20221213063308

ÅRSREDOVISNING

2021-04-01--2021-12-31

för

Ovivo Europe Holding AB
556728-4004

Årsredovisningen omfattar:

	Sida
Förvaltningsberättelse	2
Resultaträkning	3
Balansräkning	4
Tilläggsupplysningar	6

FASTSTÄLLELSEINTYG

Undertecknad styrelseledamot intygar härmed, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkningen fastställts på ordinarie bolagsstämma 2022-09-07. Stämman beslöt tillika godkänna styrelsens förslag till resultatdisposition.

Stockholm 2022-09-07

Marc Barbeau

20221110071163

Ovivo Europe Holding AB
556728-4004

ÅRSREDOVISNING FÖR OVIVO EUROPE HOLDING AB

Styrelsen för Ovivo Europe Holding AB avger härmed årsredovisning för räkenskapsåret 2021-04-01--2021-12-31.

FÖRVALTNINGSBERÄTTELSE

Verksamhetens art och inriktning

Ovivo Europe Holding AB med sitt säte i Stockholm, registrerades 2007-04-19 hos Bolagsverket. Bolaget ska äga och förvalta lös egendom samt vara ett holdingbolag.

Bolaget ingår i den Kanadensiska Ovivo-koncernen, med Ovivo Inc, Canda som moderbolag i toppkoncernen.

Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser har inträffat efter räkenskapsårets slut.

Ägarförhållanden

Ovivo Inc äger samtliga aktier i bolaget, som tillika är yttersta koncernmoder.

Omsättning, resultat och ställning

	2021	2020/2021	2019/2020	2018/2019
Nettoomsättning	0	0	0	0
Rörelseresultat	-58 372	-101 563	-41 701	-37 500
Resultat e. finansiella poster	-94 876	418 100	-419 809	-131 345
Balansomslutning	327 543 993	327 553 153	324 620 524	327 652 670
Soliditet (Summa eget kapital / Summa tillgångar)	97,9%	97,9%	97,8%	97,9%

Förslag till resultatdisposition (kronor)

Till bolagsstämmans förfogande står följande medel	
Balanserade vinstmedel från föregående år	320 637 687
Årets resultat	-94 876
	320 542 811
Styrelsen föreslår att	
i ny räkning balanseras	320 542 811
	320 542 811

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkningar samt tilläggsupplysningar. Alla belopp uttrycks i svenska kronor där ej annat anges.

20221110071164

Ovivo Europe Holding AB
556728-4004

RESULTATRÄKNING

	Not	2021-04-01 2021-12-31	2020-04-01 2021-03-31
Rörelsens intäkter mm	1		
Nettoomsättning		0	0
Rörelsens kostnader			
Övriga externa kostnader		-58 372	-101 563
Rörelseresultat		**-58 372**	**-101 563**
Resultat från finansiella investeringar			
Övriga ränteintäkter och liknande resultatposter	2	0	526 446
Räntekostnader och liknande resultatposter	3	-36 504	-6 783
Resultat efter finansiella poster		**-94 876**	**418 100**
Skatt på årets resultat	4	0	0
ÅRETS RESULTAT		**-94 876**	**418 100**

20221111007165

Ovivo Europe Holding AB
556728-4004

BALANSRÄKNING

	Not	2021-12-31	2021-03-31
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	5	327 504 824	327 504 824
		327 504 824	**327 504 824**
Summa anläggningstillgångar		**327 504 824**	**327 504 824**
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag		-	-
		0	**0**
Kortfristiga placeringar			
Andelar i koncernföretag		-	-
Övriga kortfristiga placeringar		-	-
		0	**0**
Kassa och bank		39 169	48 329
Summa omsättningstillgångar		**39 169**	**48 329**
SUMMA TILLGÅNGAR		**327 543 993**	**327 553 153**

20221110007166

Ovivo Europe Holding AB
556728-4004

BALANSRÄKNING

	Not	2021-12-31	2021-03-31
EGET KAPITAL OCH SKULDER			
Eget kapital	6		
Bundet eget kapital			
Aktiekapital (1 100 st aktier)		110 000	110 000
		110 000	**110 000**
Fritt eget kapital			
Balanserad vinst eller förlust		320 637 687	320 219 587
Årets resultat		-94 876	418 100
		320 542 811	**320 637 687**
Summa eget kapital		**320 652 811**	**320 747 687**
Kortfristiga skulder			
Skulder till koncernföretag		6 765 242	6 712 966
Upplupna kostnader och förutbetalda intäkter		125 940	92 500
		6 891 182	**6 805 466**
SUMMA EGET KAPITAL OCH SKULDER		**327 543 993**	**327 553 153**

20221110071167

Ovivo Europe Holding AB
556728-4004

TILLÄGGSUPPLYSNINGAR

Noter

Not 1

Redovisningsprinciper

Ovivo Europe Holdning AB upprättar från och med räkenskapsåret 2014 årsredovisningen med tillämpning av årsredovisningslagen och Bokföringsnämndens allmänna råd BFNAR 2012:1 Årsredovisning och koncernredovisning (K3). Övergången har inte medfört någon förändring av redovisningsprinciper eller jämförelsesiffror.

Koncernredovisning upprättas ej med hävnvisning till ÅRL 7 kap 2§.

Fordringar har efter individuell värdering upptagits till det belopp varmed de beräknas inflyta.

Övriga tillgångar och skulder har värderats tillanskaffningsvärde om ej annat anges.

Skatter

Företaget tillämpar BFNAR 2001:1 Inkomstskatter. Periodens skattekostnad eller skatteintäkt består av aktuell och uppskjuten skatt. Aktuell skatt är den skatt som beräknas på det skattepliktiga resultatet för en period. Skatteintäkter och skattekostnader redovisas i resultaträkningen utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekt redovisas i eget kapital. Uppskjutna skattefordringar avseende avdragsgilla temporära skillnader och underskottsavdrag redovisas endast i den mån det är sannolikt att dessa kommer att medföra lägre skatteutbetalningar i framtiden.

Fordringar och skulder i utländsk valuta

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs och orealiserade kursvinster och kursförluster ingår i resultatet

Orealiserade kursvinster på långfristiga fordringar och skulder avräknas mot orealiserade kursförluster vartefter överskjutande kursvinst eller kursförlust redovisas i resultaträkningen som en finansiell intäkt eller finansiell kostnad.

Kursvinster (-förluster) på rörelserelaterade fordringar och skulder redovisas som övriga rörelseintäkter (rörelsekostnader).

Kursdifferenser avseende finansiella tillgångar och skulder redovisas under resultat från finansiella investeringar.

Not 2 Övriga ränteintäkter och liknande resultatposter

	2021	2020/2021
Ränteintäkter	-	-
Kursdifferenser	0	526 446
Summa	**0**	**526 446**

20221110071168

Ovivo Europe Holding AB
556728-4004

Not 3 Räntekostnader och liknande resultatposter

	2021	2020/2021
Räntekostnader och övriga bankkostnader	-4 159	-6 783
Kursförluster	-32 343	-
	-36 502	**-6 783**
	Diff -2	

Not 4 Skatt på årets resultat

	2021	2020/2021
Aktuell skatt	0	0
Redovisad skatt	**0**	**0**

Not 5 Finansiella anläggningstillgångar

	Antal aktier	Kapitalandel	2021-12-31	2021-03-31
Aktier i Ovivo Aqua GmbH, Österrike Organisationsnummer: 69-107-1765	35000	100%	327 504 824	327 504 824
Summa			**327 504 824**	**327 504 824**

Not 6 Förändring i eget kapital

	Aktie-kapital	Reserv-fond	Fritt eget kapital	Årets resultat
Belopp vid årets ingång	110 000	0	320 219 587	418 100
Resultatdisposition enligt beslut vid årsstämma			418 100	-418 100
Årets resultat				-94 876
Utgående balans	**110 000**	**0**	**320 637 687**	**-94 876**

Stockholm 2022-06-30

Marc Barbeau
Ordförande

Vincent Ferber

Mark Thomas Hodder

Vår revisionsberättelse har lämnats den 6/9 2022

Ernst & Young Aktiebolag

Tomas Karlsson
Auktoriserad revisor

20221110071690

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Revisionsberättelse

Till bolagsstämman i Ovivo Europe Holding AB, org.nr 556728-4004

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Ovivo Europe Holding AB för räkenskapsåret 2021-04-01 - 2021-12-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Ovivo Europe Holding AB:s finansiella ställning per den 31 december 2021 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Ovivo Europe Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som den bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. Den upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

20221110071170

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Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Ovivo Europe Holding AB för räkenskapsåret 2021-04-01 - 2021-12-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Ovivo Europe Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Anmärkning

Årsredovisningen avgavs inte i sådan tid att det, enligt 7 kap. 10 § aktiebolagslagen, varit möjligt att hålla årsstämma inom sex månader efter räkenskapsårets utgång.

Karlstad den 6/4 2022

Ernst & Young AB

Tomas Karlsson
Auktoriserad revisor

A member firm of Ernst & Young Global Limited

20221111007171

Ovivo Inc.

Consolidated financial statements
[Amounts are expressed in thousands of Canadian dollars unless other currency specified]
Periods ended December 31 and March 31, 2021

EY
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Independent auditor's report

To the Shareholders of
Ovivo Inc.

Opinion"

We have audited the consolidated financial statements of **Ovivo Inc.** and its subsidiaries [the "Group"], which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of income, comprehensive income (loss), changes in equity and cash flows for the nine-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the nine-month period then ended in accordance with International Financial Reporting Standards [IFRSs].

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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 consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

20221110071172

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

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

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

Ernst & Young LLP [1]

Montréal, Canada
March 30, 2022

[1] CPA auditor, CA, public accountancy permit no. A127424

Ovivo Inc.

Consolidated statement of financial position

[In thousands of Canadian dollars]

As at	December 31, 2021	March 31, 2021
	$	$
Assets		
Current		
Cash and cash equivalents	**79,404**	48,975
Trade and other receivables *[note 5]*	**120,789**	103,510
Income taxes receivable	**168**	8
Contract assets *[note 6]*	**140,740**	104,515
Derivative financial assets *[note 7]*	**985**	342
Inventories *[note 8]*	**24,165**	22,561
Prepaid expenses	**5,849**	6,222
Advances to suppliers	**9,792**	18,229
Total current assets	**381,892**	304,362
Property, plant and equipment *[note 9]*	**32,993**	21,689
Right-of use assets *[note 10]*	**25,913**	23,699
Intangible assets *[note 11]*	**45,363**	28,964
Goodwill *[note 12]*	**54,152**	68,562
Deferred taxes *[note 13]*	**2,907**	1,783
Loan receivable *[note 14]*	**—**	13,591
Other assets *[note 15]*	**2,084**	2,690
	163,412	160,978
Assets held for sale *[note 16]*	**1,464**	4,384
	546,768	469,724
Liabilities and equity		
Current		
Accounts payable and accrued liabilities *[note 17]*	**132,193**	114,135
Loan payable to shareholder *[note 14]*	**—**	5,661
Provisions *[note 18]*	**18,211**	18,426
Current portion of lease liabilities *[note 10]*	**4,739**	4,260
Income taxes payable	**2,815**	2,344
Derivative financial liabilities *[note 7]*	**1,655**	1,331
Contract liabilities *[note 6]*	**149,381**	82,567
Total current liabilities	**308,994**	228,724
Provisions *[note 18]*	**11,651**	11,015
Retirement benefits *[note 19]*	**24,661**	21,309
Long-term debt *[note 20]*	**25,020**	39,609
Lease liabilities *[note 10]*	**22,208**	20,302
Deferred taxes *[note 13]*	**8,834**	8,261
Other liabilities *[note 21]*	**6,397**	7,355
	98,771	107,851
Total liabilities	**407,765**	336,575
Equity		
Share capital *[note 22]*	**313,851**	313,851
Contributed surplus	**5,618**	5,618
Accumulated deficit	**(194,971)**	(201,762)
Accumulated other comprehensive income	**14,505**	15,442
Total equity	**139,003**	133,149
	546,768	469,724

See accompanying notes

On behalf of the Board,

(Signed) David McAusland, Director

(Signed) Marc Barbeau, Director

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Ovivo Inc.

