

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL POSITION

TO THE SHAREHOLDERS OF ENERFLEX LTD.

The accompanying amended and restated consolidated financial statements and all information in the amended and restated Annual Report have been prepared by management and approved by the Board of Directors of the Company. The amended and restated consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity, and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the amended and restated Annual Report with that in the amended and restated consolidated financial statements.

To assist management in the discharge of these responsibilities, the Company maintains a system of internal controls designed to provide reasonable assurance that accounting records are reliable, and assets are safeguarded.

The Audit Committee is appointed by the Board of Directors. The Audit Committee meets with management, as well as with the external auditors, Ernst & Young LLP, to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The amended and restated consolidated financial statements have been audited independently by Ernst & Young LLP on behalf of the shareholders in accordance with generally accepted auditing standards. Their report outlines the nature of their audits and expresses their opinion on the amended and restated consolidated financial statements.

[signed] "Marc E. Rossiter"

Marc E. Rossiter

President, Chief Executive Officer, and Director

[signed] "Sanjay Bishnoi"

Sanjay Bishnoi

Senior Vice President, Chief Financial Officer

July 11, 2022

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ENERFLEX LTD.

Opinion

We have audited the consolidated financial statements of Enerflex Ltd. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years 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 Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years 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 Company 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.

Emphasis of matter – Amended financial statements

We draw attention to Note 36 to the financial statements, which describes that the financial statements that we originally reported on February 23, 2022 have been amended and describes the matter that gave rise to the amendment of the financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter*Revenue recognition from the supply of engineered systems*

As described in Note 3q, 5, and 23 to the consolidated financial statements, revenues from the supply of engineered systems involving design, manufacture, installation and start-up are recognized using the percentage of completion method, based on total costs incurred as a proportion of expected total costs of the project.

The revenue recognized on projects where the company has not fulfilled all performance obligations of the contract's scope of work as at December 31, 2021 requires management to make several estimates including expected margin to be earned on the contract and the estimated remaining costs to complete. Significant changes in estimated costs to complete could have a material effect on the amount of revenue recognized.

How our audit addressed the key audit matter

To test the estimate of revenue recognized based on the percentage of completion method, our audit procedures included, amongst others, the following:

- We obtained an understanding of and evaluated the design of controls over the Company's process of accounting for percentage of completion revenue. For certain operating segments, we tested the operating effectiveness of controls over the percentage of completion revenue recognition process related to management's original total cost estimates.
- Performed retrospective reviews of completed projects, performed inquiries with project managers on jobs that incurred a loss in the year, and identified monthly trending in order to assess the impact of significant margin changes.
- Compared estimated costs to complete for in-progress jobs to actual costs incurred on similar completed projects and obtained supporting third-party vendor quotes or price sheets for a sample of estimated costs to complete for in-progress jobs.

Estimating the recoverable amount of goodwill

As described in Note 3f, 5, and 14 to the consolidated financial statements, the carrying value of \$566 million of goodwill is assessed against the estimated recoverable amount of each operating segment, at least annually or at any time an indicator of impairment exists.

Auditing management's annual goodwill impairment tests was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the operating segments. Significant assumptions included cash flow projections, revenue growth rate, earnings margins, and discount rate, which are affected by expectations about future market and economic conditions.

We involved our valuation specialists to evaluate the methodology, mathematical accuracy, and select key assumptions in management's estimation of the recoverable amounts, such as the discount rate used. In addition, to test other key assumptions, we performed, amongst others, the following procedures:

- Compared assumptions incorporated into the estimated recoverable amount such as revenue forecasts and growth rates to publicly available data and historically realized results.
- Obtained commodity price forecasts to identify trends compared to the industry outlook provided in management's forecast related to estimated bookings.
- Performed a comparative analysis between historical and forecasted gross margins, and the current year actual results against the prior year forecast to evaluate any trends.
- Performed a sensitivity analysis on the significant assumptions to evaluate the change in the calculated recoverable amount that would result from changes in the underlying inputs.

Other information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

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

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

We obtained Management's Discussion & Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company'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.

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 Company'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 Company'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 Company 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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst + Young LLP

Chartered Professional Accountants
Calgary, Canada

July 11, 2022



July 11, 2022

Amendment and Restatement of the audited Consolidated Financial Statements¹

Please be advised that the audited Consolidated Financial Statements of Enerflex Ltd. (the "Company") for the years ended December 31, 2021 and 2020 have been amended and restated for a classification error within the Statement of Cash Flows. Users of the Company's financial statements should note that the adjustments **do not change the Company's overall cash position, and do not impact the Company's Statement of Financial Position, the Company's Statement of Earnings, or earnings before finance costs, income taxes, depreciation and amortization ("EBITDA") calculations.** Refer to Note 36 of the amended and restated audited Consolidated Financial Statements for full details of the adjustment relative to the previously issued results.

¹ As the audited Consolidated Financial Statements were being amended and restated for the above matter, we have also reflected the reclassification of certain costs from selling and administrative expenses ("SG&A") to cost of goods sold ("COGS") as disclosed in Note 2(a). These were previously disclosed in the unaudited Interim Condensed Consolidated Financial Statements as at March 31, 2022 and have no impact to net earnings or earnings per share.

ENERFLEX LTD.

Suite 904, 1331 Macleod Trail SE Calgary AB Canada T2G 0K3 Tel 1: 403.387.6377 Fax 1: 403.236.6816 Website www.enerflex.com



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$ Canadian thousands)

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 172,758	\$ 95,676
Accounts receivable (Note 7)	212,206	213,375
Contract assets (Note 7)	82,760	66,722
Inventories (Note 8)	172,687	212,251
Work-in-progress related to finance leases (Note 8)	36,169	-
Current portion of finance leases receivable (Note 11)	15,248	3,047
Income taxes receivable	3,732	23,718
Derivative financial instruments (Note 28)	294	491
Other current assets	13,853	9,047
Total current assets	709,707	624,327
Property, plant and equipment (Note 9)	96,414	102,636
Rental equipment (Note 9)	610,328	637,814
Lease right-of-use assets (Note 10)	49,887	54,184
Finance leases receivable (Note 11)	88,110	61,227
Deferred tax assets (Note 20)	9,293	48,216
Other assets (Note 12)	51,315	58,600
Intangible assets (Note 13)	10,118	16,544
Goodwill (Note 14)	566,270	576,028
Total assets	\$ 2,191,442	\$ 2,179,576
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	\$ 240,747	\$ 182,152
Warranty provisions (Note 16)	6,636	10,549
Income taxes payable	9,318	4,387
Deferred revenues (Note 17)	84,614	35,409
Current portion of long-term debt (Note 18)	-	40,000
Current portion of lease liabilities (Note 19)	13,906	14,693
Derivative financial instruments (Note 28)	180	371
Total current liabilities	355,401	287,561
Long-term debt (Note 18)	331,422	349,712
Lease liabilities (Note 19)	43,108	47,233
Deferred tax liabilities (Note 20)	91,972	87,408
Other liabilities	15,785	10,967
Total liabilities	\$ 837,688	\$ 782,881
Shareholders' equity		
Share capital (Note 21)	\$ 375,524	\$ 375,524
Contributed surplus (Note 22)	658,615	656,832
Retained earnings	274,962	301,040
Accumulated other comprehensive income	44,653	63,299
Total shareholders' equity	1,353,754	1,396,695
Total liabilities and shareholders' equity	\$ 2,191,442	\$ 2,179,576

See accompanying Notes to the consolidated financial statements, including guarantees, commitments, and contingencies (Note 31).

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31,

(\$ Canadian thousands, except per share amounts)

	2021	2020
Revenue (Note 23)	\$ 960,156	\$ 1,217,052
Cost of goods sold	757,934	937,730
Gross margin	202,222	279,322
Selling and administrative expenses	147,931	163,310
Operating income	54,291	116,012
Gain on disposal of property, plant and equipment (Note 9)	135	45
Equity earnings from associate and joint venture	671	1,995
Earnings before finance costs and income taxes	55,097	118,052
Net finance costs (Note 26)	16,995	22,493
Earnings before income taxes	38,102	95,559
Income taxes (Note 20)	56,557	7,302
Net earnings (loss)	\$ (18,455)	\$ 88,257
Net earnings (loss) attributable to:		
Controlling interest	\$ (18,455)	\$ 88,080
Non-controlling interest	-	177
	\$ (18,455)	\$ 88,257
Earnings (loss) per share – basic (Note 27)	\$ (0.21)	\$ 0.98
Earnings (loss) per share – diluted (Note 27)	\$ (0.21)	\$ 0.98
Weighted average number of shares – basic	89,678,845	89,678,845
Weighted average number of shares – diluted	89,678,845	89,678,845

See accompanying Notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31,	
(\$ Canadian thousands)	2021	2020
Net earnings (loss)	\$ (18,455)	\$ 88,257
Other comprehensive income (loss):		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Change in fair value of derivatives designated as cash flow hedges, net of income tax recovery	247	545
Gain (loss) on derivatives designated as cash flow hedges transferred to net earnings (loss), net of income tax expense	(167)	465
Unrealized gain on translation of foreign denominated debt	232	1,613
Unrealized loss on translation of financial statements of foreign operations	(18,958)	(21,323)
Other comprehensive income (loss)	\$ (18,646)	\$ (18,700)
Total comprehensive income (loss)	\$ (37,101)	\$ 69,557
Other comprehensive income (loss) attributable to:		
Controlling interest	\$ (18,646)	\$ (18,480)
Non-controlling interest	-	(220)
	\$ (18,646)	\$ (18,700)

See accompanying Notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	Restated (Note 36)	Restated (Note 36)
(\$ Canadian thousands)	2021	2020
Operating Activities		
Net earnings (loss)	\$ (18,455)	\$ 88,257
Items not requiring cash and cash equivalents:		
Depreciation and amortization	87,622	85,265
Equity earnings from associate and joint venture	(671)	(1,995)
Deferred income taxes (Note 20)	43,422	14,174
Share-based compensation expense (Note 24)	12,937	1,816
Gain on disposal of property, plant and equipment (Note 9)	(135)	(45)
Impairment on property, plant and equipment and rental equipment (Note 9)	537	2,607
	125,257	190,079
Net change in non-cash working capital and other (Note 30)	82,937	57,230
Cash provided by operating activities	\$ 208,194	\$ 247,309
Investing Activities		
Additions to:		
Property, plant and equipment (Note 9)	\$ (5,154)	\$ (9,874)
Rental equipment (Note 9)	(52,187)	(123,879)
Proceeds on disposal of:		
Property, plant and equipment (Note 9)	220	115
Rental equipment (Note 9)	4,670	4,592
Investment in associates and joint ventures	(130)	(1,939)
Net change in working capital associated with investing activities	3,720	(39,512)
Cash used in investing activities	\$ (48,861)	\$ (170,497)
Financing Activities		
Net repayment of the Bank Facility (Note 18)	(53,891)	(40,081)
Net proceeds from the Asset-Based Facility (Note 18)	36,916	-
Repayment of the Senior Notes (Note 18)	(40,000)	-
Lease liability principal repayment (Note 19)	(14,215)	(12,770)
Dividends	(7,171)	(24,212)
Debt refinancing and transaction costs (Note 30)	(2,095)	(258)
Cash used in financing activities	\$ (80,456)	\$ (77,321)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	\$ (1,795)	\$ (70)
Increase (decrease) in cash and cash equivalents	77,082	(579)
Cash and cash equivalents, beginning of period	95,676	96,255
Cash and cash equivalents, end of period	\$ 172,758	\$ 95,676

See accompanying Notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(\$ Canadian thousands)	Share capital	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Hedging reserve	Accumulated other comprehensive income	Total shareholders' equity before non-controlling interest	Non-controlling interest	Total
At January 1, 2020	\$ 375,524	\$ 655,107	\$ 228,843	\$ 82,760	\$ (981)	\$ 81,779	\$ 1,341,253	\$ 1,534	\$ 1,342,787
Net earnings	-	-	88,080	-	-	-	88,080	177	88,257
Other comprehensive income (loss)	-	-	-	(19,490)	1,010	(18,480)	(18,480)	(220)	(18,700)
Purchase of non-controlling interest	-	-	(189)	-	-	-	(189)	(1,491)	(1,680)
Effect of stock option plans	-	1,725	-	-	-	-	1,725	-	1,725
Dividends	-	-	(15,694)	-	-	-	(15,694)	-	(15,694)
At December 31, 2020	\$ 375,524	\$ 656,832	\$ 301,040	\$ 63,270	\$ 29	\$ 63,299	\$ 1,396,695	\$ -	\$ 1,396,695
Net loss	-	-	(18,455)	-	-	-	(18,455)	-	(18,455)
Other comprehensive income (loss)	-	-	-	(18,726)	80	(18,646)	(18,646)	-	(18,646)
Effect of stock option plans	-	1,783	-	-	-	-	1,783	-	1,783
Dividends	-	-	(7,623)	-	-	-	(7,623)	-	(7,623)
At December 31, 2021	\$ 375,524	\$ 658,615	\$ 274,962	\$ 44,544	\$ 109	\$ 44,653	\$ 1,353,754	\$ -	\$ 1,353,754

See accompanying Notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of Canadian dollars, except per share amounts or as otherwise noted.)

NOTE 1. NATURE AND DESCRIPTION OF THE COMPANY

Enerflex Ltd. ("Enerflex" or "the Company") is a single-source supplier of natural gas compression, oil and gas processing, refrigeration systems, and electric power generation equipment – plus related in-house engineering and mechanical services expertise. The Company's broad in-house resources provide the capability to engineer, design, manufacture, construct, commission, service, and operate hydrocarbon handling systems. Enerflex's expertise encompasses field production facilities, compression and natural gas processing plants, gas-lift compression, refrigeration systems, and electric power solutions serving the natural gas production industry.

