





BIRD

annual report 2014



95 BUILT BY BIRD
nineteen twenty · twenty fifteen


polo park
retail development
winnipeg, manitoba


surgeon lieutenant-
commander w. anthony
paddon building
st. john's,
newfoundland
and labrador


canada post pacific
processing centre
richmond,
british columbia


maple leaf foods
processing plant
hamilton, ontario

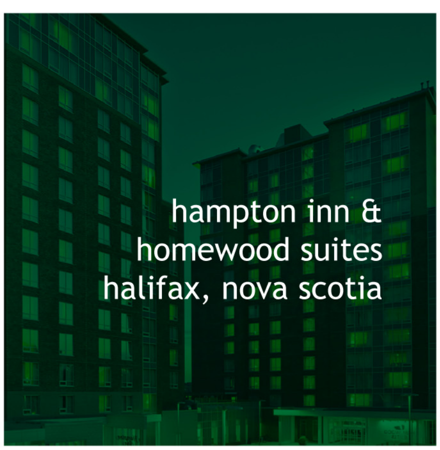

wing kei greenview
senior supportive
living centre
calgary, alberta

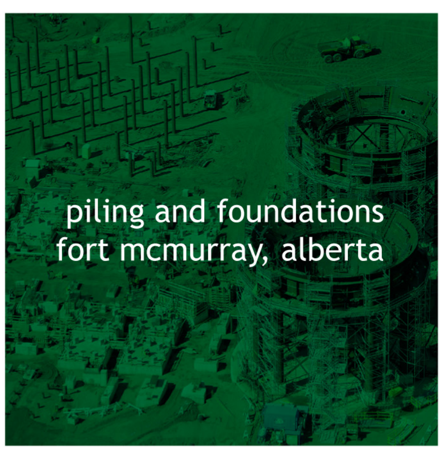

anzac water reservoir
and pump sation
anzac, alberta

CHALLENGING PROJECTS
BUILT BY BIRD

cover projects details


paul's peak
waste rock project
mt. wright, quebec


hampton inn &
homewood suites
halifax, nova scotia


piling and foundations
fort mcmurray, alberta


moncton hospital's
oncology clinic
moncton,
new brunswick

EIGHTY-FOURTH

ANNUAL REPORT
OF THE BOARD OF DIRECTORS OF

BIRD

for the year ended
December 31, 2014

CORPORATE OFFICE	5700 Explorer Drive, Suite 400 Mississauga, ON L4W 0C6

DIRECTORS

J. Richard Bird, Ph.D., MBA (1)(2) .... Calgary
Ian J. Boyd, P.Eng. .... Oakville
Paul A. Charette (Chair) .... Oakville
D. Greg Doyle, CA (1)(2) .... Victoria
Bonnie D. DuPont, BSW, MEd (1)(2) .... Calgary
Ron D. Munkley, BSc Hon (Eng) (1)(2) .... Mississauga
Paul R. Raboud, P.Eng., MSc, MBA .... Toronto
Arni C. Thorsteinson, CFA (1)(2) .... Winnipeg

(1) Audit Committee Member
(2) Human Resources, Safety and Governance Committee Member

OFFICERS

Ian J. Boyd, P.Eng. .... President & CEO
Jim J. Brennan, P.Eng. .... Executive Vice President
Charles C. Caza BA Sc.Eng., LL. B. ... Senior VP Risk Management, General Counsel & Secretary
Stephen R. Entwistle, CA .... CFO & Assistant Secretary
Ken W. McClure .... Executive Vice President - Commercial
Paul R. Raboud, P.Eng., MSc, MBA .... Vice Chair
Gilles G. Royer, P.Eng. .... Executive Vice President - Industrial
Jason C. Trumbla, CA, MAcc .... Vice President - Finance

AUDITORS	KPMG LLP
BANK	Bank of Montreal
SURETY	Travelers Guarantee Company of Canada
STOCK EXCHANGE LISTING	Toronto Stock Exchange (Symbol “BDT”)
TRANSFER AGENT AND REGISTRAR	Computershare Investor Services
WEBSITE	www.bird.ca

