Consolidated Financial Statements of

GDI INTEGRATED FACILITY SERVICES INC.

Years ended December 31, 2023 and 2022

Financial Statements

KPMG LLP
Tour KPMG
600 de Maisonneuve Blvd West, Suite 1500
Montréal, QC H3A 0A3
Canada
Telephone 514 840 2100
Fax 514 840 2187

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GDI Integrated Facility Services Inc.

Opinion

We have audited the consolidated financial statements of GDI Integrated Facility Services Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022;
- 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board.

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 Financial Statements***" section of our auditor's report.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. 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.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of the Goodwill Impairment Test

Description of the matter

We draw attention to notes 2 d) and 7 to the financial statements. The Entity's goodwill amounts to $356 million. The Entity determined the recoverable amount of each group of CGUs based on the value in use which was calculated by discounting the future cash flows generated from the continuing use of each group of CGUs. The significant assumptions used are expectations of revenue growth, margins and the discount rates for each group of CGUs.

Why the matter is a key audit matter

We identified the evaluation of goodwill impairment test as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the goodwill and the significant auditor judgment and specialized skills and knowledge required to evaluate the Entity's significant assumptions used in the determination of the recoverable amount of certain groups of CGUs.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We evaluated the appropriateness of the budgeted revenues and earnings before interest, taxes, depreciation and amortization ("EBITDA") margins used to establish the recoverable amount of certain groups of CGUs by comparing them to the Entity's actual historical revenues and EBITDA margins. We considered the changes in conditions and events affecting certain group of CGUs to assess the adjustments or lack of adjustments, made by the Entity in arriving at budgeted revenues and EBITDA.
- We compared the Entity's historical budgeted revenues and EBITDA margins to actual results to assess the Entity's ability to accurately predict revenue growth rates and EBITDA margin assumptions.
- We evaluated the reasonableness of the estimate of the recoverable amount of all groups of CGUs by comparing the sum of all recoverable amounts with the Entity's market capitalization.

- We involved valuation professionals with specialized skills and knowledge who assisted us in evaluating :
  - the appropriateness of the discount rate assumptions used in the determination of the recoverable amounts, by comparing them against discount rate ranges that were independently developed using publicly available market data for comparable entities.
  - the appropriateness of the revenue growth rates assumptions for certain groups of CGUs, by comparing them to its peer companies' analyst reports.

Other Information

Management is responsible for the other information. Other information comprises: ·

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the 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 financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

KPMG

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 the 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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the 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 auditor's 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 auditor's report is Alain Bessette.

KPMG LLP*

Montréal, Canada

February 28, 2024

*CPA auditor, public accountancy permit No. A115894

GDI INTEGRATED FACILITY SERVICES INC.

Consolidated Statements of Financial Position
December 31, 2023 and 2022
(In millions of Canadian dollars)

	2023	2022
Assets		
Current assets		
Cash	17	7
Trade and other receivables and contract assets (notes 5 and 6)	571	524
Current tax assets	11	7
Inventories (note 15)	42	45
Other financial assets (note 19)	13	11
Prepaid expenses and other	11	9
Derivatives (note 19 (d))	1	3
Total current assets	666	606
Non-current assets		
Property, plant and equipment (notes 5 and 9)	127	122
Intangible assets (notes 5, 7 and 8)	131	139
Goodwill (notes 5 and 7)	356	344
Derivatives (note 19 (d))	–	1
Other assets	12	8
Total non-current assets	626	614
Total assets	1,292	1,220
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	14	10
Trade and other payables (note 5)	298	286
Provisions (notes 5 and 16)	32	26
Contract liabilities (note 5 and 6)	34	30
Current tax liabilities	2	2
Current portion of long-term debt (notes 5 and 10)	36	43
Total current liabilities	416	397
Non-current liabilities		
Long-term debt (notes 5 and 10)	384	345
Long-term payables (note 17 (c))	5	5
Deferred tax liabilities (note 5 and 18)	32	34
Total non-current liabilities	421	384
Shareholders' equity		
Share capital (note 17 (b))	380	379
Retained earnings	68	49
Contributed surplus	2	4
Accumulated other comprehensive income	5	7
Total shareholders' equity	455	439
Total liabilities and shareholders' equity	1,292	1,220

See accompanying notes to consolidated financial statements.

On behalf of the Board:

David G. Samuel,
Director

Michael Boychuk,
Director

GDI INTEGRATED FACILITY SERVICES INC.

Consolidated Statements of Comprehensive Income
Years ended December 31, 2023 and 2022
(In millions of Canadian dollars, except for earnings per share)

	2023	2022
Revenues (note 4)	2,437	2,172
Cost of services (note 12)	1,987	1,733
Selling and administrative expenses (note 12)	316	291
Transaction, reorganization and other costs	4	3
Strategic information technology projects configuration and customization costs	6	3
Amortization of intangible assets (note 8)	24	28
Depreciation of property, plant and equipment (note 9)	53	46
Operating income	47	68
Net finance expense (note 13)	18	19
Income before income taxes	29	49
Income tax expense (note 18)	10	13
Net income	19	36
Other comprehensive (loss) income		
(Losses) gains that are or may be reclassified to earnings:		
Foreign currency translation differences for foreign operations	(7)	19
Hedge of net investments in foreign operations, net of tax of nil	7	(16)
Cash flow hedges, effective portion of changes in fair value, net of tax of $1 (2022 - ($1)) (note 19 (d))	(2)	3
	(2)	6
Total comprehensive income	17	42
Earnings per share (note 20):		
Basic	0.80	1.57
Diluted	0.79	1.53

See accompanying notes to consolidated financial statements.

GDI INTEGRATED FACILITY SERVICES INC.

Consolidated Statements of Changes in Equity
Years ended December 31, 2023 and 2022
(In millions of Canadian dollars)

	Share Capital					
	Number (in thousands of shares)	Amount	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss) [1]	Total
Balance, January 1, 2022	23,121	371	13	6	1	391
Net income	–	–	36	–	–	36
Other comprehensive income	–	–	–	–	6	6
Total comprehensive income for the year	–	–	36	–	6	42
Transactions with owners of the Company:						
Share-based compensation (note 17 (c))	–	–	–	1	–	1
Stock options exercised (note 17 (c))	340	9	–	(2)	–	7
Shares repurchased for cancellation (note 17 (b))	(47)	(1)	–	(1)	–	(2)
Balance, December 31, 2022	23,414	379	49	4	7	439
Net income	–	–	19	–	–	19
Other comprehensive loss	–	–	–	–	(2)	(2)
Total comprehensive income for the year	–	–	19	–	(2)	17
Transactions with owners of the Company:						
Share-based compensation (note 17 (c))	–	–	–	1	–	1
Stock options exercised (note 17 (c))	98	2	–	–	–	2
Shares repurchased for cancellation (note 17 (b))	(98)	(1)	–	(3)	–	(4)
Balance, December 31, 2023	23,414	380	68	2	5	455

[1] The amount of Accumulated other comprehensive income is net of tax of nil as at December 31, 2023 ($(1) as at December 31, 2022 and nil as at January 1, 2022).

See accompanying notes to consolidated financial statements.

GDI INTEGRATED FACILITY SERVICES INC.

Consolidated Statements of Cash Flows
Years ended December 31, 2023 and 2022
(In millions of Canadian dollars)

	2023	2022
Cash flows from (used in) operating activities		
Net income	19	36
Adjustments for:		
Depreciation and amortization (notes 8 and 9)	77	74
Equity portion of share-based compensation (note 17)	1	1
Net finance expense (note 13)	18	19
Income tax expense (note 18)	10	13
Income taxes paid	(14)	(23)
Net changes in non-cash operating assets and liabilities (note 14)	(46)	(70)
Net cash from operating activities	65	50
Cash flows from (used in) financing activities		
Proceeds from issuance of long-term debt (notes 10 and 14)	401	217
Repayment of long-term debt (notes 10 and 14)	(370)	(192)
Payment of lease liabilities (notes 10 and 14)	(31)	(29)
Interest paid	(23)	(11)
Other	(2)	5
Net cash used in financing activities	(25)	(10)
Cash flows from (used in) investing activities		
Business acquisitions, net of cash and bank indebtedness acquired (note 5)	(11)	(37)
Additions to property, plant and equipment (notes 9 and 14)	(21)	(19)
Additions to intangible assets (note 8)	(6)	(7)
Other	1	–
Net cash used in investing activities	(37)	(63)
Foreign exchange gain (loss) on cash held in foreign currencies	3	(1)
Net change in cash (bank indebtedness)	6	(24)
(Bank indebtedness) cash, beginning of year:		
Cash	7	24
Bank indebtedness	(10)	(3)
	(3)	21
Cash (bank indebtedness), end of year:		
Cash	17	7
Bank indebtedness	(14)	(10)
	3	(3)

Other information related to cash flows (note 14)

See accompanying notes to consolidated financial statements.