Headquartered in Calgary, Alberta, Canada, the registered office is located at 904, 1331 Macleod Trail SE, Calgary, Canada. Enerflex has approximately 2,000 employees worldwide. Enerflex, its subsidiaries, interests in associates, and joint operations, operate in Canada, the United States of America ("USA"), Argentina, Bolivia, Brazil, Colombia, Mexico, the United Kingdom, Bahrain, Kuwait, Oman, the United Arab Emirates ("UAE"), Australia, New Zealand, Indonesia, Malaysia, and Thailand. Enerflex operates three business segments: USA, Rest of World ("ROW"), and Canada.

The following table represents material subsidiaries of the Company:

Name	Jurisdiction of Incorporation	Ownership	Operating Segment
Enerflex Ltd.	Canada	Public Shareholders	Canada
Enerflex Energy Systems Inc.	Delaware, USA	100.0 percent	USA
Enerflex Middle East LLC	Oman	70.0 percent ¹	Rest of World
Enerflex Middle East SPC	Bahrain	100.0 percent	Rest of World

¹ Enerflex indirectly owns 100.0 percent of Enerflex Middle East LLC.

NOTE 2. BASIS OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and were approved and authorized for issue by the Board of Directors on July 11, 2022. Certain prior year amounts have been reclassified to conform with the current period's presentation.

Management has performed a continuing review of the classification of the function of expenditures incurred. Following its review, management has corrected the classification of certain costs related to facilities, insurance, and compensation, resulting in a net reclassification of costs from selling and administrative expenses ("SG&A") to cost of goods sold ("COGS"). This correction provides more relevant information and reflects costs that are directly attributable to the production of goods or the supply of services. The impact of the net reclassification on COGS and gross margin for the year ended December 31, 2021 is \$17.3 million, and the year ended December 31, 2020 is \$18.9 million. These reclassifications are summarized in the tables below:

Excerpt from the consolidated statements of earnings for
the year ended December 31, 2021
(\$ Canadian thousands)

	As previously reported	Reclassification	Revised
Revenue	\$ 960,156	\$ -	\$ 960,156
COGS	740,602	17,332	757,934
Gross margin	219,554	(17,332)	202,222
SG&A	165,263	(17,332)	147,931
Net earnings	(18,455)	-	(18,455)

Excerpt from the consolidated statements of earnings for
the year ended December 31, 2020
(\$ Canadian thousands)

	As previously reported	Reclassification	Revised
Revenue	\$ 1,217,052	\$ -	\$ 1,217,052
COGS	918,873	18,857	937,730
Gross margin	298,179	(18,857)	279,322
SG&A	182,167	(18,857)	163,310
Net earnings	88,257	-	88,257

(b) Basis of Measurement

The consolidated financial statements are prepared on a historical cost basis except as detailed in the accounting policies disclosed in Note 3. The accounting policies described in Note 3 and Note 4 have been applied consistently to all periods presented in these consolidated financial statements. Standards and guidelines issues but not yet effective for the current accounting period are described in Note 6.

(c) Functional Currency and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. Transactions of the Company's individual entities are recorded in their own functional currency based on the primary economic environment in which it operates.

(d) Use of Estimates and Judgment

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the financial statements are described in Note 5.

(e) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, income and expenses, and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in Associates and Joint Ventures

The Company uses the equity method to account for its 45 percent investment in Roska DBO Inc. ("Roska DBO") and its 65 percent investment in a joint venture in Brazil. Under the equity method, the investment is carried on the consolidated statements of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate or joint venture.

The consolidated statements of earnings reflect the Company's share of the results of operations of associates and joint ventures. Unrealized gains and losses resulting from transactions between the Company and associates are eliminated to the extent of the interest in the associate or joint venture.

The Company's share of profits from associates and joint ventures is shown on the face of the consolidated statements of earnings. This is the profit attributable to equity holders of the associate and joint venture partners and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates and joint ventures.

(b) Foreign Currency Translation

In the accounts of individual subsidiaries, transactions in currencies other than the Company's functional currency are recorded at the prevailing rate of exchange at the date of the transaction. At year end, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rates of exchange at the date the fair value was determined.

The assets and liabilities on the statements of financial position of foreign subsidiaries are translated into Canadian dollars at the rates of exchange prevailing at the reporting date. The statements of earnings of foreign subsidiaries are translated at average exchange rates for the reporting period. Exchange differences arising on the translation of net assets are taken to accumulated other comprehensive income.

All foreign exchange gains and losses are taken to the consolidated statements of earnings with the exception of exchange differences arising on monetary assets and liabilities that form part of the Company's net investment in subsidiaries. These are taken directly to other comprehensive income until the disposal of the foreign subsidiary at which time the unrealized gain or loss is recognized in the consolidated statements of earnings.

On the disposal of a foreign subsidiary, accumulated exchange differences are recognized in the consolidated statements of earnings as a component of the gain or loss on disposal.

(c) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on the date of the acquisition. Acquisition costs incurred are expensed and included in selling and administrative expenses, except for those associated with the issuance of debt, which are included in the initial carrying amount of the liability.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the purchase price or construction cost and any costs directly attributable to making the asset capable of operating as intended. Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of assets and commences when the assets are ready for intended use.

Asset Class	Estimated Useful Life Range
Buildings	5 to 20 years
Equipment	2 to 20 years

Major renewals and improvements are capitalized when they are expected to provide future economic benefit. When significant components of property, plant and equipment are required to be replaced at intervals, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. No depreciation is charged on land or assets under construction. Repairs and maintenance costs are charged to operations as incurred.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of property, plant and equipment is included in the consolidated statements of earnings when the item is derecognized.

Each asset's estimated useful life, residual value, and method of depreciation are reviewed and adjusted, if appropriate, at each year end, or when factors and circumstances suggest a different useful life for the asset.

(e) Rental Equipment

Rental equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are generally between 5 and 20 years.

When the Company is responsible for major maintenance and overhauls, the actual overhaul cost is capitalized and depreciated over the estimated useful life of the overhaul, generally between 2 and 5 years. Repairs and maintenance costs are charged to operations as incurred.

Each asset's estimated useful life, residual value, and method of depreciation are reviewed and adjusted, if appropriate, at each year end, or when factors and circumstances suggest a different useful life for the asset.

(f) Goodwill

Goodwill arising on an acquisition of a business is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill allocated to a group of cash generating units ("CGUs") is reviewed for impairment annually, or when there is an indication that a related group of CGUs may be impaired. Impairment is determined by assessing the recoverable amount of the group of CGUs to which the goodwill relates. Where the recoverable amount of the group of CGUs is less than the carrying amount of the CGUs and related goodwill, an impairment loss is recognized in the consolidated statements of earnings. Impairment losses on goodwill are not reversed.

(g) Intangible Assets

Intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with a finite life are amortized on a straight-line basis over management's best estimate of their expected useful lives. The amortization charge is included in selling and administrative expenses in the consolidated statements of earnings. The expected useful lives and amortization method are reviewed on an annual basis with any change in the useful life or pattern of consumption adjusted at year end. Intangible assets are tested for impairment whenever there is an indication that the asset may be impaired.

Acquired identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Customer relationships, software, and other intangible assets have an estimated useful life range of 3 to 8 years.

(h) Impairment of Non-Financial Assets (excluding Goodwill)

At least annually, the Company reviews the carrying amounts of its tangible and intangible assets with finite lives to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. In assessing its value-in-use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. A corresponding impairment loss is recognized in the consolidated statements of earnings.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Any impairment reversal is recognized in the consolidated statements of earnings.

(i) Inventories

Inventories are valued at the lower of cost and net realizable value. Serialized inventory is determined on a first-in first-out basis. Non-serialized inventory is determined based on a weighted average cost.

Cost of equipment, repair and distribution parts, and direct materials, include purchase costs and costs incurred in bringing each product to its present location and condition.

Cost of work-in-progress includes cost of direct materials, labour, and an allocation of overheads, based on normal operating capacity. Costs of work-in-progress related to finance leases pertain to the construction of projects that will be accounted for as finance leases. Once the project is completed and enters service the costs will be reclassified to cost of goods sold.

Cost of inventories includes the transfer from accumulated other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchase of inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices. Inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write down previously recorded is reversed.

(j) Trade Receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any amounts estimated to be uncollectible. The Company calculates an expected credit loss based on historical experience of bad debts and specific provisions created when there is objective evidence that the collection of the full amount of a receivable is no longer probable under the terms of the original invoice. The amount of this allowance represents management's best estimate of expected credit losses. Trade receivables are derecognized when they are assessed as uncollectible.

(k) Cash

Cash includes cash and cash equivalents, which are defined as highly liquid investments with original maturities of three months or less.

(l) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(m) Onerous Contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(n) Employee Future Benefits

The Company sponsors various defined contribution pension plans, which cover substantially all employees and are funded in accordance with applicable plan and regulatory requirements. Regular contributions are made by the Company to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document. The actual cost of providing benefits through defined contribution pension and the 401(k) matched savings plans is charged to earnings in the period in respect of which contributions become payable.

(o) Share-Based Payments

Equity-Settled Share-Based Payments

The Company offers a Stock Option Plan to key employees, measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 24.

The fair value of equity-settled share-based payments is expensed over a five-year vesting period with a corresponding increase in equity. Stock options have a seven-year expiry and are exercisable at the designated common share price, which is determined by the average of the market price of the Company's shares on the five days preceding the date of the grant. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

Cash-Settled Share-Based Payments

The Company offers Deferred Share Unit ("DSU"), Performance Share Unit ("PSU"), Restricted Share Unit ("RSU"), and Cash Performance Target ("CPT") plans to certain employees. The Company also offers the DSU plan to non-employee directors. For each cash-settled share-based payment plan, a liability is recognized at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with changes in fair value recognized in the consolidated statements of earnings.

The Company also offers a Phantom Share Entitlement ("PSE") plan to certain employees of affiliates located in Australia and the UAE. PSEs are measured at the fair value of the equity instrument at the grant date and expensed over a five-year vesting period and expire on the seventh anniversary. The exercise price of each PSE equals the average of the market price of the Company's shares on the five days preceding the date of the grant. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with changes in fair value recognized in the consolidated statements of earnings. The award entitlements for increases in the share trading value of the Company are to be paid to the recipient in cash upon exercise.

(p) Leases

Company as a Lessee

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

- The contract involves the use of an identified asset, either explicitly or implicitly, and whether the supplier has a substantive substitution right for the asset;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period; and
- The Company has the right to direct the use of the identified asset.

The Company determines if a contractual arrangement is a lease at the inception of the contract term. The Company has identified leases for the following asset types: land and buildings (including manufacturing facilities, office space, and rental accommodations) and equipment (including vehicles, office equipment, and shop equipment). The Company recognizes a right-of-use asset and a lease liability to reflect the benefit the Company obtains from the underlying asset in the lease and the requirement to pay the amounts included in the lease contract, respectively.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to decommission the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lesser of lease term or the useful life of the underlying asset, where appropriate.

The lease liability is initially measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability include fixed payments, variable lease payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee, and amounts owing under purchase or termination options, if the Company is reasonably certain to exercise these options. If the lease contains an extension option that the Company is reasonably certain to exercise, all payments in the renewal period are also included in determining the lease liability.

The lease liability is measured at amortized cost using the effective interest method. The amount of the liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the right-of-use asset or is recorded on the consolidated statements of earnings if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term and low-value leases. Lease payments associated with these leases will be recognized as an expense on a straight-line basis over the lease term. Certain leases include both lease and non-lease components, which are generally accounted for separately. For certain equipment leases, the Company applies a portfolio approach to effectively account for the lease right-of-use assets and lease liabilities.

Company as a Lessor

Leases in which the Company is the lessor are assessed upon commencement and are classified as either an operating lease or a finance lease. An operating lease does not transfer substantially all the risks and rewards of the leased asset to the customer. Lease payments from operating leases are recorded as income on a straight-line basis over the life of the lease. A finance lease

exists when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

Amounts due from lessees under finance leases are recorded as finance lease receivables. Finance leases are initially recognized at amounts equal to the net investment in the lease, determined to be the fair value of the underlying asset, or, if lower, the present value of the lease payments discounted using a market rate of interest. Payments that are part of the leasing arrangement are divided between a reduction in the finance lease receivable and finance lease income. Finance lease income is recognized to produce a constant rate of return on the Company's investment in the lease and is included in revenues.

(q) Revenue Recognition

Revenue is recognized as the Company satisfies its performance obligations by transferring promised goods or services to customers, regardless of when payment is received. Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, and may include fixed amounts, variable amounts, or both. Variable amounts are recorded using either the "expected value approach" or the "most likely outcome approach", as determined upon initial recognition of the contract, and are reassessed at each reporting period. The expected value approach measures variable consideration by probability weighting all the potential outcomes. The most likely outcome approach measures variable consideration as management's best estimate of the variable component. In estimating variable consideration, the Company reviews any potential for returns, refunds, and other similar obligations. For contracts containing multiple performance obligations, the amount of consideration to which the Company expects to be entitled is allocated to individual performance obligations proportionately based on the stand-alone selling price.