The following Management's Discussion and Analysis ("MD&A") of Bird Construction Inc.'s ("the Company" or "Bird") financial condition and results of operations should be read in conjunction with the December 31, 2014 consolidated financial statements of Bird Construction Inc. This discussion contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. See "Forward-Looking Information". Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risks Relating to the Business" and "Risks Relating to the Shares" included in the Company's most current Annual Information Form dated March 12, 2015. This MD&A has been prepared as of March 12, 2015. Additional information about the Company is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company's Annual Information Form and other filings.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

(thousands of dollars, except per share amounts)	2014	2013
Income Statement Data		
Revenue	$ **1,364,456**	$ 1,331,689
Net income [(1)]	**36,237**	12,090
Basic and diluted earnings per share	**0.85**	0.28
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	**64,899**	32,314
Cash flows from operations	**87,087**	16,399
Additions to property and equipment [(2)]	**16,622**	16,830
Cash dividends paid	**32,297**	31,853
Cash dividends declared per share	**0.76**	0.75

	December 31, 2014	December 31, 2013
Balance Sheet Data		
Total assets	**637,283**	648,051
Working capital	**104,027**	120,362
Loans and borrowings (including current portion)	**28,203**	39,369
Shareholders' equity	**181,587**	177,296

(1) includes comprehensive income, hereafter referred to as net income

(2) computer software purchases included in intangible assets

2014 HIGHLIGHTS

- The positive earnings momentum experienced in the second and third quarters of 2014 continued into the fourth quarter resulting in fourth quarter net income of $12.9 million on construction revenue of $390.6 million compared with $5.7 million and $363.7 million respectively in 2013. The increase in the fourth quarter 2014 earnings compared to the fourth quarter of 2013 is primarily attributable to increased gross profit resulting from an increase in the relative significance of higher margin industrial projects executed this year compared to a year ago, an $8.0 million loss on one fixed price construction contract in 2013, combined with the effect of a 7.4% increase in revenues this year compared to 2013.

- For the year ended December 31, 2014, the Company recorded revenues of $1,364.5 million and net income of $36.2 million, compared with revenues of $1,331.7 million and net income of $12.1 million in 2013. The increase in 2014 earnings is primarily a result of higher gross profits due to a shift in the Company's work program to higher margin industrial work combined with the adverse impact of a project loss of $20.5 million recorded in 2013.

- In 2014, the Company secured $1,245.5 million of new construction contracts, including change orders on existing contracts which contributed to a Backlog of $1,149.7 million at December 31, 2014, compared with $1,268.7 million at December 31, 2013.

- Subsequent to year-end, the Company announced that it was part of a consortium selected as the preferred proponent to design, build, finance and maintain the East Rail Maintenance Facility located in Whitby, Ontario for GO Transit. In addition to its role to design and construct the facility, Bird will also invest in a minority equity interest in the concession responsible for the design, build, financing and operation of the facility.

- Also subsequent to the year-end the Company was awarded a fixed price contract to construct the Hamilton Transit Centre in Richmond, British Columbia, which consists of a new bus maintenance and operations centre to service Translink's new fleet of energy efficient buses.

- Effective January 1, 2015, Mr. Ian Boyd, P.Eng. was appointed to the position of President and CEO of the Company, replacing Mr. Tim Talbott, P.Eng., who retired on December 31, 2014.

- The Company's Board of Directors declared monthly dividends of $0.0633 per share for March and April 2015.

NATURE OF THE BUSINESS

The Company operates as a general contractor in the Canadian construction market with offices in: St. John's, Halifax, Saint John, Wabush, Montreal, Toronto, Winnipeg, Calgary, Edmonton, St. Albert and Vancouver. The Company and its predecessors have been in operation for 95 years. The Company focuses primarily on projects in the industrial, commercial and institutional sectors of the general contracting industry. Within the industrial sector, Bird constructs industrial buildings and performs civil construction operations including site preparation, concrete foundations, underground piping and earthwork for clients primarily operating in the oil and gas and mining businesses. Within the commercial sector, Bird's operations include the construction and renovation of shopping malls, big box stores, office buildings and selected high rise condominiums and apartments. Within the institutional sector, Bird constructs hospitals, schools, prisons, courthouses, government buildings and retirement facilities. In all sectors, Bird contracts with its clients using a combination of fixed price, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods.