Consolidated statement of income

[In thousands of Canadian dollars]

Nine-month period ended December 31, 2021 and twelve-month period ended March 31, 2021

	December 31, 2021	March 31, 2021
	$	$
Revenues		
New equipment	**289,959**	335,741
Upgrading, parts and services	**97,100**	106,030
Rental services	**2,622**	3,198
Plant operations	**2,795**	4,008
Total revenues *[note 24]*	**392,476**	448,977
Cost of contracts and goods sold *[note 9]*	**308,835**	354,942
Gross margin	**83,641**	94,035
Selling and administrative expenses	**58,861**	67,920
Earnings before the underlined items	**24,780**	26,115
Transaction costs *[note 25]*	**173**	476
Restructuring costs *[note 26]*	**—**	472
Gain on business disposals and other activities *[note 4]*	**—**	(4,698)
Amortization *[note 28]*	**9,999**	15,748
Asset impairment *[notes 9 and 16]*	**755**	628
Operating income related to continuing operations	**13,853**	13,489
Net financial expenses *[note 29]*	**1,286**	2,161
Foreign exchange loss (gain)	**(673)**	4,540
Loss (gain) related to derivative financial instruments	**1,666**	(1,799)
Income before income taxes related to continuing operations	**11,574**	8,587
Income taxes *[note 13]*	**3,602**	5,389
Net income related to continuing operations	**7,972**	3,198
Loss related to discontinued operations *[note 4]*	**(1,181)**	(2,232)
Net income	**6,791**	966

See accompanying notes

Ovivo Inc.

Consolidated statement of comprehensive income (loss)

[In thousands of Canadian dollars]

Nine-month period ended December 31, 2021 and twelve-month period ended March 31, 2021

	December 31, 2021	March 31, 2021
	$	$
Net Income	**6,791**	966
Item that may be reclassified to income [tax impact is nil]		
Unrealized exchange difference on translation of foreign operations	**2,463**	(11,896)
Item that will never be reclassified to income		
Retirement benefits – Remeasurements of defined benefit plans net of tax recovery of $99 [tax expense of $117 for the twelve-month period ended March 31, 2021] *[note 19]*	**(3,400)**	(565)
Comprehensive income (loss)	**5,854**	(11,495)

See accompanying notes

Ovivo Inc.

Consolidated statement of changes in equity

[In thousands of Canadian dollars]

	Attributable to shareholders of Ovivo Inc.				
	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
	$	$	$	$	$
Balance as at March 31, 2020	313,851	5,618	(202,728)	27,903	144,644
Comprehensive income (loss):					
Net income	—	—	966	—	966
Unrealized exchange difference on translation of foreign operations	—	—	—	(11,896)	(11,896)
Retirement benefits – Defined benefit plan remeasurements	—	—	—	(565)	(565)
Total comprehensive income (loss)	—	—	966	(12,461)	(11,495)
Balance as at March 31, 2021	**313,851**	**5,618**	**(201,762)**	**15,442**	**133,149**
Comprehensive income (loss):					
Net income	—	—	**6,791**	—	**6,791**
Unrealized exchange difference on translation of foreign operations	—	—	—	**2,463**	**2,463**
Retirement benefits – Defined benefit plan remeasurements	—	—	—	**(3,400)**	**(3,400)**
Total comprehensive income (loss)	—	—	**6,791**	**(937)**	**5,854**
Balance as at December 31, 2021	**313,851**	**5,618**	**(194,971)**	**14,505**	**139,003**

See accompanying notes

Ovivo Inc.

Consolidated statement of cash flows

[In thousands of Canadian dollars]

Nine-month period ended December 31, 2021 and twelve-month period ended March 31, 2021

	December 31, 2021	March 31, 2021
	$	$
Operating activities		
Net income	**6,791**	966
Less: Net loss from discontinued operations *[note 4]*	**1,181**	2,232
Net income from continuing operations	**7,972**	3,198
Non-cash items in net income:		
Gain on disposal of property, plant and equipment[(1)] *[note 9]*	**(146)**	(477)
Gain on business disposal and other activities *[note 4]*	**—**	(4,698)
Amortization of property, plant and equipment *[note 9]*	**2,650**	4,004
Amortization of right-of-use assets *[note 10]*	**3,795**	4,957
Amortization of intangible assets *[note 11]*	**3,554**	6,787
Impairment of assets *[notes 9 and 16]*	**755**	628
Share-based compensation *[note 23]*	**3,682**	1,020
Deferred taxes	**(404)**	(706)
Changes in fair value of derivative financial instruments	**(860)**	1,495
	20,998	16,208
Net change in non-cash operating items related to continuing activities *[note 30]*	**37,604**	43,567
Cash flows provided by operating activities related to continuing operations	**58,602**	59,775
Cash flows (used in) operating activities related to discontinued operations	**(1,794)**	(2,825)
Cash-flow provided by operating activities	**56,808**	56,950
Financing activities		
Net change in syndicated revolving credit facilities and overdraft *[note 20]*	**(14,716)**	(24,481)
Issuance of long-term debt *[note 20]*	**—**	15,000
Issuance (payment) of loan payable to shareholder *[note 14]*	**(6,673)**	5,871
Payment of principal portion of lease liabilities *[note 10]*	**(3,590)**	(4,556)
Cash flows used in financing activities	**(23,979)**	(8,166)
Investing activities		
Acquisition of a subsidiary, net of cash acquired *[note 3]*	**—**	(31,289)
Proceeds from business disposal and other activities *[note 4]*	**—**	2,405
Proceeds from (purchase of) a loan receivable *[note 14]*	**14,601**	(11,443)
Increase of a loan receivable *[note 14]*	**—**	(1,760)
Balance of sale receivable *[note 4]*	**416**	484
Additions to property, plant and equipment *[note 9]*	**(13,247)**	(3,722)
Proceeds from sale of property, plant and equipment *[note 9]*	**423**	1,678
Proceeds from sale of assets held for sale *[note 16]*	**1,575**	—
Additions to intangible assets *[note 11]*	**(4,559)**	(4,677)
Cash flows used in investing activities	**(791)**	(48,324)
Effect of changes in foreign exchange rates on cash and cash equivalents	**(1,609)**	319
Net increase in cash and cash equivalents	**30,429**	779
Cash and cash equivalents, beginning of period	**48,975**	48,196
Cash and cash equivalents, end of period	**79,404**	48,975

[(1)]Presented under Selling and administrative expenses in the Consolidated Statements of Income

Interest and income taxes included in operating activities:		
Interest paid	**2,096**	2,342
Interest received	**(1,733)**	(1,362)
Income taxes paid	**4,258**	6,140
Income taxes received	**(447)**	(3,503)

See accompanying notes

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1. Nature of operations and organization

Ovivo Inc. was incorporated under the Canada Business Corporations Act on May 15, 2007 ["Ovivo" or the "Corporation" designates, as the case may be, Ovivo Inc. and its subsidiaries and divisions or Ovivo Inc. or one of its subsidiaries and divisions].

Ovivo is a global provider of equipment, technology and systems producing pure water and treating wastewater. Ovivo delivers conventional to highly technological water treatment solutions for the industrial and municipal markets, and leverages its large installed base of equipment around the world to offer parts and services to its customers.

Ovivo operates an integrated global platform in over 15 countries, with near 1100 employees that are worldwide experts in water treatment. Ovivo is owned by SKion Water GmbH ["SKion"].

The Corporation's head office is located at 1010 Sherbrooke Street West, Suite 1700, Montréal, Québec, Canada, H3A 2R7.

2. Significant accounting policies

(a) Basis of presentation

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. These consolidated financial statements are presented in Canadian dollars.

Ovivo changed its fiscal year-end for December 31 instead of March 31 in order to align with the fiscal year-end of SKion. The results of operations are for the nine-month period ended December 31, 2021 and the comparatives figures for the twelve-month period ended March 31, 2021. As a result, the amounts presented in the consolidated financial statements are not entirely comparable.

These consolidated financial statements were prepared on a historical cost basis, except for derivative financial instruments, cash-settled stock-based compensation and contingent consideration that were measured at fair value.

On March 30, 2022, the Corporation's Board of Directors approved the release of these consolidated financial statements.

(b) Scope and basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its Canadian and foreign subsidiaries. The list of the principal consolidated subsidiaries is disclosed below. The Corporation consolidates the entities over which it has control. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intercompany transactions and balances are eliminated on consolidation.

List of subsidiaries

The following table lists the Corporation's principal wholly owned direct and indirect subsidiaries as at December 31, 2021 and March 31, 2021 and their jurisdictions of incorporation.

Furthermore, the subsidiaries that were omitted from the list represent less than 20% of the Corporation's consolidated assets as at December 31, 2021 and March 31, 2021 and consolidated revenues from continuing operations for the periods then ended. None of the subsidiaries omitted from the list individually represented more than 10% of the Corporation's consolidated assets as at December 31, 2021 and March 31, 2021 or more than 10% of consolidated revenues from continuing operations for the periods then ended.

Subsidiary of the Corporation	Jurisdiction(s) of incorporation	Holder of voting power
Ovivo Aqua Austria GmbH	Austria	Christ Water Technology GmbH[1]
Ovivo UK Limited	England and Wales	Ovivo Inc.
Ovivo China Co., Ltd	China	Christ Water Technology GmbH[1]
Ovivo USA, LLC	State of Delaware	Ovivo US Holding Inc.[1]
Ovivo Hong Kong Limited	China	Ovivo Switzerland AG.
Ovivo Switzerland AG	Switzerland	Christ Water Technology GmbH
Alar Water Treatment LLC	State of Delaware	Ovivo US Holding Inc.[1]

[1] Hold by Ovivo Inc. at 100% directly or indirectly

(c) Foreign currency translation

Presentation currency of the consolidated financial statements and functional currency

The consolidated financial statements of the Corporation are presented in Canadian dollars, representing the parent company's functional currency. The functional currency of an entity is the currency of the economic environment in which the entity primarily operates. It is determined considering the currency in which the entity's revenues and expenses [purchases and labour] are denominated. Where this analysis is inconclusive, other factors are taken into consideration, such as the method of financing and the relationship of the entities with the parent company.

Translation of foreign currency transactions

Transactions denominated in foreign currencies are translated into the entity's functional currency at the average exchange rate for the relevant period. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate. Resulting exchange differences are recognized in net income (loss) for the period. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical exchange rates.

Translation of foreign currency operations

The financial statements of foreign operations whose functional currency differs from the presentation currency of the Corporation's consolidated financial statements are translated using the exchange rate at period-end for assets and liabilities, and the average exchange rates during the period for revenues and expenses and for cash flows. Gains and losses resulting from foreign currency translation are deferred and recorded in accumulated other comprehensive income (loss) under "Unrealized exchange difference on translation of foreign operations" and are reclassified into income only when there is a reduction in the net investment in foreign operations.

(d) Revenue recognition

The Corporation recognizes revenue when it transfers control over a product or service to a customer. Revenues are measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties.

The Corporation's revenues are derived primarily from new equipment sales contracts, the sale of parts and provision of services. These various types of revenue are accounted for using different methods. The following specific recognition criteria must also be met before revenues are recognized. For more detailed information about the desegregation of revenue, see note 24 – *Desegregation of revenue.*

i. New equipment contracts

Revenue from new equipment sales contracts are generally recognized over time.

Revenue is recognized based on the extent of progress toward completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for new equipment contracts. Under this method, the measure of progress towards complete satisfaction of the performance obligation is measured based on the ratio of costs incurred to date to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance.

Estimated revenues at completion are adjusted for change orders, claims and other contract terms that provide for the adjustment of prices. If it is probable that changes in revenues will occur, the amount can be measured reliably and it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in future periods, they are included in estimated revenues at completion.

The entire amount of an expected loss on a contract is recognized immediately, when known, in net income.

Contract Assets

Contract assets are recognized when goods or services are transferred to customers before consideration is received or before the Corporation has an unconditional right to payment for performance completed to date. Contract assets are subsequently transferred to receivables when the right of payment becomes unconditional. Contract assets comprise cost incurred and recorded margins in excess of advances and progress billings on new equipment contracts.

Contract Liabilities

Contract Liabilities are recognized when amounts are received from customers in advance of transfer of goods or services. Contract liabilities are related to client billings, in excess of revenues recognized by the Corporation according to the revenue recognition method applied. Contract liabilities are subsequently recognized in revenue as or when the Corporation performs under contracts.

ii. Upgrades

Revenues from upgrades are generally recognized over time as the service is rendered.

iii. Sale of parts

Revenues from the sale of parts [or spare parts] are recognized at a point in time when the control of the goods has passed on to the buyer, usually on delivery of goods.

iv. Rendering of services

Revenues from after-sales services are recognized either at a point in time or over time, depending on the nature of the service rendered.

v. Rental services

Lease revenues from operating leases is recognized on a straight-line basis over the term of the lease.

vi. Plant Operation

Revenues from plant operation are generally recognized over time through the term of the plant operation contracts.

Combining sales contracts

A group of contracts entered into at or near the same time, whether with the same customer or related parties of the customer, is treated as a single contract when the group of contracts is negotiated as a single package with a single commercial objective, the price is dependent on the price or performance on another contract or, goods and services promised in the contracts are considered a single performance obligation.