Engineered Systems

Revenue from the supply of equipment systems – contracts typically involving engineering, design, manufacture, installation, and start-up of equipment – is accounted for as Engineered Systems revenue. Such revenue is recognized on a percentage-of-completion basis proportionate to the costs incurred in the construction of the project. At the completion of the contract, any remaining profit on the contract is recognized as revenue. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Revenue from Engineered Systems includes the supply of compression, processing, and electric power equipment, as well as retrofit work and construction on integrated turnkey projects. The Company also provides a warranty on manufactured equipment as part of the standard terms and conditions of the contract. No options are provided for the customer to purchase a warranty separately.

For Engineered Systems contracts, the Company generally requires customers to pay based on milestones as manufacturing progresses. These milestones are generally structured to keep the Company cash flow positive. Contracts are also generally structured to ensure the Company is made whole for costs incurred in the event of cancellation of a contract.

Revenue from contracts that have been classified as finance leases for newly built equipment is recorded as Engineered Systems revenue. Upon commencement of the new lease, the Company recognizes revenue, based on the fair value of the underlying assets, and cost of goods sold, determined to be the net book value of those assets, in the consolidated statements of earnings. The finance lease interest portion will be recognized in the Energy Infrastructure product line over the lease term.

Service

Service revenues include the sales of parts and equipment, as well as the servicing and maintenance of equipment. For the sale of parts and equipment, revenue is recognized when the transfer of control passes, which is typically at the point of shipping. For servicing and maintenance of equipment, revenue is recognized on a straight-line basis based on performance of the contracted-upon service.

Revenue from long-term service contracts is recognized on a stage of completion basis proportionate to the service work that has been performed based on parts and labour service provided. Payments are typically required on a monthly basis or as work is performed, with no unusual payment terms. At the completion of the contract, any remaining profit on the contract is recognized as revenue. Any expected losses on such projects are charged to operations when determined. Long-term service contracts include scheduled milestone maintenance, corrective or crash maintenance, the supply of parts, and the operation of equipment.

Energy Infrastructure (formerly Rentals)

Revenue from equipment rentals is recognized in accordance with the terms of the relevant agreement with the customer on a straight-line basis over the term of the agreement. Payments are typically required on a monthly basis with no unusual payment terms. Certain rental contracts contain an option for the customer to purchase the equipment at the end of the rental period. Should the customer exercise this option to purchase, revenue from the sale of the equipment is recognized directly in the consolidated statements of earnings.

Revenue from contracts that have been classified as finance leases related to existing or pre-owned equipment, is recorded as Energy Infrastructure revenue. At the commencement of these finance leases, the Company recognizes revenue and a finance lease receivable equal to the net investment in the lease. Finance income is recognized in Energy Infrastructure revenue reflecting a constant periodic rate of return on the Company's net investment in the lease over the lease term.

Practical Expedients

The Company has elected to use the practical expedients in IFRS 15 *Revenue from contracts with customers* paragraphs 63 and 94 with regards to the existence of a significant financing component in the contract and incremental costs of obtaining a contract, respectively. For the years ended December 31, 2021 and 2020 the Company had no contracts with a significant financing component that is considered material. Incremental costs of obtaining a contract predominantly relate to commission costs on Engineered Systems projects, which are typically completed within one year. Accordingly, the Company did not recognize commission costs incurred as an asset in the consolidated statements of financial position.

(r) Financial Instruments

Financial instruments are measured at fair value on initial recognition of the instrument, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. For the purposes of measuring financial assets after initial recognition, the Company classifies financial assets as either amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), based on the contractual cash flow characteristics and the Company's business model for managing the financial asset. For the purposes of measuring financial liabilities after initial recognition, the Company classifies all financial liabilities as amortized cost, except certain financial liabilities, such as derivatives, which are classified as FVTPL.

Preferred shares included as long-term receivables in Other assets were recorded at fair value at inception and are subsequently measured at amortized cost.

The Company primarily applies the market approach for recurring fair value measurements. Three levels of inputs may be used to measure fair value:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an on-going basis;
- Level 2: Fair value measurements are those derived from 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); and
- Level 3: Fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs). In these instances, internally developed methodologies are used to determine fair value.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability and may affect placement within.

The Company has made the following classifications:

- Cash and cash equivalents are measured at fair value through profit or loss. Gains and losses resulting from the periodic revaluation are recorded in the consolidated statements of earnings;
- Accounts receivable and preferred shares are recorded at amortized cost using the effective interest rate method; and
- Accounts payable, accrued liabilities, and long-term debt are recorded at amortized cost using the effective interest rate method.

Transaction costs are expensed as incurred for financial instruments classified or designated as FVTPL. Transaction costs related to other financial liabilities are added to the value of the instrument at acquisition and taken into the consolidated statements of earnings using the effective interest rate method.

(s) Derivative Financial Instruments and Hedge Accounting

The Company formally documents its risk management objectives and strategies to manage exposures to fluctuations in foreign currency exchange rates and interest rates. The risk management policy permits the use of certain derivative financial instruments, including forward foreign exchange contracts and interest rate swaps, to manage these fluctuations. The Company does not enter into derivative financial agreements for speculative purposes.

Derivative financial instruments are measured at their fair value upon initial recognition and are remeasured to their fair value at the end of each reporting period. The fair value of quoted derivatives is equal to their positive or negative market value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company elected to apply hedge accounting for foreign exchange forward contracts for anticipated transactions. These are designated as cash flow hedges. For cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognized in accumulated other comprehensive income, net of taxes. The ineffective portion of the fair value changes is recognized in the consolidated statements of earnings. Amounts charged to accumulated other comprehensive income are reclassified to the consolidated statements of earnings when the hedged transaction affects the consolidated statements of earnings.

The Company's U.S. dollar denominated long-term debt has been designated as a hedge of net investment in self-sustaining foreign operations. As a result, a portion of unrealized foreign exchange gains and losses on the U.S. dollar denominated long-term debt are included in the cumulative translation account in other comprehensive income.

On an ongoing basis, an assessment is made as to whether the designated derivative financial instruments continue to be effective in offsetting changes in cash flows of the hedged transactions.

(t) Income Taxes

Income tax expense represents the sum of current income tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxable earnings differ from earnings as reported in the consolidated statements of earnings as it excludes temporary and permanent differences. The Company's current tax assets and liabilities are calculated by using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on all temporary differences at the reporting date based on the difference between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and
- Deferred income tax assets are recognized only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the reporting date.

Current and deferred income taxes are charged or credited directly to equity if it relates to items that are credited or charged to equity in the same period. Otherwise, income tax is recognized in the consolidated statements of earnings.

In accordance with IAS 12 *Income taxes*, where an entity's tax return is prepared in a currency other than its functional currency, changes in the exchange rate between the two currencies create temporary differences with respect to the valuation of non-monetary assets and liabilities. As a result, deferred tax is recognized in the consolidated statements of earnings and the consolidated statement of financial position.

(u) Earnings Per Share

Basic earnings per share is calculated by dividing the net earnings for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive common shares related to the Company's equity share-based compensation plan.

(v) Finance Income and Costs

Finance income comprises interest income on funds invested. Finance income is recognized as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings and interest incurred on lease liabilities.

(w) Government Grants

Government grants are recorded as a reduction in cost of goods sold and selling and administrative expense within the consolidated statements of earnings in accordance with where the associated expense was recognized. Government grants are recognized when there is reasonable assurance that the grant will be received, and all related conditions are complied with.

NOTE 4. CHANGES IN ACCOUNTING POLICIES

The Company has reviewed amendments to existing accounting standards and determined that no amendments would have a material impact on the financial statements.

NOTE 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertainty about these assumptions and estimates could however result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions which have a significant effect on the amounts recognized in the consolidated financial statements:

Revenue Recognition – Performance Obligation Satisfied Over Time

The Company reflects revenues relating to performance obligations satisfied over time using the percentage-of-completion approach of accounting. The Company uses the input method of percentage-of-completion accounting, whereby actual input costs as a percentage of estimated total costs is used as the basis for determining the extent to which performance obligations are satisfied. The

input method of percentage-of-completion accounting provides a faithful depiction of the transfer of control to the customer, as the Company is able to recover costs incurred relating to the satisfaction of the associated performance obligation. This approach to revenue recognition requires management to make a number of estimates and assumptions surrounding the expected profitability of the contract, the estimated degree of completion based on cost progression, and other detailed factors. Although these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in the revenues recognized in a given period.

Certain contracts also include aspects of variable consideration, such as liquidated damages on project delays. For these contracts, management must make estimations as to the likelihood of the variable consideration being recognized or constrained, based on the status of each project, the potential value of variable consideration, communication received from the customer, and other factors. Enerflex continues to monitor these factors. Changes in estimated cost or revenue associated with a project, including variable consideration, could result in material changes to revenue and gross margin recognized on certain projects.

Revenue Recognition – Performance Obligation Satisfied at a Point in Time

The Company reflects revenues relating to performance obligations satisfied at a point in time when control – indicated by transfer of the legal title, physical possession, significant risks and rewards of ownership, or any combination of these indicators – is transferred to the customer.

Provisions for Warranty

Provisions set aside for warranty exposures either relate to amounts provided systematically based on historical experience under contractual warranty obligations or specific provisions created in respect of individual customer issues undergoing commercial resolution and negotiation. Amounts set aside represent management's best estimate of the likely settlement and the timing of any resolution with the relevant customer.

Business Acquisitions

In a business acquisition, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment and intangible assets acquired, the Company relies on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, projected cash flows, discount rates, and earnings multiples.

Property, Plant and Equipment and Rental Equipment

Property, plant and equipment and rental equipment is stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property, plant and equipment and rental equipment is reviewed on an annual basis. Assessing the reasonableness of the estimated useful lives of property, plant and equipment and rental equipment requires judgment and is based on currently available information. Property, plant and equipment and rental equipment is also reviewed for potential impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Changes in circumstances, such as technological advances and changes to business strategy can result in actual useful lives differing significantly from estimates. The assumptions used, including rates and methodologies, are reviewed on an ongoing basis to ensure they continue to be appropriate. Revisions to the estimated useful lives of property, plant and equipment and rental equipment constitutes a change in accounting estimate and are applied prospectively.

Right-of-Use Asset and Lease Liability

The Company determines the right-of-use asset and lease liability for each lease upon commencement. In calculating the right-of-use asset and lease liability, the Company is required to determine a suitable discount rate in order to calculate the present value of the contractual payments for the right to use the underlying asset during the lease term. In addition, the Company is required to assess the term of the lease, including if the Company is reasonably certain to exercise options to extend the lease or terminate the lease. Discount rates and lease assumptions are reassessed on a periodic basis.

Finance Lease Receivables

In calculating the value of the Company's finance lease receivables, the Company is required to determine the fair value of the underlying assets included in the finance lease transaction, or, if lower, the present value of the lease payments discounted using a market rate of interest. The fair value of the underlying assets should reflect the amount that the Company would otherwise recognize on a sale of those assets.

Allowance for Doubtful Accounts

Amounts included in allowance for doubtful accounts reflect the full lifetime expected credit losses for trade receivables. The Company determines allowances based on management's best estimate of future expected credit losses, considering historical default rates, current economic conditions, and forecasts of future economic conditions. Future economic conditions, especially around the oil and gas industry, may have a significant impact on the collectability of trade receivables from customers and the corresponding expected credit losses. Management has implemented additional monitoring processes in assessing the creditworthiness of customers and believes the current provision appropriately reflects the best estimate of its future expected credit losses. Significant or unanticipated changes in economic conditions could impact the magnitude of future expected credit losses.

Impairment of Inventories

The Company regularly reviews the nature and quantities of inventory on hand and evaluates the net realizable value of items based on historical usage patterns, known changes to equipment or processes, and customer demand for specific products. Significant or unanticipated changes in business conditions could impact the magnitude and timing of impairment recognized.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or group of assets exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model, which requires the Company to estimate future cash flows and use judgment to determine a suitable discount rate to calculate the present value of those cash flows.

Impairment of Goodwill

The Company tests goodwill for impairment at least on an annual basis, or when there is any indication that goodwill may be impaired. This requires an estimation of the value-in-use of the groups of CGUs to which the goodwill is allocated. Estimating the value-in-use requires an estimate of the expected future cash flows from each group of CGUs and use judgment to determine a suitable discount rate in order to calculate the present value of those cash flows. The methodology and assumptions used, as well as the results of the assessment performed are detailed in Note 14.

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all unused tax losses, carried forward tax credits or other deductible temporary differences to the extent that it is probable that taxable profit will be available against which these deferred tax assets can be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing of reversal, expiry of losses and the level of future taxable profits together with future tax planning strategies. The basis for this estimate is management's cash flow projections. To the extent the Company determines the recoverability of deferred tax assets is unlikely, the deferred tax asset is not recognized. Management regularly assesses the unrecognized deferred tax asset to determine what portion can be recognized in response to changing economic conditions or recent events.

Share-Based Compensation

The Company employs the fair value method of accounting for stock options and phantom share entitlement. The determination of the share-based compensation expense for stock options and phantom share entitlement requires the use of estimates and assumptions based on exercise prices, market conditions, vesting criteria, length of employment, and past experiences of the Company. Changes in these estimates and future events could alter the determination of the provision for such compensation. Details concerning the assumptions used are described in Note 24.

Government Grants

In response to the COVID-19 pandemic and associated restrictions, including mandated quarantines, business closures, and travel restrictions, governments in certain jurisdictions in which the Company does business have established programs to assist companies and individuals through the period for which these restrictions are in place. During the year, the Company continued to qualify for government grants in several jurisdictions, primarily the Canada Emergency Wage Subsidy, Canada Emergency Rent Subsidy, Hardest-Hit Business Recovery Program, and the Employee Retention Credit program in USA. Subsidies received have been recorded as a reduction in cost of goods sold and selling and administrative expenses within the consolidated statements of earnings in accordance with where the associated expense was recognized. There are no unfulfilled conditions or other contingencies relating to government assistance that has been recognized. Total subsidies received is in Note 34.

