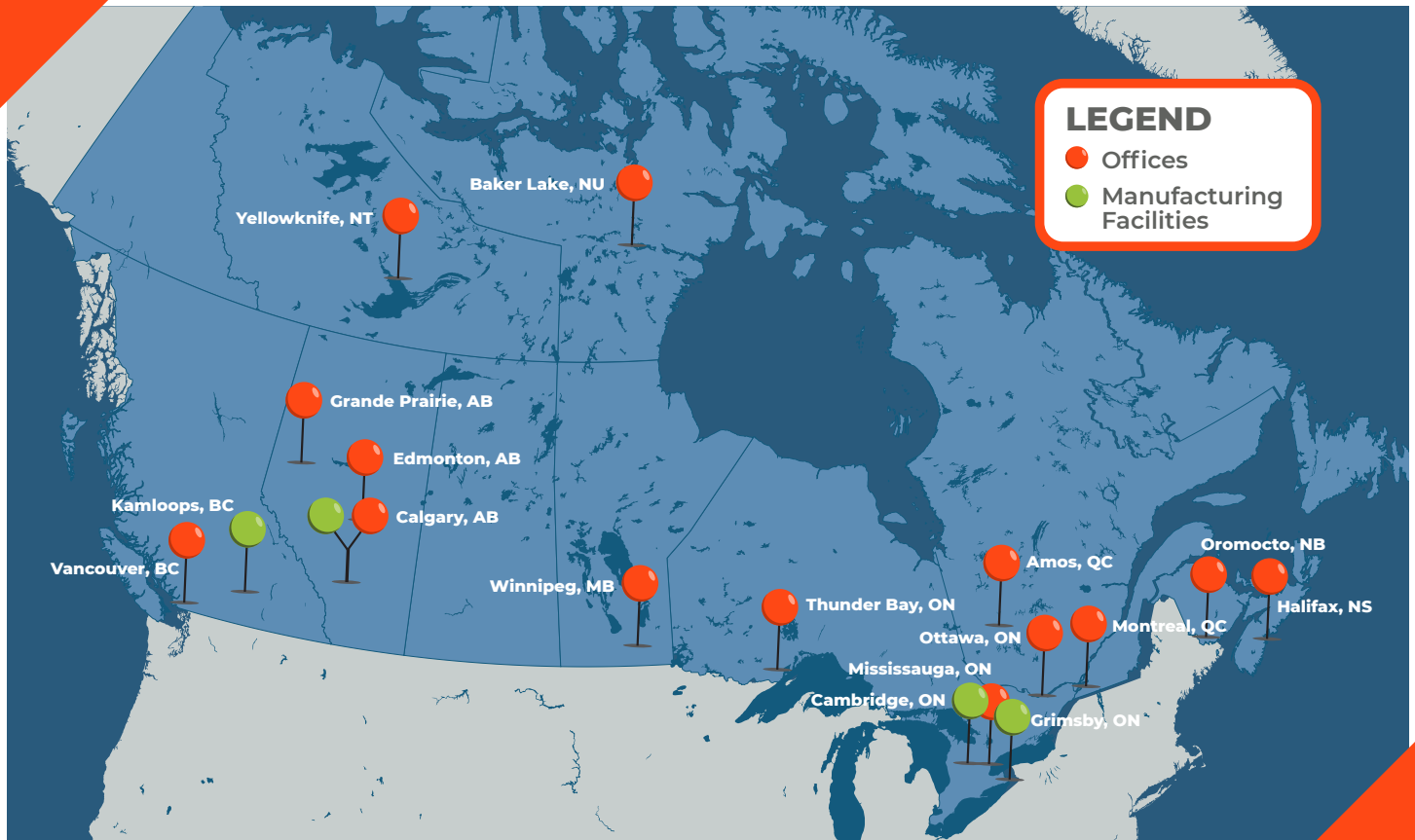


2021  
**Annual  
Report**



# PAN-CANADIAN INFRASTRUCTURE SUPPORT SERVICES



Revenue Growth in \$000s



Adjusted EBITDA\* in \$000s



\*Includes Canada Emergency Wage Subsidies in 2020 and 2021 (see the Reconciliation of non-GAAP Measures in the Management Discussion and Analysis)





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## LETTER FROM THE CHAIR OF THE BOARD

### To our shareholders:

Thank you for the continued trust you have placed in your Board of Directors and the management team. It has been a busy year! Your company made significant progress in executing its short-term vision and strategy to become a Canadian services champion with over \$1 billion in revenue and over \$100 million in EBITDA.

The performance of our employees was exemplary given the continued business restrictions related to COVID-19. Diverse teams from across the country acted with agility, care, and a customer-first focus. I want to thank them for their dedication, hard work, and support every day in making Dexterra a better company.

Our financial performance and progress in 2021 were also strong. We added new customers, new modular capacity, reduced our debt level, entered into a new credit facility that gives us financial flexibility for future growth, increased our dividend to shareholders, and closed two important acquisitions shortly after year end. These combined developments translated into higher shareholder value and give us a strong foundation for future growth.

We are optimistic about the opportunities that lie ahead of us. Thank you for your continued support over the past year. We also hope you will join us and look forward to answering your questions at our shareholders' meeting on May 11, 2022.

A handwritten signature in black ink that reads "Bill McFarland". The signature is stylized and cursive.

Bill McFarland  
Chair of the Board





## LETTER FROM THE CEO

### To our Dexterra Group stakeholders:

2021 was an important year in the evolution of Dexterra Group. While restrictions began to ease throughout the year, the COVID-19 pandemic continued to pose challenges for Canadian businesses. The resilience of our business was evident in completing a successful year, thanks to the quality of our people, systems, and tools. We also remained committed to growth and investments in people and systems.

I would like to thank the more than 7,500 Dexterra Group employees across Canada, who have done an outstanding job supporting our customers this year. The quality of our people, our business model, and the excellent service our teams deliver to our clients have been important

differentiators for us and will help us meet our growth aspirations in the future. Our decentralized model, with nimble and accountable business units and fewer layers of management, push decision making closer to our clients so we can react with agility.

Our people also reached new heights when Dexterra Group was named Canada's Safest Employer in the Services Sector by *Canadian Occupational Safety* and Lee-Anne Lyon-Bartley, Executive Vice-President, Health, Safety, Environment & Quality, was named one of the 100 Accomplished Black Canadian Women by 100ABCWomen in their annual publication.

We started the new year strong by successfully closing two M&A deals in January 2022, which add new skills, expand our footprint in the facilities management sector, and will add over \$130 million in

revenue. Our business also celebrated some major milestones in 2021. We shared our first Sustainability Report, which highlights how we are strengthening our organization through environmental, social, and governance initiatives. We expanded our services business in the Workforce Accommodations, Forestry, and Energy Services business unit with new wins, emphasizing our capabilities in food services, housekeeping and caretaking. In 2021, we also converted 55 per cent EBITDA to FCF, with the target of increasing that conversion over time.

I want to thank our customers, clients, partners, and shareholders, who have supported us over the past year and the Board of Directors for its insights and support. It has been a privilege to be CEO and work with our various stakeholders and successfully navigate through these challenging times.



John Mac Cuish  
Chief Executive Officer

## THE VALUES WE LIVE BY



### Accountability

We don't just walk by. We own our successes and setbacks. If we see something wrong, we act to resolve it. If we see something right, we celebrate it.



### Diversity

Everyone has a voice. Sharing is how we learn. It's how we make progress and move forward as a team.



### Trust

Our actions speak louder than our words. Trust is earned through clarity, compassion and competence. It is our commitment to our clients, our colleagues and our communities.



### Partnership

Service is what we sell. By asking for, listening to and acting on client feedback, we create long-term, successful partnerships.





# MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

This MD&A has been prepared as at March 9, 2022.

## Management's Discussion and Analysis Three months and years ended December 31, 2021 and 2020

The following Management's Discussion and Analysis ("MD&A") prepared as at March 9, 2022 for Dexterra Group Inc. ("Dexterra Group" or the "Corporation"), provides information concerning Dexterra Group's financial condition and results of operations. This MD&A should be read in conjunction with the Corporation's audited Consolidated Financial Statements ("2021 Financial Statements") for the years ended December 31, 2021 and 2020. For additional information, readers should also refer to Dexterra Group's Annual Information Form ("AIF") available on SEDAR at [sedar.com](http://sedar.com) and Dexterra Group's website at [dexterra.com](http://dexterra.com). Some of the information in this MD&A contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Information" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or from the underlying forward-looking information as a result of various factors including those described elsewhere in this MD&A and AIF.

The accompanying 2021 Financial Statements of Dexterra Group as at and for the year ended December 31, 2021 and December 31, 2020 are the responsibility of Dexterra Group's management and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and all amounts presented are in thousands of Canadian dollars unless otherwise indicated.

### Financial Summary

(000's except per share amounts)	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020 <sup>(3)</sup>
Total Revenue	\$ 201,588	\$ 164,418	\$ 733,380	\$ 477,815
Adjusted EBITDA <sup>(1)</sup>	\$ 18,054	\$ 17,477	\$ 80,755	\$ 71,087
Adjusted EBITDA excluding CEWS as a % of revenue <sup>(1)</sup>	9 %	8 %	10 %	8 %
Net earnings	\$ 4,176	\$ 27	\$ 24,628	\$ 64,479
Earnings per share				
Basic <sup>(2)</sup>	\$ 0.06	\$ 0.00	\$ 0.37	\$ 1.25
Diluted <sup>(2)</sup>	\$ 0.06	\$ 0.00	\$ 0.37	\$ 1.24
Total assets	\$ 531,548	\$ 513,523	\$ 531,548	\$ 513,523
Total loans and borrowings	\$ 65,320	\$ 85,369	\$ 65,320	\$ 85,369
Free Cash Flow <sup>(1)</sup>	\$ 20,791	\$ 29,069	\$ 45,393	\$ 64,016

(1) Please refer to the "Non-GAAP measures" section for the definition of Adjusted EBITDA, Adjusted EBITDA excluding CEWS as a % of revenue and Free Cash Flow and to the "Reconciliation of non-GAAP measures" section for the related calculations.

(2) All 2020 share and per share data presented has been retroactively adjusted to reflect the five-for-one share consolidation completed on July 16, 2020.

(3) 2020 comparative information includes the results of Horizon North Logistics Inc. from May 29, 2020 onwards which was the effective date of the Acquisition (as defined below under the heading "Core Business").

### Non-GAAP measures

Certain measures and ratios in this MD&A do not have any standardized meaning as prescribed by GAAP and, therefore, are considered non-GAAP measures. Non-GAAP measures include "Adjusted EBITDA", calculated as earnings before interest, taxes, depreciation, amortization, equity investment depreciation, share based compensation, bargain purchase (gain) reduction, gain/loss on disposal of property, plant and equipment and non-recurring items; "Adjusted EBITDA excluding Canada Emergency Wage Subsidy ("CEWS") as a percentage of revenue", calculated as Adjusted EBITDA excluding CEWS divided by revenue; "Free Cash Flow", calculated as net cash flows from (used in) operating activities, less sustaining capital expenditures, purchase of intangible assets, lease payments and finance costs plus proceeds on the sale of property, plant and equipment; and "Backlog" which is the total value of work that has not yet been completed that: (a) has a high certainty of being performed based on the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Dexterra Group, as evidenced by an executed letter of award or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured and expects to be recognized in the next 12 months. These measures and ratios provide investors with supplemental measures of Dexterra Group's operating performance and highlight trends in its core businesses that may not otherwise be apparent when relying solely on GAAP financial measures. Dexterra Group also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Dexterra Group's management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

These measures are regularly reviewed by the Chief Operating Decision Makers and provide investors with an alternative method for assessing the Corporation's operating results in a manner that is focused on the performance of the Corporation's ongoing operations and to provide a consistent basis for comparison between periods. These measures should not be construed as alternatives to net earnings and total comprehensive income or operating cash flows as determined in accordance with GAAP as indicators of the Corporation's performance. The method of calculating these measures may differ from other entities and accordingly, may not be comparable to measures used by other entities. For a reconciliation of these non-GAAP measures to their nearest measure under GAAP please refer to "Reconciliation of non-GAAP measures".



## Management's Discussion and Analysis

### Core Business

Dexterra Group is a publicly listed corporation (TSX: DXT.TO) delivering quality solutions to create, manage and operate infrastructure, offering both experience and regional expertise across Canada under its three operating business units: Integrated Facilities Management ("IFM"), Workforce Accommodations, Forestry and Energy Services ("WAFES"), and Modular Solutions.

Our Integrated Facilities Management business delivers operations and maintenance solutions for built assets and infrastructure in the public and private sectors, including government, commercial, defence, education, healthcare and aviation. Our WAFES business provides a full range of workforce accommodations solutions, forestry services and access solutions to clients in the mining, forestry, construction and other natural resource sectors. Our Modular Solutions business integrates modern design concepts with off-site manufacturing processes to produce high-quality building solutions for rapid affordable housing, specialty kiosks, commercial, residential and industrial clients. As a result of our diverse product and service offerings, Dexterra Group is uniquely positioned to meet the needs of our customers in numerous sectors across Canada.

On May 29, 2020, Dexterra Group (previously Horizon North Logistics Inc.) completed a transaction (the "Acquisition") with 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management ("Dexterra"), a subsidiary of Fairfax Financial Holdings Limited ("Fairfax Financial"). Pursuant to the Acquisition, the Corporation acquired all of the outstanding common shares of Dexterra and in exchange issued 31,785,993 common shares of Dexterra Group to Dexterra's sole shareholder, 9477179 Canada Inc., a wholly-owned subsidiary of Fairfax Financial. Accordingly, Fairfax Financial indirectly owns a 49% interest in the combined Corporation, while existing shareholders of the Corporation maintained a 51% interest. Prior to the Acquisition, Fairfax Financial had no ownership interest in Dexterra Group. For accounting purposes, the business combination constituted a reverse acquisition that involved a change of control of Dexterra Group as Dexterra was the accounting acquirer and Fairfax Financial controls the Corporation. The Corporation also changed its name in 2020 to Dexterra Group Inc. 2020 comparative information included herein is solely Dexterra up until the Acquisition closing date of May 29, 2020. Horizon North Logistics Inc. financial results are included subsequent to the Acquisition closing date and a bargain purchase gain of \$29.9 million was recorded on Acquisition.

On July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares. All share and per share data presented, including share options outstanding, has been retroactively adjusted to reflect the share consolidation, unless otherwise noted.

### Consolidated Results for 2021

Consolidated revenue totaled \$733.4 million for 2021 compared to \$477.8 million in the prior year, an increase of \$255.5 million, primarily due to full year operations in 2021 of the acquired Horizon North Logistics Inc. business and improved market conditions and growth as COVID-19 restrictions were reduced. The Corporation reported consolidated net earnings of \$24.6 million for 2021 which was lower than 2020 due to the non-taxable \$29.9 million non-cash bargain purchase gain ("BPG") related to the Acquisition in 2020 and lower CEWS in 2021 of \$23.8 million when compared to 2020 offset by better business conditions and growth described above.