While Bird self-performs some elements of its projects, particularly in the industrial market sector and in conjunction with its civil construction and contract mining operations, a significant portion of the overall construction risk rests with Bird's subcontractors. The scope of work of each subcontractor is generally defined by the same contract documents that form the basis of the Company's agreements with its clients. The terms of the agreements between the Company and its clients are generally replicated in the agreements between the Company and its subcontractors. These "flow-down" provisions substantially mitigate the risk borne by the Company. Depending on the value of the work, the Company may require bonds or other forms of contract security including enrolling our subcontractors in Bird's subcontractor default insurance program which will mitigate exposure to possible additional costs should a contractor not be able to meet their contractual obligations. Bird's primary constraint on growth is the ability to secure new work at reasonable margins and the availability of qualified professional staff who can be assigned to manage the projects.

MISSION STATEMENT

The Company's mission statement is as follows:

> **Bird Construction Company turns ideas into reality through a tradition of building trust, delivering exceptional client service and creating value.**

The Company's long record of success is based on trust that has been built with clients, employees and business partners and a commitment to providing exceptional customer service. Bird is committed to providing a remarkable customer experience for clients by understanding their goals for their project(s) and then ensuring that these objectives are achieved. The Company's core values include:

Safety
- Safety is a moral obligation. Our goal is to attain a zero incident frequency.

Teamwork
- We believe that the best results are achieved when everyone works together: staff, clients, consultants and subcontractors as well as suppliers.

Honesty and Integrity
- We do what we say. We are always honest, truthful and conduct ourselves with integrity.

Fairness
- We treat others as we would wish to be treated.

Professionalism and Excellence
- We conduct ourselves in a manner of which to be proud, as individuals and as representatives of the Company and industry.

Personal Growth
- We support employees in their goal to expand their skills and experience. We believe that employees are entitled to meaningful, satisfying work as they help advance the goals of the Company.

STRATEGY

Overall, Bird's strategic objectives are to increase Company profitability to provide attractive and sustainable returns for our shareholders; a commitment to provide superior value-added services to our clients; and providing meaningful and safe working environments for our employees and those of our partners.

The fundamental elements of Bird's strategy include:

HEALTH AND SAFETY

As befitting of a Company that started out as a family business, critical to Bird's successful growth is our continued commitment to the health and safety of the employees who work on our sites and in our offices every day. This is a critical component of our operational strategy, a core company value, and a key corporate social responsibility.

Our commitment goes beyond this; at Bird, we understand that a corporate commitment to safety also pays tremendous dividends in both business and human capital. In addition to reducing related health and safety costs, reducing property damage and improving loss management outcomes, a robust safety program contributes to employees and other stakeholders to feel more valued and engaged. This, in turn, produces a stronger commitment to product and service quality, improved productivity and client satisfaction.

From planning to execution, effective communication, documentation, orientation, training, and ongoing review and analysis of our activities and processes is vigorously undertaken to ensure continuous improvement in all facets of our operations. This will better prepare and support all of our workers and managers to serve as safety leaders in the construction industry.

In a highly competitive business environment, resourcing remains one of the greatest challenges facing the construction industry. Bird's commitment to the health and safety of our employees and other partners enhances both employee recruitment and retention and will serve to provide a strategic competitive advantage, allowing us to continue to successfully pursue and execute challenging work.

INCREASING PROFITABILITY

Bird will continue to pursue organic growth by emphasizing its long-standing record of providing a quality product and service to our clients and thereby continue to secure new work with many of our clients on a repeat basis. Bird will continue to emphasize operational excellence through strict and disciplined adherence to the many risk management and project control policies and practices to ensure delivery of the financial returns expected from our construction projects. The Company will also continue to show a preference for design-build construction contracts where our proven track record provides Bird with a source of competitive advantage in the construction market; however, Bird will continue to offer clients other contract delivery methods including: fixed price, unit price, cost reimbursable and construction management arrangements in order to satisfy their needs.

The Company continues to focus on larger and more complex construction projects which typically offer greater profit margins. In order to achieve this, Bird will continue to enter into joint venture arrangements with partners where it is appropriate to do so. These arrangements are typically beneficial to the Company because they offer a pooling of resources required to complete larger, complex projects and partnering allows for the spreading of operational and financial risk amongst the partners. In the Public Private Partnership ("PPP") market, Bird will continue to pursue an equity position in these projects as a means to support construction operations.