Contractual arrangements with multiple revenue categories

The Corporation may enter into contractual arrangements with a client whereby, for a single project, deliverables from several revenue categories may be included [i.e. construction and manufacture of numerous pieces of new equipment, technical services, maintenance and parts]. In this case, the contract may be separated into more than one performance obligation. If a contract is separated into more than one performance obligations, the total transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised goods and services underlying each performance obligation. When the performance obligations consist in standard goods and services, observable selling price is used to determine the standalone selling prices. If the performance obligations consist in customized customer specific solutions, the Corporation uses the expected cost plus a margin method to estimate the standalone selling price.

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Financing component

Using the practical expedient in IFRS 15, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component if the Corporation expects, at contract inception, that the period between when the Corporation transfers a promised good or service to a customer and when the customer pays for that good or service is one year or less.

(e) Financial instruments

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual provisions of the financial instruments. All financial instruments are initially measured at fair value. Subsequent measurement depends on their initial classification.

The table below shows the classification and measurement method that the Corporation has elected to apply to each of its financial instrument categories:

Asset/liability	Category
Cash and cash equivalents	Fair value through profit or loss
Trade and other receivables and loan receivable	Financial assets at amortized cost
Accounts payable and accrued liabilities, loan payable to shareholder, syndicated revolving credit facilities and other long-term debt	Loans and borrowings at amortized cost
Derivative financial instruments	Fair value through profit or loss

Amortized cost is determined using the effective interest method.

Transaction costs arising from the issuance of financial instruments measured at amortized cost are recognized as a reduction of the carrying amount of the related financial instruments and taken into account in determining the effective interest rate.

The Corporation recognizes an allowance for expected credit losses [ECLs] for all financial instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months [a 12-month ECL]. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default [a lifetime ECL].

For trade receivables and contract assets, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(f) Derivative financial instruments

Derivative financial instruments are used to hedge the Corporation's exposure to foreign exchange risk. However, the Corporation has elected not to use the hedge accounting method. Derivative financial instruments consist of foreign exchange contracts. Embedded derivatives consist of derivatives on sale or purchase contracts that are not closely related to the host contract, the currency of which differs from the functional currency of one or the other of the parties to the contract. The derivative financial instruments are accounted for at fair value with changes recognized through net income.

(g) Cash and cash equivalents

Cash and cash equivalents include cash and readily realizable short-term investments, held with investment-grade financial institutions, with maturities of three months or less at the acquisition date.

(h) Inventories

Raw materials and finished goods are recorded at the lower of cost and net realizable value. The cost of inventories comprises purchase, transport and handling costs, import duties and other taxes, conversion and other costs directly incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs related to the sale. The cost of inventories is recognized as an expense when the inventories are used or sold. Recorded write-downs can be reversed if there is a subsequent increase in the value of the related inventories.

Raw materials

The cost of raw materials is calculated using the weighted average cost method for similar items at the beginning of a period and taking into account the cost of similar items purchased during the year.

Finished goods

The cost of finished goods is calculated using the weighted average cost method for similar items at the beginning of a period and taking into account the cost of similar items purchased and processed during the period. The cost of finished goods that are dissimilar and/or earmarked for specific projects is determined using the specific cost method.

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(i) Property, plant and equipment

Property, plant and equipment are recognized at their historical acquisition or construction cost, net of accumulated amortization and recorded impairment losses. Grants for investments are accounted for as a reduction of the gross amount of property, plant and equipment for which they were received. The cost of the asset comprises, on initial recognition, the costs of dismantling the asset and restoring the site when a present obligation, legal or constructive, exists to dismantle the asset or restore the site. Amortization is calculated on a straight-line basis over the following periods:

Property, plant and equipment	Useful lives
Buildings	15 to 40 years
Equipment[1]	3 to 15 years
Leasehold improvements	Terms of leases

[1] Including equipment, moulds, furniture, fixtures and computer hardware.

The Corporation uses different amortization periods for each significant component of the same item of property, plant and equipment where at least one component's useful life differs from that of the principal item of property, plant and equipment to which it relates. The Corporation reviews amortization periods annually, and changes are accounted for prospectively.

(j) Intangible assets

Intangible assets include technologies, development costs, trademarks, client relationships, acquired software and internally developed software. Intangible assets are recorded at cost and amortized on a straight-line basis over the following periods:

Intangible assets	Useful lives
Technologies	10 to 20 years
Development costs	3 to 10 years
Trademarks	3 to 20 years
Client relationships	5 to 15 years
Backlog	18 months
Acquired software	3 to 10 years
Internally developed software	3 to 10 years

Development costs include costs relating to specific projects and borrowing costs, net of investment tax credits, which, in the Corporation's opinion, have a specific market in the future and meet the criteria for deferral. Amortization of development costs begins when the asset is ready for its intended use. All other research and development costs are expensed in the year they are incurred. The Corporation reviews amortization periods and methods annually, and changes are accounted for prospectively.

(k) Business acquisitions

Business acquisitions are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. The allocation of the purchase price to net assets acquired and liabilities assumed is based on their fair values. The income (losses) of businesses acquired are included in the consolidated financial statements as of the date of acquisition. The unallocated balance of the purchase price [being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed] is attributed to goodwill.

(l) Impairment of goodwill and long-lived assets

To determine the recoverable amount, goodwill and other long-lived assets that cannot be valued on their own are grouped into cash-generating units ["CGUs"], defined as the smallest group of assets generating cash inflows that are largely independent.

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is not amortized; the goodwill of each CGU is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. Goodwill impairment losses cannot be reversed in subsequent periods.

The carrying amounts of long-lived assets—property, plant and equipment and intangible assets—are reviewed at the end of each reporting period to assess whether there is any indication that an asset is impaired. Where such indication exists, the recoverable amount of the asset is estimated.

Impairment losses recognized in respect of property, plant and equipment or intangible assets may be subsequently reversed if there is an indication that previously recognised impairment losses no longer exist or have decreased. The value of the asset following the reversal of an impairment loss may not exceed the carrying amount that would have been determined if the impairment had not been recognized in prior periods, net of amortization.

An impairment loss, representing the difference between the carrying amount of a CGU or an asset and its recoverable amount, is recognized where the carrying amount of the CGU or the asset exceeds its recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. The Corporation has determined the recoverable amount using fair value less costs to sell for Electronics, Municipal, Energy and Industrial CGUs. Fair value less costs to sell is determined using valuation multiples on expected operating income before amortization, interest and income taxes.

The Corporation has set December 31 as its annual goodwill impairment test date starting December 31, 2021 [March 31 in previous years].

(m) Provisions

The Corporation records a provision when a present obligation [legal or constructive] to a third party exists as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation.

When the effect of the time value of money is material, provisions with maturities over twelve months are discounted. Accretion expense in respect of long-term provisions is recognized in net financial expenses.

Warranties

A provision for warranty cost is accounted for when the revenues from the sale of the related products are recognized. The provision is based on a number of factors, including the historical warranty claims rate, the type and duration of the warranty coverage and the nature of products sold.

Litigation

A provision for litigation is recognized in respect of legal actions or proceedings when it is probable that an outflow of resources will be required to settle the obligation.

Restructuring

Restructuring provisions are recognised only when the Corporation has an actual or a constructive obligation. The Corporation has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected a detailed estimate of the associated costs and an appropriate timeline. Furthermore, the affected employees or worker councils must have been notified of the plan's main features.

(n) Income taxes

The Corporation applies the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income (loss) in the period in which the rates are enacted or substantively enacted. Deferred tax assets are recognized only when their realization is deemed probable.

(o) Government assistance

Government assistance is recognized when there is a reasonable assurance that the assistance will be received, and that the Corporation will comply with all relevant conditions. Government assistance received by Ovivo consists of Research and Development credits, and government wage subsidies in response to COVID-19 pandemic, which are recorded as a reduction to the related salaries expense.

(p) Retirement benefits

The Corporation offers defined contribution and defined benefit pension plans to certain employees.

(i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized as operating expenses in the consolidated statements of income (loss) when the contributions become due.

(ii) Defined benefit pension plans

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Defined benefit pension plan costs, recognized in the consolidated statements of income (loss), mainly include the following:

- Service costs provided in exchange for employee services rendered during the period;
- Prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized;
- Curtailment or settlement gain or loss.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income (loss) as financial expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

Remeasurements of defined benefit plans are recognized immediately in accumulated deficit. Remeasurements comprise the following:

- Actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;
- The difference between actual return on plan assets and interest income on plan assets calculated as part of the interest on net defined benefit liability or asset;
- Changes in the net benefit asset limit or in the liability minimum funding requirement.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which depends primarily on the extent to which the Corporation can unilaterally reduce future contributions to the plan. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect the liability minimum funding requirement in a certain number of the Corporation's pension plans.

(q) Share-based compensation

Cash-settled share-based compensation

The Virtual stock appreciation rights ["VSAR"] and the Appreciation Share Units ["ASU"] are considered cash-settled share-based compensation. The fair value of each vesting tranche of VSAR and ASU is calculated using the Black-Scholes model, and remeasured at the end of each reporting period until maturity. The change in fair value thus determined is recognized as a share-based compensation expense over the VSAR and ASU vesting period specific to each tranche, with a corresponding entry recorded in accrued liabilities in the consolidated statement of financial position.

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In November 2016, the Board of Directors of the Corporation implemented, as part of the Short-Term Incentive Plan, virtual shares rights ["VSR"] for key employees. In 2020 the Board of Directors introduced new virtual share rights known as STIP Units, similar to VSR, using a different valuation formula. VSR and STIP Units are considered cash-settled share-based compensation. The fair value of each vesting tranche of VSR and STIP Units is remeasured at the end of each reporting period until maturity. The fair market value of the share right is calculated using valuation formulas approved by the Board of Directors. The change in fair value thus determined is recognized as a share-based compensation expense over the VSR and STIP Units vesting period specific to each tranche, with a corresponding entry recorded in accrued liabilities in the statement of financial position.

The VSAR, VSR and STIP Units were cancelled by the Board of Directors on May 18, 2021 and all the acquired outstanding rights were paid during the nine-month period ended as at December 31, 2021. In consideration of the payout and cancellation of the outstanding VSAR, the Corporation issued 2,030,000 ASU to those same participants and in the same proportion as the paid out and cancelled VSAR. The difference between the settlement amounts and the accrued liabilities was charged to net income.

(r) Borrowing costs

The Corporation's borrowing costs consist of interest on debt and are expensed through net income as incurred, provided they are not attributable to the acquisition or construction of a long-lived asset. In such cases, borrowing costs are capitalized as part of the cost of the asset.

(s) Leases

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Corporation is a lessee

The Corporation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Leases are recognized as a right-of-use asset and the corresponding lease liability at the date at which the leased asset is available for use by the Corporation. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

The lease liabilities are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payment of penalties for termination of a lease when the lease term reflects the lessee exercising a termination option. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is recorded in financing expense. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Leases expenses associated with short-term leases and leases of low-value assets are recognized as incurred in the consolidated statement of income.

After the commencement date, the amount of lease obligations is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease obligations is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

When the Corporation is the lessor

Assets subject to finance leases, are initially recognized at an amount equal to the net investment in the lease and are included in *Other assets*. Net investment in the lease is defined as the lease payments receivable by a lessor under a finance lease and unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Interest income is recognized over the term of the applicable leases based on the effective interest rate method.

Assets under operating leases, are included in *Property, plant and equipment*. Lease income from operating leases is recognized on a straight-line basis over the term of the lease and is included in Rental services.

(t) Use of estimates and judgment

The preparation of the Corporation's consolidated financial statements in accordance with IFRS requires management to exercise judgment in developing estimates and making forward-looking assumptions that affect the amounts reported in the consolidated financial statements. Actual income could differ due to significant adjustments to the reported amounts of assets, liabilities and income (loss) in subsequent periods.

The Corporation's most significant estimates and judgments consist of the following:

- Revenue recognition

  To determine the proper revenue recognition method for contracts, the Corporation evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract should be accounted for as more than one performance obligations. This evaluation requires significant judgement and the decision to combine a group of contracts or separate the contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

Revenues and margins from the sale of new equipment are recognized using the percentage-of-completion method of accounting. The calculation of expected costs in respect of new equipment sales contracts requires the use of estimates, such as total revenues expected from a given contract, as well as the assessment of total costs to be incurred to complete the contract. As a result, the percentage of completion of contract work is determined by dividing total costs incurred to date by total expected costs. Estimated revenues at completion are adjusted for changes in contract scope and claims and for variable considerations. Management estimates the variable consideration at the most likely amount to which it expects to be entitled. Management includes estimated amounts in the transaction price to the extend it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Management's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information that is reasonably available to the Corporation.