NOTE 6. NEW POLICIES, STANDARDS, INTERPRETATIONS, AND AMENDMENTS

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that no pronouncements or amendments would be expected to have a material impact on future financial statements.

NOTE 7. ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

Accounts receivable consisted of the following:

December 31,	2021	2020
Trade receivables	\$ 213,815	\$ 194,777
Less: allowance for doubtful accounts	(10,334)	(11,439)
Trade receivables, net	\$ 203,481	\$ 183,338
Other receivables	8,725	30,037
Total accounts receivable	\$ 212,206	\$ 213,375

Aging of trade receivables:

December 31,	2021	2020
Current to 90 days	\$ 183,105	\$ 152,285
Over 90 days	30,710	42,492
	\$ 213,815	\$ 194,777

Movement in allowance for doubtful accounts:

December 31,	2021	2020
Balance, January 1	\$ 11,439	\$ 2,144
Impairment provision additions on receivables	275	21,072
Amounts settled and derecognized during the year	(1,317)	(11,071)
Currency translation effects	(63)	(706)
	\$ 10,334	\$ 11,439

Movement in contract assets:

December 31,	2021	2020
Balance, January 1	\$ 66,722	\$ 130,392
Unbilled revenue recognized	244,372	238,300
Amounts billed	(228,327)	(281,145)
Amounts transferred to other assets	-	(26,625)
Currency translation effects	(7)	5,800
	\$ 82,760	\$ 66,722

Amounts recognized as contract assets are typically billed to customers within three months.

NOTE 8. INVENTORIES

Inventories consists of the following:

December 31,	2021	2020
Direct materials	\$ 83,943	\$ 119,342
Repair and distribution parts	54,156	52,125
Work-in-progress	31,298	25,185
Equipment	3,290	15,599
Total inventories	\$ 172,687	\$ 212,251

December 31,	2021	2020
Work-in-progress related to finance leases	\$ 36,169	\$ -

The amount of inventory and overhead costs recognized as an expense and included in cost of goods sold during 2021 was \$757.9 million (December 31, 2020 – \$937.7 million). Cost of goods sold is made up of direct materials, direct labour, depreciation on manufacturing assets, post-manufacturing expenses, and overhead. Cost of goods sold also includes inventory write-downs pertaining to obsolescence and aging together with recoveries of past write-downs upon disposition. The net amount of inventory write-downs charged to the consolidated statements of earnings and included in cost of goods sold for the year ended December 31, 2021 was \$6.1 million (December 31, 2020 – \$5.4 million).

The costs related to the construction of rental assets determined to be finance leases are accounted for as work-in-progress related to finance leases. Once the project is completed and enters service it will be reclassified to cost of goods sold. During the year ended December 31, 2021 the Company spent \$36.2 million (December 30, 2020 – nil) related to finance leases.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

		Land	Building	Equipment	Assets under construction	Total property, plant and equipment	Rental equipment
Cost							
January 1, 2021	\$	18,471	\$ 112,179	\$ 63,844	\$ 4,050	\$ 198,544	\$ 881,684
Additions		-	-	831	4,323	5,154	52,187
Reclassification		-	2,327	2,566	(5,297)	(404)	-
Disposals		-	(66)	(2,436)	-	(2,502)	(82,304)
Currency translation effects		(60)	(419)	(313)	(8)	(800)	(11,833)
December 31, 2021	\$	18,411	\$ 114,021	\$ 64,492	\$ 3,068	\$ 199,992	\$ 839,734
Accumulated depreciation							
January 1, 2021	\$	-	\$ (44,334)	\$ (51,574)	\$ -	\$ (95,908)	\$ (243,870)
Depreciation charge		-	(5,956)	(4,451)	-	(10,407)	(55,466)
Impairment		-	-	-	-	-	(537)
Disposals		-	66	2,351	-	2,417	62,990
Currency translation effects		-	137	183	-	320	7,477
December 31, 2021	\$	-	\$ (50,087)	\$ (53,491)	\$ -	\$ (103,578)	\$ (229,406)
Net book value – December 31, 2021	\$	18,411	\$ 63,934	\$ 11,001	\$ 3,068	\$ 96,414	\$ 610,328

		Land	Building	Equipment	Assets under construction	Total property, plant and equipment	Rental equipment
Cost							
January 1, 2020	\$	18,756	\$ 105,130	\$ 63,386	\$ 10,304	\$ 197,576	\$ 917,204
Additions		-	198	1,176	8,500	9,874	123,879
Reclassification		-	9,213	3,324	(14,956)	(2,419)	-
Disposals		-	(76)	(3,120)	-	(3,196)	(119,251)
Currency translation effects		(285)	(2,286)	(922)	202	(3,291)	(40,148)
December 31, 2020	\$	18,471	\$ 112,179	\$ 63,844	\$ 4,050	\$ 198,544	\$ 881,684
Accumulated depreciation							
January 1, 2020	\$	-	\$ (39,262)	\$ (49,763)	\$ -	\$ (89,025)	\$ (275,109)
Depreciation charge		-	(5,945)	(5,558)	-	(11,503)	(51,360)
Impairment		-	-	-	-	-	(2,607)
Disposals		-	71	3,055	-	3,126	67,054
Currency translation effects		-	802	692	-	1,494	18,152
December 31, 2020	\$	-	\$ (44,334)	\$ (51,574)	\$ -	\$ (95,908)	\$ (243,870)
Net book value – December 31, 2020	\$	18,471	\$ 67,845	\$ 12,270	\$ 4,050	\$ 102,636	\$ 637,814

During the fourth quarter of 2021, the Company recorded a disposition of certain rental equipment that was recognized as a finance lease. Refer to Note 11 for further details on the finance lease transaction.

Depreciation of property, plant and equipment and rental equipment included in earnings (loss) for the year ended December 31, 2021 was \$65.9 million (December 31, 2020 – \$62.9 million), of which \$64.1 million was included in cost of goods sold (December 31, 2020 – \$61.2 million) and \$1.8 million was included in selling and administrative expenses (December 31, 2020 – \$1.7 million).

Impairment of rental equipment included in earnings for the year ended December 31, 2021 was \$0.5 million (December 31, 2020 – \$2.6 million).

The Company reclassified certain amounts between cost of goods sold and selling and administrative expenses, refer to Note 2(a) for more details. The impact of the reclassification on property, plant and equipment depreciation from selling and administrative expenses to cost of goods sold is \$1.9 million for the year ended December 31, 2021 (December 31, 2020 – \$2.0 million).

NOTE 10. LEASE RIGHT-OF-USE ASSETS

	Land and buildings		Equipment		Total lease right-of-use assets
Cost					
January 1, 2021	\$	56,242	\$	19,360	\$ 75,602
Additions		4,097		6,778	10,875
Disposal		(1,644)		(1,583)	(3,227)
Currency translation effects		(315)		(196)	(511)
December 31, 2021	\$	58,380	\$	24,359	\$ 82,739
Accumulated depreciation					
January 1, 2021	\$	(13,527)	\$	(7,891)	\$ (21,418)
Depreciation charge		(8,350)		(5,492)	(13,842)
Disposal		1,535		714	2,249
Currency translation effects		144		15	159
December 31, 2021	\$	(20,198)	\$	(12,654)	\$ (32,852)
Net book value – December 31, 2021	\$	38,182	\$	11,705	\$ 49,887

	Land and buildings		Equipment		Total lease right-of-use assets
Cost					
January 1, 2020	\$	55,463	\$	17,104	\$ 72,567
Additions		3,923		4,389	8,312
Disposal		(3,069)		(1,821)	(4,890)
Currency translation effects		(75)		(312)	(387)
December 31, 2020	\$	56,242	\$	19,360	\$ 75,602
Accumulated depreciation					
January 1, 2020	\$	(8,028)	\$	(4,251)	\$ (12,279)
Depreciation charge		(8,106)		(5,601)	(13,707)
Disposal		2,513		1,779	4,292
Currency translation effects		94		182	276
December 31, 2020	\$	(13,527)	\$	(7,891)	\$ (21,418)
Net book value – December 31, 2020	\$	42,715	\$	11,469	\$ 54,184

Depreciation of lease right-of-use assets included in earnings for the year ended December 31, 2021 was \$13.8 million (December 31, 2020 – \$13.7 million), of which \$11.2 million was included in cost of goods sold (December 31, 2020 – \$11.0 million) and \$2.6 million was included in selling and administrative expenses (December 31, 2020 – \$2.7 million).

The Company reclassified certain amounts between cost of goods sold and selling and administrative expenses, refer to Note 2(a) for more details. The impact of the reclassification on lease right-of-use depreciation from selling and administrative expenses to cost of goods sold is \$3.8 million for the year ended December 31, 2021 (December 31, 2020 – \$3.9 million).

NOTE 11. FINANCE LEASES RECEIVABLE

The Company entered into finance lease arrangements for certain of its rental assets. The terms of the leases entered into range from three to 10 years.

During the fourth quarter of 2021, the Company entered into an agreement to extend an existing contract. The new arrangement has been determined to be accounted for as a finance lease. Enerflex, as a manufacturer lessor, recognizes selling profit or loss on a finance lease at the commencement date. Revenue from contracts that have been classified as finance leases for newly built equipment is recorded as Engineered Systems revenue. Revenue from contracts that have been classified as finance leases related to existing or pre-owned equipment, is recorded as Energy Infrastructure revenue. Upon commencement of the new lease, the Company recognizes revenue, based on the fair value of the underlying assets, and cost of goods sold, determined to be the net book value of those assets, in the consolidated statements of earnings. The finance lease interest portion will be recognized in the Energy Infrastructure product line over the lease term. In addition, the Company recognizes a finance lease receivable equal to the revenue recognized and derecognized the net book value of the underlying assets from rental equipment.

The value of the finance lease receivable is comprised of the following:

December 31,	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	2021	2020
Less than one year	\$ 16,420	\$ 3,047	\$ 15,248	\$ 2,928
Between one and five years	64,739	42,129	49,546	34,020
Later than five years	62,827	45,445	38,564	27,326
	\$ 143,986	\$ 90,621	\$ 103,358	\$ 64,274
Less: unearned finance income	(40,628)	(26,347)	-	-
	\$ 103,358	\$ 64,274	\$ 103,358	\$ 64,274

December 31,	2021	2020
Balance, January 1	\$ 64,274	\$ 900
Additions	40,154	64,270
Interest income	5,417	80
Billings and payments	(6,597)	(639)
Currency translation effects	110	(337)
	\$ 103,358	\$ 64,274

The average interest rates implicit in the leases are fixed at the contract date for the entire lease term. At December 31, 2021 the average interest rate was 8.0 percent per annum (December 31, 2020 – 7.5 percent). The finance lease receivables at the end of reporting period are neither past due nor impaired.

NOTE 12. OTHER ASSETS

December 31,	2021		2020	
Investment in associates and joint ventures	\$	27,064	\$	26,566
Long-term receivables		24,172		31,910
Prepaid deposits		79		124
	\$	51,315	\$	58,600

NOTE 13. INTANGIBLE ASSETS

	Customer relationships and other		Software		Total intangible assets
Cost					
January 1, 2021	\$	69,824	\$	48,698	\$ 118,522
Reclassification		-		404	404
Currency translation effects		(230)		(33)	(263)
December 31, 2021	\$	69,594	\$	49,069	\$ 118,663
Accumulated amortization					
January 1, 2021	\$	(59,296)	\$	(42,682)	\$ (101,978)
Amortization charge		(4,642)		(2,079)	(6,721)
Currency translation effects		121		33	154
December 31, 2021	\$	(63,817)	\$	(44,728)	\$ (108,545)
Net book value – December 31, 2021	\$	5,777	\$	4,341	\$ 10,118

	Customer relationships and other		Software		Total intangible assets
Cost					
January 1, 2020	\$	70,895	\$	51,283	\$ 122,178
Reclassification		-		2,419	2,419
Disposal		-		(5,045)	(5,045)
Currency translation effects		(1,071)		41	(1,030)
December 31, 2020	\$	69,824	\$	48,698	\$ 118,522
Accumulated amortization					
January 1, 2020	\$	(55,232)	\$	(44,888)	\$ (100,120)
Amortization charge		(4,974)		(2,798)	(7,772)
Disposal		-		5,045	5,045
Currency translation effects		910		(41)	869
December 31, 2020	\$	(59,296)	\$	(42,682)	\$ (101,978)
Net book value – December 31, 2020	\$	10,528	\$	6,016	\$ 16,544

NOTE 14. GOODWILL AND IMPAIRMENT REVIEW OF GOODWILL

December 31,	2021		2020	
Balance, January 1	\$	576,028	\$	573,928
Currency translation effects		(9,758)		2,100
	\$	566,270	\$	576,028

Goodwill acquired through business combinations was allocated to the USA, Rest of World, and Canada business segments, and represents the lowest level at which goodwill is monitored for internal management purposes. At December 31, 2021, the Company determined that there were no indicators of impairment, and performed an annual assessment comparing the carrying amount and recoverable amount for each segment in accordance with IAS 36.10(b).

In assessing whether goodwill has been impaired, the carrying amount of the segment (including goodwill) is compared with its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value-in-use.

The recoverable amounts for the segments have been determined based on value-in-use calculations, using discounted cash flow projections as at December 31, 2021. Management has adopted a five-year projection period to assess each segment's value-in-use. A terminal value is then determined using a perpetual growth methodology based on the fifth year. This five-year projection includes the financial budgets approved by the Board of Directors for 2022 and management's expectations of cash flows for 2023 to 2026.