1. Reporting entity

GDI Integrated Facility Services Inc. (the "Company" or "GDI") is a company incorporated under the *Canada Business Corporations Act*. GDI operates in the outsourced facility services industry. The Company provides commercial cleaning services, building system controls, repair, servicing, energy performance optimization and other facility services, and distributes cleaning and sanitation supplies in Canada and the United States. The Company also acts as a franchisor with respect to cleaning and maintenance services. These consolidated financial statements as at and for the years ended December 31, 2023 and 2022 comprise the Company and its subsidiaries. All issued and outstanding subordinated voting shares of GDI are listed on the Toronto Stock Exchange under the symbol "GDI". The Company's head office is located at 695, 90th Avenue, LaSalle, Québec, H8R 3A4.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards.

These consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2024.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items:

- Contingent considerations and derivatives are measured at fair value;
- Other financial assets are measured at fair value; and
- Liabilities for cash-settled share-based compensation arrangements are measured in accordance with IFRS 2, *Share-Based Payment.*

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest million, unless otherwise indicated.

(d) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year includes the following:

- The Company's impairment test for goodwill is based on internal estimates of the value-in-use calculations using the discounted cash flow valuation model. Key assumptions on which the Company has based its determination of the individual cash generation units (**"CGU"**) value-in-use (**"VIU"**) include discounted future expected net operating cash flows, estimated long-term growth rates of net operating cash flows and post-tax value weighted average cost of capital (**"WACC"**). Changes in these estimates can have a material impact on the recoverable amount calculations and ultimately the amount of any goodwill impairment recognized (notes 7, 8 and 9);
- The Company recognizes revenues from fixed-fee arrangements which can extend over more than one reporting period. Revenue from these fixed-fee arrangements is recognized over time based on a measure of progress using generally the Company's best estimate of the total expected labour costs or total expected labour hours, and the related risks associated with completing the projects. In addition, the determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors, including the cost of materials and labour, as well as potential claims from customers. As risks and uncertainties are different for each project, the sources of variations between anticipated costs and actual costs incurred will also vary by project. The determination of estimates is based on the Company's business practices as well as its historical experience and is tightly linked to detailed project management processes and controls. The information provided by project managers combined with a knowledgeable assessment of technical complexities and risks are used in estimating the percentage complete.

3. Material accounting policy information

The accounting policies set out in the financial statements have been applied consistently to all periods presented in these consolidated financial statements and for all the Company's subsidiaries, except as disclosed in note 3 (e).

The following table summarizes the material accounting policy information and indicates in which note to the consolidated financial statements each policy is described:

Accounting policies	***Note #***	***Accounting policies***	***Note #***
Basis of consolidation	*3*	*Lease liabilities*	*10*
Foreign operations	*3*	*Contingent liabilities*	*11*
Revenue from contracts with customers	*3*	*Finance expense*	*13*
Operating segments	*4*	*Inventories*	*15*
Impairment of financial assets	*6*	*Provisions*	*16*
Goodwill	*7*	*Share capital*	*17*
Impairment of non-financial assets	*7*	*Income taxes*	*18*
Intangible assets	*8*	*Financial instruments*	*19*
Property, plant & equipment	*9*		

3. Material accounting policy information (continued*)*

(a) Basis of consolidation

This table describes the most significant entities of GDI Integrated Facilities Services Inc.

Entities	*Country of incorporation*	*Ownership interest*
Ainsworth Inc.	*Canada*	*100%*
Ainsworth Inc.	*United States*	*100%*
GDI Integrated Facility Services USA Inc.	*United States*	*100%*
GDI Services Inc.	*United States*	*100%*
GDI Services (Québec) LP	*Canada*	*100%*
GDI Services (Canada) LP	*Canada*	*100%*
IH Services, Inc.	*United States*	*100%*

(i) Business combinations

The Company measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Any excess of the fair value of the net assets acquired over the assumed consideration paid is a gain on business acquisition and is recognized as a gain in profit or loss.

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

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at the exchange rate at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at the average monthly exchange rate.

Foreign currency differences are recognized in other comprehensive income or loss, in foreign currency translation differences for foreign operations.

Foreign exchange gains or losses arising from a monetary item receivable from, or payable to, a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income, in the cumulative amount of foreign currency translation differences on investments in foreign operations.

(c) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or when the service is rendered to a customer.

3. Material accounting policy information (continued)

(c) Revenue from contracts with customers (continued)

The following is a description of principal activities from which the Company generates its revenue:

(i) Cleaning services and maintenance contracts (recurring/contractual and on-call services)

Revenue from cleaning services and maintenance contracts are generated from providing janitorial or maintenance services to a customer. The frequency of the services will vary from daily to annual services, depending on the customer needs.

The terms and conditions are generally negotiated over a period of one to five years and may be terminated by the customer with a 30 days prior notice.

Revenues are recognized over time, or as services are rendered, and are generally billed to customers once a month after delivery of the services. However, in some specific cases, monthly invoicing remains equal throughout the year even though specific tasks are performed seasonally such as landscaping or snow removal. Therefore, this situation creates contract assets or contract liabilities depending on the timing of the billing for services rendered.

(ii) Projects

Revenues from projects are generated from providing limited time services to a customer. The Company may install a heating or ventilation system, may put in place the refrigeration system or various other projects related to technical services. The terms and conditions are generally determined by contract and the price is fixed. Generally, the customer cannot opt out from the contract, unless paying a penalty to cover for the costs incurred by the Company.

The revenues from projects are recognized progressively over time using a cost-based input method. Periodic reviews of estimated final revenues and costs during the terms of such contracts may result in revisions of contract estimates which have the effect of including, on a prospective basis, cumulative adjustments necessary to reflect the results indicated by the revised estimates. Any losses are recognized when they first become known.

Projects normally include a standard warranty clause to guarantee the work performed generally for a period of one year. The Company's responsibility is generally limited to the labour since material is normally subject to a warranty from the manufacturer. The Company recognises a general provision based on historical expenses in consideration for this warranty.

In projects, progress invoicing based on milestones achieved is usually the practice in the industry. Even though the Company tries to align the milestones with the progression of work, there could be a delay between the moment an amount is billed and the moment the work is performed, therefore, this situation creates contract assets or contract liabilities. This type of delay is usually less than one year.

(iii) Product manufacturing and distribution

Revenues from product manufacturing and distribution are generated through the sale of cleaning supplies and equipment to external customers. Revenues are recognized upon delivery, which is when control is transferred. Product sales are generally immediately invoiced upon delivery.

4. Segmented information

<u>*Accounting policies*</u>

All operating segments' financial results are reviewed regularly by the chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance based on Adjusted EBITDA, and for which discrete financial information is available. Adjusted EBITDA excludes from operating income the following expenses and income: depreciation and amortization, transaction, reorganization and other costs and share-based compensation expense.

The Company provides services through the following business segments: Business Services Canada, Business Services USA and Technical Services. Other services provided by the Company are presented in Corporate and Other.

The Business Services Canada Segment and Business Services USA Segment provide a wide range of basic cleaning services, such as floor cleaning and finishing, window washing, furniture polishing, carpet cleaning and dusting, as well as other building services including lawn maintenance, snow removal and other. The facilities served comprise office properties, shopping centers, industrial and institutional buildings, educational facilities, health care centers, airports, hospitals, laboratories, national retail stores and hotels in Canada and in the United States. Business Services Canada also comprises a national network of approximately 700 franchisees covering cleaning services, mainly serving small and medium-size facilities.

The Technical Services Segment provides building system controls, mechanical maintenance and services in relation to heating, ventilation, air conditioning ("HVAC"), electrical, energy engineering service offering and energy performance optimization, cabling for data transport, high voltage for commercial, industrial, institutional, government and residential building clients and provides services to maintain equipment at optimal efficiency for customers such as high-rise office buildings, manufacturing facilities and other commercial properties in Canada and in the United States.