Estimated contract costs at completion incorporate forecasts for material usage and costs, labour hours and costs, foreign exchange rates and labour productivity. These costs are affected by the nature and complexity of the work to be performed, as well as potential delays in delivery. If it is probable that additional costs will be realized, they are included in estimated costs on completion. In such a case, project margins could be directly affected.

Management performs periodic reviews of estimated costs and revenues to completion on a contract-by-contract basis to review the reasonableness of its estimates, particularly in establishing total expected costs and the amount of revenues recognized based on the percentage of work completed. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

- Asset impairment

To determine the recoverable amount, goodwill and other long-lived assets that cannot be valued on their own are grouped into CGUs, defined as the smallest group of assets generating cash inflows that are largely independent. An impairment loss, representing the difference between the carrying amount of a CGU or an asset and its recoverable amount, is recognized where the carrying amount of the CGU or the asset exceeds its recoverable amount. The recoverable amount of a CGU is the greater of value in use and fair value less costs to sell.

The Corporation has determined the recoverable amount using fair value less costs to sell for Electronics, Municipal, Energy and Industrial CGUs.

When the recoverable amount is calculated using the fair value less costs to sell, the Corporation applies valuation multiples on expected operating income before amortization, interest and income taxes. In this regard, management established projections for the year ending December 31, 2022, which were approved by the Board of Directors. The projections were prepared based on both historical data, existing backlog, expected booking of new orders and future trends anticipated by the Corporation. A valuation multiple was then applied to the projections to determine the recoverable amount. Valuation multiples are determined based on comparable market data, each CGU's specific risk exposures, the CGU's historical data and future trends as anticipated by the Corporation.

When the recoverable amount is calculated using the value in use, the Corporation prepares future discounted cash-flows which are derived from projections for the next five years. The recoverable amount is sensitive to key assumptions regarding the discount rate and growth rate used for extrapolation purposes.

The main assumptions used in determining the recoverable amounts of the CGUs, as well as the sensitivity analyses, are disclosed in note 12 Goodwill..

3. Business acquisition

Acquisition of Alar Water Treatment

On November 20, 2020, the Corporation acquired substantially all of the assets and assumed the liabilities of Alar Water Treatment LLC ["Alar"]. This acquisition form part of the Corporation's global strategic objective to build an industrial water and waste water treatment business in North America.

Fair value of identifiable assets acquired, and liabilities assumed

The fair value of the identifiable assets and liabilities as of November 20, 2020, the date of acquisition, was:

	As presented $	Adjustments $	As adjusted $
Assets acquired			
Trade and other receivables	1,859	—	1,859
Inventories	1,846	—	1,846
Contract assets	1,579	—	1,579
Prepaid expenses	63	—	63
Income taxes receivable	3	(3)	—
Property, plant and equipment	4,277	—	4,277
Trademarks	—	3,481	3,481
Customer Relationship	—	11,486	11,486
Backlog	—	378	378
Total assets	**9,627**	**15,342**	**24,969**
Liabilities assumed			
Accounts payable and accrued liabilities	2,903	1	2,904
Contract liabilities	111	—	111
Total liabilities	3,014	1	3,015
Total identifiable net assets at fair value	6,613	15,341	21,954
Goodwill arising on acquisition	26,109	(15,306)	10,803
Purchase consideration	**32,722**	**35**	**32,757**
Comprised as follows:			
Cash payment at closing	30,509	—	30,509
Purchase price adjustment receivable	(247)	—	(247)
Contingent earnout paid on March 15, 2021	780	—	780
Contingent earnout payable on March 15, 2022	1,680	35	1,715
	32,722	35	32,757

The purchase price allocation was completed during the nine-month period ended December 31, 2021 resulting in the recognition of trademarks, customer relationship and backlog. The goodwill of $10.8 million comprises the value of synergies and assembled workforce arising from the acquisition. Goodwill is allocated entirely to the Industrial CGU.

From the date of acquisition, Alar contributed $6,775 of revenue and $457 to the Corporation's income before income taxes related to continuing operations for the twelve-month period ended March 31, 2021.

Analysis of cash flows on acquisition:

	$
Transaction costs of the acquisition [included in cash flows from operating activities]	(274)
Cash consideration transferred [included in cash-flow from investing activities]	(31,289)
Net cash flow on acquisition	**(31,563)**

Contingent earnout payments

As part of the purchase agreement with the previous owners of Alar, contingent earnout payments of up to US$2,000 ($2,562) could be made to previous owners of Alar if the revenues and bookings for calendar 2020 and 2021 equal or exceed the targeted levels established for the two respective years.

During the twelve-month period ended March 31, 2021, an amount of $780 has been paid to the previous owners of Alar as contingent earnout for 2020. As at December 31, 2021, the fair value of the remaining contingent earnout payment was estimated to be $1,782 *[note 17]*.

4. Business disposals

Sale of Ovivo Australia Pty Limited and of A.C.N. 066 909 591 Pty Ltd

On June 30, 2020, the Corporation disposed of its Australian business to Tasman Environmental Services Pty Ltd ["Tasman"] with a balance of sale due and owing by Tasman of AUD$600 ($564) over five years, noninterest bearing [discounted amount of $420 as at sale date]. Ovivo Australia constituted a component of the "Energy" division in the Corporation's consolidated financial statements. As a result of the sale of its Australian business, the Corporation recorded a net gain of $1,709 during the twelve-month period ended March 31, 2021.

Sale of WaterExpert System and the CRM System

On January 28, 2021, the Corporation disposed of the WaterExpert and CRM platforms to inCTRL Solutions Corp., the USA subsidiary of inCTRL Solutions Inc. [67.74% owned by SKion] for US$2,361 ($2,989). As a result of this sale the Corporation recorded a net gain of $2,989 during the twelve-month period ended March 31, 2021.

Discontinued Operations

The results of Ovivo Australia Pty Limited and of the WaterExpert and CRM platforms for the comparative figures are reported under discontinued operations.

At the end of the fiscal year 2015, the Corporation announced that it was taking actions to divest of its other non-core businesses. On September 30, 2015, the Corporation disposed of its North Africa division and on December 14, 2015, it announced the completion of the sale of its South Africa Division. The results for the nine-month period ended December 31, 2021 and the twelve-month period ended March 31, 2021 of these divisions for which the Corporation maintains the responsibility for certain projects are also reported under discontinued operations.

The following table shows the results of discontinued operations:

	Nine-month period ended December 31, 2021	Twelve-month period ended March 31, 2021
	$	$
Revenues	**775**	2,881
Expenses	**1,956**	5,113
Loss related to discontinued operations	**(1,181)**	(2,232)

5. Trade and other receivables

	December 31, 2021	March 31, 2021
	$	$
Trade	**96,077**	80,307
Holdbacks on contracts	**12,665**	10,259
Current portion of balance of sale receivable *[note 15]*	**579**	566
Sales tax receivable	**3,818**	4,213
Other	**7,650**	8,165
	120,789	103,510

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6. Contract balances

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

	December 31, 2021 $	March 31, 2021 $
Receivables [composed of trade receivable and holdbacks on contract, included in "Trade and other receivable"]	**108,742**	90,566
Contract assets	**140,740**	104,515
Contract liabilities	**149,381**	82,567
Set out below is the revenue recognised in the period from:		
Amounts included in contract liability at the beginning of the period	**48,978**	60,139

The Corporation receives payments from customers based on a billing schedule, as established in our contracts, which generally reflects progress in contracts. Contract asset relates to the Corporation's conditional right to consideration for the completed performance under the contracts. Accounts receivable are recognized when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as [or when] the Corporation performs under the contract.

Significant changes in the contract assets and the contract liabilities balances during the period were as follows:

	Contract assets $	Contract liabilities $
Balance as at March 31, 2021	**104,515**	**82,567**
Increases due to cash received in excess of revenue recognized during the period	**n.a.**	**112,382**
Revenue recognized that was included in contract liability at the beginning of the period	**n.a.**	**(48,978)**
Increases as a result of changes in the measure of progress	**238,052**	**n.a.**
Transfers from contract assets to receivables	**(205,320)**	**n.a.**
Others	**167**	**(425)**
Translation adjustment	**3,326**	**3,835**
Balance as at December 31, 2021	**140,740**	**149,381**

	Contract assets	Contract liabilities
	$	$
Balance as at March 31, 2020	86,232	69,366
Revenue recognized that was included in contract liability at the beginning of the period	n.a.	(60,139)
Increases due to cash received in excess of revenue recognized during the period	n.a.	82,620
Transfers from contract assets to receivables	(230,096)	n.a.
Increases as a result of changes in the measure of progress	254,772	n.a.
Others	(161)	(5,280)
Translation adjustment	(6,232)	(4,000)
Balance as at March 31, 2021	104,515	82,567

7. Financial instruments

As at December 31, 2021 and March 31, 2021, the fair values and carrying amounts of financial instruments and derivative financial instruments were as follows:

	December 31, 2021		March 31, 2021	
	Fair value	Carrying amount	Fair value	Carrying amount
	$	$	$	$
Financial assets at fair value through profit and loss				
Cash and cash equivalents	**79,404**	**79,404**	48,975	48,975
Derivatives	**987**	**987**	367	367
Loan receivable	**—**	**—**	13,591	13,591
Financial assets at amortized cost				
Trade receivables and other receivables	**120,789**	**120,789**	102,944	102,944
Balance of sale receivable	**863**	**863**	1,302	1,302
Financial liabilities at fair value through profit or loss				
Derivatives	**1,666**	**1,666**	1,359	1,359
Contingent consideration payable	**1,782**	**1,782**	1,662	1,662
Loans and borrowings at amortized cost				
Accounts payable and accrued liabilities	**132,193**	**132,193**	114,135	114,135
Loan payable to shareholder	**—**	**—**	5,661	5,661
Long-term debt	**25,315**	**25,020**	38,975	39,609

The fair value of financial assets and liabilities reflects the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in the context of a forced sale or liquidation. The following methods and assumptions were used to estimate the instruments' fair values:

(i) Financial assets at fair value through profit and loss: Fair values of financial assets approximate their carrying amounts due to their short-term maturities and high liquidity.

(ii) Financial assets at amortized cost: The fair values of trade and other receivables approximate their carrying amounts due to their short-term maturities. To estimate the fair value of balances of sale receivable, the Corporation uses discounted cash flows based on market data for interest rates.

(iii) Financial liabilities at fair value through profit and loss: The fair value of the contingent consideration payable is revalued at each reporting period based on management's best estimate using the discounted cash flow method.

(iv) Loans and borrowing at amortized costs: The fair values of accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturities. The fair value of fixed-rate debts is determined using the discounted cash flow method. The discount rates used reflect the prevailing market rates that would be available to the Corporation at the reporting date for loans with similar terms and conditions.

The fair values of financial instruments and derivative financial instruments are measured using the following hierarchy:

Level	Description	Applied to
Level 1	Quoted prices (unadjusted) in active markets for identical assets and liabilities	Currently not applicable
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]	Trade receivables and other receivables, balance of sale receivable, accounts payable and accrued liabilities, and long-term debt
Level 3	Inputs for the asset or liability that are not based on observable market data	Derivatives and contingent consideration payable

Derivative financial instruments are used to manage the Corporation's exposure to foreign exchange risk, interest rate risk and equity price risk in connection with stock-based compensation. The Corporation does not hold or issue derivative financial instruments for speculative purposes.

The fair values of these derivative financial instruments were detailed as follows:

	December 31, 2021	March 31, 2021
	$	$
Derivative financial assets:		
Foreign exchange contracts	**604**	90
Embedded derivatives in contracts	**383**	277
	987	367
Current portion	**985**	342
Non-current portion [presented under *Other assets*] *[note 15]*	**2**	25
Derivative financial liabilities:		
Foreign exchange contracts	**1,489**	1,157
Embedded derivatives in contracts	**177**	202
	1,666	1,359
Current portion	**1,655**	1,331
Non-current portion [presented under *Other liabilities*] *[note 21]*	**11**	28

The following methods and assumptions were used to estimate fair values of derivative instruments:

(i) Foreign exchange contracts: estimated using period-end market rates, and reflect the amount the Corporation would receive or pay if the instruments were closed out at the reporting date.

(ii) Embedded derivatives in contracts: fair value determined by multiplying the change in the foreign exchange forward rate stipulated the original contract relative to the new foreign exchange forward rate at period-end, based on the expected remaining billing period with the contract's corresponding portion to be billed. A $132 gain [a loss of $442 for the twelve-month period ended March 31, 2021] is reported under *Loss (gain) related to derivative financial instruments* in the consolidated statement of income.