Key Assumptions Used in Value-In-Use Calculations:

The Company completed its annual assessment for goodwill impairment and determined that the recoverable amount for the USA, Rest of World, and Canada segments exceeded the carrying amount using a 9.4 percent (December 31, 2020 – 9.6 percent), 12.6 percent (December 31, 2020 – 12.8 percent), and 10.7 percent (December 31, 2020 – 10.9 percent) post-tax discount rate, respectively.

The estimation of value-in-use involved significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in terminal growth and discount rates. These key assumptions were tested for sensitivity by applying a reasonable possible change to those assumptions. Future earnings before finance costs and taxes were changed by ten percent while the discount rate was changed by one percent.

- **Earnings Before Finance Costs and Taxes:** Management has made estimates relating to the amount and timing of revenue recognition for projects included in backlog, and the assessment of the likelihood of maintaining and growing market share. For each ten percent change in earnings before finance costs and taxes, the impact on the value-in-use would be \$17.1 million for the Canada segment and \$91.0 million for the ROW segment. This ten percent change in earnings before finance costs and taxes would trigger an impairment in the Canada and ROW segments.
- **Discount Rate:** Management determines a discount rate for each segment based on the estimated weighted average cost of capital of the Company, using the five-year average of the Company's peer group debt to total enterprise value, adjusted for a number of risk factors specific to each segment. This discount rate has been calculated using an estimated risk-free rate of return adjusted for the Company's estimated equity market risk premium, the Company's cost of debt, and the tax rate in the local jurisdiction. For each one percent change in the discount rate, the impact on the value-in-use would be \$21.1 million for the Canada segment and \$118.6 million for the ROW segment. This one percent change in weighted average cost of capital would trigger an impairment in the Canada and ROW segments.

Management will continue to assess the long-term projected cash flows, as certain factors may cause a material variance from previously used cash flow projections. Management notes that there is a potential for future impairments as more certainty around future cash flows is achieved.

NOTE 15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31,	2021	2020
Accounts payable and accrued liabilities	\$ 234,212	\$ 178,303
Accrued dividend payable	2,242	1,794
Cash-settled share-based payments	4,293	2,055
	\$ 240,747	\$ 182,152

NOTE 16. WARRANTY PROVISIONS

December 31,	2021	2020
Balance, January 1	\$ 10,549	\$ 15,563
Additions during the year	849	8,203
Amounts settled and released in the year	(4,681)	(13,232)
Currency translation effects	(81)	15
	\$ 6,636	\$ 10,549

NOTE 17. DEFERRED REVENUES

December 31,	2021	2020
Balance, January 1	\$ 35,409	\$ 89,409
Cash received in advance of revenue recognition	167,956	247,100
Revenue subsequently recognized	(118,438)	(306,334)
Currency translation effects	(313)	5,234
	\$ 84,614	\$ 35,409

Amounts recognized as deferred revenues are typically recognized into revenue within six months.

NOTE 18. LONG-TERM DEBT

Through private placement, the Company has \$266.9 million of senior unsecured notes ("Notes") issued and outstanding. These Notes consist of \$105.0 million U.S. dollar and \$15.0 million Canadian dollar maturing December 15, 2024 bearing an interest rate of 4.67 percent and 4.50 percent respectively, and \$70.0 million U.S. dollar and \$30.0 million Canadian dollar maturing December 15, 2027 bearing an interest rate of 4.87 percent and 4.79 percent respectively.

During the third quarter of 2021, Enerflex successfully extended the maturity date for \$660.0 million of \$725.0 million in commitments to its amended and restated syndicated revolving credit facility ("Bank Facility") to June 30, 2025 (the "Maturity Date"). The maturity date for the other \$65.0 million in commitments to the Bank Facility remains June 30, 2023. In addition, the Bank Facility may be increased by \$150.0 million at the request of the Company, subject to the lenders' consent. There are no required or scheduled repayment of principal until the maturity date of the Bank Facility. Drawings on the Bank Facility are available by way of Prime Rate loans, U.S. Base Rate loans, London Interbank Offered Rate ("LIBOR") loans, and Bankers' Acceptance notes. The Company may also draw on the Bank Facility through bank overdrafts in either Canadian or U.S. dollars and issue letters of credit under the Bank Facility.

Pursuant to the terms and conditions of the Bank Facility, a margin is applied to drawings on the Bank Facility in addition to the quoted interest rate. The margin is established in basis points and is based on a consolidated net debt to earnings before finance costs, income taxes, depreciation and amortization ("EBITDA") ratio. The margin is adjusted effective the first day of the third month following the end of each fiscal quarter based on the above ratio.

The Bank Facility is unsecured and ranks pari passu with the Notes. The Company is required to maintain certain covenants on the Bank Facility and the Notes. As at December 31, 2021, the Company was in compliance with these covenants.

During the second quarter of 2021, a subsidiary of the Company finalized access to a credit facility, secured by certain assets of the subsidiary, of up to \$52.5 million U.S. dollars (the "Asset-Based Facility"). This new credit facility is non-recourse to the Company. Under the terms of the Asset-Based Facility, the Company is required to maintain certain covenants. As at December 31, 2021, the Company was in compliance with these covenants. Pursuant to the terms and conditions of the Asset-Based Facility, a margin is applied to drawings on the Asset-Based Facility in addition to the quoted interest rate. The margin is established as a percentage and is based on a consolidated total funded debt to EBITDA ratio.

The composition of the borrowings on the Bank Facility, Asset-Based Facility, and the Company's Notes is as follows:

December 31,	2021		2020	
Drawings on Bank Facility	\$	30,522	\$	84,369
Drawings on Asset-Based Facility		37,411		-
Notes due June 22, 2021		-		40,000
Notes due December 15, 2024		148,119		148,686
Notes due December 15, 2027		118,746		119,124
Deferred transaction costs		(3,376)		(2,467)
	\$	331,422	\$	389,712
Current portion of long-term debt	\$	-	\$	40,000
Non-current portion of long-term debt		331,422		349,712
	\$	331,422	\$	389,712

During the second quarter of 2021, the Company repaid \$40.0 million of 6.0 percent senior unsecured notes that were due June 22, 2021. The repayment was financed by cash on hand and drawings on the Bank Facility.

The weighted average interest rate on the Bank Facility for the year ended December 31, 2021 was 2.1 percent (December 31, 2020 – 2.3 percent). The weighted average interest rate on the Asset-Based Facility for the year ended December 31, 2021 was 3.0 percent (December 31, 2020 – nil). At December 31, 2021 without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are \$216.1 million, and \$118.7 million thereafter.

NOTE 19. LEASE LIABILITIES

December 31,	2021	2020
Balance, January 1	\$ 61,926	\$ 67,000
Additions	9,721	8,065
Lease interest	3,029	3,371
Payments made against lease liabilities	(17,244)	(16,141)
Currency translation effects and other	(418)	(369)
Closing balance	\$ 57,014	\$ 61,926
Current portion of lease liabilities	\$ 13,906	\$ 14,693
Non-current portion of lease liabilities	43,108	47,233
	\$ 57,014	\$ 61,926

In addition to the lease payments made above, during the year ended December 31, 2021, the Company paid \$0.3 million (December 31, 2020 – \$1.0 million) relating to short-term and low-value leases which were expensed as incurred. During year ended December 31, 2021, the Company also paid \$3.0 million (December 31, 2020 – \$1.6 million) in variable lease payments not included in the measurement of lease liabilities, of which \$1.8 million (December 31, 2020 – \$0.7 million) was included in cost of goods sold and \$1.2 million (December 31, 2020 – \$0.9 million) was included in selling and administrative expenses. Interest expense on lease liabilities was \$3.0 million for the year ended December 31, 2021 (December 31, 2020 – \$3.4 million). Total cash outflow for leases for the year ended December 31, 2021 was \$20.5 million (December 31, 2020 – \$18.7 million).

Future minimum lease payments under non-cancellable leases is as follows:

	December 31, 2021
2022	\$ 15,448
2023	11,167
2024	8,192
2025	6,313
2026	4,561
Thereafter	22,817
	\$ 68,498
Less:	
Imputed interest	11,273
Short-term leases	165
Low-value leases	46
	\$ 57,014

NOTE 20. INCOME TAXES

(a) Income Tax Recognized in Net Earnings

The components of income tax expense were as follows:

Years ended December 31,	2021	2020
Current income taxes	\$ 13,135	\$ (6,872)
Deferred income taxes	43,422	14,174
	\$ 56,557	\$ 7,302

(b) Reconciliation of Tax Expense

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

Years ended December 31,	2021	2020
Earnings before income taxes	\$ 38,102	\$ 95,559
Canadian statutory rate	23.8%	24.4%
Expected income tax provision	\$ 9,068	\$ 23,316
Add (deduct):		
Exchange rate effects on tax basis	(2,269)	(4,007)
Earnings taxed in foreign jurisdictions	2,313	(14,505)
Revaluation of Canadian deferred tax assets due to change in statutory rate	(660)	597
Withholding tax on dividends received from foreign subsidiaries	2,763	-
Amounts not deductible (taxable) for tax purposes	811	2,426
Impact of accounting for associates and joint ventures	(160)	(530)
Change in recognized deferred tax assets	44,704	-
Other	(13)	5
Income tax expense from continuing operations	\$ 56,557	\$ 7,302

The applicable statutory tax rate is the aggregate of the Canadian federal income tax rate of 15.0 percent (2020 – 15.0 percent) and provincial income tax rates of 8.8 percent (2020 – 10.3 percent). During the fourth quarter of 2020, lower Alberta corporate income tax rates became substantially enacted. The Alberta corporate income tax rates are 9.0 percent for 2020, and 8.0 percent thereafter.

The Company's effective tax rate is subject to fluctuations in the Argentine peso and Mexican peso exchange rate against the U.S. dollar. Since the Company holds significant rental assets in Argentina and Mexico, the tax base of these assets is denominated in Argentine peso and Mexican peso, respectively. The functional currency is, however, the U.S. dollar and as a result, the related local currency tax bases are revalued periodically to reflect the closing U.S. dollar rate against these currencies. Any movement in the exchange rate results in a corresponding unrealized exchange rate gain or loss being recorded as part of deferred income tax expense or recovery. During periods of large fluctuation or devaluation of the local currency against the U.S. dollar, these amounts may be significant but are unrealized and may reverse in the future. Recognition of these amounts is required by IFRS, even though the revalued tax basis does not generate any cash tax obligation or liability in the future.

(c) Income Tax Recognized in Other Comprehensive Income

Years ended December 31,	2021	2020
Deferred Tax		
Arising on income and expenses recognized in other comprehensive income:		
Fair value remeasurement of hedging instruments entered into for cash flow hedges	\$ 77	\$ 186
Arising on income and expenses reclassified from other comprehensive income to net earnings:		
Relating to cash flow hedges	(53)	158
Arising on foreign exchange movement on long-term debt:		
Relating to net investment hedge	-	61
Total income tax recognized in other comprehensive income	\$ 24	\$ 405

(d) Net Deferred Tax Assets (Liabilities)

Deferred tax assets and liabilities arise from the following:

	Accounting provisions and accruals	Tax losses	Long-term assets	Other	Exchange rate effects on tax bases	Cash flow hedges	Total ¹
January 1, 2021	\$ 18,058	\$ 28,969	\$ (73,956)	\$ 544	\$ (12,799)	\$ (8)	\$ (39,192)
Charged to net earnings	(10,945)	(21,808)	(12,398)	(572)	2,269	32	(43,422)
Charged to OCI	-	-	-	-	-	(24)	(24)
Exchange differences	(91)	(642)	99	539	54		(41)
December 31, 2021	\$ 7,022	\$ 6,519	\$ (86,255)	\$ 511	\$ (10,476)	\$ -	\$ (82,679)

¹ Net deferred tax liabilities at December 31, 2021 of \$82.7 million consist of liabilities of \$92.0 million net of assets of \$9.3 million.

	Accounting provisions and accruals	Tax losses	Long-term assets	Other	Exchange rate effects on tax bases	Cash flow hedges	Total ¹
January 1, 2020	\$ 19,449	\$ 26,082	\$ (57,684)	\$ 1,330	\$ (17,144)	\$ 335	\$ (27,632)
Charged to net earnings	(2,080)	2,661	(18,003)	(756)	4,007	-	(14,171)
Charged to OCI	-	-	-	(61)	-	(344)	(405)
Exchange differences	689	226	1,731	31	338	1	3,016
December 31, 2020	\$ 18,058	\$ 28,969	\$ (73,956)	\$ 544	\$ (12,799)	\$ (8)	\$ (39,192)

¹ Net deferred tax liabilities at December 31, 2020 of \$39.2 million consist of liabilities of \$87.4 million net of assets of \$48.2 million.

(e) Unrecognized Deferred Tax Assets

As at December 31, 2021, the Company did not recognize deductible temporary differences of \$225.9 million (December 31, 2020 - \$49.7 million) and unused Canadian tax credits of \$1.1 million (December 31, 2020 - nil) for which it is unlikely that sufficient future taxable income will be available to offset against. The derecognition of certain deferred tax assets in Canada was due to a combination of factors which include losses in recent prior periods, current period losses and continued challenging market conditions. The deductible temporary differences consist of:

Years ended December 31,	2021	2020
Canadian:		
Tax losses	\$ 138,408	\$ -
Capital assets	22,758	-
Accounting provisions & other accruals	26,363	-
Foreign:		
Tax losses	38,374	49,667
	\$ 225,903	\$ 49,667

The Company's unused tax losses and tax credits are subject to expiration in the years 2022 through 2041.