The Corporate and Other segment includes sales and distribution of cleaning and sanitation supplies, rental and repairs of cleaning equipment in Canada and in the United States, as well as service offering related to facility management services. Corporate expenses associated with the head office are also included in this segment, along with the elimination of intra-group transactions.

(In millions of Canadian dollars)

4. Segmented information (continued)

					2023
	Business Services Canada	Business Services USA	Technical Services	Corporate and Other (1)	Total
Recurring/contractual services	498	719	83	18	1,318
On-call services	45	37	291	5	378
Projects	–	–	650	–	650
Manufacturing and distribution	–	–	–	62	62
Other revenues	24	–	–	5	29
Total external revenues	567	756	1,024	90	2,437
Inter-segment revenues	11	–	–	(11)	–
Revenues	578	756	1,024	79	2,437
Income (loss) before income taxes	42	36	17	(66)	29
Net finance expense	–	1	(1)	18	18
Operating income (loss)	42	37	16	(48)	47
Depreciation and amortization	11	18	36	12	77
Transaction, reorganization, and other costs	1	–	1	2	4
Share-based compensation (2)	–	–	–	9	9
Strategic information technology projects configuration and customization costs	–	–	–	6	6
Adjusted EBITDA (3)	54	55	53	(19)	143
Total assets	267	359	544	122	1,292
Total liabilities	69	109	253	406	837
Additions to property, plant and equipment	8	13	32	8	61
Additions to intangible assets	–	10	2	6	18
Goodwill recorded on business acquisition	–	14	2	–	16

(1) Comparative results have been recast to reflect a change in our reporting segments, as former Complementary Services and Corporate and eliminations segments are now grouped under Corporate and Other.

(2) Includes stock option, performance share unit and restricted share unit plans.

(3) Adjusted EBITDA definition now excludes the strategic information technology projects configuration and customization costs.

(In millions of Canadian dollars)

4. Segmented information (continued)

					2022
	Business Services Canada	Business Services USA	Technical Services	Corporate and Other [1]	Total
Recurring/contractual services	473	624	90	15	1,202
On-call services	62	53	241	3	359
Projects	–	–	511	–	511
Manufacturing and distribution	–	–	–	63	63
Other revenues	28	1	7	1	37
Total external revenues	563	678	849	82	2,172
Inter-segment revenues	9	–	2	(11)	–
Revenues	572	678	851	71	2,172
Income (loss) before income taxes	59	29	8	(47)	49
Net finance expense	(1)	6	3	11	19
Operating income (loss)	58	35	11	(36)	68
Depreciation and amortization	13	16	35	10	74
Transaction, reorganization, and other costs	–	–	1	2	3
Share-based compensation [2]	–	–	–	8	8
Strategic information technology projects configuration and customization costs	–	–	–	3	3
Adjusted EBITDA [3]	71	51	47	(13)	156
Total asset	267	320	515	118	1,220
Total liabilities	81	68	232	400	781
Additions to property, plant and equipment	8	9	24	8	49
Additions to intangible assets	–	2	10	7	19
Goodwill recorded on business acquisition	–	6	27	–	33

(1) Comparative results have been recast to reflect a change in our reporting segments, as former Complementary Services and Corporate and eliminations segments are now grouped under Corporate and Other.

(2) Includes stock option, performance share unit and restricted share unit plans.

(3) The above table was revised to reflect the fact that the Adjusted EBITDA definition now exclude the strategic information technology projects configuration and customization costs.

Geographic information is as follows:

The Company markets its products and services in Canada and in the United States. Revenues are attributed to geographical regions based on the location of customers. Non-current assets other than financial instruments and deferred tax assets are attributed to geographical regions based on the location of the assets, excluding goodwill. Goodwill is presented by geographical regions based on the Company's allocation to the operating segments that are expected to benefit from the synergies of the business combination:

	2023	2022
Revenues		
Canada	1,315	1,211
United States	1,122	961
Non-current assets [1]		
Canada	360	358
United States	266	256

(1) Non-current assets other than financial instruments and deferred tax assets.

(In millions of Canadian dollars)

5. Business acquisitions

(a) Acquired businesses

Acquisition date	Company acquired [1]	Location	Segment reporting	Purchase price allocation status [2]
2023 Acquisitions				
June 1, 2023	React Technical, Inc. (“**React**”)	New York, New York	Technical Services	Completed
November 1, 2023	La Financière Atalian (“**Atalian**”)	Multi-sites in USA [3]	Business Services USA	Preliminary
2022 Acquisitions				
January 21, 2022	Gestion E.C.I. inc. and its subsidiaries (“**Énergère**”)	Montréal, Quebec	Technical Services	Completed
March 1, 2022	M.T.I. Mechanical Trade Industries Ltd. and its subsidiary (“**MTI**”)	Markham, Ontario	Technical Services	Completed
September 1, 2022	Cascadian Building Maintenance, Ltd. (“**Cascadian**”)	Bellevue, Washington	Business Services USA	Completed

(1) GDI acquired all of the outstanding shares of the acquired company, with the exception of Atalian, where the Company completed the acquisition of certain assets and assumed certain liabilities.

(2) Preliminary status: Given the limited time between the 2023 Acquisitions and December 31, 2023, the purchase prices have been allocated on a preliminary basis and will be finalized as soon as the Company’s management has obtained all the information it considers necessary. Completed status: The assessment of the fair value of the assets acquired and liabilities assumed is completed.

(3) Atalian sites are operating out of 25 states in the United States.

(b) Results generated from the acquisitions

The following summarizes the effect of the business acquisitions:

	ACTUAL For the period between the acquisition dates and December 31, 2023	PRO FORMA [1] Results for the year ended December 31, 2023
Revenue	26	2,555
Net (loss) income	(1)	22

(1) The revenue and net income presented in the table above represent the GDI combined entity results, adjusted to give effect of all business combinations as of the beginning of the annual reporting period. The acquisitions results were also adjusted to bear the weight of additional financing required to acquire the businesses, as well as the effects of other purchase price allocation adjustments.

(In millions of Canadian dollars)

5. Business acquisitions (continued)

(c) Identified assets acquired and liabilities assumed

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition dates of all business acquisitions. The amounts are aggregated for the 2023 and the 2022 Acquisitions, as they were all considered as individually insignificant:

	December 31, 2023	December 31, 2022
Current assets		
Cash	1	3
Trade and other receivables and contract assets (1)	4	28
Inventories	–	4
Other assets	–	1
Property, plant and equipment	4	4
Intangible assets	12	12
Goodwill (2)	16	33
Total assets	37	85
Current liabilities		
Trade and other payables	11	25
Provisions	9	–
Current tax liabilities	–	1
Contract liabilities	1	2
Current portion of long-term debt	2	1
Long-term debt	1	3
Deferred tax liabilities	–	4
Total liabilities	24	36
Total net assets	13	49
Cash	12	40
Balances of sale payable (3)	1	1
Contingent considerations payable (4)	–	8
Total consideration transferred	13	49

(1) The trade receivables acquired in 2023 comprise gross contractual amounts due of $3 (2022 – $17), of which less than $1 (2022 – less than $1) was expected to be uncollectible at the date of acquisition. The share purchase agreements for these acquisitions include clauses stating that the Company will be compensated for any uncollected trade receivables after one year of the respective acquisition date if these receivables were not already provisioned.

(2) The goodwill recognized includes $14 (2022 – $4) that is expected to be deductible for income tax purposes.

(3) The balances of sale payable related to the 2023 and the 2022 Acquisitions represent the discounted value of installments ranging up to US$1, and payable until July 2025.

(4) The fair value of contingent considerations payable related to the 2022 Acquisitions represent the discounted value of payments based on the acquisitions reaching certain EBITDA thresholds post-acquisition. The contingent considerations will be payable until April 2025 for the 2022 Acquisitions.

5. Business acquisitions (continued)

(c) Identified assets acquired and liabilities assumed (continued)

The goodwill arising from the acquisitions is attributable to the expansion of GDI's customer base and geographic footprint, as well as to the expected synergies from combining operations.