To broaden the scope of Bird's construction services, the Company is self-performing a greater proportion of our heavy civil construction operations, including earthmoving operations. This component of business is becoming more significant and serves to diversify earnings and generate higher returns. Bird will continue to grow this element of business as opportunities present themselves. In addition, Bird is actively growing their maintenance services provided to support our oil sands clients. This initiative serves to diversify revenues, making the Company less dependent on new construction programs and further builds customer relationships.

ATTRACTING AND RETAINING PEOPLE

The success of Bird is very much dependent on the Company's ability to attract, develop and retain a highly skilled workforce at all levels within the organization including executives, management, professional staff and craft workers.

Competition for the noted workforce is intense and therefore it is critical that Bird be seen by current and prospective employees as a highly attractive place to work. Bird continues to implement relevant human resource programs designed to enhance our recruiting efforts, introduce new and innovative training programs, promote leadership development, support career planning and ensure that our compensation programs remain competitive.

KEY PERFORMANCE DRIVERS

Securing profitable construction contracts and then controlling the costs during the execution of that work are the key drivers of success for the Company.

In order to achieve this, new work must be available, which is a function of the general state of the economy. In periods of strong economic growth, capital spending will generally increase and there will be more opportunities available in the construction industry. In economic downturns, fewer opportunities typically exist and competition for those opportunities becomes even more intense, generally resulting in lower gross profit percentages. The Company must be successful in securing profitable work when it is available. The construction industry is highly fragmented and accordingly, the Company competes with a number of international, national, regional and local construction firms. One of the Company’s competitive advantages rests in its long-standing reputation for delivering high quality projects that fully meet the needs of the customer, which enables the Company to secure repeat business from clients.

The Company’s success in securing work is also reflected in the value of Backlog. The following table shows the Company’s Backlog at the end of the comparative reporting periods. The Company’s Backlog level of $1,149.7 million at December 31, 2014 compares with $1,268.7 million at December 31, 2013. The decrease in Backlog since the last year end is primarily attributable to the timing of awards for larger projects and the negative effect of a very competitive construction market. The Company expects to continue to secure a significant level of new awards across our geographic and operational market sectors, including industrial operations. The Company must continue to be successful in securing additional projects in all of its geographic and operational markets to achieve its strategic objectives.

(thousands of dollars)	**2014**	2013
Backlog	**$ 1,149,700**	$ 1,268,700

Once the Company has secured a potentially profitable contract, the profitability of that contract, measured by the Gross Profit Percentage, is primarily a function of management’s ability to control the costs associated with that contract and achieve productivity objectives associated with the contract. The following table shows the Gross Profit Percentage realized by the Company in the comparative periods.

2014	2013
8.2%	5.4%

In 2014, the Company has realized a gross margin percentage of 8.2% compared with 5.4% in 2013. The improvement in the 2014 gross margin percentage compared with last year is due to a shift in the composition of the Company’s work program to higher margin work, primarily executed in the industrial sector, combined with the adverse impact of a project loss recorded in 2013. The Company expects that in 2015, industrial sector work will continue to represent a significant portion of the total work program; however, there is a possibility that the gross margin percentage may come under pressure as clients advantage themselves of a more competitive market.

Financial Condition

The Company must have adequate working capital and equity retained in the business to support its ongoing operations, including surety and contract security requirements. The Company continually monitors the adequacy of its working capital and equity to satisfy contract security needs. The following shows the working capital and equity of the Company in the comparative reporting periods.

(thousands of dollars)		2014		2013
Working capital	$	**104,027**	$	120,362
Shareholders' equity	$	**181,587**	$	177,296

The amount of shareholders' equity retained in the business at the end of 2014 increased by $4.3 million from last year, reflecting the extent to which net income in 2014 exceeded dividends declared. The reduction in the amount of working capital in 2014 is primarily a result of the use of cash to repay long-term debt, a shift in the composition of income taxes from deferred taxes at the end of last year to current income taxes payable, all exceeding the extent to which net income exceeded dividends declared. Despite the reduction in working capital in the year, the Company believes it continues to have sufficient working capital and equity to conduct its business in the ordinary course.