### Fourth Quarter Results and Overview

#### Highlights

- The Corporation generated consolidated revenue of \$201.6 million for Q4 2021, which increased \$37.2 million, or 23%, when compared to Q4 2020. The increase in revenue is mainly attributed to growth in the WAFES business segment due to improved market conditions and new business won in 2021;
- The Corporation's Adjusted EBITDA for Q4 2021 was \$18.1 million, which increased by \$0.6 million compared to Q4 2020 and reflected no CEWS in Q4 2021 (2020 - \$4.2 million). Adjusted EBITDA in Q4 2021 also excluded a \$1.7 million net loss recorded in corporate to settle a dispute related to a contract in place at the time of the reverse takeover;
- Consolidated net earnings increased by \$4.1 million in Q4 2021 as compared with Q4 2020. Q4 2020 included a bargain purchase reduction of \$4.2 million in expense;
- The IFM business had Q4 2021 revenue of \$39.3 million, which increased 2% from Q4 2020 with a gradual reopening of airports and retail facilities. Adjusted EBITDA of \$2.5 million in Q4 2021 was similar to Q4 2020, which had \$1.0 million of CEWS;
- The WAFES business had Q4 2021 revenue of \$111.9 million, an increase of \$33.7 million compared to Q4 2020. Adjusted EBITDA for the same period was \$18.5 million, an increase of \$4.0 million from Q4 2020. CEWS of \$2.8 million was recorded in Q4 2020.

## Management's Discussion and Analysis Three months and years ended December 31, 2021 and 2020

- The Modular Solutions business had Q4 2021 revenue of \$46.5 million and Adjusted EBITDA of \$2.9 million, a decrease of \$1.7 million and \$1.4 million, respectively, as compared to Q4 2020. The decreases are due to ongoing delays in the rapid affordable housing projects in Ontario and supply chain and site access issues in the West including the impact of the floods in British Columbia;
- The Corporation closed on two IFM acquisitions in January 2022:
  - Dana Hospitality LP ("Dana") effective January 1, 2022 (the "Dana Acquisition"). The purchase price was \$31.5 million. This acquisition expands existing culinary services into education, healthcare, and leisure activities and has approximately \$100 million in annual contracts post-pandemic; and
  - TRICOM Facility Services Group ("Tricom") on January 31, 2022, for \$19 million (the "Tricom Acquisition"). Tricom delivers contract janitorial and associated building maintenance services and supplies custodial equipment and consumables to clients in major centres across Canada and has a small U.S. presence. Tricom has a book of business that is expected to exceed \$35 million post-pandemic and increases Dexterra Group's presence in hotels, rail and leisure.
- Debt was \$65.3 million at December 31, 2021, down from \$85.4 million at December 31, 2020. Debt levels will increase by \$50.5 million in Q1 2022 with the acquisitions of Dana Hospitality and Tricom and leverage approximates 1.5x Adjusted EBITDA post acquisitions;
- Dexterra Group paid a dividend of \$0.0875 per share on January 17, 2022 to shareholders of record on December 31, 2021, and declared a dividend for the first quarter of 2022 of \$0.0875 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2022 and will be paid on April 15, 2022.

## Operational Analysis

(000's)	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020 <sup>(2)</sup>
<b>Revenue:</b>				
Integrated Facilities Management	\$ 39,250	\$ 38,522	\$ 155,131	\$ 147,229
WAFES	111,924	78,225	393,797	234,681
Modular Solutions	46,473	48,212	181,701	98,767
Corporate and Inter-segment eliminations	3,941	(541)	2,751	(2,862)
<b>Total Revenue</b>	<b>\$ 201,588</b>	<b>\$ 164,418</b>	<b>\$ 733,380</b>	<b>\$ 477,815</b>
<b>Adjusted EBITDA:</b>				
Integrated Facilities Management	\$ 2,509	\$ 2,609	\$ 13,283	\$ 21,345
WAFES	18,462	14,391	72,309	57,245
Modular Solutions	2,923	4,360	13,322	10,636
Corporate and Inter-segment eliminations	(5,840)	(3,883)	(18,159)	(18,139)
<b>Total Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 18,054</b>	<b>\$ 17,477</b>	<b>\$ 80,755</b>	<b>\$ 71,087</b>
<b>Adjusted EBITDA excluding CEWS as a % of Revenue<sup>(1)</sup></b>				
Integrated Facilities Management	6 %	4 %	7 %	5 %
WAFES	16 %	15 %	17 %	15 %
Modular Solutions	6 %	8 %	7 %	7 %

(1) Please refer to the "Non-GAAP measures" section for the definition of Adjusted EBITDA and Adjusted EBITDA excluding CEWS as a % of revenue and to the "Reconciliation of non-GAAP measures" section for the related calculations.

(2) 2020 comparative information includes the results of Horizon North Logistics Inc. from May 29, 2020 onwards which was the effective date of the Acquisition.

## Integrated Facilities Management

For Q4 2021, IFM revenues were \$39.3 million and increased by \$0.7 million, or 2%, from the \$38.5 million in Q4 2020. The increase is mainly attributable to the reduction of certain COVID-19 health measures and net new business. Management expects an upward trend in revenue to continue as provincial COVID-19 restrictions are lifted, especially in the aviation and retail sectors. Revenue from airports is still significantly below pre-pandemic levels, at approximately 60% in Q4 2021, despite the higher passenger travel activity levels compared to Q4 2020. We expect the return to pre-pandemic travel levels to be gradual over 2022 and into 2023. We are winning new contracts across all segments of the business and are experiencing a very competitive landscape for new work and on contract renewals. The increase in scale of operations with the Dana and Tricom acquisitions will also support revenue growth and result in cross-selling opportunities with the expanded client base as we move into a post-pandemic environment.



## Management's Discussion and Analysis Three months and years ended December 31, 2021 and 2020

Adjusted EBITDA excluding CEWS as a percentage of revenue was 6% for Q4 2021, which is an improvement from 4% recorded in Q4 2020. The margins for the segment have continued to improve from Q4 2020 as COVID-19 restrictions are lifted. IFM margins continued to be impacted in Q4 2021 by overtime costs caused by staffing issues, supply chain inflation and reduced project work due to the Omicron variant.

IFM revenues for the year ended December 31, 2021 were \$155.1 million and increased by \$7.9 million or 5% from the \$147.2 million in 2020. The growth in the segment was attributable to increased customer volumes. Certain key industry sectors such as aviation and retail, continued to have reduced volumes compared to pre-pandemic periods. Management is experiencing increased bidding activity and, in addition, the Dana and Tricom Acquisitions have broadened our service offerings and are expected to support growth in the future.

For the year ended December 31, 2021, Adjusted EBITDA excluding CEWS as a percentage of revenue for this segment was 7% which is improved from 5% for the year ended December 31, 2020. The improvement is mainly due to better project management and management delivering on operational improvements as compared with 2020 as the Corporation dealt with shutdowns due to COVID-19.

### Direct Costs

Direct costs are comprised of labour, materials, supplies and transportation, which vary directly in proportion with revenues, and have a relatively fixed component that includes rent and utilities. Direct Costs for Q4 2021 were \$35.8 million compared to \$34.8 million in Q4 2020, an increase of \$0.9 million, or 3%, which is consistent with the 2% increase in revenue in the segment compared with Q4 2020.

For the year ended December 31, 2021, direct costs were \$136.3 million, compared to \$121.8 million in 2020. This increase of \$14.5 million is primarily due to the \$12.0 million of additional CEWS received in 2020 compared to 2021 with the remaining increase related to better cost control.

### WAFES

WAFES is comprised of two revenue streams: Workforce accommodations ("WA") & Forestry and Energy Services. A significant portion of our WAFES business is support services which is not capital intensive and has similar characteristics to our integrated facilities management business. The remainder of the WAFES business relates to asset-based services.

WAFES support services includes assisting clients with food and facilities services on-site at their remote locations. The Forestry services business is also part of WAFES support services. For 2021, support services comprised 45% of WAFES revenue. The proportion of revenue attributable to support services is expected to grow in the future.

WA asset-based services represents remote WA activities in which the accommodation structures are owned and installed by Dexterra Group as part of an equipment supply contract or bundled with food and facilities services as in the case of turn-key camp contracts or the Corporation's open lodge operations. This asset-based service category also includes Energy Services, where the Corporation owns the matting and relocatable structures, which are sold or rented to clients. For 2021, asset-based services comprised 55% of WAFES revenue.

Revenue from the WAFES segment for Q4 2021 was \$111.9 million, an increase of \$33.7 million compared to Q4 2020. WAFES revenue performance was strong in Q4 2021 due to new sales, stronger camp occupancy and improved mat and relocatable structures utilization due to increased activity in the resource and energy sectors.

Adjusted EBITDA excluding CEWS as a percentage of revenue for Q4 2021 was 16%, which is higher than the Q4 2020 comparative of 15%, due to higher margin sales and higher activity levels. The Corporation also successfully negotiated improved commercial terms in Q4 2021 for services previously provided to a large client. This resulted in additional one time revenue in Q4 2021 of \$1.8 million.

Revenue from the WAFES segment for the year ended December 31, 2021 was \$393.8 million, an increase of \$159.1 million compared to 2020. The increase in segment revenues was primarily driven by a full year of results for the Horizon North Logistics Inc. business in 2021, which added \$96.2 million to revenue reported in 2021, with the remaining \$63.0 million being attributable to growth. The growth represents the recovery from low activity levels in 2020 due to the COVID-19 pandemic and new contracts won in 2021.

Adjusted EBITDA excluding CEWS as a percentage of revenue was 17% for the year ended December 31, 2021 compared to 15% for the prior year. This increase resulted from strong margins as we scale the business and focus on the services business component. In addition, there were fewer carrying costs relating to underutilized staff and equipment compared to 2020.

Revenues from Energy Services were \$11.2 million and \$35.9 million for the three months and year ended December 31, 2021, respectively. Revenues for Q4 2021 were up \$4.7 million from \$6.5 million in Q4 2020 due to a large sale of mats of \$5.3 million. Both the relocatable structures and matting business experienced higher utilization rates in the second half of 2021 given the stronger energy services environment.

### Direct Costs

Direct costs are comprised of labour, materials, supplies and transportation, which vary directly with revenues, and have a relatively fixed component, that includes rent and utilities. Direct costs in the WAFES business unit for Q4 2021 were \$93.2 million or 83% of revenue, compared to 84% of revenue for Q4 2020 after excluding for the additional CEWS received in Q4 2020 of \$2.8 million. The decrease in the percentage of direct costs when compared to the prior year is due to the positive impact of improved utilization in 2021.

Direct costs after excluding the CEWS for the year ended December 31, 2021 were \$325.7 million or 83% of revenue, which is consistent with 81% of revenue for 2020.

Management continues to be focused on managing costs as we navigate through the spread of the Omicron variant and the impacts to this business unit which include increasing food costs, labour shortages and hiring challenges, as well as strained supply chains. These impacts are expected to be of diminishing magnitude as we move towards a post-pandemic environment.

### Modular Solutions

Modular Solutions segment revenues for Q4 2021 were \$46.5 million, a decrease of \$1.7 million, or 4% as compared to Q4 2020. The segment faced temporary site and administrative delays in the rapid affordable housing projects in Ontario and site access delays on projects in British Columbia caused by flooding. Management is working closely with municipalities to predict the timing of projects and is diversifying the customer base to utilize plant capacity and optimize overhead absorption. Revenue increased by \$1.4 million from Q3 2021. Adjusted EBITDA for Q4 2021 was \$2.9 million, which was lower than Q4 2020. Adjusted EBITDA excluding CEWS as a percentage of revenue was 7% for the quarter which is consistent with Q4 2020 .

Revenue from the Modular segment for the year ended December 31, 2021 was \$181.7 million, an increase of \$82.9 million, which is mainly attributable to a full year of operations in 2021. Adjusted EBITDA for the year ended December 31, 2021 was \$13.3 million, which is \$2.7 million higher than 2020 which also included \$2.7 million more CEWS support. Adjusted EBITDA excluding CEWS as a percentage of revenue was 7.2% for the year ended December 31, 2021, which was consistent with 2020.

A key metric for the Modular Solutions segment is the Backlog<sup>1</sup> of projects and timing of backlog execution. The focus for this business unit is to secure and increase backlog, which was \$78.6 million for rapid affordable housing at the end of 2021, excluding approximately \$32 million of contracts being finalized with existing customers and backlog of \$19.4 million for Industrial and U.S. manufacturing supply projects. Additionally, Modular Solutions has recurring business beyond the projects noted above for approximately \$40 million per annum, consisting of education modules, retail stores and kiosks. A key goal over time is also to diversify our modular product market verticals.

### Direct Costs

Direct costs are comprised of labour, raw materials and transportation, which vary directly with revenues, and a relatively fixed component that includes rent, utilities and the design and technical services required in the bidding process and post award manufacturing and installation of the product.

Direct costs for Q4 2021 were 91%, as compared to the 91% of revenue in Q3 2021, and 89% in Q4 2020. Direct costs for the year ended December 31, 2021 were 90% of revenue, as compared to 86% in 2020. The direct costs as a percentage of revenue have remained fairly consistent throughout the periods.

### Other Items

#### Selling, General & Administrative Expense

Selling, general & administrative ("SG&A") expenses are comprised of head and corporate office costs including the executive officers and directors of the Corporation, and shared services, including human resources, finance & accounting, quality information technology and the associated costs of supporting a public company.

SG&A expenses for Q4 2021 were \$9.5 million, an increase of \$3.3 million when compared to Q4 2020. The corporate costs were abnormally lower in Q4 2020 due to a \$1.2 million legal cost recovery. Q4 2021 also includes \$0.5 million related to resolving an employment contract dispute and transaction costs of \$0.2 million. SG&A expenses were 5% of total revenue in Q4 2021, which is consistent compared to both Q3 2021 and Q4 2020.

SG&A expenses for the year ended December 31, 2021 were \$34.9 million, an increase of \$12.7 million compared to the same period in 2020, mainly due to a full year of operations for both predecessor companies. As a percentage of revenue, SG&A expenses were 5% for the year ended December 31, 2021, which is consistent with 2020.

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<sup>1</sup> Refer to the definition of Backlog under the "Non-GAAP measures" section.



**Management's Discussion and Analysis**  
**Three months and years ended December 31, 2021 and 2020**

**Depreciation and Amortization**

(000's)	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Depreciation of property, plant and equipment and right-of-use assets	\$ 7,856	\$ 10,232	\$ 34,450	\$ 22,139
Amortization of intangibles	1,058	905	3,611	2,925
Total depreciation and amortization	\$ 8,914	\$ 11,137	\$ 38,061	\$ 25,064

For Q4 2021, depreciation and amortization was \$8.9 million, a decrease of \$2.2 million compared to Q4 2020, which aligns with the decrease in the carrying value of property, plant and equipment and right-of-use assets in Q4 2021 comparing to Q4 2020 as more assets became fully depreciated. The Corporation also opportunistically sells excess equipment in the WAFES business.

For the year ended December 31, 2021, depreciation and amortization was \$38.1 million, an increase of \$13.0 million compared to 2020, mainly due to the timing of the 2020 Acquisition.

**Finance costs**

Finance costs include interest on loans and borrowings, interest on lease liabilities and accretion of debt financing costs and provisions.