The Corporation does not apply hedge accounting to its foreign exchange contracts; instead, it recognizes these arrangements at fair value. This accounting policy gives rise to unrealized gain and losses that can cause some volatility in the Corporation's consolidated statement of income. Refer to note 32 *Financial risk management*.

8. Inventories

	December 31, 2021	March 31, 2021
	$	$
Raw materials	**7,961**	6,861
Finished goods	**16,204**	15,700
	24,165	22,561

For the nine-month period ended December 31, 2021 and the twelve-month period ended March 31, 2021, the cost of raw materials and finished goods charged to costs of contracts and goods sold amounted to $234,467 and $285,067, respectively.

For the nine-month period ended December 31, 2021 and the twelve-month period ended March 31, 2021, the Corporation recognized increases in the valuation allowance through costs of goods sold amounting to $27 and $22, respectively. A $385 reversal in the valuation allowance was recognized [$83 for the twelve-month period ended March 31, 2021] through costs of goods sold to reflect periodic remeasurements of inventories.

9. Property, plant and equipment

	Balance as at March 31, 2021 $	Additions $	Disposals $	Reclassification [2] $	Translation adjustment $	Balance as at December 31, 2021 $
Costs						
Land	1,209	—	—	—	19	1,228
Buildings	10,136	3,131	—	51	36	13,354
Equipment	27,458	10,050	(705)	284	426	37,513
Leasehold improvements	3,153	66	—	—	110	3,329
	41,956	13,247	(705)	335	591	55,424

	Balance as at March 31, 2021 $	Amortization $	Impairment reversal [1]	Disposals $	Reclassification[2]	Translation adjustment $	Balance as at December 31, 2021 $
Accumulated amortization							
Buildings	1,500	346	—	—	—	(11)	1,835
Equipment	17,817	2,084	(211)	(428)	(44)	166	19,384
Leasehold improvements	950	220	—	—	—	42	1,212
	20,267	2,650	(211)	(428)	(44)	197	22,431
Net carrying amount	21,689						32,993

(1) During the nine-month period ended December 31, 2021, the Corporation reversed a previously recognized impairment charge in the amount of $211 due to the sale of previously impaired fixed assets.

(2) During the nine-month period ended December 31, 2021, assets previously reclassified to assets held for sale were transferred to other Ovivo entities and therefore transferred back to Property, plant and equipment for an amount of $410 *[note 16]*. Assets amounting to $31 were transferred to Intangible assets *[note 11]*.

	Balance as at March 31, 2020	Additions	Business acquisition *[note 4]*	Disposals	Reclassification [2]	Translation adjustment	Balance as at March 31, 2021
	$	$	$	$		$	$
Costs							
Land	1,625	—	652	—	(883)	(185)	1,209
Buildings	8,468	70	3,520	—	(1,060)	(862)	10,136
Equipment	35,834	3,190	105	(4,700)	(4,878)	(2,093)	27,458
Leasehold improvements	3,004	462	—	(34)	—	(279)	3,153
	48,931	3,722	4,277	(4,734)	(6,821)	(3,419)	41,956

	Balance as at March 31, 2020	Amortization	Impairment, net of reversal [1]	Disposals	Reclassification[2]	Translation adjustment	Balance as at March 31, 2021
	$	$		$		$	$
Accumulated amortization							
Buildings	1,295	396	—	—	(106)	(85)	1,500
Equipment	20,505	3,233	628	(3,325)	(2,331)	(893)	17,817
Leasehold improvements	715	375	—	(34)	—	(106)	950
	22,515	4,004	628	(3,359)	(2,437)	(1,084)	20,267
Net carrying amount	26,416						21,689

(1) During the twelve-month period ended March 31, 2021, the Corporation reversed a previously recognized impairment charge in the amount of $941 due to the sale of previously impaired fixed assets and recognized an impairment charge on assets held for sale in the amount of $1,569.

(2) Reclassified to assets held for sale *[note 16]*.

10. Leases

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Balance as at March 31, 2021	Additions	Depreciation	Translation adjustment	Balance as at December 31, 2021
	$	$	$	$	$
Buildings	21,747	5,266	(3,329)	368	24,052
Automotive equipment	1,706	330	(380)	(27)	1,629
Other fixed assets	246	69	(86)	3	232
	23,699	5,665	(3,795)	344	25,913

Notes to consolidated financial statements

Nine-month period ended December 31, 2021 and twelve-month period ended March 31, 2021

	Balance as at March 31, 2020 $	Additions $	Depreciation $	Translation adjustment $	Balance as at March 31, 2021 $
Buildings	23,346	4,306	(4,412)	(1,493)	21,747
Automotive equipment	1,076	1,179	(471)	(78)	1,706
Other fixed assets	315	42	(74)	(37)	246
	24,737	5,527	(4,957)	(1,608)	23,699

Set out below are the carrying amounts of lease liabilities and the movements during the periods ended December 31, 2021 and March 31, 2021:

	December 31, 2021 $	March 31, 2021 $
Beginning balance	24,562	25,305
Additions	5,621	5,463
Repayment of lease liabilities	(3,590)	(4,556)
Translation adjustment	354	(1,650)
Ending balance	26,947	24,562
Current portion	4,739	4,260
Non-current portion	22,208	20,302

The maturity analysis of lease liabilities is disclosed in note 32 – *Financial risk management.*

The following are the amounts recognized in profit and loss:

	December 31, 2021 $	March 31, 2021 $
Expense related to short-term leases	93	144
Expense related to leases of low-value assets	26	62
Variable lease payments	225	289
Depreciation expense of right-of-use assets	3,795	4,957
Interest expense on lease liabilities	494	717

11. Intangible assets

	Balance as at March 31, 2021	Additions	Business acquisition *[note 3]*	Reclassifi-cations	Translation adjustment	Balance as at December 31, 2021
	$	$	$	$	$	$
Costs						
Technologies	47,498	326	—	—	38	47,862
Development costs	14,932	4,204	—	(401)	376	19,111
Trademarks	41,833	—	3,481	—	(753)	44,561
Client relationships	31,078	—	11,486	—	(1,335)	41,229
Backlog	1,974	—	378	—	31	2,383
Acquired software	2,143	29	—	31	3	2,206
Internally developed software	1,129	—	—	401	1	1,531
	140,587	4,559	15,345	31	(1,639)	158,883

	Balance as at March 31, 2021	Amortization	Translation adjustment	Balance as at December 31, 2021
	$	$	$	$
Accumulated amortization				
Technologies	37,228	1,208	19	38,455
Development costs	8,986	(872)	110	8,224
Trademarks	35,601	1,250	(690)	36,161
Client relationships	24,638	1,673	(1,146)	25,165
Backlog	1,974	243	43	2,260
Acquired software	2,067	52	6	2,125
Internally developed software	1,129	—	1	1,130
	111,623	3,554	(1,657)	113,520
Net carrying amount	28,964			45,363

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	Balance as at March 31, 2020	Additions	Business disposal *[note 4]*	Disposals	Translation adjustment	Balance as at March 31, 2021
	$	$	$	$	$	$
Costs						
Technologies	47,354	1,157	—	(292)	(721)	47,498
Development costs	12,445	3,487	—	—	(1,000)	14,932
Trademarks	43,925	—	—	—	(2,092)	41,833
Client relationships	32,574	—	—	—	(1,496)	31,078
Backlog	2,196	—	—	—	(222)	1,974
Acquired software	2,284	33	(91)	—	(83)	2,143
Internally developed software	1,171	—	—	—	(42)	1,129
	141,949	4,677	(91)	(292)	(5,656)	140,587

	Balance as at March 31, 2020	Amortization	Business disposal *[note 4]*	Disposals	Translation adjustment	Balance as at March 31, 2021
	$	$	$	$	$	$
Accumulated amortization						
Technologies	36,380	1,550	—	(292)	(410)	37,228
Development costs	7,765	1,702	—	—	(481)	8,986
Trademarks	35,745	1,435	—	—	(1,579)	35,601
Client relationships	24,229	1,309	—	—	(900)	24,638
Backlog	1,464	711	—	—	(201)	1,974
Acquired software	2,152	80	(90)	—	(75)	2,067
Internally developed software	1,171	—	—	—	(42)	1,129
	108,906	6,787	(90)	(292)	(3,688)	111,623
Net carrying amount	33,043					28,964

12. Goodwill

Goodwill is allocated to the Corporation's core CGUs, namely Electronics, Municipal and Industrial.

	Balance as at March 31, 2021	Business Acquisitions *[note 3]*	Translation adjustment	Balance as at December 31, 2021
	$	$	$	$
Ovivo				
Electronics	**20,748**	**—**	**(278)**	**20,470**
Municipal	**22,632**	**—**	**427**	**23,059**
Industrial	**25,182**	**(15,306)**	**747**	**10,623**
Total	**68,562**	**(15,306)**	**896**	**54,152**

	Balance as at March 31, 2020	Business Acquisitions *[note 3]*	Translation adjustment	Balance as at March 31, 2021
	$	$	$	$
Ovivo				
Electronics	21,898	—	(1,150)	20,748
Municipal	25,135	—	(2,503)	22,632
Industrial	—	26,109	(927)	25,182
Total	47,033	26,109	(4,580)	68,562

The Corporation completed its annual goodwill impairment testing for the Electronics, Municipal and Industrial CGUs as at December 31, 2021. The recoverable amounts of these CGUs were determined using fair value less costs to sell. The fair value was measured by the Corporation by applying valuation multiples on expected earnings before amortization, interest and income taxes. In this regard, management established cash flow projections for next twelve months, which were approved by the Corporation's Board of Directors. The projections were prepared based on both historical data, existing backlog, expected booking of new contracts and future trends anticipated by the Corporation. A valuation multiple was then applied to the projections to determine the recoverable amount. Valuation multiples were determined based on comparable market data, risk exposures specific to CGUs, historical data and future trends as anticipated by the Corporation.

Cash-generating unit	Valuation multiple	Observed range
Electronics	12.3	10.2 to 16.8
Municipal	12.3	10.2 to 16.8
Industrial	12.3	10.2 to 16.8

Following this analysis, management concluded that the recoverable amount of the Electronic, Municipal and Industrial CGUs exceeded their carrying amount and that no impairment charge was required.

The use of an assumption of the lower end of the valuation multiple range or a 5% reduction in expected earnings before amortization, interest and income taxes would not have resulted in the recognition of an impairment charge.

13. Income taxes

Total income tax expense for the nine-month period ended December 31, 2021 and the twelve-month period ended March 31, 2021 is detailed as follows:

	December 31, 2021	March 31, 2021
	$	$
Current income tax expense		
Current income tax expense	**4,317**	6,085
Adjustment to prior-year income taxes recorded during the period	**(311)**	10
Deferred income tax expense		
Deferred tax expense (benefit) related to the origination and reversal of temporary differences	**(404)**	(706)
	3,602	5,389
Income taxes related to continuing operations	**3,602**	5,389

The statutory tax rate in Canada for a corporation with a permanent establishment in Québec [the "Canadian statutory rate"] was 26.5% for the periods ended December 31, 2021 and March 31, 2021.

The following table reconciles income taxes computed at the Canadian statutory tax rate and the total income tax expense for the periods ended December 31, 2021 and March 31, 2021.

	December 31, 2021	March 31, 2021
	$	$
Income taxes computed at the Canadian statutory tax rate	**3,067**	2,276
Impact of loss related to discontinued operations	**(313)**	(591)
Impact of foreign tax rate differences	**(608)**	(2,080)
	2,146	(395)
Increase (decrease) resulting from:		
Permanent differences	**(2,690)**	(175)
Unrecognized tax savings resulting from losses and temporary differences	**3,291**	4,917
Minimum tax and other tax adjustments	**917**	1,392
Impact of tax rate decrease	**(49)**	(348)
Other	**(13)**	(2)
	1,456	5,784
Income taxes	**3,602**	5,389
Income taxes related to discontinued operations	**—**	—
Income taxes related to continuing operations	**3,602**	5,389

The significant items comprising deferred tax assets and liabilities as at December 31, 2021 and March 31, 2021 and the tax effects on the deferred income tax expense for the periods then ended are as follows:

	Deferred tax assets and liabilities		Deferred tax expense	
	December 31, 2021	March 31, 2021	December 31, 2021	March 31, 2021
	$	$	$	$
Loss carryforwards	**6,976**	**6,424**	**(552)**	**1,432**
Compensation obligations	**1,537**	**1,697**	**160**	**(101)**
Property, plant and equipment	**(2,482)**	**(1,744)**	**739**	**(813)**
Intangible assets	**(9,315)**	**(9,432)**	**(117)**	**1,949**
Other	**(2,643)**	**(3,423)**	**(634)**	**(3,173)**
Deferred income tax expense	**n.a.**	**n.a.**	**(404)**	**(706)**
Net deferred tax liabilities	**(5,927)**	**(6,478)**	**n.a.**	**n.a.**
Deferred tax assets	**2,907**	**1,783**	**n.a.**	**n.a.**
Deferred tax liabilities	**(8,834)**	**(8,261)**	**n.a.**	**n.a.**
Net deferred tax liabilities	**(5,927)**	**(6,478)**	**n.a.**	**n.a.**

The following table shows the reconciliation of net deferred tax liabilities for the periods ended December 31, 2021 and March 31, 2021:

	December 31, 2021	March 31, 2021
	$	$
Balance, beginning of year	**(6,478)**	(7,309)
Through net income (loss)	**404**	706
Item impacting the Other Comprehensive Income	**99**	(117)
Other	**48**	242
Net balance, end of year	**(5,927)**	(6,478)

As at December 31, 2021, the Corporation had operating loss carryforwards for tax purposes of $177,561 that were available to reduce future taxable income, of which $18,389 expires from 2022 to 2041 and the balance of $159,172 can be carried forward indefinitely. Of these losses, a total of $26,523 was used to reduce taxable temporary differences. The Corporation also had $21,122 in capital losses that can be carried forward indefinitely.