In respect of the following acquisitions specifically, the goodwill is also attributable to:

- Atalian acquisition: Atalian will solidify GDI’s Business Services platform in the United States while also enabling us to enter into new geographies like New York City, Ohio and Missouri;
- Énergère acquisition: Énergère diversifies and expands the Technical Services Segment’s energy engineering service offering. The new Ainsworth Energy and Technology Solutions business unit will provide clients with an innovative solution that will allow them to integrate multiple building systems while optimizing their energy performance.

The valuation techniques used for measuring the fair value of assets acquired were as follows:

The fair value of client relationships and backlog intangibles are determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of non-compete agreements are based on the discounted estimated revenues/losses that have been avoided as a result of the non-compete agreements being signed.

6. Trade and other receivables and contract assets and liabilities

Accounting policies

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires the use of an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses (“ECL”) and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. For trade receivables, contract assets, and holdback receivables, the Company applied the simplified approach permitted under IFRS 9, whereby the loss allowance is measured at an amount equal to the lifetime ECL.

At each reporting date, the Company assesses whether financial assets are credit impaired. The Company will consider a financial asset to be in default when the indebted party is unlikely to pay its obligations in full. In assessing whether an indebted party is in default, the Company will consider indicators that are qualitative (delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider).

(In millions of Canadian dollars)

6. Trade and other receivables and contract assets and liabilities (continued)

	2023	2022
Trade receivables	439	414
Contract assets	75	65
Holdback receivables	52	42
Other receivables	14	11
Credit loss allowance (note 19 (b))	(9)	(8)
	571	524

The reconciliation of the beginning and ending carrying amounts of contract assets and contract liabilities is as follows:

	2023		2022	
	Contract assets	*Contract liabilities*	*Contract assets*	*Contract liabilities*
Balance – January 1	65	(30)	44	(43)
Revenue recognized during the year	825	116	804	65
Billings during the year	(815)	(119)	(788)	(50)
Business acquisitions	–	(1)	5	(2)
Balance – December 31	75	(34)	65	(30)

7. Goodwill and intangible assets with indefinite useful lives

Accounting policies

Goodwill

Goodwill arises upon the acquisition of businesses. For measurement of goodwill at initial recognition, see note 3 (a). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Impairment of non-financial assets

The carrying amounts of the 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 with indefinite useful lives (note 8) or that are not yet available for use, the recoverable amount is estimated each year at the same time, or more often if an indication of impairment is identified. Goodwill and intangible assets with indefinite useful lives impairment tests are performed as of October 1 of each year.

	2023	2022
Balance, beginning of year	344	302
Additions – business acquisitions and disposal (note 5)	16	33
Foreign exchange	(4)	9
Balance, end of year	356	344

(In millions of Canadian dollars)

7. Goodwill and intangible assets with indefinite useful lives (continued)

Impairment of non-financial assets (continued)

For the purposes of impairment testing, intangible assets with indefinite useful lives and goodwill have been allocated to the Company's group of CGUs as follows:

	October 1, 2023			October 1, 2022		
	Intangible assets	Goodwill	Total	Intangible assets	Goodwill	Total
Business Services Canada	6	119	125	7	119	126
Business Services USA	8	110	118	7	110	117
Technical Services	4	114	118	4	110	114
Other	1	3	4	1	2	3
	19	346	365	19	341	360

At October 1, 2023 and 2022, the Company tested the carrying value of goodwill and intangible assets with indefinite useful lives for impairment. The recoverable amount of each group of CGUs is calculated based on the VIU. VIU was determined by discounting the future cash flows generated from the continuing use of the group of CGUs. The calculation of the VIU was based on the following key assumptions:

- The values assigned to the key assumptions reflect management's expectations of revenue growth, expenses and margin for each group of CGUs based on past experience and expected growth for the industry and are based on both external sources and internal sources (historical data);
- Cash flows were projected based on past experience, actual operating results and the 2024 business plan. Cash flows for 2024 are based on internal budgets. Cash flows for 2025 to 2028 and terminal values were extrapolated using growth rates as follows:

	Cash flows 2025-2028 %	Terminal values %
Business Services Canada	2.0	2.0
Business Services USA	3.0	3.0
Technical Services	3.0	3.0

- The capital expenditure was assumed to continue at a constant marginal growth to replace older equipment based on historical spending information;
- Post-tax discount rates of 9.4% to 10.0% were applied in determining the recoverable amount of the group of CGUs. The discount rates were estimated based on past experience and the Company's average weighted average cost of capital, adjusted for the different risk profiles of the individual group of CGUs.

The recoverable amount of each group of CGUs was determined to be higher than its carrying amount and no impairment loss has been recognized for the years ended December 31, 2023 and 2022.

By their nature, the estimates and assumptions are subject to measurement uncertainty, and consequently, actual results could differ from estimates used. However, it has been determined that there is no reasonable change in assumptions that would cause the carrying amount to exceed the estimated recoverable amount.

(In millions of Canadian dollars)

8. Intangible assets

<u>Accounting policies</u>

Trade names with indefinite lives: The trade names that are considered intangible assets with indefinite lives are recorded at cost less accumulated impairment losses. They are not amortized but instead tested annually for impairment, or more frequently should events or changes in circumstances indicate that they may be impaired (note 7).

Intangible assets with finite lives: Intangible assets that are acquired by the Company and have determinable useful lives are measured at cost less accumulated amortization and impairment losses. These include client relationships, trade names, non-compete agreements and software.

Amortization is calculated over the cost of the asset with determinable useful life. Amortization is recognized in Selling and administrative expenses on a straight-line basis over the estimated useful lives as follows:

	Period
Client relationships	*5 to 20 years*
Software, trade names with finite lives and non-compete agreements	*2 to 5 years*

	Client relationships	Software	Trade names (indefinite useful lives)	Other	Total
Cost					
Balance, December 31, 2021	184	13	19	33	249
Business acquisitions (note 5)	9	–	–	3	12
Additions	–	7	–	–	7
Disposals	(6)	(1)	–	(3)	(10)
Foreign exchange	5	–	–	2	7
Balance, December 31, 2022	192	19	19	35	265
Business acquisitions (note 5)	12	–	–	–	12
Additions	–	6	–	–	6
Foreign exchange	(3)	–	–	(1)	(4)
Balance, December 31, 2023	201	25	19	34	279
Accumulated amortization					
Balance, December 31, 2021	81	6	–	19	106
Amortization	18	4	–	6	28
Disposals	(6)	(1)	–	(3)	(10)
Foreign exchange	2	–	–	–	2
Balance, December 31, 2022	95	9	–	22	126
Amortization	16	4	–	4	24
Foreign exchange	(2)	–	–	–	(2)
Balance, December 31, 2023	109	13	–	26	148
Net carrying amounts					
December 31, 2022	97	10	19	13	139
December 31, 2023	92	12	19	8	131

Other intangible assets include trade names with finite lives, non-compete agreements and franchise relationships. There were no impairment losses during 2023 and 2022.

9. Property, plant and equipment

Accounting policies

Recognition and measurement

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

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

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

	Period
Buildings and building right-of-use	*15 to 30 years or lease term*
Computer equipment	*3 to 4 years*
Equipment and equipment right-of-use	*3 to 7 years or lease term*
Vehicles and automotive equipment and Vehicles and automotive equipment right-of-use	*4 to 5 years or lease term*
Leasehold improvements	*Over the lease term*

(In millions of Canadian dollars)

9. Property, plant and equipment (continued)

(a) Reconciliation of carrying amounts

	Land	Buildings	Computer equipment	Equipment	Vehicles and automotive equipment	Leasehold improvements	Total
Cost							
Balance, December 31, 2021	5	64	16	83	54	14	236
Business acquisitions (note 5)	–	3	–	–	1	–	4
Additions	–	6	6	16	16	1	45
Disposals	–	(4)	(3)	(14)	(4)	–	(25)
Foreign exchange	–	–	–	(1)	(2)	–	(3)
Balance, December 31, 2022	5	69	19	84	65	15	257
Business acquisitions (note 5)	–	–	–	1	2	1	4
Additions	–	16	4	18	17	2	57
Disposals	–	(5)	(2)	(16)	(10)	(1)	(34)
Foreign exchange	–	–	–	(1)	(1)	(1)	(3)
Balance, December 31, 2023	5	80	21	86	73	16	281
Accumulated depreciation							
Balance, December 31, 2021	–	25	8	50	30	6	119
Depreciation	–	9	4	18	13	2	46
Disposals	–	(4)	(3)	(14)	(4)	–	(25)
Foreign exchange	–	–	–	(2)	(3)	–	(5)
Balance, December 31, 2022	–	30	9	52	36	8	135
Depreciation	–	12	4	17	17	3	53
Disposals	–	(5)	(2)	(16)	(10)	(1)	(34)
Foreign exchange	–	–	1	(1)	–	–	–
Balance, December 31, 2023	–	37	12	52	43	10	154
Net carrying amounts							
December 31, 2022	5	39	10	32	29	7	122
December 31, 2023	5	43	9	34	30	6	127

(b) Depreciation allocated by function

If depreciation expense were to be allocated by function, it would have been recorded in the following accounts in the consolidated statements of comprehensive income:

	2023	2022
Cost of services	34	31
Selling and administrative expenses	19	15
	53	46

(In millions of Canadian dollars)

9. Property, plant and equipment (continued)

(c) Right-of-use assets

The net carrying amount of right-of-use assets is detailed in the table below. Those balances were also included in the total amounts disclosed in (a) above.