The effective interest rate on loans and borrowings for the year ended December 31, 2021 was 3.4% (December 31, 2020 - 4.3%). The interest rate is impacted by the debt level and tiered interest rate structure of the credit facility. The rate ranges from bank prime rate plus 0.50% to 1.75% per annum based on an EBITDA coverage ratio.

**Goodwill**

Goodwill of \$98.6 million is made up of \$96.0 million recognized on the acquisition of certain assets and associated liabilities comprising the services business carried on by Dexterra Group. Goodwill is not amortized. A portion of the goodwill is deductible for tax purposes. The Corporation concluded there was no impairment of its goodwill at December 31, 2021.

**Gain/Loss on disposal**

For Q4 2021, the gain on disposal was \$0.3 million compared to a loss on disposal of \$0.2 million in Q4 2020. For the year ended December 31, 2021, the gain on disposal was \$0.4 million, whereas there was a loss on disposal of \$0.04 million in 2020. The gains and losses on disposals are typically generated from the sale of excess WAFES equipment.

**Non-controlling interest**

Dexterra Group owns 49% of Tangmaarvik Inland Camp Services Inc. ("Tangmaarvik") and controls its operations. As a result, the results of Tangmaarvik are consolidated with the results of Dexterra Group and a non-controlling interest is recognized. For the three months and year ended December 31, 2021, earnings of \$0.1 million and \$0.3 million were attributed to the non-controlling interest, respectively, compared to earnings of \$0.1 million and \$0.4 million in the same periods of the prior year.

**Joint Ventures**

Dexterra Group owns 49% of Gitxaala Horizon North Services LP ("Gitxaala") and Big Spring Lodging Limited Partnership ("BSL LP"). Earnings from the joint ventures for the three months and year ended December 31, 2021 were \$0.8 million and \$2.5 million, respectively (2020 - \$0.4 million and \$0.7 million, respectively). These joint ventures provide services to certain camps and utilize Dexterra's staff and infrastructure to provide the services. For Gitxaala, volumes have increased from the prior year as more relocatable structures were rented to clients for the full year. BSL LP began operations in the second half of 2021.

**Income taxes**

For the year ended December 31, 2021, the Corporation's effective income tax rate was 26.1%, compared to 16% in 2020. The lower tax rate for the 2020 year was due to the Acquisition and related non-taxable bargain purchase gain. For the three months ended December 31, 2021, the Corporation's effective income tax rate was 26.0% (2020 - 97.4%). The tax rate in Q4 2020 was abnormal due to the \$4.2 million reduction in the bargain purchase on the Acquisition which was non-taxable. The

## Management's Discussion and Analysis Three months and years ended December 31, 2021 and 2020

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effective tax rate for the three months and year ended December 31, 2021 is consistent with the combined federal and provincial income tax rate.

The Corporation has non-capital losses for Canadian tax purposes of \$79.9 million (December 31, 2020 - \$75.7 million) available to reduce future taxable income in Canada.

The Corporation paid \$10.7 million (2020 - \$3.3 million) in income taxes for the year ended December 31, 2021. \$3.3 million of this amount related to amounts owing for the year ended December 31, 2020 and \$7.4 million was paid for 2021 tax installments of which \$2.2 million will be refunded based on the tax reorganization completed late in the year.

### COVID-19 Pandemic

The situation resulting from COVID-19 and subsequent variants of the virus is uncertain and continues to evolve. The safety of employees and customers continues to be a key priority. At this time, it is difficult to predict the impact the pandemic will continue to have on the Corporation. The effective response to the changing situation with the COVID-19 pandemic continues to be a major focus in the business. Recent disruptions to the supply chain have been experienced and are being managed. In addition, hiring and retaining talent continues to be a challenge in the pandemic environment. We are actively managing our human capital resources across all business segments. The degree of COVID-19 related impacts in 2022 are expected to vary by geography, driven in part by regional vaccination rates, spread of new variants, provincial government restrictions and health system capacities.

COVID-19 has adversely affected the Corporation's financial results across all operating segments, with varying effects. IFM and WAFES have been the most significantly impacted. IFM by reduced services in the retail and aviation sectors and WAFES has experienced lower camp and catering activities including the British Columbia government mandated shutdowns in 2021 and the temporary closure for all of 2021 of our Crossroads Lodge. Management has continued to invest in resources for the future as it believes the COVID-19 pandemic will have a lessening impact on its business in 2022.

### Outlook

#### Operations Outlook

##### Overall

The Corporation is poised for continued growth in 2022 as the economy is expected to move into a post-pandemic environment. Management remains focused on executing on its organic and M&A expansion strategy by using a capital light service model along with its strong balance sheet to drive sustainable growth. The acquisition strategy remains active, focusing on expanding geographically and certain service offerings.

##### IFM

In the IFM business, the organic growth prospects and annual growth rates for the overall market are significant. Dexterra Group has also been significantly impacted in both the aviation and retail sectors and expects the improvement in these sectors to have a positive impact on its results as the population receives vaccinations and federal restrictions on travel lessen. Management forecasts that this improvement will be gradual through 2022 and into 2023. The focus of this business is on winning new bids and maintaining profit margins while providing excellent service to existing clients. In addition, the acquisitions of Dana and Tricom gives us a new base of clients in hospitality and other verticals and new skills where expansion possibilities exist. These acquisitions should also produce more cross-selling opportunities.

##### WAFES

The WAFES business is expected to continue to be strong in 2022, commensurate with expanded natural resources activity nationwide. The Corporation is well positioned to take advantage in a highly competitive marketplace, including with the expected reopening of its Crossroads Lodge in Kitimat, British Columbia. This facility has 736 beds and is expected to reopen in the summer of 2022.

##### Modular

The demand for affordable housing in urban centers is strong. The CMHC's Rapid Housing Initiative is an example of government programs seeking to address the immediate need and, as a result, driving demand for modular housing solutions. Favorable conditions for the development of multi-unit housing (both public and private) are expected to continue for the foreseeable future. However, labour shortages, project delays and increasing prices of materials due to supply chain issues are creating short-term challenges. The Corporation plans to scale and further diversify this business.



## Management's Discussion and Analysis Three months and years ended December 31, 2021 and 2020

### Subsequent Events

On January 1, 2022, Dexterra Group acquired 100% of privately owned Canadian hospitality company Dana from Fulcrum Capital Partners for \$31.5 million. This acquisition expands the Corporation's existing culinary services into education, entertainment, healthcare, and leisure activities and has approximately \$100 million in annual contracts. Dana's business is expected to be impacted by the pandemic in 2022 so the full book of business will not be realized until at least 2023. This acquisition broadens our service offerings, strengthens existing customer relations, and improves our ability to grow our hospitality market share in new verticals.

On January 31, 2022, Dexterra Group acquired 100% of the business of privately owned TRICOM Facility Services Group. Tricom delivers contract janitorial and associated building maintenance services and supplies custodial equipment and consumables to clients in major centres across Canada. This acquisition brings the Corporation several key contracts and client relationships, including a small footprint in the United States. The purchase price was \$19 million, and has performance-based incentives tied to results over the next two years, with an additional maximum payout of \$5 million. Tricom's book of business is expected to exceed \$35 million post-pandemic and increases Dexterra's presence in the hotel, rail and leisure sectors.

Both of these acquisitions are being financed using the Company's current credit lines which had \$124.5 million of unused capacity at December 31, 2021.

### Liquidity and Capital Resources

For the three months ended December 31, 2021, cash generated from operating activities was \$24.6 million, compared to \$34.0 million generated in the same period of 2020. The Q4 2021 results included a working capital investment required to support business growth. In addition, cash flows from operating activities in Q4 2020 were positively impacted by \$1.2 million in legal costs refunded and CEWS of \$4.2 million. For the year ended December 31, 2021, there was \$64.5 million cash generated from operating activities, compared to \$72.8 million generated in 2020. This was driven by a full year of operations for both predecessor companies and growth in the business which was more than offset by \$33.5 million lower CEWS in 2021.

The Corporation's financial position and liquidity are strong. The Corporation generated Free Cash Flow of \$45.4 million for the year ended December 31, 2021 and converted 56% of Adjusted EBITDA to Free Cash Flow. Debt was lower as at December 31, 2021 by \$20 million as compared to December 31, 2020. Debt levels will increase with the Dana and Tricom acquisitions and the dividend payments in January 2022 and are expected to approximate 1.5x adjusted EBITDA based on the current book of business. Our strong free cash flow generation provides the ability to reduce debt, subject to future growth initiatives.

### Capital Spending

For the year ended December 31, 2021, gross capital spending for property, plant and equipment was \$5.9 million compared to \$3.5 million in the same period of 2020. Capital spending in 2021 was mainly focused on the NRB Cambridge plant expansion, totaling \$3.9 million, compared to the purchase of small equipment in 2020.

### Quarterly Summary of Results

(000's except per share amounts)	Three months ended			
	2021 December	2021 September	2021 June	2021 March
Revenue	\$ 201,588	\$ 202,760	\$ 173,627	\$ 155,404
Adjusted EBITDA <sup>(1)</sup>	18,054	22,372	22,502	17,825
Net earnings attributable to shareholders	4,093	7,780	8,206	4,275
Net earnings per share, basic and diluted <sup>(2)</sup>	\$ 0.06	\$ 0.12	\$ 0.13	\$ 0.07

(000's except per share amounts)	Three months ended			
	2020 December	2020 September	2020 June	2020 March
Revenue	\$ 164,418	\$ 176,918	\$ 76,106	\$ 60,373
Adjusted EBITDA <sup>(1)</sup>	17,477	27,085	23,241	3,284
Net earnings (loss) attributable to shareholders	(103)	16,131	47,139	864
Net earnings per share, basic <sup>(2)</sup>	\$ —	\$ 0.25	\$ 1.08	\$ 0.03
Net earnings per share, diluted <sup>(2)</sup>	\$ —	\$ 0.24	\$ 1.08	\$ 0.03

(1) Please refer to the "Non-GAAP measures" section for the definition of Adjusted EBITDA and to the "Reconciliation of non-GAAP measures" sections for the related calculations.

(2) All share and per share data presented prior to Q3 2020 has been retroactively adjusted to reflect the five-for-one share consolidation completed on July 16, 2020.

## Management's Discussion and Analysis Three months and years ended December 31, 2021 and 2020

### Reconciliation of non-GAAP measures

The following provides a reconciliation of non-GAAP measures to the nearest measure under GAAP for items presented throughout the MD&A.

#### Adjusted EBITDA

(000's)	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020 <sup>(3)</sup>
Net earnings	\$ 4,176	\$ 27	\$ 24,628	\$ 64,479
Add:				
Share based compensation	516	148	2,099	354
Depreciation & amortization	8,914	11,137	38,061	25,064
Equity investment depreciation	110	141	627	296
Finance costs	1,221	1,538	5,101	4,632
Bargain purchase (gain) reduction	—	4,247	—	(29,881)
Loss (gain) on disposal of property, plant and equipment	(308)	156	(425)	36
Income tax expense	1,469	1,319	8,708	12,210
Non-recurring items <sup>(2)</sup>	1,956	(1,236)	1,956	(6,103)
Adjusted EBITDA <sup>(1)</sup>	\$ 18,054	\$ 17,477	\$ 80,755	\$ 71,087

(1) Please refer to the "Non-GAAP measures" section for the definition of Adjusted EBITDA and Adjusted EBITDA excluding CEWS as a % of revenue.

(2) Non-recurring items for the three months and year ended December 31, 2021 includes \$0.2 million of transaction costs related to the Dana Acquisition and a loss of \$1.7 million related to a legal dispute on a contract that was negotiated prior to the Acquisition. For the three months and year ended December 31, 2020, items include amounts awarded through legal proceedings including legal costs of \$1.2 million and \$7.8 million, respectively. The year ended December 31, 2020 excludes non-recurring acquisition costs of \$1.7 million associated with the acquisition of Horizon North Logistics Inc.

(3) 2020 comparative information includes the results of Horizon North Logistics Inc. from May 29, 2020 onwards which was the effective date of the Acquisition.

#### Free Cash Flow

(000's)	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Net cash flows from operating activities	\$ 24,603	\$ 34,018	\$ 64,486	\$ 72,806
Sustaining capital expenditures <sup>(2)</sup>	(351)	(881)	(1,981)	(1,938)
Proceeds on sale of property, plant and equipment	419	493	749	4,892
Purchase of intangible assets	(353)	(854)	(1,931)	(1,524)
Finance costs paid	(1,128)	(1,379)	(5,327)	(4,989)
Lease payments	(2,399)	(2,328)	(10,603)	(5,231)
Free Cash Flow <sup>(1)</sup>	\$ 20,791	\$ 29,069	\$ 45,393	\$ 64,016

(1) Please refer to the "Non-GAAP measures" section for the definition of Free Cash Flow.

(2) Total capital expenditures for the three months and years ended December 31, 2021 were \$0.6 million and \$5.9 million respectively, which includes \$0.3 million and \$3.8 million in growth capital mainly related to the NRB Cambridge plant (2020 - \$0.9 million and \$1.5 million, respectively). The capital contributions for equity investments are also considered to be growth capital and are therefore excluded from the Free Cash Flow calculation.

#### Adjusted EBITDA excluding CEWS

(000's)	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Total Adjusted EBITDA	\$ 18,054	\$ 17,477	\$ 80,755	\$ 71,087
CEWS by Segment:				
Integrated Facilities management	—	(1,004)	(1,713)	(13,742)
WAFES	—	(2,761)	(6,607)	(14,685)
Modular Solutions	—	(378)	(577)	(3,273)
Corporate	—	(63)	(203)	(1,245)
Adjusted EBITDA excluding CEWS	\$ 18,054	\$ 13,271	\$ 71,655	\$ 38,142

### Accounting Policies

Dexterra Group's IFRS accounting policies are provided in Note 3 to the 2021 Financial Statements for the years ended December 31, 2021 and 2020.

### Outstanding Shares

Dexterra Group had 65,151,083 voting common shares issued and outstanding as at March 9, 2022, of which 49% or 31,785,993 are owned by subsidiaries of Fairfax Financial.

## **Off-Balance Sheet Financing**

Dexterra Group has no off-balance sheet financing.

## **Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

### **Disclosure Controls and Procedures**

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

There were no changes in Dexterra Group's DC&P that occurred during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, Dexterra Group's DC&P.

### **Internal Controls over Financial Reporting**

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") as defined in NI 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Corporation's ICFR during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

### **Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting**

Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

## **Risks and Uncertainties**

The financial risks, critical accounting estimates and judgements, and risk factors related to Dexterra Group and its business, which should be carefully considered, are disclosed in the Annual Information Form under "Risk Factors" and in the Corporation's Consolidated Financial Statements for the year ended December 31, 2021 under Note 21, dated March 9, 2021, and this MD&A should be read in conjunction with them. Such risks may not be the only risks facing Dexterra Group. Additional risks not currently known may also impair Dexterra Group's business operations and results of operation.

## **Critical Accounting Estimates and Judgements**

This MD&A of Dexterra Group's financial condition and results of operations is based on its consolidated financial statements, which are prepared in accordance with IFRS. The preparation of the consolidated financial statements requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The MD&A should be read in conjunction with the 2021 Financial Statements.