NOTE 21. SHARE CAPITAL AUTHORIZED

The Company is authorized to issue an unlimited number of common shares. Share capital comprises only one class of ordinary shares. The ordinary shares carry a voting right and a right to a dividend.

Issued and Outstanding

Years ended December 31,	2021		2020	
	Number of common shares	Common share capital	Number of common shares	Common share capital
Balance, January 1	89,678,845	\$ 375,524	89,678,845	\$ 375,524
Exercise of stock options	-	-	-	-
	89,678,845	\$ 375,524	89,678,845	\$ 375,524

Total dividends declared in the year were \$7.6 million, or \$0.02 per share during the first three quarters and \$0.025 per share in the fourth quarter of 2021 (December 31, 2020 - \$15.7 million, or \$0.115 in the first quarter and \$0.02 per share during the last three quarters of 2020).

NOTE 22. CONTRIBUTED SURPLUS

Contributed surplus consists of accumulated stock option expense less the fair value of the options at the grant date that have been exercised and reclassified to share capital. Changes in contributed surplus were as follows:

Years ended December 31,	2021	2020
Balance, January 1	\$ 656,832	\$ 655,107
Share-based compensation	1,783	1,725
Exercise of stock options	-	-
	\$ 658,615	\$ 656,832

NOTE 23. REVENUE

Years ended December 31,	2021	2020
Engineered Systems	\$ 354,127	\$ 598,566
Service	327,376	303,269
Energy Infrastructure ^{1,2}	278,653	315,217
Total revenue	\$ 960,156	\$ 1,217,052

¹ Energy Infrastructure revenue for 2021 and 2020 includes the recognition of revenue from finance lease transactions in the fourth quarter of the same period. Upon commencement of the renegotiated leases, the Company recognized the sale of the related rental assets and a corresponding finance lease receivable. Refer to Note 11 for further details on finance leases.

² During the year ended December 31, 2021, the Company recognized \$68.2 million of revenue related to operating leases in its Canada and ROW segments (December 31, 2020 - \$86.6 million). Additionally, the Company recognized \$98.1 million of revenue related to its USA contract compression fleet (December 31, 2020 - \$91.1 million).

Revenue by geographic location, which is attributed by destination of sale, is as follows:

Years ended December 31,	2021	2020
United States	\$ 451,675	\$ 549,854
Canada	173,181	206,508
Oman	84,486	53,664
Australia	61,520	65,683
Bahrain	40,361	108,358
Argentina	34,321	21,276
Mexico	27,355	32,945
Colombia	17,795	32,671
Brazil	17,289	11,130
Nigeria	7,853	92,334
Bolivia	7,775	6,264
Other	36,545	36,365
Total revenue	\$ 960,156	\$ 1,217,052

The following table outlines the Company's unsatisfied performance obligations, by product line, as at December 31, 2021:

	Less than one year	One to two years	Greater than two years	Total
Engineered Systems	\$ 556,844	\$ 705	\$ -	\$ 557,549
Service	33,192	13,437	44,665	91,294
Energy Infrastructure	158,616	141,366	709,555	1,009,537
	\$ 748,652	\$ 155,508	\$ 754,220	\$ 1,658,380

NOTE 24. SHARE-BASED COMPENSATION

(a) Share-Based Compensation Expense

The share-based compensation expense included in the determination of net earnings was:

Years ended December 31,	2021	2020
Equity settled share-based payments	\$ 1,783	\$ 1,725
Deferred share units	3,053	(1,830)
Phantom share entitlement plan	102	(54)
Performance share units	3,470	667
Restricted share units	2,751	755
Cash performance target	1,778	553
Share-based compensation expense	\$ 12,937	\$ 1,816

(b) Equity-Settled Share-Based Payments

Years ended December 31,	Number of options	2021 Weighted average exercise price	Number of options	2020 Weighted average exercise price
Options outstanding, beginning of period	4,057,142	\$ 12.78	3,565,521	\$ 14.67
Granted	654,847	7.85	839,478	5.51
Forfeited	(24,267)	9.25	(121,547)	15.20
Expired	(231,278)	20.75	(226,310)	14.33
Options outstanding, end of period	4,456,444	\$ 11.66	4,057,142	\$ 12.78
Options exercisable, end of period	2,445,230	\$ 13.62	1,810,577	\$ 14.73

No options were exercised during December 31, 2021 (December 31, 2020 – nil).

The Company granted 654,847 stocks options for the year ended December 31, 2021 (December 31, 2020 – 839,478). Using the Black-Scholes option pricing model, the weighted average fair value of stock options granted for the year ended December 31, 2021 was \$2.89 per option (December 31, 2020 - \$2.15).

The weighted average assumptions used in determinations of fair values are noted below:

Years ended December 31,	2021	2020
Expected life (years)	5.26	5.34
Expected volatility ¹	44.4%	43.6%
Dividend yield	1.0%	1.4%
Risk-free rate	1.1%	0.5%
Estimated forfeiture rate	3.9%	3.6%

¹ Expected volatility is based on the historical volatility of Enerflex over a five-year period, consistent with the expected life of the option.

The following table summarizes options outstanding and exercisable at December 31, 2021:

Range of exercise prices	Options Outstanding			Options Exercisable		
	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price
\$5.51 – \$9.77	1,477,950	6.06	\$ 6.53	167,895	5.62	\$ 5.51
\$9.78 – \$14.75	1,677,399	2.61	12.85	1,194,130	1.79	12.65
\$14.76 – \$16.12	1,301,095	1.86	15.95	1,083,205	1.56	15.94
Total	4,456,444	3.53	\$ 11.66	2,445,230	1.95	\$ 13.62

(c) Deferred Share Units

The Company offers a DSU plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their annual bonus, or retainer and fees, respectively, in DSUs. In addition, the Board may grant discretionary DSUs to executives. A specified component of non-employee directors' compensation must be received in DSUs. A DSU is a notional unit that entitles the holder to receive payment, as described below, from the Company equal to the implied market value calculated as the number of DSUs multiplied by the weighted average price per share on the Toronto Stock Exchange ("TSX") for the five trading days immediately preceding the grant.

Additional Enerflex DSUs will be credited on the regular dividend payment dates as all dividends are assumed to be reinvested.

DSUs may be granted to eligible participants on an annual basis and will vest upon being credited to the executive or non-employee director's account. Participants are not able to cash in their DSUs until they are no longer employed by or cease to be directors of Enerflex. The Company satisfies its payment obligation through cash payments to the participant.

DSUs represent an indexed liability of the Company relative to the Company's share price. For the year ended December 31, 2021, the value of directors' compensation and executive bonuses elected to be received in DSUs totalled \$2.1 million (December 31, 2020 – \$2.6 million).

	Number of DSUs	Weighted average grant date fair value per unit
DSUs outstanding, January 1, 2021	1,147,182	\$ 11.01
Granted	247,317	8.33
In lieu of dividends	11,671	8.15
DSUs outstanding, December 31, 2021	1,406,170	\$ 10.51

The carrying amount of the liability relating to DSUs as at December 31, 2021 included in other long-term liabilities was \$10.8 million (December 31, 2020 – \$7.5 million).

(d) Phantom Share Entitlement Plan

The Company utilizes a PSE plan for key employees of affiliates located in the UAE, for whom the Company's Stock Option Plan would have negative personal taxation consequences.

The exercise price of each PSE equals the average of the market price of the Company's shares on the TSX for the five days preceding the date of the grant. The PSEs vest at a rate of one-fifth on each of the first five anniversaries of the date of the grant and expire on the seventh anniversary. The award entitlements for increases in the share trading value of the Company are to be paid to the recipient in cash upon exercise.

In 2021, the Board of Directors granted 24,715 PSEs (December 31, 2020 – 34,853). The intrinsic value of the vested awards at December 31, 2021 was \$0.9 million (December 31, 2020 – nil).

	Number of PSEs	Weighted average grant date fair value per unit
PSEs outstanding, January 1, 2021	198,205	\$ 12.69
Granted	24,715	7.85
PSEs outstanding, December 31, 2021	222,920	\$ 12.15

The carrying amount of the liability relating to the PSEs as at December 31, 2021 included in current liabilities was \$0.2 million (December 31, 2020 – \$0.1 million) and in other long-term liabilities was \$0.1 million (December 31, 2020 – less than \$0.1 million).

(e) Performance Share Units

The Company offers a PSU plan for executive officers of the Company. The PSU is a notional unit that entitles the holder to receive payment, as described below, from the Company equal to the number of vested PSUs multiplied by the weighted average price per share on the TSX during the last five trading days immediately preceding the grant. Vesting is based on the achievement of performance measures and objectives specified by the Board of Directors. The Board of Directors assesses performance to determine the vesting percentage, which can range from zero percent to 200 percent. Within 14 days after the determination of the vesting percentage, the holder will be paid for the vested PSUs either in cash or in shares of the Company acquired on the open market on behalf of the holder, at the discretion of the Company.

Additional Enerflex PSUs will be credited on the regular dividend payment dates as all dividends are assumed to be reinvested.

The Company paid \$1.0 million for the year ended December 31, 2021 representing units vested in the year (December 31, 2020 – \$0.5 million).

	Number of PSUs	Weighted average grant date fair value per unit
PSUs outstanding, January 1, 2021	982,835	\$ 9.35
Granted	419,195	7.85
In lieu of dividends	10,423	8.18
Vested	(104,037)	7.36
PSUs outstanding, December 31, 2021	1,308,416	\$ 9.02

The carrying amount of the liability relating to PSUs as at December 31, 2021 included in current liabilities was \$2.0 million (December 31, 2020 – \$0.6 million) and in other long-term liabilities was \$2.6 million (December 31, 2020 – \$1.5 million).

(f) Restricted Share Units

The Company offers a RSU plan to executive officers and other key employees of the Company or its related entities. RSUs may be granted at the discretion of the Board of Directors. An RSU is a notional unit that entitles the holder to receive payment, as described below, from the Company equal to the number of vested RSUs multiplied by the weighted average price per share on the TSX during the last five trading days immediately preceding the vesting date. Unless otherwise determined by the Board, RSUs vest at a rate of one-third on the first, second, and third anniversaries of the award date. Within 30 days of the vesting date, the holder will be paid for the vested RSUs. Executive officers receive payment in the form of Company shares acquired on the open market, and other key employees receive either cash or Company shares, at the discretion of the Company.

Additional Enerflex RSUs will be credited on the regular dividend payment dates as all dividends are assumed to be reinvested.

During 2021, the Board of Directors granted 472,819 RSUs to executive officers and other key employees of the Company (2020 – 680,200). The Company paid \$2.3 million for the year ended December 31, 2021 representing units vested in the year (December 31, 2020 – \$0.8 million).

	Number of RSUs	Weighted average grant date fair value per unit
RSUs outstanding, January 1, 2021	782,517	\$ 7.52
Granted	472,819	7.85
In lieu of dividends	8,021	8.15
Vested	(292,205)	7.79
Forfeited	(74,678)	7.37
RSUs outstanding, December 31, 2021	896,474	\$ 7.62

The carrying amount of the liability included in current liabilities relating to RSUs at December 31, 2021 was \$1.3 million (December 31, 2020 – \$0.9 million).

(g) Cash Performance Target Plan

The Company offers a CPT plan to certain non-executive, U.S.-based employees of the Company or its related entities. The plan is denominated in U.S. dollars and may be granted at the discretion of the Board of Directors. Although the liability associated with the CPT plan follows Enerflex's share performance, no actual shares or securities are issued under the plan. The cash payment fluctuates based on the percentage of appreciation or depreciation in the share price over the life of the award, which is calculated using the last five days immediately preceding the vesting date. The cash grants are held for three years, and vest at a rate of one-third on the first, second, and third anniversaries of the award date. Within 30 days of the vesting date, the holder will be paid for the vested cash grants, at the discretion of the Company.

During 2021, the Board of Directors distributed \$2.2 million of CPT cash grants (2020 – \$2.4 million). The Company paid \$1.5 million for the year ended December 31, 2021 representing units vested in the year (December 31, 2020 – \$0.5 million). The weighted average grant fair value per unit was \$7.85 (December 31, 2020 – \$5.51), using the average share price over the five days preceding the grant date.

The carrying amount of the liability included in current liabilities relating to CPT plan at December 31, 2021 was \$0.8 million (December 31, 2020 – \$0.5 million).

(h) Employee Share Purchase Plan

The Company offers an employee share purchase plan whereby employees who meet the eligibility criteria can purchase shares by way of payroll deductions. There is a Company match of up to \$1,000 per employee per annum based on contributions by the Company of \$1 for every \$3 contributed by the employee. Company contributions vest to the employee immediately. Company contributions are charged to selling and administrative expense when paid. This plan is administered by a third party.

NOTE 25. RETIREMENT BENEFITS PLAN

The Company sponsors arrangements for substantially all of its employees through defined contribution plans in Canada, UK, Asia, and Australia, and a 401(k) matched savings plan in the United States. In the case of the defined contribution plans, regular contributions are made to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document. Both in the case of the defined contribution plans and the 401(k) matched savings plan, the pension expenses recorded in earnings are the amounts of actual contributions the Company is required to make in accordance with the terms of the plans.