	Land	Buildings	Computer equipment	Equipment	Vehicles and automotive equipment	Leasehold improvements	Total
December 31, 2022	–	26	–	1	19	–	46
December 31, 2023	–	31	–	–	21	–	52

The depreciation expense of the leased property, plant and equipment is detailed in the table below. Those balances were also included in the total amounts disclosed in (a) above.

	Land	Buildings	Computer equipment	Equipment	Vehicles and automotive equipment	Leasehold improvements	Total
December 31, 2022	–	9	–	7	8	–	24
December 31, 2023	–	11	–	6	13	–	30

10. Long-term debt

Accounting policies

Refer to note 19 “Financial instruments and financial risk management” for accounting policies on financial liabilities.

Lease liabilities

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. They are re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or renewal option is reasonably certain to be exercised or a termination option reasonably certain not to be exercised. The Company has not elected to account for short-term leases using the practical expedients.

(In millions of Canadian dollars)

10. Long-term debt (continued)

	2023	2022
Senior secured credit agreement (a)		
Revolving credit facility, maturing in May 2027:		
First tranche available of US$190 (2022 - US$190) (used US$144; 2022 - US$128)	191	173
Second tranche available of $200 (2022 - $200) (used nil and US$32; 2022 - $49 and US$47)	42	113
Term loan, maturing in February 2026 (b)	100	–
Less unamortized financing costs	(2)	(2)
	331	284
Lease liabilities, repayable in variable monthly installments until August 2033, at interest rates ranging from 1.33% to 6.85%. Equipment and vehicle leases are secured by the equipment and vehicles themselves.	58	49
Balances of sale payable with nominal amount of US$1 (2022 - US$3), non-interest bearing and maturing between November 2024 and July 2025. The balances of sale were initially recognized at their fair values based on a discounted rate of 5.0%.	2	4
Contingent considerations payable amounting to $31, with amounts between $2 and US$16 (2022 - $10 and US$36), in relation with business acquisitions and maturing between February 2025 and January 2027.	29	51
	420	388
Current portion of long-term debt	36	43
	384	345

(a) The Company has the ability to increase its facility by up to $125, subject to the lenders agreeing to provide commitments. The facility is secured by its subsidiaries, and by a floating charge encumbering all of the Company's present and future assets and a fixed charge on certain present and future assets, which must represent at least 80% of the consolidated adjusted EBITDA. The facility provides for certain permitted encumbrances, including purchased money obligations and the ability to incur additional debt subject to a maximum amount. The facility provides for restrictions on the operations and activities of the Company. Generally, the most significant restrictions are to permitted investments and dividends, as well as certain financial ratios primarily linked to consolidated adjusted EBITDA, financial expense and total indebtedness. The facility bears interest at cost of funds plus 1.50% to 3.50% depending on the Company's leverage ratios (weighted average rate of 7.71% as at December 31, 2023, 5.76% as at December 31, 2022). A standby fee is payable on the unused portion (December 31, 2023 - 0.45%, December 31, 2022 - 0.35%). As at December 31, 2023, letters of credit amounting to $25 (December 31, 2022 – $21) were issued in favor of various customers, which reduced the available credit of the authorized credit facility. GDI is in compliance with all of its covenants under the Senior Secured Credit Agreement at the end of the years ended December 31, 2023 and December 31, 2022. As at December 31, 2023, the Company had $179 of credit available on its revolving credit facility limit and $17 in cash.

(b) On August 11, 2023, the Company entered into a new term loan facility ("term loan") of $100 under a revision of its Senior secured credit agreement. This new term loan, ranking pari passu with its current Revolving credit facility, will bear interest at cost of funds plus 1.75% to 3.75% depending on the Company's leverage ratios, being repayable in full on February 11, 2026, and subject to the same financial covenants of the first and second tranches of the revolving credit facility.

(In millions of Canadian dollars)

11. Contingent liabilities

Accounting policies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by one or more uncertain future events not wholly within the control of the Company. A contingent liability could also be a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

As at December 31, 2023, GDI had outstanding bid bonds amounting to $6 (December 31, 2022 – $5) and performance bonds amounting to $235 (December 31, 2022 – $216). These bids and performance bonds are principally insurance bonds related to contractual obligations in the normal course of business and to collateralize self-insurance obligations. The bid bonds typically remain in force for the duration of the bidding process, and the performance bonds typically remain in force for a period of up to three years and may include renewal options. We do not believe that these bonds will be drawn upon by beneficiaries.

12. Expenses by nature

Cost of services and selling and administrative expenses (note 9 (b)):

	2023	2022
Short-term employee wages and benefits and sub-contractors	1,829	1,620
Materials and supplies	361	309
Other	113	95
	2,303	2,024

13. Net finance expense

Accounting policies

Finance expenses comprise interest expense on borrowings and lease liabilities, accretion of balances of sales, re-measurement of cash-settled share-based compensation, re-measurement of contingent considerations using the effective interest method.

Fair value gains or losses on contingent considerations and derivative financial instruments as well as foreign currency gains and losses are reported on a net basis as finance income or expense.

	2023	2022
Interest on long-term debt and lease liabilities	26	13
Remeasurement of cash-settled share-based compensation	(6)	1
Accretion of balance of sales and remeasurement of contingent considerations	(3)	4
Change in fair value of other financial assets	(2)	3
Others	3	(2)
Net finance expense	18	19

(In millions of Canadian dollars)

14. Statement of cash flows

The Company entered into the following transactions which had no impact on the cash flows:

	2023	2022
Business acquisitions paid with balances of sales payable and contingent considerations payable	1	9

The changes in non-cash operating assets and liabilities are detailed as follows:

	2023	2022
Trade and other receivables and contract assets	(43)	(49)
Other financial assets	(2)	1
Inventories	3	(6)
Prepaid expenses and other	(2)	1
Trade and other payables	(2)	3
Provisions	(3)	(4)
Contract liabilities	3	(16)
	(46)	(70)

The changes in liabilities related to financing are detailed as follows:

	Lease liabilities	Balance of sale	Senior secured credit agreement	Contingent considerations	TOTAL
Opening balances – January 1, 2023	49	4	284	51	388
Business acquisitions non-cash increase	3	1	–	–	4
Financing of business acquisitions, net of cash acquired	–	–	11	–	11
Non-cash additions	36	–	–	–	36
Foreign exchange	(1)	–	(7)	1	(7)
Non-cash financial expenses	2	–	–	(3)	(1)
Cash flow variances	(31)	(3)	43	(20)	(11)
Ending balances – December 31, 2023	58	2	331	29	420

	Lease liabilities	Balance of sale	Senior secured credit agreement	Contingent considerations	TOTAL
Opening balances – January 1, 2022	45	11	233	38	327
Business acquisitions non-cash increase	4	1	–	8	13
Financing of business acquisitions, net of cash acquired	–	–	37	–	37
Non-cash additions/disposals	26	–	–	–	26
Foreign exchange	1	–	16	3	20
Non-cash financial expenses	2	–	–	4	6
Cash flow variances	(29)	(8)	(2)	(2)	(41)
Ending balances – December 31, 2022	49	4	284	51	388

(In millions of Canadian dollars)

15. Inventories

<u>*Accounting policies*</u>

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out principle or weighted average cost basis.