## **Financial Instruments and Risk Management**

In the normal course of business, the Corporation is exposed to a number of financial risks that can affect its operating performance. These risks are: COVID-19, credit risk, liquidity risk and interest rate risk. The Corporation's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Corporation's financial performance. The MD&A should be read in conjunction with the 2021 Financial Statements.

## **Forward-Looking Information**

Certain statements contained in this MD&A may constitute forward-looking information under applicable securities law. Forward-looking information may relate to Dexterra Group's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "continue"; "forecast"; "may"; "will"; "project"; "could"; "should"; "expect"; "plan"; "anticipate"; "believe"; "outlook"; "target"; "intend"; "estimate"; "predict"; "might"; "potential"; "continue"; "foresee"; "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding Dexterra Group's future operating results and economic



performance, including COVID-19 related impacts and the impacts of the Dana and Tricom acquisitions; its leverage, NRB Modular Solutions backlog, and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions, including expected growth, results of operations, performance and business prospects and opportunities regarding Dexterra Group, which Dexterra Group believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to Dexterra Group, they may prove to be incorrect. Forward-looking information is also subject to certain known and unknown risks, uncertainties and other factors that could cause Dexterra Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information, including, but not limited to: the ability to retain clients, renew existing contracts and obtain new business; an outbreak of contagious disease that could disrupt its business; the highly competitive nature of the industries in which Dexterra Group operates; reliance on suppliers and subcontractors; cost inflation; volatility of industry conditions could impact demand for its services; a reduction in the availability of credit could reduce demand for Dexterra Group's products and services; Dexterra Group's significant shareholder may substantially influence its direction and operations and its interests may not align with other shareholders; its significant shareholder's 49% ownership interest may impact the liquidity of the common shares; cash flow may not be sufficient to fund its ongoing activities at all times; loss of key personnel; the failure to receive or renew permits or security clearances; significant legal proceedings or regulatory proceedings/changes; environmental damage and liability is an operating risk in the industries in which Dexterra Group operates; climate changes could increase Dexterra Group's operating costs and reduce demand for its services; liabilities for failure to comply with public procurement laws and regulations; any deterioration in safety performance could result in a decline in the demand for its products and services; failure to realize anticipated benefits of acquisitions and dispositions; inability to develop and maintain relationships with Indigenous communities; the seasonality of Dexterra Group's business; inability to restore or replace critical capacity in a timely manner; reputational, competitive and financial risk related to cyber-attacks and breaches; failure to effectively identify and manage disruptive technology; economic downturns can reduce demand for Dexterra Group's services; its insurance program may not fully cover losses. Additional risks and uncertainties are described in Note 21 of the Corporation's Consolidated Financial Statements for the years ended December 31, 2021 and 2020 contained in its most recent Annual Report filed with securities regulatory authorities in Canada and available on SEDAR at [sedar.com](http://sedar.com). The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Dexterra Group is under no obligation and does not undertake to update or alter this information at any time, except as may be required by applicable securities law.



# MANAGEMENT'S REPORT TO SHAREHOLDERS



## MANAGEMENT'S REPORT TO SHAREHOLDERS

The accompanying consolidated financial statements of Dexterra Group Inc. (“Dexterra Group” or the “Corporation”) have been approved by the Board of Directors (the “Board”) of Dexterra Group and have been prepared by management in accordance with International Financial Reporting Standards. Financial statements will, by necessity, include certain amounts based on estimates and judgments. The financial information contained throughout this report has been reviewed to ensure consistency with these consolidated financial statements.

Management has overall responsibility for internal controls and maintains accounting systems designed to provide reasonable assurance that transactions are properly authorized, assets safeguarded and that the financial records form a reliable base for the preparation of accurate and timely financial information. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting and have concluded that they are effective.

The Board oversees the management of the business and affairs of Dexterra Group; including ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee, which consists of four independent directors. An independent firm of chartered accountants, appointed as external auditor by the shareholders, has audited the consolidated financial statements and its report is included herein. The Audit Committee has reviewed the consolidated financial statements with management and the external auditor.

John Mac Cuish  
President and Chief Executive Officer

Drew Knight  
Chief Financial Officer





**INDEPENDENT AUDITOR'S REPORT  
TO SHAREHOLDERS**



## Independent auditor's report

To the Shareholders of Dexterra Group Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dexterra Group Inc. and its subsidiaries (together, the Corporation) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="228 466 836 499"><b>Impairment assessment of goodwill</b></p> <p data-bbox="228 525 836 682"><i>Refer to note 2 – Statement of compliance, note 3 – Significant accounting policies and determination of fair values and note 8 – Intangible assets and goodwill to the consolidated financial statements.</i></p> <p data-bbox="228 707 836 949">The Corporation had goodwill of \$98.6 million as at December 31, 2021 which is allocated to cash generating units (CGUs). Goodwill is subject to impairment testing on an annual basis and at the end of each reporting period during the year if an indicator of impairment exists. Impairment exists when the carrying value of a CGU exceeds its recoverable amount.</p> <p data-bbox="228 974 836 1278">Management applied significant judgment in determining the recoverable amounts. The recoverable amounts of the CGUs were based on a fair value less cost of disposal method using discounted cash flow models. Significant assumptions used in the discounted cash flow models included forecasted cash flows, revenue growth rates and discount rates. Management concluded that there was no impairment of goodwill as at December 31, 2021.</p> <p data-bbox="228 1304 836 1635">We considered this a key audit matter due to the significant judgment applied by management in determining the recoverable amounts of the CGUs, including the development of significant assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.</p>	<p data-bbox="836 466 1469 535">Our approach to addressing the matter involved the following procedures, amongst others:</p> <ul data-bbox="836 560 1469 1488" style="list-style-type: none"><li data-bbox="836 560 1469 653">● Evaluated how management determined the recoverable amounts of the CGUs, which included the following:<ul data-bbox="917 678 1469 1354" style="list-style-type: none"><li data-bbox="917 678 1469 800">– Assessed the appropriateness of the method used and tested the mathematical accuracy of the discounted cash flow models.</li><li data-bbox="917 825 1469 1087">– Evaluated the reasonableness of significant assumptions such as forecasted cash flows and revenue growth rates applied by management in the discounted cash flow models by considering management’s budget, strategy and business plan approved by the Board of Directors, current and past performance of the CGU’s and industry data published by third parties.</li><li data-bbox="917 1113 1469 1278">– Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management’s fair value less costs of disposal method and testing the reasonableness of the discount rates.</li><li data-bbox="917 1304 1469 1354">– Tested the underlying data used in the discounted cash flow models.</li></ul></li><li data-bbox="836 1379 1469 1488">● Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of the significant assumptions used.</li></ul>





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## Other information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael Hawtin.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 9, 2022



# CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and December 31, 2020



## Consolidated statement of financial position

(000's)	Note	December 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	4,21	\$ 184,776	\$ 149,532
Inventories	5	16,998	12,445
Prepaid expenses and other		4,948	5,981
Income tax receivable		2,213	—
Total current assets		208,935	167,958
<b>Non-current assets</b>			
Property, plant and equipment	6	161,981	184,047
Right-of-use assets	7	22,057	22,052
Intangible assets	8	21,777	23,457
Goodwill	8	98,640	98,640
Deferred income taxes		—	2,587
Other assets	9	18,158	14,782
Total non-current assets		322,613	345,565
Total assets		\$ 531,548	\$ 513,523
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 122,637	\$ 81,815
Deferred revenue	13	1,946	3,310
Income tax payable		—	2,895
Asset retirement obligations	11	5,277	5,102
Lease liabilities	7	7,346	7,160
Total current liabilities		137,206	100,282
<b>Non-current liabilities</b>			
Lease liabilities	7	17,722	18,921
Contingent consideration		1,142	1,448
Asset retirement obligations	11	5,283	6,527
Loans and borrowings	10	65,320	85,369
Deferred income taxes		527	—
Non-current liabilities		89,994	112,265
Total liabilities		227,200	212,547
<b>Shareholders' Equity</b>			
Share capital	12	233,541	232,348
Contributed surplus		1,199	354
Retained earnings		69,639	66,451
Non-controlling interest		(31)	1,823
Total shareholders' equity		304,348	300,976
Total liabilities and shareholders' equity		\$ 531,548	\$ 513,523

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

Subsequent events (Note 25)



Mary Garden  
Director, Audit Committee Chair



John MacCuish  
Director, Chief Executive Officer



## Consolidated statement of comprehensive income

(000's except per share amounts)	Note	Years ended December 31,	
		2021	2020
<b>Revenue</b>			
Revenue from operations		\$ 733,380	\$ 471,246
Other revenue	13	—	6,569
<b>Total revenue</b>		<b>733,380</b>	<b>477,815</b>
<b>Operating expenses</b>			
Direct costs	14	622,837	379,502
Selling, general and administrative expenses	15	34,853	22,107
Depreciation	6,7	34,450	22,139
Amortization of intangible assets	8	3,611	2,925
Share based compensation	12	2,099	354
Loss (gain) on disposal of property, plant and equipment		(425)	36
<b>Operating income</b>		<b>35,955</b>	<b>50,752</b>
Finance costs		5,101	4,632
Earnings from equity investments		(2,482)	(688)
Bargain purchase gain	24	—	(29,881)
<b>Earnings before income taxes</b>		<b>33,336</b>	<b>76,689</b>
<b>Income tax</b>			
Income tax expense	16	8,708	12,210
<b>Net earnings and comprehensive income</b>		<b>\$ 24,628</b>	<b>\$ 64,479</b>
<b>Net Earnings Attributable to:</b>			
Shareholders		\$ 24,355	\$ 64,031
Non-controlling interest		\$ 273	\$ 448
<b>Earnings per common share:</b>			
Net earnings per share, basic	18	\$ 0.37	\$ 1.25
Net earnings per share, diluted	18	\$ 0.37	\$ 1.24
<b>Weighted average common shares outstanding:</b>			
Basic	18	65,075	51,311
Diluted	18	65,420	51,447

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

### Consolidated statement of changes in equity

(000's)	Note	Share capital - Number of Shares <sup>(1)</sup>	Share capital	Contributed surplus	Retained earnings	Non- controlling interest	Total
Balance as at December 31, 2019		31,786	\$ 131,543	\$ —	\$ 12,150	\$ 1,430	\$ 145,123
Effect of reverse acquisition of Horizon North Logistics Inc.	24	33,083	100,904	—	—	—	100,904
Share issuance costs		—	(99)	—	—	—	(99)
Dividends	19	—	—	—	(9,730)	(55)	(9,785)
Share based compensation	12	—	—	354	—	—	354
Net income		—	—	—	64,031	448	64,479
<b>Balance as at December 31, 2020</b>		<b>64,869</b>	<b>\$ 232,348</b>	<b>\$ 354</b>	<b>\$ 66,451</b>	<b>\$ 1,823</b>	<b>\$ 300,976</b>
Dividends	19	—	\$ —	\$ —	\$ (21,167)	\$ (2,127)	\$ (23,294)
Exercise of stock options	12	282	1,193	(334)	—	—	859
Share based compensation	12	—	—	1,179	—	—	1,179
Net income		—	—	—	24,355	273	24,628
<b>Balance as at December 31, 2021</b>		<b>65,151</b>	<b>\$ 233,541</b>	<b>\$ 1,199</b>	<b>\$ 69,639</b>	<b>\$ (31)</b>	<b>\$ 304,348</b>

(1) Comparative information has been retroactively adjusted to reflect the five-to-one share consolidation which was completed on July 16, 2020.

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

## Consolidated statement of cash flows

(000's)	Note	Years ended December 31,	
		2021	2020
<b>Cash provided by (used in):</b>			
<b>Operating activities:</b>			
Net earnings		\$ 24,628	\$ 64,479
Adjustments for:			
Depreciation	6,7	34,450	22,139
Amortization of intangible assets	8	3,611	2,925
Share based compensation	12	2,099	354
Loss (gain) on disposal of property, plant and equipment		(425)	36
Bargain purchase gain	24	—	(29,881)
Book value of used fleet transferred to inventory	6	6,373	2,067
Purchase of rental fleet	6	(4,356)	(2,283)
Earnings from equity investments		(2,482)	(688)
Non-cash revaluation of contingent consideration		(306)	—
Asset retirement obligation settled	11	(2,041)	(1,360)
Finance costs		5,101	4,632
Income tax expense	16	8,708	12,210
Changes in non-cash working capital	17	(172)	1,467
Income taxes paid	16	(10,702)	(3,291)
Net cash flows from operating activities		64,486	72,806
<b>Investing activities:</b>			
Purchase of property, plant and equipment	6	(5,860)	(3,462)
Purchase of intangible assets	8	(1,931)	(1,524)
Capital contribution for equity investments		(949)	(2,264)
Proceeds on sale of property, plant and equipment		749	4,892
Net cash flows used in investing activities		(7,991)	(2,358)
<b>Financing activities:</b>			
Issuance of common shares	12	859	—
Payments for lease liabilities		(10,603)	(5,231)
Repayments of loans and borrowings	10	(19,942)	(57,885)
Finance costs paid		(5,327)	(4,989)
Dividends paid to non-controlling interest		(1,151)	(55)
Dividends paid to shareholders	19	(20,331)	(4,865)
Net cash flows used in financing activities		(56,495)	(73,025)
Change in cash position		—	(2,577)
Cash, beginning of period		—	2,577
Cash, end of period		\$ —	\$ —

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



## 1. Reporting entity

Dexterra Group Inc. (“Dexterra Group” or the “Corporation”) is a corporation registered and domiciled in Canada and its common shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol DXT. Dexterra Group is a diversified support services organization delivering quality solutions for the creation, management, and operation of infrastructure across Canada. Our Integrated Facilities Management (“IFM”) business delivers operation and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defence and security, retail, healthcare, education and government. Our Workforce Accommodations, Forestry and Energy Services (“WAFES”) business provides a full range of workforce accommodations solutions, forestry services and access solutions to clients in the energy, mining, forestry and construction sectors among others. Our Modular Solutions business integrates modern design concepts with off-site manufacturing processes to produce high-quality building solutions for rapid affordable housing, commercial, residential and industrial clients.

On May 29, 2020, Dexterra Group (previously Horizon North Logistics Inc. (“Horizon North”)) completed a transaction (the “Acquisition”) with 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management (“Dexterra”), a subsidiary of Fairfax Financial Holdings Limited (TSX: FFH and FFH.U) (“Fairfax Financial”). Pursuant to the Acquisition, the Corporation acquired all of the outstanding common shares of Dexterra and in exchange issued 31,785,993 common shares of Dexterra Group to Dexterra’s sole shareholder, 9477179 Canada Inc., a wholly-owned subsidiary of Fairfax Financial. Accordingly, Fairfax Financial indirectly owns a 49% interest in the combined Corporation, while existing shareholders of the Corporation maintained a 51% interest. Prior to the Acquisition, Fairfax Financial had no ownership interest in Dexterra Group.

For accounting purposes, the Acquisition constituted a reverse acquisition that involved a change of control of Dexterra Group and a business combination of Horizon North and Dexterra, to form a new corporation that now carries on operations as Dexterra Group Inc. Based on the guidance in IFRS 3, Business Combinations (“IFRS 3”), it was determined that Horizon North was the accounting acquiree and Dexterra was the accounting acquirer, as Fairfax Financial, the sole shareholder of Dexterra, now controls the Corporation. As a result, the operations for Horizon North are included in the results from May 29, 2020 onwards and its assets and liabilities are valued at their fair value on the date of acquisition in accordance with IFRS 3 and a bargain purchase gain of \$29.9 million was recorded on Acquisition (Note 24).