Years ended December 31,	2021	2020
Defined contribution plans	\$ 4,567	\$ 4,514
401(k) matched savings plan	3,025	3,912
Net pension expense	\$ 7,592	\$ 8,426

NOTE 26. FINANCE COSTS AND INCOME

Years ended December 31,	2021		2020	
Finance Costs				
Short and long-term borrowings	\$	17,252	\$	19,993
Interest on lease liability		3,029		3,371
Total finance costs	\$	20,281	\$	23,364
Finance Income				
Interest income	\$	3,286	\$	871
Net finance costs	\$	16,995	\$	22,493

NOTE 27. RECONCILIATION OF EARNINGS PER SHARE CALCULATIONS

Year ended December 31, 2021	Net earnings	Weighted average shares outstanding	Per share
Basic	\$ (18,455)	89,678,845	\$ (0.21)
Dilutive effect of stock option conversion	-	-	-
Diluted	\$ (18,455)	89,678,845	\$ (0.21)

Year ended December 31, 2020	Net earnings	Weighted average shares outstanding	Per share
Basic	\$ 88,257	89,678,845	\$ 0.98
Dilutive effect of stock option conversion	-	-	-
Diluted	\$ 88,257	89,678,845	\$ 0.98

NOTE 28. FINANCIAL INSTRUMENTS

The Company has designated its financial instruments as follows:

December 31, 2021	Carrying value	Estimated fair value
Financial Assets		
Cash and cash equivalents	\$ 172,758	\$ 172,758
Derivative instruments in designated hedge accounting relationships	294	294
Loans and receivables:		
Accounts receivable	212,206	212,206
Contract assets	82,760	82,760
Long-term receivables	24,172	27,471
Financial Liabilities		
Derivative instruments in designated hedge accounting relationships	180	180
Other financial liabilities:		
Accounts payable and accrued liabilities	240,747	240,747
Long-term debt – Bank Facility	30,522	30,522
Long-term debt – Asset-Based Facility	37,411	37,411
Long-term debt – Notes	266,865	280,295
Other long-term liabilities	15,785	15,785
December 31, 2020	Carrying value	Estimated fair value
Financial Assets		
Cash and cash equivalents	\$ 95,676	\$ 95,676
Derivative instruments in designated hedge accounting relationships	491	491
Loans and receivables:		
Accounts receivable	213,375	213,375
Contract assets	66,722	66,722
Long-term receivables	31,910	35,696
Financial Liabilities		
Derivative instruments in designated hedge accounting relationships	371	371
Other financial liabilities:		
Accounts payable and accrued liabilities	182,152	182,152
Current portion of long-term debt - Notes	40,000	40,610
Long-term debt – Bank Facility	84,369	84,369
Long-term debt – Notes	267,810	284,605
Other long-term liabilities	10,967	10,967

Fair Values of Financial Assets and Liabilities

The following table presents information about the Company's financial assets and financial liabilities measured at fair value on a recurring basis as at December 31, 2021 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. During the year ended December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Fair values are determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Fair values determined using inputs including forward market rates and credit spreads that are readily observable and reliable, or for which unobservable inputs are determined not to be significant to the fair value, are categorized as Level 2. If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data where possible, including recent arm's-length market transactions, and comparisons to the current fair value of similar instruments. Where this is not feasible, inputs such as liquidity risk, credit risk, and volatility are used.

		Carrying	Fair Value			
		value		Level 1	Level 2	Level 3
Financial Assets						
Derivative financial instruments	\$	294	\$	-	\$ 294	\$ -
Long-term receivables	\$	24,172	\$	-	\$ 27,471	\$ -
Financial Liabilities						
Derivative financial instruments	\$	180	\$	-	\$ 180	\$ -
Long-term debt – Notes	\$	266,865	\$	-	\$ 280,295	\$ -

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and other liabilities are reported at amounts approximating their fair values on the consolidated statement of financial position. The fair values approximate the carrying values for these instruments due to their short-term nature.

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on prevailing exchange rates. The financial institution's credit risk is also taken into consideration in determining fair value.

Long-term debt associated with the Company's Notes is recorded at amortized cost using the effective interest rate method. The amortized cost of the Notes is equal to the face value as there were no premiums or discounts on the issuance of the debt. Transaction costs associated with the debt were deducted from the debt and are being recognized using the effective interest rate method over the life of the related debt. The fair value of these Notes, determined on a discounted cash flow basis using a weighted average discount rate of 3.5 percent, was \$280.3 million at December 31, 2021.

Preferred Shares

During the third quarter of 2020, the Company accepted preferred shares from a customer in exchange for products and services. The preferred shares were initially recorded at fair value and subsequently measured at amortized cost and recognized as long-term receivables in Other assets. The carrying value and estimated fair value of the preferred shares at December 31, 2021 was \$24.2 million and \$27.5 million (December 31, 2020 – \$22.0 million and \$25.7 million).

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts are transacted with financial institutions to hedge foreign currency denominated obligations and cash receipts related to purchases of inventory and sales of products.

The following table summarizes the Company's commitments to buy and sell foreign currencies as at December 31, 2021:

Notional amount			Maturity
Canadian Dollar Denominated Contracts			
Purchase contracts	USD	16,119	January 2022 – June 2022
Sales contracts	USD	(10,849)	January 2022 – September 2022
Purchase contracts	EUR	1,091	June 2022
Sales contracts	EUR	(641)	June 2022

Management estimates that a gain of \$0.1 million would be realized if the contracts were terminated on December 31, 2021. Certain of these forward contracts are designated as cash flow hedges and accordingly, a gain of \$0.2 million has been included in other comprehensive income for the year ended December 31, 2021 (December 31, 2020 – gain of \$0.5 million). These gains are not expected to affect net earnings as the gains will be reclassified to net earnings and will offset losses recorded on the underlying hedged items, namely foreign currency denominated accounts payable and accounts receivable. The amount removed from other comprehensive income during the year and included in the carrying amount of the hedged items for the year ended December 31, 2021 was a loss of \$0.2 million (December 31, 2020 – gain of \$0.5 million).

All hedging relationships are formally documented, including the risk management objective and strategy. On an on-going basis, an assessment is made as to whether the designated derivative financial instruments continue to be effective in offsetting changes in cash flows of the hedged transactions.

Risks Arising from Financial Instruments and Risk Management

In the normal course of business, the Company is exposed to financial risks that may potentially impact its operating results in any or all of its business segments. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. Derivative financial agreements are used to manage exposure to fluctuations in exchange rates and interest rates. The Company does not enter into derivative financial agreements for speculative purposes.

Foreign Currency Translation Exposure

In the normal course of operations, the Company is exposed to movements in the U.S. dollar, the Australian dollar, and the Brazilian real. In addition, Enerflex has significant international exposure through export from its Canadian operations, as well as a number of foreign subsidiaries, the most significant of which are located in the United States, Argentina, Brazil, Colombia, Mexico, Bahrain, Oman, the UAE, and Australia.

The types of foreign exchange risk and the Company's related risk management strategies are as follows:

Transaction Exposure

The Canadian operations of the Company source the majority of its products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company also sells compression and processing packages in foreign currencies, primarily the U.S. dollar. Most of Enerflex's international orders are manufactured in the United States if the contract is denominated in U.S. dollars. This minimizes the Company's foreign currency exposure on these contracts.

The Company identifies and hedges all significant transactional currency risks. The Company has implemented a hedging policy, applicable primarily to the Canadian domiciled business units, with the objective of securing the margins earned on awarded contracts denominated in currencies other than Canadian dollars. In addition, the Company may hedge input costs that are paid in a currency other than the home currency of the subsidiary executing the contract.

Translation Exposure

The Company's earnings from and net investment in foreign subsidiaries are exposed to fluctuations in exchange rates. The currencies with the most significant impact are the U.S. dollar, Australian dollar, and Brazilian real.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the exchange rates in effect at the reporting dates. Non-monetary assets and liabilities measured at historical cost are translated using the rates of exchange at the date of the transaction. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. The cumulative currency translation adjustments are recognized in earnings when there has been a reduction in the net investment in the foreign operations.

Earnings from foreign operations are translated into Canadian dollars each period at average exchange rates for the period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net earnings. The following table shows the effect of a five percent weakening of the Canadian dollar against the U.S. dollar, Australian dollar, and Brazilian real on net earnings before tax for the year ended December 31, 2021, all else being equal. A five percent strengthening of the Canadian dollar would have an equal and opposite effect. This sensitivity analysis is provided as an indicative range in a volatile currency environment.

Canadian dollar weakens by 5 percent		USD		AUD		BRL
Earnings before income taxes	\$	1,776	\$	(90)	\$	167

Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in foreign exchange rates on the Company's financial instruments and show the impact on net earnings and other comprehensive income. Financial instruments affected by currency risk include cash and cash equivalents, accounts receivable, accounts payable, and derivative financial instruments. The following table shows the Company's sensitivity to a five percent weakening of the Canadian dollar against the U.S. dollar, Australian dollar, and Brazilian real. A five percent strengthening of the Canadian dollar would have an equal and opposite effect. This sensitivity analysis relates to the position as at December 31, 2021 and for the year then ended.

Canadian dollar weakens by 5 percent		USD		AUD		BRL
Financial instruments held in foreign operations						
Other comprehensive income	\$	14,019	\$	908	\$	221
Financial instruments held in Canadian operations						
Earnings before income taxes	\$	(9,633)	\$	-	\$	-

The movement in net earnings before tax in Canadian operations is a result of a change in the fair values of financial instruments. The majority of these financial instruments are hedged.

Interest Rate Risk

The Company's liabilities include long-term debt that is subject to fluctuations in interest rates. The Company's Notes outstanding at December 31, 2021 include interest rates that are fixed and therefore the related interest expense will not be impacted by fluctuations in interest rates. The Company's Bank and Asset-Based Facilities, however, is subject to changes in market interest rates.

For each one percent change in the rate of interest on the Bank and Asset-Based Facilities, the change in annual interest expense would be \$0.7 million. All interest charges are recorded on the consolidated statements of earnings as finance costs.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash equivalents, accounts receivable, net investment in finance lease, and derivative financial instruments.

The Company has accounts receivable from clients engaged in various industries. These specific industries may be affected by economic factors that may impact accounts receivable. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Credit is extended based on an evaluation of the customer's financial condition and, generally, advance payment is not required. Outstanding customer receivables are regularly monitored and an allowance for doubtful accounts is established based expected credit losses.

The Company evaluates the concentration of risk at December 31, 2021 with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. At December 31, 2021, the Company had no individual customers which accounted to more than 10 percent of its revenue or receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in this note. The Company does not hold collateral as security.

The credit risk associated with the net investment in finance leases arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, the Company enters into finance lease transactions only in select circumstances. Close contact is maintained with the customer over the duration of the lease to ensure visibility to issues as and if they arise.

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, the Company enters into derivative transactions only with highly-rated financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. In managing liquidity risk, the Company has access to a significant portion of its Bank and Asset-Based Facilities for future drawings to meet the Company's future growth targets and to pay its obligations as they come due. As at December 31, 2021, the Company held cash and cash equivalents of \$172.8 million and had drawn \$67.9 million against the Bank and Asset-Based Facilities, leaving it with access to \$681.5 million for future drawings. The Company continues to meet the covenant requirements of its funded debt, including the Bank Facility and Notes, with a bank-adjusted net debt to EBITDA ratio of 1.0:1 compared to a maximum ratio of 3:1, and an interest coverage ratio of 8:1 compared to a minimum ratio of 3:1. The interest coverage ratio is calculated by dividing the trailing 12-month bank-adjusted EBITDA, as defined by the Company's lenders, by interest expense over the same time frame.

A liquidity analysis of the Company's financial instruments has been completed on a maturity basis. The following table outlines the cash flows, including interest associated with the maturity of the Company's financial liabilities, as at December 31, 2021:

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total
Derivative financial instruments				
Foreign currency forward contracts	\$ 124	\$ 56	\$ -	\$ 180
Accounts payable and accrued liabilities	240,747	-	-	240,747
Long-term debt – Bank Facility	-	-	30,522	30,522
Long-term debt – Asset-Based Facility	-	-	37,411	37,411
Long-term debt – Notes	-	-	266,865	266,865
Other long-term liabilities	-	-	15,785	15,785

The Company expects that cash flows from operations in 2022, together with cash and cash equivalents on hand and credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets.

NOTE 29. CAPITAL DISCLOSURES

The capital structure of the Company consists of shareholders' equity plus net debt. The Company manages its capital to ensure that entities in the Company will be able to continue to grow while maximizing the return to shareholders through the optimization of the debt and equity balances. The Company makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new Company shares, or access debt markets.

The Company formally reviews the capital structure on an annual basis and monitors it on an on-going basis. As part of this review, the cost of capital and the risks associated with each class of capital are considered. The Company uses the following measure to monitor its capital structure:

Net Debt to EBITDA Ratio

Net debt to EBITDA is defined as short and long-term debt less cash and cash equivalents at the end of the period, divided by annualized EBITDA. At December 31, 2021, the net debt to EBITDA ratio was:

Years ended December 31,	2021	2020
Long-term debt	\$ 331,422	\$ 389,712
Cash and cash equivalents	(172,758)	(95,676)
Net debt	\$ 158,664	\$ 294,036
Earnings before finance costs and income taxes	\$ 55,097	\$ 118,052
Depreciation and amortization	87,622	85,265
EBITDA	\$ 142,719	\$ 203,317
Net debt to EBITDA ratio	1.11:1	1.45:1

The net debt to EBITDA ratio, as defined above is not equivalent to the net debt to EBITDA as defined by the Company's lenders. The bank-adjusted net debt to EBITDA ratio at December 31, 2021 was 1.00. As at December 31, 2021, the Company is in compliance with its covenants

NOTE 30. SUPPLEMENTAL CASH FLOW INFORMATION

Years ended December 31,	Restated (Note 36) 2021	Restated (Note 36) 2020
Net change in non-cash working capital and other		
Accounts receivable	\$ 1,169	\$ 170,646
Contract assets	(16,038)	63,670
Inventories	39,564	57,134
Work-in-progress related to finance leases	(36,169)	-
Finance leases receivable	(39,084)	(63,374)
Income taxes receivable	19,986	(17,092)
Deferred revenue	49,205	(54,000)
Accounts payable and accrued liabilities, provisions, and income taxes payable ¹	55,441	(114,811)
Foreign currency and other	8,863	15,057
	\$ 82,937	\$ 57,230

¹ The change in accounts payable and accrued liabilities, provisions, and income taxes payable represents only the portion relating to operating activities.