Apart from these tax loss carryforwards, the Corporation has not recorded deferred tax assets in respect of certain temporary differences, for a total of $92,523.

The Corporation has unrecognized deferred tax liabilities in respect of the retained earnings of its subsidiaries in current and prior years, as it does not currently expect to dispose of or repatriate funds from these investments in the foreseeable future. The total amount of taxable temporary differences for which no deferred tax liability was recognized amounted to approximately $3,111.

14. Loan receivable and loan payable to shareholder

On December 31, 2020, the Corporation entered into an agreement with SKion to purchase a third-party loan and the accrued interest receivable from Think Water Partners LLC ["TWP"] for a total amount of US$9,103 ($11,443) ["Loan Receivable"]. The Loan Receivable, for a maximum amount of US$10,000 ($12,571), was bearing an annual interest of 12% and was payable at maturity on July 2, 2022.

On the transaction date, an amount of US$8,600 ($10,811) was drawn down by TWP. On March 22, 2021, a second tranche amounting to US$1,400 ($1,760) was drawn down by TWP. The loan receivable and the accrued interest were repaid in full by TWP on December 7, 2021.

A first installment of US$4,600 ($5,783) was paid to SKion on December 31, 2020 upon the assignment of the sold receivables. The second installment of US$4,503 ($5,673) was repaid in full on December 10, 2021.

15. Other assets

	December 31, 2021	March 31, 2021
	$	$
Derivative financial assets *[note 7]*	**2**	25
Balance of sale receivable *[note 4]*	**284**	736
Investment[1]	**1,479**	1,479
Financing costs	**288**	359
Other	**31**	91
	2,084	2,690

[1] On April 16, 2018, the Corporation took a participation in Norse Star Holding ApS for 16.7%, which is the majority shareholder of Cembrane A/S. The Corporation indirectly owns 9.5% of Cembrane. Cembrane is headquartered in Denmark.

The balance of sale receivable is related to the disposition of Ovivo entities *[note 4]*. The due dates for balance of sale receivable are as follows: 2023: $134; 2024: $97; 2025: $53. The balances of sale receivable bear interest at rate of 12%.

16. Assets held for sale

On March 25, 2021, the Corporation announced the closing of its FilterBoxx USA's rental business on June 30, 2021.The assets held for sale representing property, plant and equipment of FilterBoxx USA, were transferred from property, plant and equipment to assets held for sale during the twelve-month period ended March 31, 2021, at the lower of their carrying amount and fair value less costs to sell. The assets accounted for under assets held for sale as at December 31, 2021 were disposed of as of January 7, 2022.

	Balance as at March 31, 2021	Impairment[1]	Reclassifications[2]	Disposals	Translation adjustment	Balance as at December 31, 2021
	$	$	$	$	$	$
Assets held for sale	4,384	(966)	(410)	(1,575)	31	1,464

(1) During the nine-month period ended December 31, 2021 an impairment charge was recognized to reduce the carrying amount of the remaining assets held for sale to its related fair value less costs to sell.

(2) During the nine-month period ended December 31, 2021, assets previously reclassified to assets held for sale have been transferred to other Ovivo entities and therefore transferred back to Property, plant and equipment for an amount of $410 *[note 9]*.

17. Accounts payable and accrued liabilities

	December 31, 2021	March 31, 2021
	$	$
Accounts payable	**76,347**	65,112
Accrued liabilities	**50,716**	43,850
Contingent earnout payable *[note 3]*	**1,782**	1,662
Other	**3,348**	3,511
	132,193	114,135

18. Provisions

	Provisions for contracts $	Other $	Total $
Balance as at March 31, 2021	**27,572**	**1,869**	**29,441**
Increases	**9,568**	**568**	**10,136**
Utilization	**(6,459)**	**(995)**	**(7,454)**
Reversals	**(2,416)**	**(466)**	**(2,882)**
Effect of changes in exchange rates	**635**	**(14)**	**621**
Balance as at December 31, 2021	**28,900**	**962**	**29,862**
Current portion	**17,423**	**788**	**18,211**
Non-current portion	**11,477**	**174**	**11,651**

	Provisions for contracts $	Other $	Total $
Balance as at March 31, 2020	23,601	3,114	26,715
Increases	14,998	708	15,706
Utilization	(8,562)	(1,838)	(10,400)
Reversals	(1,333)	—	(1,333)
Effect of changes in exchange rates	(1,132)	(115)	(1,247)
Balance as at March 31, 2021	27,572	1,869	29,441
Current portion	16,720	1,706	18,426
Non-current portion	10,852	163	11,015

Provisions for contracts represent the estimated warranty costs for contracts in progress and completed, as well as certain expected losses on contracts in progress. The "Other" category represents provisions for restructuring costs as well as pending claims and litigation.

19. Retirement benefits

The Corporation offers defined contribution pension plans for certain subsidiaries. Plan costs, which are expensed as incurred, amounted to $638 for the nine-month period ended December 31, 2021 [$815 for the twelve-month period ended March 31, 2021].

The Corporation maintains three defined benefit pension plans: one in the United Kingdom that is based on the average of the best three consecutive years' compensation in the last ten years, one in Switzerland that provides a lump-sum payment on retirement based on final salary and one in Austria that provides for guaranteed conversion of accrued capital to an annuity on retirement, the Austrian plan being unfunded.

The UK Defined Benefit Pension Scheme provides retirement and death benefits for members and their dependants. The Scheme, which is legally and financially separate from the employer, is constituted by a trust deed. Under applicable pension legislation, the plan administrator is a pension committee. Plan administrators are responsible for the management of plan assets and the establishment of investment policies which define investment objectives, target asset allocation, risk mitigation strategies and other elements required by pension legislation. The Scheme is registered with Her Majesty's Revenue and Customs under Chapter 2 of the *Finance Act 2004* and members of the Scheme were contracted out of the earnings-related part of the UK State pension arrangements. It is a defined benefit scheme, which means that the benefits payable to members are calculated on a pre-determined basis specified in the Scheme Rules. The Scheme was closed to new entrants effective March 31, 2003 and closed to the future accrual of benefits effective March 31, 2012. Actuarial valuations are required at least every three years, and the effective date of the most recent actuarial valuation was April 1, 2020.

The Swiss Defined Benefit Pension Scheme provides retirement, disability and death benefits for members and their dependants. All benefits in accordance with the regulations are reinsured in their entirety with AXA Stiftung Berufliche Vorsorge, Winterthur, Switzerland within the framework of the corresponding contract. The technical administration and management of the savings are guaranteed by AXA on behalf of the collective foundation. Insurance benefits due are paid directly to the entitled persons by AXA in the name of and for the account of the collective foundation. Ovivo Switzerland AG has committed itself to pay the annual contributions and costs due under the pension fund regulations. For this pension plan, given that the plan is insured, it is not necessary to produce an actuarial valuation.

The risk exposures of the Corporation's pension plans are as follows:

Investment risk

Investment risk is the risk that results from fluctuations in the value of the various plan investments. This risk is managed by maintaining diversification of portfolios across regions, sectors and investment strategies.

Interest rate risk

Interest rate risk is the risk that results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligation. This is accomplished by having a portion of the portfolio invested in long-term bonds and interest rate hedging overlay portfolios.

Inflation risk

Inflation risk is the risk that benefits indexed to inflation increase significantly as a result of changes in inflation rates. To manage this risk, the Corporation has capped the benefit indexation in certain plans and invested a portion of plan assets in real return asset securities and real return bonds.

Longevity risk

Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality tables to set the level of contributions.

Liquidity risk

Liquidity risk is the risk stemming from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investment in government bonds and equity futures.

The total amount paid in cash for employee future benefits contributed by the Corporation under its funded and unfunded pension plans was $1,060 for the nine-month period ended December 31, 2021 [$1,180 for the twelve-month period ended as at March 31, 2021].

The following table reconciles changes in defined benefit obligations and the fair value of plan assets for the periods ended December 31, 2021 and March 31, 2021, which are the measurement dates, and the funded status on those dates:

	Nine-months period ended December 31, 2021	Twelve-months period ended March 31, 2021
Changes in defined benefit obligations	$	$
Defined benefit obligations, end of prior year	**54,149**	56,216
Service cost	**689**	919
Interest	**606**	789
Cash flows		
Benefits paid to members	**(584)**	(4,255)
Settlement payments from plan assets	**—**	(1,068)
Insurance premiums for risk benefits	**(114)**	(268)
Member contributions	**575**	541
Remeasurements of benefit liabilities		
Effect of changes in demographic assumptions	**—**	(2,671)
Effect of changes in financial assumptions	**4,321**	3,934
Effect of changes in experience adjustments	**626**	2,054
Effect of changes in exchange rates	**596**	(2,042)
Defined benefit obligations, end of year	**60,864**	54,149

Changes in fair value of plan assets	Nine-months period ended December 31, 2021 $	Twelve-months period ended March 31, 2021 $
Fair value of plan assets, end of prior year	**32,840**	35,517
Interest income	**332**	445
Cash flows		
Total employer contributions		
Employer contributions	**1,060**	1,180
Employer direct benefit payments		—
Settlement payments from plan assets	**—**	(1,068)
Member contributions	**575**	541
Benefits paid to members	**(584)**	(4,255)
Benefits paid by the employer	**—**	—
Insurance premiums for risk benefits	**(114)**	(268)
Administrative expenses paid from plan assets	**(25)**	(53)
Remeasurements		
Return on plan assets [excluding amounts included in calculating net interest]	**1,588**	2,346
Effect of changes in exchange rates	**531**	(1,545)
Fair value of plan assets, end of year	**36,203**	32,840

Amounts recognized in the financial statements under pension benefit liabilities *Fully and partially funded plans and unfunded plans*	Nine-months period ended December 31, 2021 $	Twelve-months period ended March 31, 2021 $
Defined benefit obligations, end of year	**60,864**	54,149
Fair value of plan assets, end of year	**36,203**	32,840
Net amount recognized	**24,661**	21,309

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Plan assets consist of the following:

	As at December 31, 2021		As at March 31, 2021	
	Quoted	Non-quoted	Quoted	Non-quoted
	%	%	%	%
Cash and cash equivalents	**0.41**	**—**	0.56	—
Equity instruments	**3.10**	**—**	2.93	—
Debt securities	**9.34**	**—**	4.61	—
Investment funds	**42.04**	**—**	48.34	—
Assets held by insurance companies	**—**	**45.11**	—	43.56
Other	**—**	**—**	—	—
Total	**54.89**	**45.11**	56.44	43.56

Components of defined benefit pension costs are detailed as follows:

	Nine-month period ended December 31, 2021	Twelve-month period ended March 31, 2021
	$	$
Service cost	**689**	919
Net interest income		
Interest on defined benefit obligation	**606**	789
Interest income from plan assets	**(332)**	(445)
Total net interest expense	**274**	344
Administrative expenses	**25**	53
Defined benefit pension costs reported in the consolidated statement of income (loss)	**988**	1,316
Remeasurements [recognized in the consolidated statement of comprehensive income]		
Effect of changes in demographic assumptions	**—**	(2,671)
Effect of changes in financial assumptions	**4,321**	3,934
Effect of changes in experience adjustments	**626**	2,054
Return on plan assets (excluding interest income)	**(1,588)**	(2,346)
Total remeasurements included in accumulated deficit	**3,359**	971
Total defined benefit pension costs	**4,347**	2,287

Actual return on plan assets amounted to a gain of $1,920 for the nine-month period ended December 31, 2021 [gain of $2,791 for the twelve-month period ended March 31, 2021].