On July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares (the “Consolidation”). All share and per share data presented in the Corporation’s consolidated financial statements, including share options outstanding, has been retroactively adjusted to reflect the Consolidation, unless otherwise noted.

## 2. Statement of compliance

### Basis of Preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The consolidated financial statements were authorized for issue by the Board of Directors on March 9, 2022.

b. Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis.

**Notes to the consolidated financial statements**  
**Years ended December 31, 2021 and 2020**

c. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Corporation and subsidiaries' functional currency with the exception of a United States ("US") operational entity which has a US dollar ("USD") functional currency.

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates. The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are the list of judgments, estimates and assumptions in the consolidated financial statements:

**Estimates & Judgments**

- Purchase price equations - The acquired assets and assumed liabilities are generally recognized at fair value on the date the Corporation obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. Management applied significant judgment in estimating the fair value of property, plant and equipment. For a significant portion of the property, plant and equipment, management used a cost approach adjusted for economic obsolescence to value these assets. Significant assumptions were developed with respect to the cost approach including the replacement costs, inflation indices, physical depreciation and obsolescence considerations in the valuation of property, plant and equipment. Adjustments for economic obsolescence were based on discounted cash flow models which included the following assumptions: forecasted cash flows, growth rates and discount rates attributable to these assets. The estimate of fair value of the acquired intangible assets and other assets and the liabilities are largely based on projected cash flows, discount rates, and market conditions at the date of acquisition.
- Impairment - Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVL COD") and its value in use ("VIU"). The FVL COD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The Corporation's calculation of recoverable amount is based on a discounted cash flow model. Management applied significant judgment in determining the recoverable amounts. The most significant assumptions in estimating the recoverable amount of each CGU include forecasted cash flows, revenue growth rates and discount rates. Forecasted cash flows include assumptions around EBITDA (Earnings before interest, taxes, depreciation, amortization, depreciation from equity investment, share based compensation, bargain purchase gain and gain/loss on disposal of property, plant and equipment).
- Revenue Recognition Estimate - The Corporation recognizes revenue over a period of time as work is completed for its construction contracts and estimates progress of these contracts by comparing costs incurred to the total expected costs of the project. To determine the estimated costs to complete construction contracts, assumptions and estimates are required to evaluate matters related to schedule, material and labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction activities, estimates can change significantly over the life of the contracts.
- Construction Receivable Estimate - The price of construction contracts may change over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or conditions resulting in possible disputes or claims regarding additional amounts owing may arise. 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 end of the construction project, management estimates what changes orders to include in the determination of revenue recognized and changes in these estimates could result in significant increases or decreases in revenue and income during any particular accounting period.
- Collectability of receivables - The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client creditworthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the provision for expected credit losses and the collectability of receivables. Significant estimates and judgment must be made and used in connection with establishing the provision in any accounting period which may result in differences from actual results.
- Asset Retirement Obligation ("ARO") - The Corporation recognizes an asset retirement obligation to account for future demobilization and reclamation of owned camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized in accordance with the accounting policy set out in Note 3(i).

- Share-based compensation transactions - The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option holder behavior), the forfeiture rate, the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

### 3. Significant accounting policies and determination of fair values

#### (a) Basis of consolidation

##### i. Subsidiaries

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Corporation.

##### ii. Joint ventures

The Corporation's joint ventures are those entities over whose activities the Corporation has joint control, established through ownership, voting rights, or by contractual agreement. Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognized at cost.

##### iii. Special purpose entities

The Corporation has established a number of special purpose entities ("SPE") for operating purposes. An SPE is consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE's risks and rewards, the Corporation concludes that it controls the SPE. Control exists when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

##### iv. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Corporation's interest in the investee.

##### v. Non-controlling interest

The Corporation owns 49% of Tangmaarvik Inland Camp Services Inc. and is exposed to variable returns from its involvement with the entity such that control exists. As a result, the results of Tangmaarvik Inland Camp Services Inc. are consolidated with the results of the Corporation and a non-controlling interest is recorded.

#### (b) Business combinations

Business combinations are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets acquired and assumed liabilities are classified or designated based on the contractual terms, economic conditions, the Corporation's operating and accounting policies, and other factors that exist on the acquisition date. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Furthermore, any excess of the fair value of the net assets acquired over the purchase price is recognized as a bargain purchase gain.

Acquisition costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

#### (c) Financial instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through the consolidated statement of comprehensive income ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The "expected credit loss" model applies to financial assets measured at amortized cost, and contract assets and debt instruments at FVOCI.

##### i. Non-derivative financial assets

The initial classification of a financial asset depends upon the Corporation's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Corporation classified its financial assets:

**Amortized Cost:** Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;

**FVOCI:** Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or

**FVTPL:** Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through the consolidated statement of comprehensive income. This includes all derivative financial assets.

The Corporation initially recognizes trade and other receivables on the date that they originate. All other financial assets are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation's financial assets, trade and other receivables, are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method, less any impairment losses.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legal right to offset the amounts and the Corporation intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

ii. Non-derivative financial liabilities

The Corporation's financial liabilities are categorized as measured at amortized cost. The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which it becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of loans and borrowings for the purpose of the statement of cash flows.

Liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

iii. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, including non-recoverable indirect taxes, acquisition costs including the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Costs related to assets under construction are capitalized when incurred. Assets under construction are not depreciated until they are completed and available for use in the manner intended by management. When this occurs, the asset is transferred to the appropriate class of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.



**Notes to the consolidated financial statements**  
**Years ended December 31, 2021 and 2020**

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within operating expenses in the consolidated statement of comprehensive income.

Proceeds from the sale of rental equipment that is routinely sold before the end of its useful life are included in revenue and net cash flows from operating activities. The investments in the acquisition or manufacturing of rental equipment is also included in net cash flows from operating activities if the assets are expected to be predominantly sold before the end of their useful life, otherwise the investments are included in net cash flows from investing activities.

ii. Subsequent costs

The cost of replacing a major component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced major component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of comprehensive income as incurred.

iii. Depreciation

Depreciation is calculated using the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognized in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Assets	Method	Useful life
Buildings	Straight-line	25 years
Furniture & fixtures	Straight-line	5 years
Leasehold improvements	Straight-line	Term of lease
Computer hardware & software	Straight-line	5 years
Automotive	Straight-line	4-8 years
Mats	Straight-line pool	6 years
Camp facilities (residual value of 20%)	Straight-line	15 years
Camp & catering supplies	Straight-line pool	3 years
Equipment	Straight-line	5-10 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if required. Land and assets under construction are not depreciated.

(e) Intangible assets

i. Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is not amortized but is tested at least annually for impairment and at the end of each reporting period during the year if an indicator of impairment exists.

**Notes to the consolidated financial statements**  
**Years ended December 31, 2021 and 2020**

ii. Assets acquired

Intangible assets are acquired as a result of a business combination or through the purchase of other contractual or legal rights which are transferable or separable. Intangibles acquired as part of a business combinations are measured at fair value on initial recognition. Intangible assets purchased are measured at cost. Amortization is charged on a straight line basis to the consolidated statement of comprehensive income over their expected useful lives, as follows:

Assets	Method	Useful life
Customer relationships	Straight-line	Up to 15 years
Trade Names	Straight-line	7 years
Software and other	Straight-line	3 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if required.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average cost principle and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

i. Financial assets

An impairment loss in respect of a financial asset measured at amortized cost is calculated using the “expected credit loss” model and recognizes expected credit losses as a loss allowance. The Corporation recognizes an amount equal to the lifetime expected credit losses based on the Corporation’s historical experience and including forward-looking information. The carrying amount of these assets in the consolidated statement of financial position is net of any loss allowance. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

ii. Non-financial assets

The carrying amounts of the Corporation’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use (“VIU”) and its fair value less costs of disposal (“FVLCD”). In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “CGU”). The Corporation has identified four CGUs: Workforce Accommodations and Forestry, Energy Services, Integrated Facilities Management, and Modular Solutions. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the business combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the group of CGUs to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units), on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

(h) Employee benefits

i. Defined contribution plan

The Corporation's defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of comprehensive income when they are due.

ii. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the short-term cash bonus plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

iii. Share based compensation transactions

*Equity-settled transactions*

The grant date fair value of share-based compensation awards granted to directors, officers and employees is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

*Cash-settled transactions*

The Corporation has a Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") plan for its eligible directors, officers and employees. The fair value of the amount payable to officers and employees in respect of the RSUs and PSUs, for which the participants are eligible to receive an equivalent cash value of the common shares at a future date, adjusted by the performance criteria for the PSUs, is recognized as an expense with a corresponding increase in liabilities over the period that the employees and officers provide the related service and become entitled to payment. The liability is re-measured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as share based compensation expense in the consolidated statement of comprehensive income.

(i) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. As at December 31, 2021 the Corporation has revalued its provision for Asset Retirement Obligations and a contingent consideration related to the 2019 acquisition of Powerful Group of Companies ("PGC").

(j) Revenue

The Corporation uses IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 provides a model for the recognition and measurement of all revenue flowing from contracts with customers. The core principle is that revenue recognition should align with the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

The Corporation recognizes revenues over time as it fulfills its performance obligations to clients in line with contracted terms. A performance obligation is a promise in a contract to transfer a distinct good or service to a client. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenues when, or as, the performance obligation is satisfied. If a client contract has multiple performance obligations, the consideration in the contract is allocated to the separate performance obligations based on stand-alone selling prices. Any modifications or variations to contracts-in-progress are assessed to determine if they fall under the scope of the existing contract performance obligation(s) or form part of a new performance obligation.

Revenues are derived mainly from the following types of client contracts and major products and services:

i. Integrated Facilities Management

Integrated Facilities management provides solutions for ongoing maintenance and operations of high-quality infrastructure. Ongoing facility management services are generally similar each month and are provided to customers at a contracted price based on the amount of hours of service by the Corporation's employees and the amount of supplies required. Revenue is recognized over time as the services are provided to the customer. If a contract has

distinct performance obligations, the transaction price is allocated to each performance obligation and recognized as revenue as the performance obligation is satisfied.

ii. Construction Contract Revenue

Construction contract revenue includes the initial amount agreed to in the contract plus any variations in contract work, claims, and incentive payments, to the extent that it is highly probable that a significant revenue reversal will not occur. The Corporation recognizes revenue over time for its construction contracts, and estimates progress of these contracts by comparing costs incurred to the total expected costs of the project. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in the consolidated statement of comprehensive income.

iii. Workforce Accommodation

Workforce accommodation includes the management, supply and installation of modular and exploration facilities and catering. In the workforce accommodation business, distinct performance obligations include the supply and installation of the facilities, catering and maintenance of the facilities. Revenue is recognized when the supply and installation of the facilities is complete and when catering services are provided to the customer. Catering services are provided to customers at a contract price per unit served. If a contract has distinct performance obligations, the transaction price is allocated to each performance obligation and recognized as revenue as the performance obligation is satisfied.

iv. Forestry Services

Forestry services includes reforestation solutions, forest thinning and firefighting services. Revenue is recognized over time as the services are provided to the customer. Reforestation, forest thinning solutions and firefighting services are provided to customers at a contracted price per unit. If a contract has distinct performance obligations, the transaction price is allocated to each performance obligation and recognized as revenue as the performance obligation is satisfied.

v. Energy Services

The Corporation provides access mat rental, relocatable structure rental, and transportation services to customers. Revenue from rendering of these services are recognized over time. Rental days are used to measure the rental fleet revenue. Revenue is recognized at the applicable day rate for each asset rented, based on rates specified in each contract, and as the services are performed.

vi. Sale of used fleet

The Corporation routinely sells items of property, plant and equipment that it has held for rental and such assets are transferred to inventories at their carrying amount when they cease to be held for rent. The proceeds from the sale of such assets are recognized as revenue at a point in time when control of the assets transfers.

vii. Sale of other goods

Revenue from the sale of other goods is measured at the fair value of the consideration received or receivable. The Corporation recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Corporation to its customer, collectability is reasonably assured, the associated costs can be estimated reliably, and there is no continuing management involvement with the goods. The Corporation recognizes revenue from the sale of other goods at a point in time.

(k) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying assets or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate, if there is a change in the Corporation's estimate or the amount expected to be payable under the residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination period.

The Corporation presents right-of-use assets and finance lease liabilities in the consolidated statement of financial position.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have an expected lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**As a lessor**

When the Corporation acts as a lessor, it determines at inception whether each lease is a finance lease or an operating lease.

The Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incremental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If the contract contains lease and non-lease components, the Corporation applies IFRS 15 to allocate the consideration in the contract.

(l) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in the consolidated statement of comprehensive income, using the effective interest method.

Finance costs comprise of interest expense on loans and borrowings, unwinding of the discount on provisions, and changes in the fair value of financial assets at fair value through the consolidated statement of comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in the consolidated statement of comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of comprehensive income except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.



(n) Earnings per share

The Corporation presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the net earnings attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which is comprised of share options granted to employees and directors.

(o) Segment reporting

A segment is a distinguishable component of the Corporation that is engaged either in providing related products or services (business segment) which is subject to risks and returns that are different from those of other segments. The business segments are determined based on the Corporation’s management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(p) Foreign currency translation

The consolidated financial statements are presented in CAD.

Foreign currency transactions entered into are translated into the functional currency of the operations at the exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into the functional currency using the exchange rate on the period end date. Foreign currency translation gains and losses resulting from the settlement of transactions and the re-translation at period end are recognized in the consolidated statement of comprehensive income within total profit. Non-monetary items that originated in a foreign currency are translated at the exchange rate from the original transaction date.

The US entity has a USD functional currency therefore translated to be included in the consolidated financial statements in CAD as follows: income and expenses are translated into CAD using the exchange rates on the dates of the transactions and the assets and liabilities on the consolidated statement of financial position are translated into CAD at the period end exchange rate. The effect of translation is recognized in other comprehensive income and included as translation of foreign operations in accumulated other comprehensive income within equity.

Foreign currency gains and losses arising from monetary items receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur, form a part of the exchange differences in the net investment in the foreign operations and are recognized initially in other comprehensive income. Upon disposal or partial disposal of an entity with a functional currency other than CAD, any accumulated exchange differences will be reclassified to the consolidated statement of comprehensive income within total profit.

(q) Government Assistance

IAS 20 “Accounting for government grants and disclosure of government assistance” (“IAS 20”) sets out the standard for accounting of government grants and other forms of government assistance. Government assistance is not recognized until there is reasonable assurance that the Corporation will comply with the associated conditions, and that the grant will be received. Government grants shall be recognized in the consolidated statement of comprehensive income on a systematic basis over the periods in which the entity recognizes the expenses for the related costs for which the assistance is intended to compensate. For government assistance that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Corporation with no future related costs, are recognized in the consolidated statement of comprehensive income for the period in which it becomes receivable. The Corporation recognized government assistance as a reduction in the related expense, through the consolidated statement of comprehensive income.