	2023	2022
Equipment and parts	20	22
Material, cleaning, paper and other supplies	24	26
Other	6	2
Inventory reserve	(8)	(5)
	42	45

16. Provisions

<u>*Accounting policies*</u>

A provision is recognized if, as a result of a past event, the Company 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 rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

	Self-insurance	Other	Total
Balance, January 1, 2023	15	11	26
Provisions made during the year	8	9	17
Provisions reversed during the year	(5)	(5)	(10)
Provisions used during the year	(7)	(3)	(10)
Provisions from business acquisitions	–	9	9
Balance, December 31, 2023	11	21	32
Balance, January 1, 2022	12	16	28
Provisions made during the year	4	6	10
Provisions reversed during the year	–	(7)	(7)
Provisions used during the year	(1)	(4)	(5)
Balance, December 31, 2022	15	11	26

(a) Self-insurance

The Company records a self-insurance provision related to workers' compensation for certain of its operations. The reserving process for losses and loss adjustment expenses provides for the Company's best estimate of the ultimate unpaid cost of all losses and loss adjustment expenses incurred, including settlement and administration of claims, and is based on facts and circumstances known and includes claims that have been incurred but not yet reported.

16. Provisions (continued)

(a) Self-insurance (continued)

The process includes using actuarial methodologies to assist in establishing these estimates, judgments relative to estimates of future claims severity and frequency, the length of time before claims will develop to their ultimate level and the possible changes in the law and other external factors that are often beyond the Company's control.

Due to the inherent uncertainty associated with the reserving process, the ultimate liability may differ, perhaps substantially, from the original estimate. Such estimates are regularly reviewed and updated and any resulting adjustments are included in the current year's results. These liabilities are closely monitored and are recomputed periodically using the most recent information on reported claims and a variety of statistical techniques. Specifically, on a regular basis, the Company reviews, by line of business, existing revenues, new claims, changes to existing case reserves and paid claims with respect to the current and prior years.

The Company invests in other financial assets to compensate for any expected cash outflows on the self-insurance provision.

(b) Other

Other provisions include termination benefits, warranties, onerous contracts, claims resulting from "slip and fall" accidents, employment-related claims, claims from operational concerns and others.

17. Share capital

Accounting policies

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

Share-based compensation transactions

The Company recognises its equity settled share-based compensation to employees expense based on the fair value at grant date. Share-based compensation expense is recognised over the vesting period of the options, with a corresponding increase to contributed surplus.

The Performance Share Unit ("PSU") Plan, which is cash settled, is recognized in share-based compensation and accrued liabilities when it is likely that the performance conditions attached to the units will be met. Share-based compensation cost is prorated based on the underlying service period and the liability is measured at the end of each reporting period at fair value, until settlement.

The Restricted Share Unit ("RSU") Plan and Deferred Share Unit ("DSU") Plan, which are cash settled, are recognized in share-based compensation and accrued liabilities as they are earned. RSU's and DSU's are measured at the end of each reporting period at fair value, until settlement.

17. Share capital (continued)

(a) Authorized

The Company is authorized to issue an unlimited number of:

- Multiple voting shares ("MVS"), participating, without par value, with four votes per share without exceeding 40% of the aggregate votes for all voting shares, convertible into subordinate voting shares at any time at the option of the holder and automatically upon specific conditions;
- Subordinate voting shares ("SVS"), participating, with one vote per share;
- Preferred shares, issuable in series, without voting rights.

All issued shares were fully paid.

(b) Issued and outstanding

	December 31, 2023		December 31, 2022	
	Number outstanding (in thousands of shares)	Amount	Number outstanding (in thousands of shares)	Amount
Subordinate voting shares	14,673	249	14,673	248
Multiple voting shares	8,741	131	8,741	131
	23,414	380	23,414	379

On June 2, 2023, the Company completed its 12-month purchase period under it first Normal Course Issuer Bid ("NCIB") which started on June 3, 2022. Under the first NCIB program, the Company repurchased for cancellation a total of 145,400 SVS (2023 – 98,300; 2022 – 47,100) at an average price of $44 per share (2023 - $44; 2022 - $45).

On September 19, 2023, the Company's Board of Directors authorized, and subsequently the TSX approved, the implementation of a second NCIB. Under the second NCIB, the Company is allowed to purchase for cancellation 500,000 SVS at its discretion, subject to a daily maximum of 2,891 SVS. The 12-month purchase period under the NCIB commenced on September 21, 2023 and will end on the earlier of September 20, 2024 and the date on which the Company will have acquired the maximum number of SVS allowable under the NCIB or otherwise has decided not to make any further purchases. All purchases of SVS will be made by means of open market transactions at their market price at the time of acquisition. Concurrently, the Company entered into an automatic share repurchase plan ("ASRP") with a designated broker in connection with its NCIB. The ASRP allows for the designated broker to purchase for cancellation SVS, on behalf of the Company, subject to certain trading parameters established, from time to time, by the Company. No repurchases for cancellation were executed under the second NCIB.

On December 29, 2022, pursuant to an agreement with Desjardins Capital Markets, Mr. Claude Bigras, Chief Executive Officer and Director of the Company, and Gestion Claude Bigras inc. ("Gestion CB"), a private corporation controlled by Mr. Bigras, sold collectively an aggregate of 250,000 subordinate voting shares for a consideration of $45.85 per share by way of private placement. In order to sell these shares, Gestion CB converted 100,000 MVS into 100,000 SVS, on a one-for-one basis, and Mr. Bigras exercised 150,000 options issued to him by the Company in accordance with GDI's stock option plan.

(In millions of Canadian dollars)

17. Share capital (continued)

(c) Share-based compensation

The Company offers a Stock Option Plan for the benefit of senior executive personnel. The maximum number of SVS issuable to participants under this plan shall not exceed 2,000,000. The options, granted to senior executive personnel, vest equally over a four-year period and expire ten years from the date of issue. The plan provides for the issuance of SVS at an exercise price equal to the volume weighted average trading price of the Company's SVS for a period of five days following the day of the grant.

Furthermore, the Company offers a Performance Share Unit ("PSU") Plan for key senior executives, a Restricted Share Unit ("RSU") Plan for designated executives of the Company and a Deferred Share Unit ("DSU") Plan for Directors of the Company.

Under the PSU Plan, the executives will be granted a specified number of PSUs annually, which are cliff vesting awards. The awards will vest over a successive three-year period. PSUs will typically be granted according to pre-established targets. The value of PSUs will vary with performance and with the market price of the Company's SVS. Vested PSUs will be paid in cash.

Under the RSU Plan, each RSU is equivalent to the value of a SVS of the Company. RSUs will vest over a three-year period and are payable in cash.

Directors are given the option to receive part or all of their remuneration paid with DSU's. Each DSU is equivalent to the value of a SVS of the Company. While DSUs vest immediately, they will only be paid out upon termination of Board service and payable in cash.

The following table summarizes the changes in options outstanding and the impact on weighted average per share exercise price during the period:

	Equity-settled stock options (in units)	Weighted average exercise price (amounts in dollars)	Weighted average remaining years
Outstanding, December 31, 2021	1,095,926	22.77	6.58
Granted	81,132	43.18	–
Exercised	(339,975)	19.02	–
Forfeited	(23,999)	27.43	–
Outstanding, December 31, 2022	813,084	26.23	6.17
Granted	77,676	44.52	–
Exercised	(98,265)	20.60	–
Outstanding, December 31, 2023	792,495	28.72	5.66

For the year ended December 31, 2023, the weighted average share price of the Company's common share upon the exercise of options was $44.48 (2022 - $49.40).