The changes in the cumulative amount of remeasurements of net pension benefit liabilities accounted for in equity were as follows for the periods ended December 31, 2021 and March 31, 2021:

	Nine-months ended December 31, 2021 $	Twelve-month ended March 31, 2021 $
Remeasurements of net liabilities accounted for in equity, beginning of period	**13,728**	**13,163**
Remeasurements of net liabilities	**3,359**	**971**
Tax expense (recovery)	**(99)**	**117**
Effect of changes in exchange rates	**140**	**(523)**
Actuarial losses accounted for in equity, end of period	**17,128**	**13,728**

The weighted average assumptions used to determine the Corporation's defined benefit obligations and pension cost are as follows:

	December 31, 2021 %	March 31, 2021 %
Defined benefit obligations		
Discount rate	**1.21**	1.52
Rate of compensation increase	**1.58**	1.57
Inflation rate	**2.10**	1.83
Rate of pension increases	**2.32**	2.39
Periodic costs for the year		
Inflation rate	**1.83**	1.22
Discount rate	**1.52**	1.57
Rate of compensation increase	**1.57**	1.56
Rate of pension increases	**2.39**	1.99

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Weighted average life expectancy on post-retirement mortality table used to determine the benefit obligations of the largest pension schemes is as follows:

	United Kingdom		Switzerland	
	December 31, 2021	**March 31, 2021**	**December 31, 2021**	**March 31, 2020**
Member age 65 [current life expectancy]	**22.00**	21.90	**21.70**	21.70
Member age 40 [life expectancy at age 65]	**24.10**	24.00	**23.70**	23.70

The weighted average duration of the retirement plans is 17.4 years.

Sensitivity analysis

For the fiscal year ended December 31, 2021	**Increase in accrued benefit obligation** $
Impact of a 1% decrease in discount rate	**11,006**
Impact of a 1% increase in pension rate	**4,962**

No sensitivity analysis was performed on the other assumptions, as changes similar to those assumptions would not have a material impact on the consolidated financial statements.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another, as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Based on calculations as at December 31, 2021, the Corporation's contributions to defined benefit plans for the year ending December 31, 2022 will amount to $1,534.

20. Long-term debt

	December 31, 2021	March 31, 2021
	$	$
Syndicated revolving credit facilities		
Denominated in Canadian dollars	—	1,593
Denominated in U.S. dollars	—	11,711
Loan Agreement with the Fonds de solidarité des travailleurs du Québec [FTQ]	**25,000**	25,000
Overdraft denominated in euros [€]	**20**	1,305
Total	**25,020**	39,609

Loan agreement - the Fonds de solidarité des travailleurs du Québec FTQ

On November 20, 2018, the Corporation entered into a debt agreement with the Fonds de solidarité des travailleurs du Québec FTQ for an unsecured maximum facility of $25,000. An initial tranche of $10,000 was drawn down as at November 20, 2018, bearing interest at 4.95%. The second tranche of $15,000 was drawn down as at November 19, 2020, bearing interest at 3.20%. The loan agreement is reimbursable at its maturity on November 20, 2023. The Corporation may repay the loan in advance subject to a penalty of 1% if the repayment is done between November 21, 2021 and November 20, 2022 and no penalty afterwards. On February 14, 2022, the Corporation amended the loan agreement to reduce the initial tranche interest rate to 3.80% and to remove the advance repayment option on the loan.

Syndicated revolving credit facilities

On February 26, 2020, the Corporation entered into a syndicated credit agreement [the "Agreement"] consisting firstly of a $85,000 syndicated revolving credit facility to support the Corporation's ordinary course operations, issue letters of credit and finance business acquisitions [the "General Facility"]. As part of this Agreement, the Corporation has also a $60,000 credit facility to issue letters of credit guaranteed by Export Development Canada ["the LC Facility"]. The maturity date of the Agreement was August 20, 2023 until it was amended on July 29, 2021, to extend the maturity to July 29, 2025 and to adjust certain financial covenants and other terms. The General Facility bears interest at Canadian or U.S. prime rates plus 0.50% to 2.00%, and/or the bankers' acceptance rates and/or LIBOR and/or the European rates plus 1.50% to 3.00%.

As at December 31, 2021, no amount was drawn under the General Facility [$13,304 as at March 31, 2021]. In addition, as at December 31, 2021, a total of $17,296 was used under the LC Facility [$15,486 as at March 31, 2021]. According to the terms and conditions of the Agreement, no principal repayment on the long-term debt is required before its maturity on July 29, 2025.

As at December 31, 2021 and March 31, 2021, the Corporation was in compliance with all financial ratios and other covenants of this Agreement.

Syndicated revolving credit facilities in Austria

The Corporation also had a guarantee facility in Austria to issue letters of credit amounting to €12,000 and maturing on December 31, 2019. On December 18, 2019, the Corporation amended this guarantee facility to decrease the amount to €9,000 ($13,045) and to extend the maturity to December 31, 2022. Then, effective on November 30, 2020, the Corporation amended this guarantee facility to decrease the amount to €7,000 ($10,146). As at December 31, 2021, this facility was used for €5,221 ($7,568), [$7,662 as at March 31, 2021].

The Corporation also has a revolving credit facility in Austria amounting to €5,000 ($7,247) to support the ordinary course operations. This facility matures on December 31, 2022, is repayable on demand and was used for €14 ($20) as at December 31, 2021 [$1,305 as at March 31, 2021]. The Corporation guarantees the repayment of both these credit facilities in Austria in the event of payment default.

Credit facilities in China

The corporation has a credit facility in China with HSBC to issue letters of credit, which was amounting to CNY 80,000 ($16,094) until it was amended on October 29, 2019, to increase the amount to CNY 160,000 ($32,188). As at December 31, 2021, the HSBC facility was used for CNY31,377 ($6,312), [$8,070 as at March 31, 2021]. The facility is repayable on demand and the Corporation guarantees the repayment to HSBC in the event of a payment default.

The Corporation has a second credit facility in China with Bank of China to issue letters of credit and support counterparty credit risk, which was amounting to CNY 40,000 ($8,047) until it was amended on February 24,2021 to increase the amount to CNY 110,000 ($22,129). As at December 31, 2021, the Bank of China facility was used for CNY38,582 ($7,762), [$10,139 as at March 31, 2021]. The facility is repayable on demand and is not guaranteed by the Corporation.

21. Other liabilities

	December 31, 2021	March 31, 2021
	$	$
Share-based compensation *[note 23]*	**5,015**	6,012
Derivative financial liabilities *[note 7]*	**11**	28
Other	**1,371**	1,315
	6,397	7,355

22. Share capital

All common shares are voting shares, carrying one vote per share, and participating.
On September 9, 2020, SKion acquired all of the 13,229,165 shares [30%] held by la Caisse and became the sole shareholder of Ovivo Inc.

	As at December 31, 2021 and March 31, 2021	
	Number of shares	Share capital $
Shares held by SKion	**44,097,218**	**313,851**

23. Share-based compensation

Virtual stock appreciation rights plan ["VSAR"] and Appreciation Share Units ["ASU"]

In November 2016, the Board of Directors of the Corporation implemented a virtual stock appreciation rights plan ["VSAR"], for key employees. In 2020 the Board of Directors amended the VSAR plan to introduce a new share-based compensation known as the Appreciation Share Units ["ASU"], similar to VSAR, using a different valuation formula. All the VSAR and ASU vest over a five-year period [in equal tranches of 20%] starting on the first anniversary of the grant date, becoming fully vested on their fifth anniversary. The VSAR and ASU have a maximum term of ten years from the grant date. Under the VSAR plan [now known as the Appreciation Share Units plan], VSAR and ASU, participants receive, upon vesting, a cash amount equal to the difference between the VSAR or ASU's fair market value and the grant price value, also known as the intrinsic value. The fair market value is calculated annually using valuation formulas approved by the Board of Directors.

The VSAR were cancelled by the Board of Directors on May 18, 2021 and all the acquired outstanding rights amounting to $1,301 were paid during the nine-month period ended December 31, 2021 resulting in a gain of $1,232, which was recorded to net income. In consideration of the payout and cancellation of the outstanding VSAR, the Corporation issued 2,030,000 ASU to those same participants and in the same proportion as the paid out and cancelled VSAR.

	March 31, 2021 $	Issued $	Forfeited $	Exercised $	Cancelled $	December 31, 2021 $
VSAR 2016 – 3$	104,500	—	(1,000)	(39,000)	(64,500)	—
VSAR 2016 – 4$	145,000	—	—	(75,000)	(70,000)	—
VSAR 2017 – 3$	172,250	—	(2,000)	(75,750)	(94,500)	—
VSAR 2017 – 4$	165,000	—	—	(95,000)	(70,000)	—
VSAR Jan 2018 – 3$	150,000	—	—	(60,000)	(90,000)	—
VSAR 2018 – 3.96$	225,000	—	(3,000)	(65,250)	(156,750)	—
VSAR 2018 – 4$	225,000	—	—	(90,000)	(135,000)	—
VSAR Jan 2019 – 3.96$	100,000	—	—	(20,000)	(80,000)	—
VSAR 2019 – 6.16$	705,000	—	(10,000)	—	(695,000)	—
ASU 2020 – 5.32$	692,500	—	(15,000)	—	—	677,500
ASU 2021 – 5.63$	—	4,287,500	(15,000)	—	—	4,272,500
	2,684,250	**4,287,500**	**(46,000)**	**(520,000)**	**(1,455,750)**	**4,950,000**

The following tables summarize the share-based compensation expense of the VSAR and ASU during the periods:

	Nine-month period ended December 31, 2021 $	Twelve-month period ended March 31, 2021 $
VSAR 2016 to 2019 – 3$ to 6.16$	**(1,232)**	(359)
ASU 2020 – 5.32$	**495**	813
ASU 2021 – 5.63$	**3,597**	—
	2,860	454

The following tables summarize the assumptions used in calculating the fair value of ASU as at December 31, 2021:

	ASU 2020 5.32$	ASU 2021 5.63$
Weighted average fair value	$4.14	$4.13
Risk-free interest rate	1.27%	1.42%
Expected average life [years]	8.5	9.4
Expected volatility of stock price	26.3%	26.3%
Expected dividend yield	0%	0%

Virtual share rights plan ["VSR"] and Short Term Incentive Plan Units ["STIP Units"]

In November 2016, the Board of Directors of the Corporation implemented virtual shares rights for key employees. In 2020 the Board of Directors introduced new virtual share rights known as STIP Units, similar to VSR, using a different valuation formula. Under the Short-Term Incentive Plan, all the VSR or STIP Units vest after three-year from the grant date. Upon vesting, 50% of the VSR or STIP Units issued would be paid upon vesting and 50% would be paid when the participant leaves the Corporation. The participants would receive a cash amount equal to the VSR's or STIP Units' fair market value. The fair market value was be calculated annually using a valuation formula approved by the Board of Directors.

The VSR and STIP Units have been cancelled by the Board of Directors on May 18, 2021 and all the acquired outstanding rights amounting to $3,378 were paid during the nine-month period ended December 31, 2021.

	Balance March 31, 2021	Paid	Balance, December 31, 2021
	$	$	$
VSR 2018	395,548	(395,548)	—
VSR 2019	211,957	(211,957)	—
STIP Units 2020	109,256	(109,256)	—
	716,761	**(716,761)**	**—**

The share-based compensation expense of the VSR/ STIP Units during the nine-month period ended December 31, 2021 was $822 [$566 for the twelve-month period ended March 31, 2021].

24. Disaggregation of revenues

In the following table, revenue is disaggregated by major types of goods and services. The table also includes a reconciliation of the disaggregated revenue with the Corporation's four strategic divisions, which are its reportable segments.