(r) Adoption of new IFRS standards

In April 2021 the IFRS Interpretations Committee (“IFRIC”) published an agenda decision clarifying the accounting treatment of configuration and customization costs incurred in implementing a cloud computing arrangement. In the agenda decision, certain configuration and customization activities undertaken in implementing such arrangements may give rise to a separate asset where the Corporation controls the intellectual property of the underlying software code (e.g. the development of bridging modules to existing on-premise systems or bespoke additional software capability). In all other instances, configuration and customization costs are to be expensed as incurred as an operating expense. Unlike new accounting standards with a specific future application date with some lead time, IFRIC agenda decisions have no effective date. Management has completed its process of analyzing and determining the appropriate accounting treatment of previously capitalized customization and configuration costs in light of this new agenda decision and concluded that there is no material impact on the financial statements.

**Notes to the consolidated financial statements**  
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(s) New standards and interpretations not yet adopted

The new standards, amendments to standards and interpretations not yet effective for the year ended December 31, 2021, and not applied in preparing these consolidated financial statements are disclosed below. The Corporation intends to adopt these standards, if applicable, when they become effective on January 1, 2022.

In May 2020, the IAS issued '*Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)*' which amends the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Costs of fulfilling a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling a contract. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts for which the entity has not yet fulfilled its obligations at the time of adoption. Comparatives are not restated and the effect of applying the amendments is recognized as an adjustment to opening equity on the date of application. These amendments are not expected to have a significant impact on the Corporation's consolidated financial statements.

**4. Trade and other receivables**

(000's)	December 31, 2021	December 31, 2020 <sup>(1)</sup>
Trade receivables	\$ 115,265	\$ 76,821
Modular holdback receivables	10,297	5,071
Deferred trade receivables	12,428	6,114
<b>Total trade receivables</b>	<b>\$ 137,990</b>	<b>\$ 88,006</b>
Accrued trade receivables	43,504	53,397
Other receivables	4,460	9,853
Allowance for expected credit losses	(1,178)	(1,724)
<b>Total</b>	<b>\$ 184,776</b>	<b>\$ 149,532</b>

(1) Certain prior year amounts have been amended to conform to the current period's presentation.

Modular holdback receivables and deferred trade receivables of \$22.7 million (December 31, 2020 - \$11.2 million) represent amounts billed on contracts which are not due until the contract work is substantially complete and any lien period has expired. All Modular holdback receivables and deferred trade receivables are expected to be collected within 12 months. Other receivables include amounts due from Gitxaala Horizon North Services LP of \$0.3 million (December 31, 2020 - \$9.3 million) and Big Spring Lodging Limited Partnership of \$0.2 million (December 31, 2020 - nil). Credit risks are further described in Note 21.

**5. Inventories**

(000's)	December 31, 2021	December 31, 2020
Raw materials	\$ 7,463	\$ 4,082
Modular work-in-progress	3,444	1,114
Finished goods and supplies	6,091	7,249
<b>Inventories</b>	<b>\$ 16,998</b>	<b>\$ 12,445</b>

**Notes to the consolidated financial statements**  
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**6. Property, plant and equipment**

Carrying Amounts (000's)	Camp equipment & mats	Land & buildings	Automotive & trucking equipment	Manufacturing & other equipment	Total
<b>Cost</b>					
December 31, 2019	\$ 5,097	\$ 1,526	\$ 522	\$ 4,368	\$ 11,513
Acquisition	142,688	26,405	18,838	2,962	190,893
Acquisition - Assets under construction	19	—	—	550	569
Additions	3,757	(217)	695	223	4,458
Assets under construction	12	—	—	102	114
Asset Retirement Obligation	1,865	—	—	—	1,865
Transferred to inventory for sale	(2,357)	—	—	—	(2,357)
Disposals	(2,632)	(30)	(2,597)	(38)	(5,297)
December 31, 2020	148,449	27,684	17,458	8,167	201,758
Additions	1,411	1,991	1,069	1,389	5,860
Asset retirement obligations (Note 11)	914	—	—	—	914
Transferred from inventory	4,356	—	—	—	4,356
Transferred to inventory for sale	(6,951)	—	—	—	(6,951)
Transfer to Big Spring Lodging LP (Note 9)	(1,972)	—	—	—	(1,972)
Disposals	(494)	(72)	(826)	(220)	(1,612)
December 31, 2021	\$ 145,713	\$ 29,603	\$ 17,701	\$ 9,336	\$ 202,353
<b>Accumulated Depreciation</b>					
December 31, 2019	\$ 1,527	\$ 290	\$ 98	\$ 1,344	\$ 3,259
Depreciation	9,823	922	3,866	1,716	16,327
Transferred to inventory for sale	(290)	—	—	—	(290)
Disposals	(1,509)	(7)	(54)	(15)	(1,585)
December 31, 2020	9,551	1,205	3,910	3,045	17,711
Depreciation	14,676	1,191	6,371	2,002	24,240
Transferred to inventory for sale	(578)	—	—	—	(578)
Transferred to Big Spring Lodging LP (Note 9)	(124)	—	—	—	(124)
Disposals	(376)	(37)	(291)	(173)	(877)
December 31, 2021	\$ 23,149	\$ 2,359	\$ 9,990	\$ 4,874	\$ 40,372
<b>Net book value</b>					
December 31, 2021	\$ 122,564	\$ 27,244	\$ 7,711	\$ 4,462	\$ 161,981
December 31, 2020	\$ 138,898	\$ 26,479	\$ 13,548	\$ 5,122	\$ 184,047

**Notes to the consolidated financial statements**  
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**7. Leases**

(i) Right-of-use assets

(000's)	Camp equipment & mats	Land & buildings	Automotive & trucking equipment	Manufacturing & other equipment	Total
<b>Cost</b>					
December 31, 2019	\$ —	\$ 919	\$ 1,174	\$ 184	\$ 2,277
Acquisition	2,445	19,316	75	42	21,878
Additions	3,524	788	391	219	4,922
Disposals	(376)	(638)	—	—	(1,014)
December 31, 2020	5,593	20,385	1,640	445	28,063
Additions <sup>(1)</sup>	2,215	11,489	1,391	75	\$ 15,170
Disposals	(2,254)	(5,948)	(330)	—	(8,532)
December 31, 2021	\$ 5,554	\$ 25,926	\$ 2,701	\$ 520	\$ 34,701
<b>Accumulated Depreciation</b>					
December 31, 2019	\$ —	\$ 316	\$ 243	\$ 46	\$ 605
Depreciation	2,510	2,806	378	118	5,812
Disposals	(377)	(29)	—	—	(406)
December 31, 2020	2,133	3,093	621	164	6,011
Depreciation	3,136	6,193	691	190	10,210
Disposals	(2,526)	(850)	(201)	—	(3,577)
December 31, 2021	\$ 2,743	\$ 8,436	\$ 1,111	\$ 354	\$ 12,644
<b>Net book value</b>					
December 31, 2021	\$ 2,811	\$ 17,490	\$ 1,590	\$ 166	\$ 22,057
December 31, 2020	\$ 3,460	\$ 17,292	\$ 1,019	\$ 281	\$ 22,052

(1) Right-of-use asset additions for land & buildings include the new Cambridge facility (\$7.5 million) and other land and building leases (\$4 million).

(ii) Lease liabilities

Maturity Analysis – contractual undiscounted cash flows	(000's)
Year 1	\$ 8,542
Year 2	5,602
Year 3	3,889
Year 4	3,337
Year 5 and beyond	7,890
Total undiscounted lease payable as at December 31, 2021	\$ 29,260
Lease liabilities included in the statement of financial position at December 31, 2021	\$ 25,068
Current	\$ 7,346
Non-current	\$ 17,722

For the year ended December 31, 2021, the Corporation has not sub-leased any right-of-use assets, there were no restrictions or covenants imposed by leases of a material nature, and there were no sale and leaseback transactions.

The amount of lease interest expense recognized during the year ended December 31, 2021 is \$1.4 million (2020 - \$0.8 million).

**Notes to the consolidated financial statements**  
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**8. Intangible assets and Goodwill**

Intangible assets at the consolidated statement of financial position date are as follows:

<i>(000's)</i>	Trade Names	Customer Relationships	Computer software and other	Total
<b>Cost</b>				
December 31, 2019	\$ —	\$ 22,483	\$ 1,125	\$ 23,608
Acquisition	3,800	—	—	3,800
Additions	—	—	1,524	1,524
December 31, 2020	3,800	22,483	2,649	28,932
Additions	—	—	1,931	1,931
December 31, 2021	\$ 3,800	\$ 22,483	\$ 4,580	\$ 30,863
<b>Accumulated Amortization</b>				
December 31, 2019	\$ —	\$ 2,163	\$ 387	\$ 2,550
Amortization	380	1,854	691	2,925
December 31, 2020	380	4,017	1,078	5,475
Amortization	651	1,743	1,217	3,611
December 31, 2021	\$ 1,031	\$ 5,760	\$ 2,295	\$ 9,086
<b>Net book value</b>				
December 31, 2021	\$ 2,769	\$ 16,723	\$ 2,285	\$ 21,777
December 31, 2020	\$ 3,420	\$ 18,466	\$ 1,571	\$ 23,457

Goodwill at the consolidated statement of financial position date is as follows:

<i>(000's)</i>	December 31, 2021	December 31, 2020
Integrated Facilities Management	\$ 64,055	\$ 64,055
Workforce Accommodations and Forestry	34,585	34,585
Balance, end of year	\$ 98,640	\$ 98,640

**Impairment of Goodwill**

The Corporation assesses indicators of impairment at the end of each reporting period and performs a detailed impairment test at least annually. At December 31, 2021, an impairment test was performed for all CGUs with allocated goodwill, which comprise Integrated Facilities Management and Workforce Accommodations and Forestry. No impairment was identified.

The recoverable amount of the CGUs was calculated based on FVLCOB discounted cash flow model. The cash flows are derived from the Corporation's budget, strategy and business plan approved by the Board of Directors. The calculation of the FVLCOB discounted cash flow model was based on the following key assumptions:

- The discount rate was estimated based on the Corporation's weighted average cost of capital, taking into account the nature of the assets being valued and their specific risk profile. The after-tax discount rates used in determining the recoverable amount for both CGUs was 12.5% (2020 - 12.7%).
- The revenue growth rates for the first five years are based on management's internal budgets and projections. The projections for Integrated Facilities Management take into account the impacts and subsequent recovery from the pandemic on the aviation and retail sectors, which are forecasted to have a positive impact on the 2022 and 2023 forecasted cash flows. Annual revenue growth rates for the 2022 - 2026 years between 5% to 21% and 3% to 5% were used for the Integrated Facilities Management and Workforce Accommodation and Forestry CGUs, respectively. The long-term growth rate after 5 years for both CGUs used in determining the recoverable amount is 2.5% (2020 - 2.5%).

**Sensitivities**

The most sensitive inputs to the discounted cash flow model are the discount rate and the revenue growth rate in the first 5 years. All else being equal, a 5% absolute decrease in the revenue growth rates or a 1% absolute increase in the discount rate would result in no impairment for Integrated Facilities Management. All else being equal, a 2.5% absolute decrease in the revenue growth rates or a 1% absolute increase in the discount rate would result in no impairment for Workforce Accommodations and Forestry.



**Notes to the consolidated financial statements**  
**Years ended December 31, 2021 and 2020**

**9. Other assets**

On September 2, 2021, the Corporation signed a limited partnership agreement with an existing Indigenous partner to form Big Spring Lodging Limited Partnership (“BSL LP”). The Corporation owns 49% of the newly formed partnership. During the period, the Corporation contributed assets to the BSL LP with a carrying value of \$1.8 million as an in-kind contribution to BSL LP. The Partnership is accounted for as a joint venture using the equity method.

Other assets at December 31, 2021 include equity accounted investments in Gitxaala Horizon North Services Limited Partnership (“Gitxaala”) and BSL LP, both joint ventures that are 49% owned by the Corporation with a carrying value of \$15.2 million (December 31, 2020 - \$11.7 million) and \$1.9 million (2020 - nil), respectively. In addition to the equity investments, the other assets include long-term lease receivables of \$1.1 million (December 31, 2020 - \$3.1 million).

**10. Loans and borrowings**

<i>(000's)</i>	December 31, 2021	December 31, 2020
Committed credit facility	\$ 66,469	\$ 86,411
Unamortized financing costs	(1,149)	(1,042)
<b>Total borrowings</b>	<b>\$ 65,320</b>	<b>\$ 85,369</b>

Effective September 7, 2021, the Corporation reached an agreement with its lenders to amend its credit facility and extend the maturity date to September 7, 2024. The amended credit facility has an available limit of \$200 million plus an uncommitted accordion of \$125 million and is secured by a \$400 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate for the credit facility is calculated on a grid pricing structure based on the Corporation’s debt to EBITDA ratio. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.75% or the Bankers’ Acceptance rate plus 1.50% to 2.75%. The committed credit facility has a standby fee ranging from 0.30% to 0.55% per annum.

As at December 31, 2021, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility and available borrowing capacity was \$124.5 million (2020 - \$81.6 million), after adjusting for \$9.1 million (2020 - \$7 million) in letters of credit outstanding at December 31, 2021.

**11. Asset retirement obligations**

Provisions include constructive site restoration obligations for company owned camp projects to restore lands to previous condition when camp facilities are dismantled and removed.

<i>(000's)</i>	December 31, 2021	December 31, 2020
Balance, beginning of year	\$ 11,629	\$ —
Acquisition (Note 24)	—	11,100
Additions	—	1,419
Asset retirement obligations settled	(2,041)	(1,360)
Change in estimate	914	446
Accretion of provisions	58	24
<b>Balance, end of year</b>	<b>\$ 10,560</b>	<b>\$ 11,629</b>

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, adjusted for inflation and discounted using a risk-free rate. The future value amount of \$10.7 million at December 31, 2021 (December 31, 2020 - \$11.8 million) was determined using a risk free interest rate of 1.23% and an inflation rate of 1.27% using the Fisher equation. The timing of these payments is dependent on various factors, such as the estimated lives of the equipment and industry activity in the region but is anticipated to occur up to 2028.

<i>(000's)</i>	December 31, 2021	December 31, 2020
Current	\$ 5,277	\$ 5,102
Non-current	5,283	6,527
<b>Balance, end of year</b>	<b>\$ 10,560</b>	<b>\$ 11,629</b>

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**12. Share capital**

As described under Note 1, on July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares. All current and prior period share and per share data presented below, including share options outstanding, has been retroactively adjusted to reflect the Consolidation unless otherwise noted.

(a) Authorized and issued

The Corporation is authorized to issue an unlimited number of voting common shares without nominal or par value and an unlimited number of preferred shares issuable in series, of which no preferred shares are outstanding. The number of common shares and share capital are presented in the table below:

(In 000's, other than number of shares)	Total number of shares	Total share capital
Balance, December 31, 2019	31,785,993	\$ 131,543
Acquisition (Note 24)	33,083,424	100,904
Share issue costs	—	(99)
Balance, December 31, 2020	64,869,417	\$ 232,348
Options exercised	281,666	1,193
Balance, December 31, 2021	65,151,083	\$ 233,541

On May 29, 2020, Dexterra Group acquired 100% of the issued and outstanding shares of Horizon North through issuing 31,785,993 shares to Fairfax Financial, as described in Note 1. As Dexterra was determined to be the acquirer, the number of common shares outstanding as at December 31, 2019 has been adjusted retrospectively to reflect the capital of Dexterra using the exchange ratio established in the acquisition agreement.