Cash interest and taxes paid and received during the period:

Years ended December 31,	2021	2020
Interest paid – short- and long-term borrowings	\$ 17,315	\$ 19,311
Interest paid – lease liabilities	3,029	3,371
Total interest paid	\$ 20,344	\$ 22,682
Interest received	454	308
Taxes paid	13,725	18,825
Taxes received	23,137	5,566

Changes in liabilities arising from financing activities during the period:

Years ended December 31,	2021	2020
Long-term debt, opening balance	\$ 389,712	\$ 430,487
Changes from financing cash flows	(56,975)	(40,081)
The effect of changes in foreign exchange rates	(406)	(1,358)
Amortization of deferred transaction costs	1,186	922
Debt refinancing and transaction costs	(2,095)	(258)
Long-term debt, closing balance	\$ 331,422	\$ 389,712

NOTE 31. GUARANTEES, COMMITMENTS, AND CONTINGENCIES

At December 31, 2021, the Company had outstanding letters of credit of \$42.1 million (December 31, 2020 - \$47.5 million).

The Company is involved in litigation and claims associated with normal operations against which certain provisions may be made in the consolidated financial statements. At December 31, 2021, the Company did not record any legal provisions (December 31, 2020 - nil). Management is of the opinion that any resulting settlement arising from the litigation would not materially affect the consolidated financial position, results of operations, or liquidity of the Company.

The Company has purchase obligations over the next three years as follows:

2022	\$ 243,737
2023	2,904
2024	125

NOTE 32. RELATED PARTIES

Enerflex transacts with certain related parties as a normal course of business. Related parties include the Company's 45 percent equity investment in Roska DBO and the Company's 65 percent interest in a joint venture in Brazil.

All transactions occurring with related parties were in the normal course of business operations under the same terms and conditions as transactions with unrelated companies. A summary of the financial statement impacts of all transactions with all related parties is as follows:

Years ended December 31,	2021	2020
Associate – Roska DBO		
Revenue	\$ 352	\$ 558
Purchases	-	-
Accounts receivable	128	1
Accounts Payable	-	56

All related party transactions are settled in cash.

There were no transactions with the joint venture in Brazil.

The remuneration of directors and other key management personnel was as follows:

Years ended December 31,	2021	2020
Short-term compensation	\$ 5,711	\$ 6,344
Post-employment compensation	580	515
Share-based payments	6,979	8,011

The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

NOTE 33. SEASONALITY

The oil and natural gas service sector in Canada and in some parts of the USA has a distinct seasonal trend in activity levels which results from well-site access and drilling pattern adjustments to take advantage of weather conditions. Generally, Enerflex's Engineered Systems product line has experienced higher revenues in the fourth quarter of each year while Service and Energy Infrastructure product line revenues have been stable throughout the year. Energy Infrastructure revenues are also impacted by both the Company's and its customers' capital investment decisions. The USA and Rest of World segments are not significantly impacted by seasonal variations. Variations from these trends usually occur when hydrocarbon energy fundamentals are either improving or deteriorating.

NOTE 34. SEGMENTED INFORMATION

Enerflex has identified three reportable operating segments as outlined below, each supported by the Corporate head office. Corporate overheads are allocated to the operating segments based on revenue. In assessing its operating segments, the Company considered economic characteristics, the nature of products and services provided, the nature of production processes, the type of customer for its products and services, and distribution methods used. For each of the operating segments, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis. For the year ended December 31, 2021, the Company had no individual customers which accounted for more than 10 percent of its revenue.

The following summary describes the operations of each of the Company's reportable segments:

- *USA generates revenue from manufacturing natural gas compression, refrigeration, processing, and electric power equipment, including custom and standard compression packages and modular natural gas processing equipment and refrigeration systems, in addition to generating revenue from mechanical services and parts, operations and maintenance solutions, and contract compression rentals;*
- *Rest of World generates revenue from manufacturing (focusing on large-scale process equipment), after-market services, including parts and components, as well as operations, maintenance, and overhaul services, and rentals of compression and processing equipment. The Rest of World segment has been successful in securing build-own-operate-maintain and integrated turnkey projects; and*
- *Canada generates revenue from manufacturing both custom and standard natural gas compression, processing, and electric power equipment, as well as providing after-market mechanical service, parts, and compression and power generation rentals.*

The accounting policies of the reportable operating segments are the same as those described in the summary of significant accounting policies.

Years ended December 31,	USA		Rest of World		Canada		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Segment revenue	\$ 497,630	\$ 649,133	\$ 309,695	\$ 353,210	\$ 194,439	\$ 247,390	\$ 1,001,764	\$ 1,249,733
Intersegment revenue	(27,247)	(16,847)	(138)	(199)	(14,223)	(15,635)	(41,608)	(32,681)
Revenue	\$ 470,383	\$ 632,286	\$ 309,557	\$ 353,011	\$ 180,216	\$ 231,755	\$ 960,156	\$ 1,217,052
Revenue – Engineered Systems	218,558	390,178	22,500	40,485	113,069	167,903	354,127	598,566
Revenue – Service	153,722	150,939	111,500	96,092	62,154	56,238	327,376	303,269
Revenue – Energy Infrastructure ¹	98,103	91,169	175,557	216,434	4,993	7,614	278,653	315,217
Operating income ²	\$ 14,442	\$ 56,504	\$ 36,250	\$ 40,488	\$ 3,599	\$ 19,020	\$ 54,291	\$ 116,012

¹ Energy Infrastructure revenue for 2021 includes the recognition of revenue from a finance lease transaction in the fourth quarter of 2021. Upon commencement of the renegotiated lease, the Company recognized the sale of the related rental assets and a corresponding finance lease receivable. Refer to Note 11 for further details on finance leases.

² In the year ended December 31, 2021, the Company recognized \$16.4 million of government grants (December 31, 2020 – \$19.6 million). The subsidies received have been recorded as a reduction in cost of goods sold and selling and administrative expenses within the consolidated statements of earnings in accordance with where the associated expenses were recognized.

As at December 31,	USA		Rest of World		Canada		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Segment assets	\$ 1,000,755	\$ 895,022	\$ 654,969	\$ 610,597	\$ 546,250	\$ 525,510	\$ 2,201,974	\$ 2,031,129
Goodwill	154,437	155,094	323,466	332,567	88,367	88,367	566,270	576,028
Corporate	-	-	-	-	-	-	(576,802)	(427,581)
Total segment assets	\$ 1,155,192	\$ 1,050,116	\$ 978,435	\$ 943,164	\$ 634,617	\$ 613,877	\$ 2,191,442	\$ 2,179,576

NOTE 35. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, Enerflex declared a quarterly dividend of \$0.025 per share, payable on April 7, 2022, to shareholders of record on March 10, 2022. Enerflex's Board of Directors continues to evaluate dividend payments on a quarterly basis, based on the availability of cash flow and anticipated market conditions.

On January 24, 2022, Enerflex and Exterran Corporation (NYSE: EXTN) announced they have entered into a definitive agreement to combine the companies in an all-share transaction to create a premier integrated global provider of energy infrastructure. Upon completion of the transaction, which will require shareholder and regulatory approval, the combined entity will operate as Enerflex Ltd. Subject to all approvals, the transaction is expected to close in the second half of 2022.

Subsequent to March 31, 2022, Enerflex declared a quarterly dividend of \$0.025 per share, payable on July 7, 2022, to shareholders of record on May 19, 2022.

NOTE 36. RESTATEMENT OF THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The Company has determined that certain non-cash items were reflected as transfers between Operating, Investing, and Financing cash flows. These non-cash items should not be reflected as part of the cash flow statement and the Statement of Cash Flows and related disclosures have been adjusted to remove the non-cash items. The Company has also identified certain cash flow items requiring reclassification between cash flow categories. For the year ended December 31, 2021, these adjustments result in a decrease in Operating cash flows of \$17.0 million, with Investing and Financing cash flows increasing by \$14.7 million and \$3.4 million, respectively. For the year ended December 31, 2020, the adjustments resulted in an increase in Operating and Financing cash flows of \$27.1 million and \$4.7 million, respectively, with a decrease in Investing cash flows of \$32.7 million. The adjustments do not change the Company's overall cash position, nor does it impact the Statement of Financial Position, the Statement of Earnings, or earnings before finance costs, income taxes, depreciation and amortization ("EBITDA") calculations.

(\$ Canadian thousands)	Year ended December 31, 2021		
	As previously reported	Re-statement	As restated
Operating Activities			
Net earnings (loss)	\$ (18,455)	\$ -	\$ (18,455)
Items not requiring cash and cash equivalents:			
Depreciation and amortization	87,622	-	87,622
Equity earnings from associate and joint venture	(671)	-	(671)
Deferred income taxes (Note 20)	43,422	-	43,422
Share-based compensation expense (Note 24)	12,937	-	12,937
Gain on disposal of property, plant and equipment (Note 9)	(135)	-	(135)
Impairment on PP&E and rental equipment (Note 9)	-	537	537
	124,720	537	125,257
Net change in non-cash working capital and other (Note 30)	100,435	(17,498)	82,937
Cash provided by operating activities	\$ 225,155	\$ (16,961)	\$ 208,194
Investing Activities			
Additions to:			
Property, plant and equipment (Note 9)	\$ (5,154)	\$ -	\$ (5,154)
Rental equipment (Note 9)	(52,187)	-	(52,187)
Proceeds on disposal of:			
Property, plant and equipment (Note 9)	220	-	220
Rental equipment (Note 9)	3,692	978	4,670
Change in other assets	(10,101)	10,101	-
Investment in associates and joint ventures	-	(130)	(130)
Net change in working capital associated with investing activities	-	3,720	3,720
Cash used in investing activities	\$ (63,530)	\$ 14,669	\$ (48,861)
Financing Activities			
Repayment of long-term debt (Note 18)	\$ (59,476)	\$ 59,476	\$ -
Net repayment of the Bank Facility (Note 18)	-	(53,891)	(53,891)
Net proceeds from the Asset-Based Facility (Note 18)	-	36,916	36,916
Repayment of the Senior Notes (Note 18)	-	(40,000)	(40,000)
Lease liability principal repayment (Note 19)	(14,215)	-	(14,215)
Lease interest (Note 19)	(3,029)	3,029	-
Dividends	(7,171)	-	(7,171)
Debt refinancing and transaction costs (Note 30)	-	(2,095)	(2,095)
Cash provided by (used in) financing activities	\$ (83,891)	\$ 3,435	\$ (80,456)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	\$ (652)	\$ (1,143)	\$ (1,795)
Increase (decrease) in cash and cash equivalents	77,082	-	77,082
Cash and cash equivalents, beginning of period	95,676	-	95,676
Cash and cash equivalents, end of period	\$ 172,758	\$ -	\$ 172,758

(\$ Canadian thousands)	As previously reported	Re-statement	As restated
Operating Activities			
Net earnings (loss)	\$ 88,257	\$ -	\$ 88,257
Items not requiring cash and cash equivalents:			
Depreciation and amortization	85,265	-	85,265
Equity earnings from associate and joint venture	(1,995)	-	(1,995)
Deferred income taxes (Note 20)	14,174	-	14,174
Share-based compensation expense (Note 24)	1,816	-	1,816
Gain on disposal of property, plant and equipment (Note 9)	(45)	-	(45)
Impairment on property, plant and equipment and rental equipment (Note 9)	-	2,607	2,607
	187,472	2,607	190,079
Net change in non-cash working capital and other (Note 30)	32,776	24,454	57,230
Cash provided by operating activities	\$ 220,248	\$ 27,061	\$ 247,309
Investing Activities			
Additions to:			
Property, plant and equipment (Note 9)	\$ (9,874)	\$ -	\$ (9,874)
Rental equipment (Note 9)	(123,879)	-	(123,879)
Proceeds on disposal of:	-		
Property, plant and equipment (Note 9)	115	-	115
Rental equipment (Note 9)	3,121	1,471	4,592
Change in other assets	(7,242)	7,242	-
Investment in associates and joint ventures	-	(1,939)	(1,939)
Net change in working capital associated with investing activities	-	(39,512)	(39,512)
Cash used in investing activities	\$ (137,759)	\$ (32,738)	\$ (170,497)
Financing Activities			
Repayment of long-term debt (Note 18)	\$ (41,697)	\$ 41,697	\$ -
Net repayment of the Bank Facility (Note 18)	-	(40,081)	(40,081)
Lease liability principal repayment (Note 19)	(12,770)	-	(12,770)
Lease interest (Note 19)	(3,371)	3,371	-
Dividends	(24,212)	-	(24,212)
Debt refinancing and transaction costs (Note 30)	-	(258)	(258)
Cash provided by (used in) financing activities	\$ (82,050)	\$ 4,729	\$ (77,321)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	\$ (1,018)	\$ 948	\$ (70)
Increase (decrease) in cash and cash equivalents	(579)	-	(579)
Cash and cash equivalents, beginning of period	96,255	-	96,255
Cash and cash equivalents, end of period	\$ 95,676	\$ -	\$ 95,676