Nine-months period ended December 31, 2021	Electronic	Energy	Municipal	Industrial	Total
	$	$	$	$	$
Major types of goods / services					
Capital Equipment	**201,099**	**16,682**	**62,335**	**9,843**	**289,959**
Upgrading, parts and services	**40,798**	**7,199**	**38,005**	**11,098**	**97,100**
Rental services	**—**	**—**	**237**	**2,385**	**2,622**
Plant Operations	**—**	**—**	**—**	**2,795**	**2,795**
	241,897	**23,881**	**100,577**	**26,121**	**392,476**

Twelve-month period ended March 31, 2021	Electronic $	Energy $	Municipal $	Industrial $	Total $
Major types of goods / services					
Capital Equipment	225,764	23,789	81,844	4,344	335,741
Upgrading, parts and services	51,034	7,081	41,762	6,153	106,030
Rental services	—	—	—	3,198	3,198
Plant Operations	—	—	—	4,008	4,008
	276,798	30,870	123,606	17,703	448,977

In the following table, revenue is disaggregated by major products/service lines and timing of revenue recognition:

Timing of Revenue Recognition for the nine-month period ended December 31, 2021	Goods and services transferred at a point in time $	Goods and services transferred over time $	Total $
Capital Equipment	**1,654**	**288,305**	**289,959**
Upgrading, parts and services	**51,311**	**45,789**	**97,100**
Rental services	**—**	**2,622**	**2,622**
Plant Operation	**—**	**2,795**	**2,795**
	52,965	**339,511**	**392,476**

Timing of Revenue Recognition for the twelve-month period ended March 31, 2021	Goods and services transferred at a point in time $	Goods and services transferred over time $	Total $
Capital Equipment	10,870	324,871	335,741
Upgrading, parts and services	62,489	43,541	106,030
Rental services	—	3,198	3,198
Plant Operation	—	4,008	4,008
	73,359	375,618	448,977

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied [or partially unsatisfied] at the reporting date:

December 31, 2021	Less than 12 months $	12 to 18 months $	More than 18 months $	Total $
Capital Equipment	352,528	59,622	84,926	497,076

March 31, 2021	Less than 12 months $	12 to 18 months $	More than 18 months $	Total $
Capital Equipment	275,698	41,900	100,134	417,732

25. Transaction costs

For the nine-month period ended December 31, 2021, transaction costs were $173 [$476 for the twelve-month period ended March 31, 2021]. These costs consisted of fees related to various acquisition projects.

For the twelve-month period ended March 31, 2021, the transaction costs consisted of $274 representing acquisition costs arising from the acquisition of Alar Water Treatment LLC *[note 3]* and $202 representing fees related to other acquisition projects.

26. Restructuring costs

For the nine-month period ended December 31, 2021, the restructuring costs were nil [$472 for the twelve-month period ended March 31, 2021]. These costs consisted of termination benefits arising from restructuring in the Industrial and Municipal divisions.

27. Compensation

The employee compensation and benefit expense for the periods ended December 31, 2021 and March 31, 2021 is detailed as follows:

	Nine-month period ended December 31, 2021 $	Twelve-month period ended March 31, 2021 $
Salaries and other employee benefits	**83,236**	97,134
Share-based compensation *[note 23]*	**3,682**	1,020
	86,918	98,154

28. Amortization by function

The amortization expense by function for the periods ended December 31, 2021 and March 31, 2021 is detailed as follows:

	Nine-month period ended December 31, 2021	Twelve-month period ended March 31, 2021
	$	$
Costs of contracts and goods sold	**8,106**	13,149
Selling and administrative expenses	**1,893**	2,599
	9,999	15,748

29. Net financial expenses

	Nine-month period ended December 31, 2021	Twelve-month period ended March 31, 2021
	$	$
Interest expense and other financial expenses		
Interest on long-term debt	**1,382**	1,431
Interest expense on lease liabilities	**494**	717
Interest expense related to retirement benefits *[note 19]*	**606**	789
Other	**536**	1,002
	3,018	3,939
Interest and other financial income		
Interest income on pension plan assets *[note 19]*	**(332)**	(445)
Interest income	**(1,400)**	(1,333)
	1,286	2,161

30. Information on cash flows and results

	Nine-month period ended December 31, 2021	Twelve-month period ended March 31, 2021
	$	$
Net change in non-cash items related to operations		
Trade and other receivables	**(11,988)**	29,957
Inventories	**(1,242)**	(6,153)
Contract assets	**(35,887)**	(22,163)
Prepaid expenses	**421**	(1,744)
Advances to suppliers	**8,951**	2,367
Right-of-use assets	**(5,648)**	(5,531)
Accounts payable and accrued liabilities, provisions and net of other assets and other liabilities	**15,223**	20,186
Contract liabilities	**61,951**	17,642
Lease liabilities	**5,604**	5,470
Income taxes receivable/payable	**219**	3,536
	37,604	43,567

31. Compensation of key executive officers and Board members

The annual compensation of key executive officers of the Corporation and members of the Board of Directors for the periods ended December 31, 2021 and March 31, 2021 was as follows:

	Nine-month period ended December 31, 2021	Twelve-month period ended March 31, 2021
	$	$
Salaries and other current benefits	**3,870**	3,113
Retirement benefits	**63**	247
Share-based compensation *[note 23]*	**1,194**	1,031
	5,127	4,391

32. Financial risk management

The Corporation is primarily exposed to the three following risks as a result of holding financial instruments in the normal course of business.

Credit risk:	Risk of financial loss to the Corporation if a client or counterparty to a financial asset [for example, accounts receivable] fails to meet its contractual obligations.
Liquidity risk:	Risk that the Corporation will not be able to meet its financial obligations as they become due.
Market risk:	Risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Corporation is exposed to foreign exchange risk, interest rate risk and equity price risk.

Credit risk

The Corporation manages credit risk relating to the following:

(a) Cash, cash equivalents are maintained with investment-grade financial institutions.

(b) Accounts receivable:

The Corporation, in the normal course of business, continuously monitors the financial condition of its clients, reviews the credit history of each new client as needed, and does not normally require collateral. If required, the Corporation manages this risk, by negotiating advances on contracts, as well as letters of credit.

As at December 31, 2021, no client represented more than 10% of the Corporation's total consolidated trade accounts receivable and the Corporation's ten largest clients accounted for 31.69% [35.96% in 2021] of total consolidated trade accounts receivable. For the nine-month period ended December 31, 2021, one client accounted for more than 10% of the Corporation's total revenues [no client for the twelve-month period ended March 31, 2021].

The Corporation has established a provision that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Changes in the Corporation's accounts receivable are monitored on a continuous basis.

As at December 31, 2021 and March 31, 2021, the aging analysis of accounts receivable [including holdbacks] was as follows:

	December 31, 2021 $	March 31, 2021 $
Current	**96,435**	70,671
Over 90 days past due	**16,473**	22,432
Trade accounts receivable [including holdbacks on contracts]	**112,908**	93,103
Less: provision for doubtful accounts	**4,166**	2,537
	108,742	90,566

The following table details the change in the provision for doubtful accounts related to trade receivables:

	Nine-month period ended December 31, 2021 $	Twelve-month period ended March 31, 2021 $
Balance, beginning of year	**2,537**	3,040
Increase in provision for doubtful accounts	**2,453**	672
Written off	**(627)**	(891)
Recovered	**(203)**	(92)
Translation adjustment	**6**	(192)
Balance, end of year	**4,166**	2,537

(c) Derivative financial instruments

Derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures. In the Corporation's opinion, none of the parties to the existing financial instruments are expected to default on their obligations since they are large investment-grade financial institutions.

The Corporation is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but does not expect any counterparties to fail to meet their obligations. The Corporation is exposed to credit risk when a derivative financial instrument's fair value is positive at the statement of financial position date *[see note 7 Financial instruments]*. The maximum exposure in the event of counterparty default on derivative financial instruments with positive fair values as at December 31, 2021 amounted to $987 [$367 as at March 31, 2021].

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Liquidity risk

Given the nature of its business, more specifically as it relates to large-scale mandates and progress billings, the Corporation is exposed to liquidity risk during the execution of major contracts for which it has to incur costs before billing the client. The Corporation considers that this risk is mitigated by the large number of contracts, as well as their segmented and geographical diversity. In addition, the Corporation manages this risk by obtaining client advances on contracts, if necessary. Further, the Corporation prepares periodic budgets, forecasts and cash reports to ensure that it has sufficient funds to fulfill its obligations. The Corporation manages its liquidity risk by monitoring its operating requirements and uses credit lines to facilitate its financial flexibility. In recent years, the Corporation has used its syndicated revolving credit facilities to finance working capital requirements.

The following table summarizes the carrying amounts and contractual maturities, principal and interest, of significant financial liabilities as at December 31, 2021.

	Carrying amount	Contractual cash flows	Contractual maturities		
			Next 12 months	2 to 5 years	Over 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	**132,193**	**132,193**	**132,193**	**—**	**—**
Derivative financial liabilities	**1,666**	**1,666**	**1,655**	**11**	**—**
Long-term debt	**25,020**	**26,791**	**974**	**25,817**	**—**
Lease liabilities	**26,947**	**29,316**	**5,320**	**14,255**	**9,741**
	185,826	**189,966**	**140,142**	**40,083**	**9,741**

Market risk – foreign exchange rates

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate with changes in foreign exchange rates. Foreign exchange risk is limited to the Corporation's commercial transactions denominated in currencies other than the functional currency of its subsidiaries.

As the Corporation carries on business in many countries, it is exposed to the risk of currency fluctuations against the functional currency of its subsidiaries. Moreover, at the time of translation, fluctuations in the Canadian dollar against other major currencies may materially impact the Corporation's financial position and operating results. Major contracts obtained by the Corporation's subsidiaries are covered by currency hedging contracts. In addition, the Corporation creates natural hedges, to the extent possible, by incurring contract expenses in the same currency as that of the underlying contracts.

The following tables show the notional amounts and terms of outstanding foreign exchange contracts as at December 31, 2021 and March 31, 2021, by currency:

	As at December 31, 2021			As at March 31, 2021		
	Average rate	Notional amount	Fair value	Average rate	Notional amount	Fair value
		$	$		$	$
Currencies [sold/purchased]						
Sell contracts						
Current maturity:						
EUR/CHF	**0.9402**	**12,321**	**142**	1.0901	3,336	(53)
USD/CAD	—	—	—	1.2535	18,228	(47)
USD/CHF	**0.9212**	**11,275**	**111**	0.9104	3,268	(113)
USD/EUR	**0.8762**	**7,111**	**(247)**	0.8329	7,156	(145)
USD/EUR	**0.8762**	**37,529**	**168**		—	—
Other contracts – favourable[1]		**11,547**	**104**		11,412	37
Other contracts – unfavourable[1]		**24,888**	**(20)**		2,732	(53)
Currencies (purchased/sold)						
Buy contracts						
Current maturity:						
EUR/GBP	**0.8637**	**6,418**	**(174)**	0.8920	7,742	(351)
USD/CAD	**1.2857**	**11,531**	**(193)**	1.2499	981	5
GBP/CAD	**1.7149**	**6,799**	**(72)**	1.7463	23,540	(188)
EUR/USD	**1.1450**	**4,471**	**(104)**	1.1883	11,129	(116)
SGD/CAD	**0.9444**	**44,417**	**(275)**		—	—
EUR/CAD	**1.4507**	**34,153**	**(271)**		—	—
Other contracts – favourable[1]		**13,969**	**79**		682	9
Other contracts – unfavourable[1]		**9,131**	**(133)**		1,445	(28)
Non-current maturity:						
EUR/GBP		—	—	0.8920	351	(26)

(1) Exchange rates as at December 31, 2021 and March 31, 2021 were used to translate amounts in foreign currencies. A number of contracts representing combinations of different currencies, the fair value of which taken separately is lower than $100 in absolute value.

As per the sensitivity analysis performed as at December 31, 2021, based on the Corporation's foreign exchange exposure as it pertains to changes in the fair value of monetary assets and liabilities, and assuming all other variables remain constant, a 5% strengthening of the currencies listed below would have the following impacts on net income (loss):

Currency	EURO	USD	CHF	SGD	GBP
Favourable (unfavourable)	(1,237)	(15)	(1,561)	1,006	787

A 5% weakening of these currencies would have the inverse effect on net earnings (loss).

Market risk – interest rates

The Corporation is exposed to the risk of interest rate fluctuations on its variable-rate long-term debt and overdraft debt. The Corporation assesses interest rate risks and may, if it deems appropriate, enter into interest rate swaps.

As per the sensitivity analysis performed, assuming all other variables remain constant, a 1% increase in interest rates as at December 31, 2021, would have had an unfavourable impact of $177 on net income, while a 1% decrease would have had a favourable impact of $170 on net income.

33. Guarantees

The Corporation is committed under letters of credit, corporate guarantees and insurance surety bonds for the performance of its contracts in the amounts of $39,687, $162,452 and $49,998 respectively as at December 31, 2021 [$42,135, $99,357 and $32,910 respectively as at March 31, 2021].

34. Subsequent event

On January 1, 2022, the Corporation completed the acquisition of Norse Star Holding ApS in which the Corporation previously held a 16.7% participation for an amount of €10.3 million. Norse Star Holding ApS is the sole shareholder of Cembrane A/S who is the world's largest producer of silicon carbide membranes for Original Equipment Manufacturers and system integrators within water and wastewater treatment sector. The acquisition will allow the Corporation to further develop the product and increase its global manufacturing capacity. Cembrane currently produces the silicon carbide membranes out of its facility in Lynge, Denmark.