(b) Long-term incentive plans

(i) Share option plan

	Outstanding options	Weighted average exercise price
Balance, December 31, 2019	—	\$ —
Granted	1,055,000	3.21
Forfeited	(65,000)	3.05
Balance, December 31, 2020	990,000	\$ 3.22
Granted	527,272	6.49
Exercised	(281,666)	3.05
Forfeited	(35,466)	4.55
Balance, December 31, 2021	1,200,140	\$ 4.66

The exercise prices for options outstanding and exercisable at December 31, 2021 are as follows:

Exercise price per share	Total options outstanding			Exercisable options	
	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
\$3.05	638,334	\$ 3.05	3.4	165,008	\$ 3.05
\$6.21 to \$6.53	561,806	6.48	4.0	16,666	6.37
	1,200,140	\$ 4.66	3.7	181,674	\$ 3.35

**Notes to the consolidated financial statements**  
**Years ended December 31, 2021 and 2020**

The exercise prices for options outstanding and exercisable at December 31, 2020 are as follows:

Exercise price per share	Total options outstanding			Exercisable options	
	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
\$3.05	940,000	\$ 3.05	4.4	—	\$ —
\$6.21 to \$6.53	50,000	6.37	5.0	—	—
	990,000	\$ 3.22	4.4	—	\$ —

The Corporation calculated the fair value of the share options granted using the Black-Scholes pricing model to estimate the fair value of the share options issued at the date of grant. The weighted average fair value of all options granted during the period and the assumptions used in their determination are as follows:

	December 31, 2021	December 31, 2020
Fair value per option	2.08	1.25
Forfeiture rate	10.00 %	9.96 %
Grant price	\$ 6.49	\$ 3.21
Expected life	3.0 years	3.0 years
Risk free interest rate	0.25 %	0.30 %
Dividend yield rate	4.62 %	0.23 %
Volatility	62.92 %	62.74 %

Expected volatility is estimated by considering historic average share price volatility. For the year ended December 31, 2021, share based compensation for share options included in net earnings amounted to \$1.2 million (2020 - \$0.4 million). Subsequent to year-end, the Corporation issued 487,625 share options under the plan.

(ii) Restricted Share Units (“RSU”) and Performance Share Units (“PSU”) incentive award plan

(a) RSUs

The Corporation has a RSU Plan whereby RSUs may be granted, subject to certain terms and conditions.

Under the terms of the RSU Plan, the awarded units vest in three equal portions on the first, second and third anniversary from the grant date, and will be settled in cash in the amount equal to the fair market value of the Corporation's share price on that date. The RSUs have been issued to directors of the Corporation.

The following table summarizes the RSU's outstanding:

	Number
Units outstanding at December 31, 2020	—
Granted	28,970
Units outstanding at December 31, 2021	28,970

(b) PSUs

The Corporation has a PSU Plan whereby PSUs may be granted, subject to certain terms and conditions.

Under the terms of the PSU Plan, the awarded units vest on the third anniversary of the grant date according to the vesting criteria, and the vested units will be settled in cash in the amount equal to the fair market value of the Corporation's share price on that date. The vesting criteria is fixed by the Board of Directors. Performance Criteria set by the Board at the time of the grant of PSUs, may include i) total shareholder return, including dividends; ii) the participant's satisfactory individual performance; and (iii) any other terms and conditions the Board may in its discretion determine with respect to vesting. The PSU payout is variable based on the share price on the vest date.

The following table summarizes the PSU's outstanding:

	Number
Units outstanding at December 31, 2020	—
Granted	301,454
Forfeited	(9,692)
Units outstanding at December 31, 2021	291,762

## Notes to the consolidated financial statements Years ended December 31, 2021 and 2020

As at December 31, 2021, \$0.9 million (2020 - nil) was included in accounts payable and accrued liabilities for outstanding RSUs and PSUs. For the year ended December 31, 2021, share based compensation for RSUs and PSUs included in net earnings amounted to \$0.2 million (2020 - nil) and \$0.7 million (2020 - nil) respectively. Subsequent to year-end, the Corporation issued 21,307 RSUs and 252,349 PSUs to its officers, key employees and directors. PSU payouts are variable and are expected to be settled in cash upon vesting in January 2024 and 2025 if the return to shareholders performance criteria are met.

### 13. Revenue & other revenue

#### Contract balances

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

(000's)	December 31, 2021	December 31, 2020
Contract assets, which are included in trade and other accounts receivables	\$ 44,389	\$ 30,901
Contract liabilities, which are included in deferred revenue	\$ 1,946	\$ 3,310

The contract assets relate to the Corporation's rights for work completed but not billed at the reporting date, mainly related to the modular business, and are included in trade and other receivables. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Corporation completes a construction milestone under the agreed upon contract. The balance is made up of \$18.0 million (2020 - \$19.7 million) in accrued trade receivables for Modular Solutions and \$22.7 million in Modular holdback and deferred trade receivables (2020 - \$11.2 million) from customers, which are generally due within three to six months of services being completed. The contract liabilities relate to payments received from customers for which revenue is recognized over time.

The amount of \$3.3 million recognized in contract liabilities at the beginning of the year has been recognized as revenue for the year ended December 31, 2021.

As all contracts have an expected duration of one year or less, the Corporation has taken the practical expedient and not disclosed the remaining performance obligations as at December 31, 2021.

#### Other revenue

For the year ended December 31, 2020, Other revenue of \$6.6 million comprised amounts awarded to the Corporation through legal proceedings with two former customers. The recovery of related expenses of \$1.2 million was recorded against legal costs in selling, general and administrative expenses.

### 14. Direct costs

(000's)	Years ended December 31,	
	2021	2020 <sup>(1)</sup>
Cost of goods manufactured - materials and direct labour	\$ 97,654	\$ 48,174
Wages and benefits	238,860	161,771
Subcontracting	102,377	69,503
Product cost	100,933	48,683
Equipment and repairs	12,695	7,943
Transportation and travel	19,159	9,579
Partnership profit sharing	7,326	4,924
Workforce accommodations operating costs	18,252	9,718
Other operating expense	25,581	19,207
	\$ 622,837	\$ 379,502

(1) Certain prior year amounts have been amended to confirm to the current period's presentation.

The amount of inventories recognized as an expense during the year ended December 31, 2021 is \$97.7 million (2020 - \$48.2 million). Included in wages and benefits is the impact of the Canada Emergency Wage Subsidy ("CEWS"), which reduced wages and benefits by \$8.9 million (2020 - \$31.7 million) for the year ended December 31, 2021.

**Notes to the consolidated financial statements**  
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**15. Selling, general and administrative expenses**

(000's)	Years ended December 31,	
	2021	2020 <sup>(1)</sup>
Wages and benefits	\$ 21,078	\$ 15,207
Other selling and administrative expenses	13,775	6,900
	\$ 34,853	\$ 22,107

(1) Certain prior year amounts have been amended to confirm to the current period's presentation.

The impact of CEWS reduced wages and benefits by \$0.2 million (2020 - \$1.2 million) for the year ended December 31, 2021.

**16. Income taxes**

For the year ended December 31, 2021, the Corporation's effective income tax rate was 26.1%, compared to 16% in 2020. The lower tax rate in 2020 was due to the Acquisition and related non-taxable bargain purchase gain. The effective tax rate for the year ended December 31, 2021 is consistent with the combined federal and provincial income tax rate.

The deferred income taxes liability of \$0.5 million (2020 - \$2.6 million asset) comprises a deferred tax asset of \$18.8 million (2020 - \$20.0 million) resulting primarily from non-capital losses in certain legal entities and a deferred tax liability of \$19.3 million (2020 - \$17.4 million) resulting primarily from taxable timing differences related to property, plant and equipment and provisions. The Corporation has non-capital losses for Canadian tax purposes of \$79.9 million (2020 - \$75.7 million) available to reduce future taxable income in Canada.

The Corporation paid \$10.7 million (2020 - \$3.3 million) in income taxes for the year ended December 31, 2021. \$3.3 million of this amount related to amounts owing for the year ended December 31, 2020 and \$7.4 million was paid for 2021 tax installments of which \$2.2 million will be refunded based on the tax reorganization completed late in the year.

The current and deferred tax expense breakdown is as follows:

Income tax expense (000's):	Years ended December 31,	
	2021	2020
Current	\$ 5,594	\$ 8,258
Deferred	3,114	3,952
	\$ 8,708	\$ 12,210

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the differences is as follows:

(000's)	Years ended December 31,	
	2021	2020
Earnings before income tax	\$ 33,336	\$ 76,689
Combined federal and provincial income tax rate	26 %	26 %
Expected income tax expense	\$ 8,667	\$ 19,939
Non-deductible items	402	89
Changes in tax rates	81	(31)
Non-taxable portion of capital (gain) loss	(1,063)	282
Non-deductible bargain purchase gain	—	(7,919)
Other items	621	(150)
	\$ 8,708	\$ 12,210

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**17. Cash flow information**

The details of the changes in non-cash working capital are as follows:

(000's)	Years ended December 31,	
	2021	2020
Trade and other receivables	\$ (35,244)	\$ (2,181)
Inventories	(4,553)	4,674
Prepaid expenses and other	2,899	2,346
Trade and other payables	38,090	(659)
Deferred revenue	(1,364)	(2,713)
	\$ (172)	\$ 1,467

**18. Net earnings per share**

A summary of the common shares used in calculating earnings per share is as follows:

	Years ended December 31,	
	2021	2020
Number of common shares, beginning of period	64,869,417	31,785,993
Weighted average number of common shares issued	205,091	—
Effect of reverse Acquisition of Horizon North, weighted average	—	19,524,619
Weighted average common shares outstanding - basic	65,074,508	51,310,612
Effect of share purchase options <sup>(1)</sup>	345,298	135,972
Weighted average common shares outstanding - diluted	65,419,806	51,446,584

(1) The Corporation utilizes the treasury stock method for calculating the dilutive effect of share purchase options when the average market price of the Corporation's common stock during the period exceeds the exercise price of the option.

**19. Dividends**

A dividend of \$0.0875 per share was declared for the quarter ended December 31, 2021 and was accrued in trade and other payables as at December 31, 2021. The dividend was payable to shareholders of record at the close of business on December 31, 2021 and was paid on January 17, 2022.

(000's except per share amounts)	2021		2020	
	Amount per share	Total dividend amount	Amount per share	Total dividend amount
March 31	\$ 0.075	\$ 4,880	\$ —	\$ —
June 30	0.075	4,884	—	—
September 30	0.0875	5,702	0.075	4,865
December 31	0.0875	5,701	0.075	4,865
Total dividends declared	\$ 0.325	\$ 21,167	\$ 0.15	\$ 9,730



## Notes to the consolidated financial statements Years ended December 31, 2021 and 2020

### 20. Reportable segment information

The Corporation operates through three operating segments: IFM, WAFES and Modular Solutions as described in Note 1. Information regarding the results of all segments is included below. Inter-segment pricing is determined on an arm's length basis.

Year ended December 31, 2021 (000's)	IFM	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue <sup>(3)</sup>	\$ 155,131	\$ 393,797	\$ 181,701	\$ 4,035	\$ (1,284)	\$ 733,380
Operating expenses						
Direct costs <sup>(2)(3)</sup>	136,336	319,081	162,848	5,741	(1,169)	622,837
Selling, general and administrative expenses <sup>(2)</sup>	5,512	5,517	5,531	18,293	—	34,853
Depreciation and amortization	3,329	27,200	5,294	2,238	—	38,061
Share based compensation	146	110	97	1,746	—	2,099
Gain on disposal of property, plant and equipment	(12)	(311)	(99)	(3)	—	(425)
Operating income (loss) <sup>(2)</sup>	9,820	42,200	8,030	(23,980)	(115)	35,955
Finance costs	52	431	1,011	3,607	—	5,101
Earnings from equity investments	—	(2,482)	—	—	—	(2,482)
Earnings (loss) before income taxes	\$ 9,768	\$ 44,251	\$ 7,019	\$ (27,587)	\$ (115)	\$ 33,336
Total assets	\$ 107,350	\$ 323,115	\$ 93,029	\$ 8,635	\$ (581)	\$ 531,548

Year ended December 31, 2020 (000's)	IFM	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 147,229	\$ 228,112	\$ 98,767	\$ —	\$ (2,862)	\$ 471,246
Other revenue (Note 13)	—	6,569	—	—	—	6,569
<b>Total revenue</b>	<b>147,229</b>	<b>234,681</b>	<b>98,767</b>	<b>—</b>	<b>(2,862)</b>	<b>477,815</b>
<b>Operating expenses</b>						
Direct costs <sup>(2)</sup>	121,791	175,085	85,285	—	(2,659)	379,502
Selling, general and administrative expenses <sup>(2)</sup>	4,093	3,335	2,847	11,832	—	22,107
Depreciation and amortization	3,343	18,129	2,485	1,107	—	25,064
Share based compensation	—	—	—	354	—	354
(Gain) loss on disposal of property, plant and equipment	(4)	(20)	60	—	—	36
Operating income (loss) <sup>(2)</sup>	18,006	38,152	8,090	(13,293)	(203)	50,752
Finance costs	—	253	663	3,716	—	4,632
Earnings from equity investment	—	(688)	—	—	—	(688)
Bargain purchase gain	—	—	—	(29,881)	—	(29,881)
Earnings (loss) before income taxes	\$ 18,006	\$ 38,587	\$ 7,427	\$ 12,872	\$ (203)	\$ 76,689
Total assets <sup>(1)</sup>	\$ 107,639	\$ 319,735	\$ 74,008	\$ 13,353	\$ (1,212)	\$ 513,523

(1) Certain prior year amounts have been amended to conform to the current period's presentation. As a result, total assets for IFM, WAFES and Corporate as at December 31, 2020, previously reported as \$183,221, \$246,465 and \$11,041, were revised to \$107,639, \$319,735 and \$13,353, respectively.

(2) Includes CEWS of \$9.1 million and \$32.9 million for the years ended December 31, 2021 and December 31, 2020, respectively: IFM - \$1.7 million (December 31, 2020 - \$13.7 million), WAFES - \$6.6 million (December 31, 2020 - \$14.7 million), Modular Solutions - \$0.6 million (December 31, 2020 - \$3.3 million), Corporate - \$0.2 million (December 31, 2020 - \$1.2 million).

(3) Corporate operational results for the year ended December 31, 2021 include revenue and direct expenses in the amount of \$4 million and \$5.7 million, respectively from a legal dispute related to a contract in place at the time of the Acquisition.

### 21. Financial risk management

#### Overview

The Corporation is exposed to a number of different financial risks arising from the normal course of business operations as well as through the Corporation's financial instruments comprised of trade and other receivables, trade and other payables, and loans and borrowings. These risk factors include credit risk, liquidity risk, and market risk, including interest rate risk.