(In millions of Canadian dollars)

17. Share capital (continued)

(c) Share-based compensation (continued)

The following is a summary of the information on the outstanding options as at December 31, 2023 and 2022:

	December 31, 2023			December 31, 2022		
Exercise price (amounts in dollars)	Outstanding (in units)	Exercisable (in units)	Weighted average remaining year	Outstanding (in units)	Exercisable (in units)	Weighted average remaining year
12.50	44,049	44,049	2.39	46,576	46,576	3.39
15.24	13,474	13,474	3.62	16,708	16,708	4.62
15.26	5,192	5,192	2.94	8,001	8,001	3.94
16.00	14,045	14,045	1.36	16,424	16,424	2.36
16.72	165,508	165,508	4.38	208,373	208,373	5.38
17.10	73,694	73,694	3.38	79,417	79,417	4.38
26.66	176,557	176,557	5.38	212,705	137,535	6.38
32.48	72,681	52,006	6.37	75,261	33,911	7.37
53.23	68,487	34,715	7.36	68,487	17,829	8.36
43.18	81,132	20,283	8.38	81,132	–	9.38
44.52	77,676	–	9.38	–	–	–
	792,495	599,523	5.66	813,084	564,774	6.17

The weighted average fair value of stock options granted for the year ended December 31, 2023 was $17.32 (2022 − $16.67) per option (amounts in dollars). The fair value of each option granted was estimated at the grant date using the Black-Scholes option pricing model based on the following assumptions:

	2023	2022
Share value at grant date (in dollars)	44.52	43.18
Expected dividend yield	–	–
Expected volatility	33.87 %	33.81 %
Risk-free interest rate	2.85 %	2.75 %
Expected life (in years)	6.25	6.25

The following table summarizes the changes in other stock-based compensation plans settled in cash (PSUs, RSUs, DSUs), outstanding during the year:

(in units)	PSU	RSU	DSU
Outstanding, December 31, 2021	341,457	177,681	74,325
Granted	99,911	112,912	13,767
Performance-based additional units	73,380	–	–
Redeemed	(165,654)	(29,265)	–
Forfeited	(11,281)	(11,935)	–
Outstanding, December 31, 2022	337,813	249,393	88,092
Granted	98,221	119,705	22,204
Performance-based units reduction	(64,964)	–	–
Redeemed	(142,354)	(72,869)	–
Forfeited	(16,094)	(22,847)	–
Outstanding, December 31, 2023	212,622	273,382	110,296

(In millions of Canadian dollars)

17. Share capital (continued)

(c) Share-based compensation (continued)

The following table summarizes the amount recorded in trade and other payables and long-term payables for the other stock-based compensation plans to be settled in cash (PSUs, RSUs, DSUs):

	PSU	RSU	DSU	TOTAL
As at December 31, 2023				
Amount recorded in trade and other payables	−	2	4	6
Amount recorded in long-term payables	2	3	−	5
	2	5	4	11
As at December 31, 2022				
Amount recorded in trade and other payables	6	3	4	13
Amount recorded in long-term payables	3	2	−	5
	9	5	4	18

The following table summarises the details of share-based compensation expenses relating to the different share-based compensation plans:

	Equity-settled Stock options	PSU	RSU	DSU	TOTAL
As at December 31, 2023					
Selling and administrative expenses	1	4	3	1	9
Net finance expense	−	(4)	(1)	(1)	(6)
	1	−	2	−	3
As at December 31, 2022					
Selling and administrative expenses	1	3	3	1	8
Net finance expense	−	2	−	(1)	1
	1	5	3	−	9

18. Income taxes

Accounting policies

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in 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 profit or loss, and differences relating to investments in subsidiaries 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.

(In millions of Canadian dollars)

18. Income taxes (continued)

The income tax expense recognized in net income is as follows:

	2023	2022
Current tax expense		
Current tax expense for the year	9	17
Adjustments of previous year's tax expenses	2	–
Current income tax expense	11	17
Deferred tax expense		
Origination and reversal of temporary differences	–	(3)
Adjustments of previous year's tax expenses	(1)	(1)
Deferred tax expense	(1)	(4)
Total income tax expense	10	13

The reconciliation of the effective tax rate is as follows:

	2023	2022
Net income for the year	19	36
Income tax expense	10	13
Income before income taxes	29	49
Canadian combined statutory tax rate	26.4%	26.3%
Tax using the Company's domestic tax rate [(1)]	8	13
Permanent differences and other	1	–
Effect of different rates in foreign jurisdictions	–	1
Adjustments of previous year's tax expenses	1	(1)
Total income tax expense	10	13

(1) The Company's applicable tax rate is the Canadian combined rates applicable in the jurisdiction in which the Company operates.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Net	
	2023	2022
Tax losses carry-forward	2	1
Intangible assets	(28)	(31)
Property, plant and equipment	(19)	(18)
Non-deductible reserves	1	4
Lease liabilities	15	13
Derivatives	(1)	(1)
Other	(2)	(2)
Net deferred tax liabilities	(32)	(34)

Unrecognized deferred tax liabilities

The Company has not recognized deferred tax liabilities on temporary differences associated with investments in subsidiaries, because it does not expect those temporary differences to reverse and become taxable to the Company in the foreseeable future.

19. Financial instruments and financial risk management

Accounting policies

Financial instruments

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Measurement of fair value

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;*
- *Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);*
- *Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).*

Financial assets and liabilities are classified into the following categories:

Financial assets	
Cash	*Amortized cost*
Trade, holdback and other receivables	*Amortized cost*
Other financial assets	*Fair value through profit or loss (Level 1)*
Financial liabilities	
Bank indebtedness	*Amortized cost*
Trade and other payables	*Amortized cost*
Long-term payables	*Per IFRS 2 Share-based payments*
Long-term debt, excluding contingent consideration	*Amortized cost*
Derivative financial instruments	*Fair value through profit or loss (Level 2)*
Contingent considerations	*Fair value through profit or loss (Level 3)*

(i) Financial assets

On initial recognition, the Company classifies its financial assets at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- *The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and*
- *The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.*

19. Financial instruments and financial risk management (continued)

<u>*Accounting policies (continued)*</u>

(ii) Financial liabilities

The Company classifies non-derivatives financial liabilities as measured at amortized cost. Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial instruments and designated hedging relationships

The Company enters into derivative financial instruments to hedge its market risk exposures; namely, the interest rate risk exposure on debt financing. The Company also hedges its currency risk exposure on its net investment on foreign operations with its U.S. dollar tranche of the revolving credit facility.

Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Changes in fair value of non-hedge financial derivative are recognized in profit or loss.

- *Cash flow hedges*

  When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in profit or loss under the same line item in the consolidated statement of comprehensive income as the hedged item, in the same period that the hedged cash flows affect net profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively.

- *Net investment in foreign operations*

  In the case of a net investment in foreign operations hedge, the effective portion of translation exchange gains and losses on debts designated as hedge relationship is recognized in other comprehensive income and is presented in the accumulated comprehensive income, and the ineffective portion is immediately recognized in profit or loss.

(a) Measurement of fair values

The Company has determined that the fair values of its short-term financial assets and liabilities approximate their respective carrying amounts as at the consolidated statements of financial position dates due to the short-term maturity of those instruments. Using a discounted cashflow model based on market interest rates for financial instruments with similar terms and risks, the Company estimated the fair value of its long-term debt. This table summarises the carrying amount and the fair value of long-term financial assets and liabilities:

19. Financial instruments and financial risk management (continued)

(a) Measurement of fair values (continued)

		2023		2022	
	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt, excluding contingent considerations	Level 3	391	393	337	339

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Contingent considerations (Level 3)	*Discounted cash flows:* The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecasted Adjusted EBITDA, the amount to be paid under each scenario and the probability of each scenario.	Forecasted annual revenue growth rate Forecasted Adjusted EBITDA margin Risk-adjusted discount rate Generally, a change in the annual revenue growth rate is accompanied by a change in Adjusted EBITDA margin	The estimated fair value would increase (decrease) if the: - annual revenue growth rate was higher (lower); - Adjusted EBITDA margin was higher (lower); or - risk-adjusted discount rate was lower (higher).
Derivative financial instruments (interest rate swaps) (Level 2)	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

For the fair values of contingent consideration, reasonably possible changes at the reporting date to the forecasted Adjusted EBITDA, holding other inputs constant, would not have had a significant effect at December 31, 2023 on the consolidated statement of comprehensive income and on equity.

(b) Credit risk

Credit risk refers to the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables and contract assets, other financial assets, and cash. The Company's customers' financial difficulties can negatively impact the Company's operating results and financial condition, especially if those customers were to delay or default in payment owed to the Company. Collection of trade and other receivables from third parties remain a priority for the Company.

The maximum exposure to credit risk at the consolidated statements of financial position date is best represented by the carrying amount of the Company's cash, trade and other receivables and contract assets, and other financial assets. The Company is exposed to credit risk with respect to cash and other financial assets balances from the potential default by counterparties that carry the Company's balances and attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. All of the financial institutions within the bank syndicate providing the Company's credit facility meet these qualifications.