Safety

At Bird, it is believed that the creation of a workplace culture in which all are committed to ensuring everyone goes home at the end of the day just as healthy as when they arrived is critical to Bird's success and allows Bird to attract and retain the best and the brightest construction professionals to plan and execute successful projects while also deliver outstanding value to its clients.

By promoting safety and production as complementary objectives, rather than competing means to achieving and sustaining a positive and safe work environment for workers, a team-based commitment is promoted to achieve successful business outcomes, ensuring high quality work is delivered on schedule.

The reality is construction can be a high-risk industry and safe production does not just happen; it is the inevitable consequence of ceaseless dedication and passion combined with sound policy, best practices and continuous improvement. By continuously identifying, assessing and effectively eliminating or controlling all hazards and risks in order to promote the safety and productivity of workers, Bird continues to foster not only a robust safety program and a healthy, collaborative organizational culture, but the shared understanding that safe production is everybody's responsibility, every minute of every day, on every job.

Similarly, by continuously developing and supporting our managers, supervisors and workers, Bird ensures they are appropriately oriented and trained to understand and meet the opportunities and challenges that face them.

By working collaboratively with employees, subcontractors, suppliers, clients and other partners to achieve these goals, Bird strives to not only ensure that every worker leaves their site and office every day just as healthy and safe as when they arrived, but that in the course of their work they are as engaged and prideful about delivering quality and value in the safest manner possible.

In 2014, Bird executed 4,661,757 manhours of work (4,359,973 manhours at December 31, 2013), incurring 4 lost time incidents (LTIs) for an LTI frequency of 0.17.

Lost Time Incident Frequency

2014	2013
0.17	0.23

RESULTS OF OPERATIONS

FISCAL 2014 COMPARED WITH FISCAL 2013

During the year ended December 31, 2014, the Company generated net income of $36.2 million on construction revenue of $1,364.5 million compared with $12.1 million and $1,331.7 million, respectively in 2013. The increase in the amount of 2014 earnings is primarily a result of higher gross profit, resulting from a shift in the Company's work program to higher margin industrial work combined with the adverse impact of a $20.5 million project loss recorded in 2013.

Construction revenue in 2014 of $1,364.5 million was 2.5% higher than the $1,331.7 million recorded in 2013. Although construction revenues are similar in the years, in 2014 the Company experienced a shift in the composition of revenue to the industrial market, primarily due to the execution of a number of significant contracts secured in this sector in late 2013 and early 2014. The increase in industrial revenues was to a large extent offset by a decline in construction revenue from our commercial market where the Company was unable to replicate the significant work program executed in the sector in 2013.

In 2014, the Company's gross profit increased by $40.1 million to reach $111.6 million compared with $71.5 million recorded a year ago. A 56% increase in the amount of 2014 gross profit is primarily due to a shift in the Company's work program to higher margin industrial work combined with the adverse impact of a project loss recorded in 2013. In 2014, the Company's gross margin percentage of 8.2% compares to 5.4%, recorded a year ago, which included the affect of a project loss on one fixed price construction contract.

In 2014, general and administrative expenses of $64.0 million (4.7% of revenue) compares with $55.8 million (4.2% of revenue) in 2013. The increase in 2014 expenses is primarily attributable to an increase in project pursuit costs as the Company continues to aggressively pursue new work in the PPP market combined with an increase in total compensation expense to execute the Company's work program.

Finance income in 2014 of $3.2 million was $0.5 million higher than the $2.7 million recorded in 2013. The increase in 2014 finance income is primarily due to the fact that the Company's investment in a portfolio of preferred share investments held its value in 2014, while in 2013 the value of the investment portfolio declined by $0.8 million. This factor was offset, to some degree, in 2014 by lower interest and dividend income largely due to a reduction in the amount of cash available to invest in the current year.

Finance costs of $2.2 million were $0.8 million lower than 2013, due in part to lower interest costs on long-term debt resulting from a reduction in the amount of debt outstanding in 2014, along with a reduction in interest expense relating to the accretion of accounts payable and other liabilities.

In 2014, income tax expense of $12.4 million was $9.2 million higher than 2013, consistent with higher current period pre-tax earnings.