The Corporation's risk management practices include identifying, analyzing and monitoring the risks faced by the Corporation. The annual consolidated financial statements for the year ended December 31, 2021 present information about the Corporation's exposure to each of the business and financial risks and the Corporation's objectives, policies and processes for measuring and managing risk.

#### COVID-19 Pandemic

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The Corporation's business relies, to a certain extent, on free movement of goods, services, and capital within Canada, which has been significantly restricted as a result of the COVID-19 pandemic. Given the ongoing and dynamic nature of the

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circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and the Corporation's business in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including additional actions which may be taken to contain COVID-19, as well as the timing of the complete re-opening of the economy in Canada. Such further developments could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. The ultimate impact of COVID-19 on the Corporation's liquidity and future cash flows may not be fully known for an extended period of time.

### Credit risk

The following shows the aged balances of trade and other receivables:

(000's)	December 31, 2021		December 31, 2020 <sup>(1)</sup>	
Trade receivables				
Neither impaired nor past due	\$	91,516	\$	70,370
Outstanding 31-60 days		33,484		11,325
Outstanding 61-90 days		4,352		2,461
Outstanding more than 90 days		8,638		3,850
<b>Total trade receivables</b>		<b>137,990</b>		<b>88,006</b>
Accrued receivables		43,504		53,397
Other receivables		4,460		9,853
Provision for expected credit losses		(1,178)		(1,724)
<b>Total trade and other receivables</b>	<b>\$</b>	<b>184,776</b>	<b>\$</b>	<b>149,532</b>

(1) Certain prior year amounts have been amended to conform to the current period's presentation.

As at December 31, 2021, the Corporation provided for expected credit losses in the amount of \$1.2 million. The provision for expected credit losses is based on an expected credit losses matrix and fluctuates based on the aging of balances in receivables. The Corporation continues to monitor the recoverability of trade receivables and the impact of current and expected future credit losses. There was no significant impact to expected future credit losses due to COVID-19 at December 31, 2021.

The Corporation had one major customer from which it generated 10% of total revenue in 2021 (2020 - 9%).

### Liquidity risk

The following shows the timing of cash outflows relating to trade and other payables, lease liabilities and loans and borrowings:

(000's)	December 31, 2021			December 31, 2020		
	Trade and other payables <sup>(1)</sup>	Lease liabilities <sup>(2)</sup>	Loans and borrowings <sup>(3)</sup>	Trade and other payables <sup>(1)</sup>	Lease liabilities <sup>(2)</sup>	Loans and borrowings <sup>(3)</sup>
Year 1	\$ 122,637	\$ 8,542	\$ —	\$ 81,815	\$ 8,394	\$ —
Year 2	395	5,602	—	767	5,474	86,411
Year 3	—	3,889	66,469	—	3,888	—
Year 4	—	3,337	—	—	2,600	—
Year 5 and beyond	747	7,890	—	681	10,041	—
	<b>\$ 123,779</b>	<b>\$ 29,260</b>	<b>\$ 66,469</b>	<b>\$ 83,263</b>	<b>\$ 30,397</b>	<b>\$ 86,411</b>

(1) Trade and other payables include trade and other payables and contingent consideration.

(2) Lease liabilities include total undiscounted lease payments.

(3) Loans and borrowings include Dexterra Group's senior secured revolving term credit facility. The timing and amount of interest payments will fluctuate depending on balances outstanding and applicable interest rates. As at December 31, 2021, the Corporation has unused credit facilities of \$124.5 million (2020 - \$81.6 million).

### Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on future performance of the Corporation. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities and expected future cash flows include foreign currency exchange risk and interest rate risk. As the Corporation's exposure to foreign currency exchange risk and interest rate risk is limited, the Corporation does not currently hedge its

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financial instruments.

i. Foreign currency exchange risk

The Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in CAD. The Corporation's nominal exposure to foreign currency exchange risk arises from the purchase of some raw materials, which are denominated in USD, and foreign operations or customer contracts with USD functional currency.

ii. Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 0.50% to 1.75% or the Bankers' Acceptance rate plus 1.50% to 2.75% per annum. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately \$0.9 million for the year ended December 31, 2021 (2020 - \$0.7 million). This assumes that the amount and mix of fixed and floating rate debt in the period remains unchanged and that the change in interest rates is effective from the beginning of the period.

**22. Related parties**

(000's)	December 31, 2021	December 31, 2020
Joint Ventures		
Revenue	\$ 3,057	\$ 2,931
Recovery of administrative overhead	645	285
Included in accounts receivable	490	9,335

The Corporation earned revenue of \$2.6 million (2020 - \$2.9 million) for the year ended December 31, 2021 for the manufacturing, installation and transportation of relocatable units provided to Gitxaala, a joint venture that is 49% owned by the Corporation. The Corporation also charged \$0.6 million (2020 - \$0.3 million) in management fees and cost recoveries for administrative overhead related to accounting and management services. As at December 31, 2021, Gitxaala owed \$0.3 million (2020 - \$9.3 million) in payables to the Corporation which are considered to be part of normal course of operations and have no fixed terms of repayment.

The Corporation earned revenue of \$0.4 million (2020 - \$nil) for the year ended December 31, 2021 for the manufacturing, installation and transportation of relocatable units provided to Big Springs JV, a joint venture that is 49% owned by the Corporation. As at December 31, 2021, BSL LP owed \$0.2 million (2020 - \$nil) in payables to the Corporation which are considered to be part of normal course of operations.

As at December 31, 2021 Dexterra Group has performance and labour bonds outstanding with Northbridge General Insurance Corporation ("Northbridge"), a company with the same controlling shareholder as Dexterra Group, totaling \$44.0 million. No fees for these bonds were incurred for the year ended December 31, 2021 (2020 - \$0.4 million).

Dexterra Group has certain property insurance policies with Northbridge. This insurance coverage started on September 29, 2021 and the premiums paid are \$0.3 million for coverage through the subsequent 12 month period and are at normal commercial rates.

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel of the Corporation include its named executive officers and the board of directors.

Key management personnel compensation for the year ended December 31, 2021 and 2020 is comprised as follows:

(000's)	Years ended December 31,	
	2021	2020
Short-term employee benefits	\$ 3,944	\$ 3,086
Post-employment benefits	215	82
Share based compensation	1,504	274
	\$ 5,663	\$ 3,442

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**23. Significant subsidiaries**

The consolidated financial statements of the Corporation include the accounts of its wholly-owned corporations, partnerships, and several special purpose entities. The following table includes the significant subsidiaries:

Subsidiary Name	Country of Incorporation	Ownership Interest (%)	
		December 31, 2021	December 31, 2020
Horizon North Camp & Catering Partnership	Canada	100	100
NRB Inc.	Canada	100	100
Horizon North Modular Solutions ("HNMS") <sup>(1)</sup>	Canada	—	100
Horizon North Modular Manufacturing ("HNMM") <sup>(1)</sup>	Canada	—	100
10647802 Canada Ltd. ("106") <sup>(2)</sup>	Canada	100	100
Powerful Group of Companies ("PGC")	Canada	100	100
Pioneer Site Service Ltd. ("Pioneer")	Canada	100	100
Kitikmeot Camp Solutions Limited ("Kitikmeot")	Canada	49	49
Acho Horizon North Camp Services Limited Partnership ("Acho")	Canada	49	49
Secwepemc Camp & Catering Limited Partnership ("Secwepemc")	Canada	49	49
Halfway River Horizon North Camp Services Limited Partnership ("HRHN")	Canada	49	49
Two Lakes Horizon North Camp Services Limited Partnership ("TLHN")	Canada	49	49
Tahltan Horizon North Services Inc. ("Tahltan")	Canada	49	49
Acden Horizon North Limited Partnership ("Acden")	Canada	49	49
Sekui Limited Partnership ("Sekui")	Canada	49	49
Eclipse Camp Solutions Incorporated ("Eclipse")	Canada	49	49
Deninu Kue Horizon North Camp & Catering Limited Partnership ("DKHN")	Canada	49	49
Skin Tyee Horizon North Camp Services Limited Partnership ("STHN")	Canada	49	49
Tangmaarvik Inland Camp Services Inc. ("Tangmaarvik")	Canada	49	49

<sup>(1)</sup> HNMM and HNMS entities were amalgamated with NRB Inc. as at January 1, 2021.

<sup>(2)</sup> 106 was continued into 2395495 Alberta Ltd. on December 17, 2021 prior to being amalgamated with Dexterra Group Inc. on January 1, 2022.

(a) Special purpose entities

The Corporation has a 49% interest in the ownership and voting rights of Kitikmeot, Acho, Secwepemc, HRHN, TLHN, Tahltan, Acden, Sekui, Eclipse, DKHN, STHN and Tangmaarvik and maintains two out of four board of director seats in these special purpose entities ("SPE") with the remaining voting rights and board of director seats being held by Indigenous partners. These SPE's are consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE's risks and rewards, the Corporation concludes that it controls the SPE. The SPE's, other than Tangmaarvik, do not have net earnings but rather have limited assets and the only non-flow through expenses are management fees paid to the partners. Indigenous participation in the governance of these SPEs is required to secure projects in specific regions of Canada. The control results in the Corporation receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities and retaining the majority of the residual or ownership risks related to the SPE's or their assets. The SPE's, other than Tangmaarvik, were acquired as part of the Acquisition.

**24. Business combination**

On May 29, 2020, Dexterra Group Inc. (previously Horizon North), acquired 100% of the issued and outstanding shares of Dexterra through issuing 31,785,993 shares of the Corporation, as described in Note 1. Management performed an analysis under IFRS 3 and determined that Dexterra was the accounting acquirer of Horizon North. As such, the Acquisition constituted a Reverse Take Over for accounting purposes. Horizon North being the acquired enterprise for accounting purposes, had its assets and liabilities included in these financial statements at their fair value on the date of the acquisition in accordance with IFRS 3.

The acquisition was accounted for using the acquisition method whereby the assets and liabilities of the acquiree are recorded at their fair values, with the deficit of the aggregate consideration relative to the fair value of the identifiable net assets recorded as a bargain purchase gain. The Corporation assessed the fair values of the net assets acquired, at acquisition date, based on management's best estimate of the fair value, which takes into consideration the condition of the assets acquired, industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount expected to settle the outstanding liabilities.

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<b>Consideration:</b>		<b>(000's)</b>
Share consideration	\$	100,904
<b>Recognized fair value amounts of assets acquired and liabilities assumed:</b>		<b>(000's)</b>
Trade & other receivables (net)	\$	110,843
Inventories		12,668
Prepaid expenses and other		7,897
Property, plant and equipment		191,462
Right-of-use assets		21,878
Intangible assets - trade names		3,800
Deferred income tax asset		8,250
Income taxes receivable		357
Other assets		10,479
Trade and other payables		(60,200)
Deferred revenue		(2,079)
Asset retirement obligations		(11,100)
Lease liabilities		(25,285)
Loans and borrowings		(138,185)
<b>Total identifiable net assets</b>	<b>\$</b>	<b>130,785</b>
Bargain purchase gain on acquisition	\$	(29,881)

The share consideration was determined based on the number of Dexterra Group common shares not acquired by Dexterra as part of the Acquisition, which amounted to 33,083,424 common shares at \$3.05 per common share. The amount per share was based on Dexterra Group's closing price on the TSX on May 29, 2020, the date of the closing of the Acquisition. A bargain purchase gain was recorded with this business combination as the share consideration is based upon a share price at closing which was lower than the fair value of the identifiable net assets.

In the prior year, Dexterra incurred costs related to the acquisition of Dexterra Group of \$1.8 million relating to share issuance, legal, due diligence and external advisory fees. The cost related to the share issuance totaling \$0.1 million were included in share capital on the consolidated statement of financial position. The costs related to the due diligence and external advisory fees totaling \$1.7 million were included in selling, general & administrative expenses on the consolidated statement of comprehensive income.

## 25. Subsequent events

On January 1, 2022, Dexterra Group acquired 100% of privately owned Canadian food services company Dana Hospitality LP ("Dana Hospitality") from Fulcrum Capital Partners ("Fulcrum") for \$31.5 million. The purchase price was financed through the Corporation's existing credit facility and is expected to be mainly allocated to goodwill and intangible assets. This acquisition expands the Corporation's existing culinary services into education, entertainment, healthcare, and leisure activities. Dana Hospitality will be reported as part of the IFM segment.

On January 31, 2022, Dexterra Group acquired the assets of the privately owned TRICOM Facility Services group of companies ("Tricom") for a purchase price of \$19 million. The purchase price was financed through the existing credit facility and has performance-based incentives to a maximum of \$5 million which are based upon the actual results over the next two years. The purchase price is expected to be mainly allocated to goodwill and intangible assets. Tricom delivers contract janitorial and associated building maintenance services and supplies custodial equipment and consumables to clients in major centres across Canada, including a small footprint in the United States. Tricom will be reported as part of the IFM segment.





# CORPORATE INFORMATION

## Board of Directors



**R. William McFarland**<sup>(1)(2)</sup>  
Chair of the Board  
Toronto, Ontario



**Mary Garden**<sup>(1)(2)</sup>  
Victoria, British Columbia



**David Johnston**<sup>(2)(3)</sup>  
Ottawa, Ontario



**Simon Landy**<sup>(1)(3)</sup>  
Toronto, Ontario



**John Mac Cuish**  
Burlington, Ontario



**Kevin Nabholz**<sup>(2)(3)</sup>  
Calgary, Alberta



**Russell Newmark**<sup>(1)(3)</sup>  
Inuvik, Northwest Territories

(1) Audit Committee Member

(2) Corporate Governance and Compensation Committee Member

(3) Enterprise Risk Management Committee Member

## Senior Leadership Team



**John Mac Cuish**  
Chief Executive Officer &  
President Facilities Management



**R. Drew Knight**  
Chief Financial Officer



**Cindy G. McArthur**  
Chief Human Resources Officer



**Mark Becker**  
Chief Operating Officer & President Workforce  
Accommodations, Forestry and Energy Services



**Dawn Nigro**  
President, NRB Modular Solutions



**Christos Gazeas**  
Executive Vice President,  
Legal and General Counsel



**Lee-Anne Lyon-Bartley**  
Executive Vice President,  
Health, Safety, Environment and Quality



**JD MacCuish**  
Executive Vice President,  
Strategy & Corporate Planning

## *Auditor*

### **PricewaterhouseCoopers LLP**

Toronto, Ontario

## *Transfer Agent*

### **TSX Trust Company (Canada)**

1 Toronto Street, Suite 1200

Toronto, Ontario M5C 2V6

## *Annual Meeting of Shareholders*

Wednesday, May 11, 2022 at 11:30 a.m. EST

Sheraton Centre, Toronto, Canada

Live Webcast: <https://web.lumiagm.com/272484736>

## *Head Office*

5915 Airport Road, Suite 425

Mississauga, Ontario L4V 1T1

## *Stock Exchange Listing*

Toronto Stock Exchange

Symbol: DXT

## *Website*

dexterra.com



# dexterra

GROUP

We've been serving North American clients for over 75 years. The companies that began independently, and now form Dexterra Group, have an outstanding record of supporting the infrastructure and built assets that play a vital role in our society. We bring the right teams with the right skills together – offering both experience and regional expertise so companies can operate their day to day, confidently and successfully.



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