(In millions of Canadian dollars)

19. Financial instruments and financial risk management (continued)

(b) Credit risk (continued)

The Company is exposed to credit risk with respect to trade and other receivables and contract assets in the event of a non-payment by customers in connection with its accounts receivable or by the franchisees. The Company's customer base consists mainly of Canadian and American companies. Trade accounts receivable included in trade and other receivables and contract assets in the consolidated statements of financial position totaled $439 as at December 31, 2023 (2022 – $414), and no individual account represents more than 10% of the overall balance in 2023 and 2022.

The Company reviews a customer's credit history before extending credit and conducts regular reviews of its existing customer's credit performance. A credit loss allowance is established based upon factors such as the credit risk for specific customers, historical trends and other information.

As at December 31, 2023, approximately 15% (2022 – 13%) of trade accounts receivable were over 90 days old, whereas approximately 47% (2022 – 42%) were under 30 days. Historically, the Company has not incurred any significant losses in respect of its trade accounts receivable and contract assets. Credit allowances are recognized, if necessary, in order to reflect risks related to credit loss.

The movements in credit loss allowance in respect of trade receivables and contract assets were as follows:

	2023	2022
Balance beginning of year	8	9
Additional credit loss allowance recorded	2	1
Write-off against reserve	–	(1)
Reversal of provisions	(1)	(1)
Balance, end of year	9	8

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company’s growth is financed through a combination of the cash flows from operations, borrowings under existing credit facilities, the issuance of debt and the issuance of equity. One of management’s primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

The purpose of liquidity risk management is to maintain a sufficient amount of cash and ensure that the Company has sufficient authorized bank loans as financing sources. The Company prepares budgets and cash forecasts to ensure it has sufficient funds to meet its obligations. In addition, the Company maintains lines of credit as discussed in note 10.

(In millions of Canadian dollars)

19. Financial instruments and financial risk management (continued)

(c) Liquidity risk (continued)

The following are amounts due on contractual maturities of financial liabilities, including estimated interest payments:

					2023
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	Over 5 years
Bank indebtedness	14	14	14	–	–
Trade and other payables	298	298	298	–	–
Long-term payables	5	5	–	5	–
Lease liabilities	58	66	20	39	7
Long-term debt, excluding lease liabilities (1)	362	444	44	400	–
Total	737	827	376	444	7

					2022
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	Over 5 years
Bank indebtedness	10	10	10	–	–
Trade and other payables	286	286	286	–	–
Long-term payables	5	5	–	5	–
Lease liabilities	49	53	18	30	5
Long-term debt, excluding lease liabilities (1)	339	425	44	381	–
Total	689	779	358	416	5

(1) Including interest on long-term debt based on the outstanding amounts and actual rates in effect as at December 31, 2023 and December 31, 2022, and includes the credit facility, the balance of sales and the contingent considerations.

(d) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

The Company is exposed to interest rate risk mainly resulting from long-term borrowings under the revolving credit facility that bear interest at a variable rate until May 31, 2027. In March 2020, the Company entered into swaps with three financial institutions that have a credit rating of at least A by Standard and Poor's Financial Services LLC and Aa3 by Moody's Company:

Type of hedge	Notional amount	Currency	Receive interest rate	Pay interest rate	Receivable floating interest as at December 31, 2023	Maturity	Hedged item
Cash flow	$30	USD	USD-LIBOR-BBA	0.886%	5.346%	March 5, 2024	The first $30 of floating interest payments of the first tranche of revolving credit facility
Cash flow	$60	CAD	CAD-BA-CDOR	1.400%	5.398%	March 4, 2024	The first $60 of floating interest payments of the second tranche of the revolving credit facility

The Company is currently hedging 30% of its long-term debt with the above derivatives and reviews periodically the level of debt on which interest rates should be fixed. For fiscal 2023, the derivatives designated as cash flow hedges were considered to be effective and no ineffectiveness has been recognized

19. Financial instruments and financial risk management (continued)

(d) Interest rate risk (continued)

in profit or loss, as the critical terms of the hedged items are closely aligned to the critical terms of the hedging instruments. Net of the effect of interest rate swaps, the remaining portion of long-term debt subject to a floating rate is $233 as at December 31, 2023 (2022 - $185). An increase of 1% in annual variable interest rate would generate a net loss of $2.

(e) Currency risk

The Company is exposed to currency risk on financial assets and liabilities that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. As at December 31, 2023, the currency risk on those balances was insignificant. The Company also has operations in the United States of America and is exposed to the risk of a fluctuating U.S. dollar in relation to the Canadian dollar, since it has to revalue the assets and liabilities of its U.S. foreign operations at the exchange rate prevailing at the end of each period and record the impact of this revaluation in shareholders' equity. As at December 31, 2023, the carrying value of net investment in foreign operations was US$257.

As at December 31, 2023, the carrying amount of the financial liability designated as an hedging item was US$176 (December 31, 2022 - US$175). The effective portion of the unrealized exchange gains on the hedging item of the net investment in foreign operations for 2023 is $7 (2022 – $(16)) and was recognized in other comprehensive income. The U.S. dollar tranche of the revolving credit facility designated as a hedge of net investment on foreign operations was considered to be effective and no ineffectiveness has been recognized in the net earnings.

As at December 31, 2023, a 10% appreciation or depreciation of the U.S. dollar over the Canadian dollar would not have a significant impact on the Company's financial statements.

20. Earnings per share

The number of the diluted weighted-average number of common shares is calculated as follows:

(in thousands of shares)	For the year ended December 31, 2023	2022
Weighted-average number of common shares during the year	23,402	23,242
Dilutive effect of the stock options granted	301	489
Weighted-average number of common shares including dilutive effects during the year	23,703	23,731
Anti-dilutive items:		
Stock options granted, excluded from the calculation	227	150

21. Capital management

The Company's capital consists of net debt (long-term debt, net of cash less bank indebtedness) and shareholders' equity. The Company maintains a capital level that enables it to meet several objectives:

- Assure the longevity of its capital to support continued operations and shareholders' return;
- Satisfy certain financial covenants under the secured credit facilities; and

(In millions of Canadian dollars)

21. Capital management (continued)

- Preserve its financial flexibility to support organic growth strategy and benefit from potential acquisition opportunities as they arise.

The following table summarizes certain information with respect to the Company's capital structure at the end of each year:

	2023	2022
Long-term debt (note 10)	420	388
(Cash, net of bank indebtedness) bank indebtedness, net of cash	(3)	3
Net debt	417	391
Shareholders' equity	455	439
Total capitalization	872	830
Net debt to total capitalization ratio	47,8%	47.1%

22. Related parties

The key management personnel of the Company are the Board members, the Chief Executive Officer and the Presidents and Vice-Presidents that are under his direct authority.

Key management personnel compensation is comprised of the following:

	Short-term employee benefits	Equity-settled Stock options	PSU	DSU	RSU	TOTAL
As at December 31, 2023						
Selling and administrative expenses	8	1	3	1	1	14
Net finance expense	–	–	(2)	(1)	–	(3)
	8	1	1	–	1	11
As at December 31, 2022						
Selling and administrative expenses	9	1	2	1	1	14
Net finance expense	–	–	1	(1)	–	–
	9	1	3	–	1	14

23. Employee benefits

The Company participates in various multiemployer pension plans under union and industry-wide agreements, which provide defined pension benefits to employees covered by collective bargaining agreements. Multi-employer defined benefit pension plans are accounted for as defined contribution plans as the liability per employer is not available due to the size and number of contributing employers in the plans. Because of the nature of multiemployer plans, there are risks associated with participation in these plans that differ from single-employer plans. Assets contributed by an employer to a multiemployer plan are not segregated into a separate account and are not restricted to provide benefits only to employees of that contributing employer. In the event another participating employer in a multiemployer plan no longer contributes to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, including the Company. In the event of the termination of a multiemployer pension plan or a withdrawal from a multiemployer pension plan, the Company could incur material liabilities under applicable law. As at December 31, 2023, the Company had not withdrawn from the Plans and no withdrawal liabilities were recognized in the consolidated statements of financial position. During the year ended December 31, 2023, the Company recognized an expense of $19 (2022 – $10) in profit or loss, which represents the contributions made in connection with these plans. Management expects similar contributions to the multiemployer pension plans for the year ending December 31, 2024.

24. Subsequent event

On February 1, 2024, the Company entered into a definitive agreement to complete the sale of its Superior Solutions LP (“**Superior**”) janitorial products distribution business. Closing of the transaction is subject to closing conditions. Superior’s chemical manufacturing business was not included in the transaction.