THREE MONTHS ENDED DECEMBER 31, 2014 COMPARED WITH THREE MONTHS ENDED DECEMBER 31, 2013

Selected Quarterly Financial Information

Consolidated Statements of Income and Comprehensive Income

Fourth Quarter

(thousands of dollars)

	For the three months ended December 31	
	2014	2013
	(unaudited)	(unaudited)
Construction revenue	**$ 390,565**	$ 363,692
Costs of construction	**357,811**	348,275
Gross Profit	**32,754**	15,417
General & administrative expenses	**15,160**	9,394
Income from operations	**17,594**	6,023
Finance income	**985**	565
Finance costs	**(522)**	(107)
Income before income taxes	**18,057**	6,481
Income tax expense	**5,175**	773
Net income and comprehensive income for the period	**$ 12,882**	$ 5,708
Basic and diluted earnings per share	**$ 0.30**	$ 0.13

In the fourth quarter of 2014, the Company recorded net income of $12.9 million on construction revenue of $390.6 million compared with $5.7 million and $363.7 million, respectively, in 2013. The improvement in the fourth quarter 2014 net income is a result of higher gross profit due to the increase in the relative significance of our industrial projects executed in the period combined with the adverse impact of an $8.0 million project loss recorded in the fourth quarter of 2013.

Construction revenue of $390.6 million in the fourth quarter of 2014 was $26.9 million, or 7.4% higher than $363.7 million recorded in 2013. The increase in 2014 is primarily attributable to higher industrial revenues. The Company has experienced a shift in the composition of revenue to the industrial market, primarily due to the execution of a number of significant contracts secured in this sector. The increase in industrial market revenues was offset by a decline in construction revenue from our commercial sector, where the Company was unable to reproduce the large work program executed in this market in 2013.

In the fourth quarter of 2014, the Company's gross profit of $32.8 million more than doubled the gross profit recorded in 2013 of $15.4 million. A $17.3 million increase in the amount of 2014 gross profit is attributable to the execution of higher margin industrial work program in 2014 combined with the adverse impact of a project loss of $8.0 million on one fixed price construction project that experienced execution issues in 2013.

In the fourth quarter of 2014, general and administrative expenses of $15.2 million (3.9% of revenue) were $5.8 million higher than 2013 expenses of $9.4 million (2.6% of revenue). The increase in general and administrative expense in 2014 is

a result of an increase in compensation expense to support the Company's current period work program combined with the cost benefit realized in 2013 of reducing contingent consideration liabilities for acquired businesses to nil.
Finance income of $1.0 million was $0.4 million higher than the amount recorded in the fourth quarter of 2013. The increase is primarily due to the Company reporting a lower unrealized loss on the Company's preferred share investment portfolio compared to last year, resulting from changes in the market price of the investment portfolio in the respective periods.

Finance costs of $0.5 million compares with $0.1 million in the fourth quarter of 2013. The increase in the fourth quarter finance costs in 2014 is primarily due to the reversal in 2013 of $0.6 million of interest expense relating to the accretion of the contingent consideration. This reduction was partially offset by lower interest costs on lower levels of long-term debt in 2014.

In the fourth quarter of 2014, income tax expense of $5.2 million was $4.4 million higher than 2013, consistent with higher pre-tax earnings.

FUTURE OPERATING PERFORMANCE

With the recent uncertainty in the economy, the ability to replicate the results of 2014 in 2015 will be difficult. In the industrial sector, low commodity prices in the sectors Bird services are predicted to continue into 2015, which has resulted in reduced 2015 capital expenditure programs for many industrial clients, although there have been no cancellations of any significant contracts in the backlog as of December 31, 2014. The reduction in capital spending may result in fewer project opportunities in this sector for the Company and while we are confident we will continue to secure new contract awards in 2015 to maintain a reasonable work program, the Company anticipates some margin compression. In terms of the institutional sector there are a number of large infrastructure projects through PPP that the Company is currently pursuing for which Bird is well positioned to secure in the near term, although the anticipated impact to the results in 2015 is expected to be realized later in the year. The commercial market is expected to remain stable through 2015; however, the timing and quantity of project opportunities is uncertain at this time.

The industrial market sector contributed 57% of 2014 revenues (37% in 2013). As anticipated, the relative contribution from this sector increased substantially due to the successful execution in 2014 of a number of large contract awards received in late 2013 and early 2014. The Company expects that these large projects will continue to proceed as planned through the upcoming year, contributing to 2015 earnings. Although energy sector capital expenditures have been reduced because of oil price uncertainty, project spending will continue to be made in the sector and the Company should be able to secure contracts, albeit at compressed margins. In eastern Canada, the resource sector is expected to continue to be adversely impacted by low commodity prices and therefore, the Company is not anticipating any significant turn-around in this area in 2015. To replace resource related revenues, the Company continues to aggressively pursue a number of other opportunities in the industrial and hydroelectric sectors that should contribute to our performance.

The institutional sector contributed 24% of 2014 revenues (26% in 2013). Moving into 2015 we are anticipating the award of more significant contracts, primarily in the PPP market. These awards, as well as a number of other opportunities that the Company is pursuing in the near term, should positively contribute to revenues and gross margins earned in this sector, although the impact in 2015 is not expected until later in the year. The Company has been very active in the PPP market over the past several years and will continue to aggressively pursue these projects on a selective basis in the future, where the project profile will offer a better margin. Despite pressure on government capital spending, there continues to be a need to build infrastructure and while these projects will be delivered using various contracting methods, a significant portion of them will be delivered by way of PPP contracts which are attractive to Bird.

The retail and commercial sector represented 19% of 2014 revenues (37% in 2013). The Company anticipated that the contribution from this market would decline in 2014 because of the inability to replicate the sizeable work program executed in 2013 combined with the effect of very competitive market conditions which existed in the early stages of 2014. Later in the year, the Company saw an increase in activity levels in this sector, particularly in Western Canada, and this has served to increase the 2014 year-end backlog in this market. The Company is anticipating that the contribution from this sector will remain stable in 2015.

The economic uncertainty that manifested itself in late 2014 is expected to continue through 2015 largely driven by the decline in the energy sector. The Company is confident that, along with work currently under contract, we will continue to secure additional projects to maintain a reasonable work program throughout 2015, in what is expected to be a more competitive market.

Backlog

During the year, the Company secured $1,245.5 million in new construction contracts (including change orders to existing contracts) and put in place $1,364.5 million of work resulting in Backlog at December 31, 2014 of $1,149.7 million. With respect to the current Backlog, $950.0 million is expected to be put in place during 2015, leaving $199.7 million to carry forward to 2016 and beyond. The following table outlines the changes in the amount of the Company's Backlog throughout the current fiscal period and a comparison to the prior year.

Backlog (millions of dollars)		
December 31, 2012	$	1,073.9
Securements and Change Orders in 2013		1,518.3
Acquisition from Nason		8.2
Realized in construction revenues in 2013		(1,331.7)
December 31, 2013	$	1,268.7
Securement and Change Orders in 2014		1,245.5
Realized in construction revenues in 2014		(1,364.5)
December 31, 2014	**$**	**1,149.7**

In addition to Backlog at December 31, 2014, the value of uncompleted construction management contract work, for which the Company acts as an agent for the client, is $3.0 million, compared with $41.8 million at December 31, 2013.

ACCOUNTING POLICIES

The Company's significant accounting policies are outlined in the notes to the audited December 31, 2014 and 2013 Consolidated Financial Statements. The Consolidated Financial Statements were prepared using the same accounting policies as our 2013 consolidated financial statements, except for the adoption of new standards effective as of January 1, 2014. The adoption of these new standards did not have a material impact on the methods of computation or on the presentation of the Company's consolidated financial statements.

Future accounting changes

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction contracts* and IAS 18 *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

On December 18, 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

SUMMARY OF QUARTERLY RESULTS

The table below summarizes the results for the eight most recent quarters (in thousands of dollars, except per share amounts). Although the Company experiences some seasonality in its business, variations in net income from quarter to quarter primarily reflect the differences in the profitability of the contracts administered in the respective quarters. Contracts typically extend over several quarters and often over several years. For purposes of quarterly financial reporting, the Company must estimate the cost required to complete each contract to assess the overall profitability of the contract and the amount of gross profit to recognize for the quarter. Such estimating includes contingencies to allow for certain known and unknown risks. The magnitude of the contingencies will depend on the nature and complexity of the work to be performed. As the contract progresses and remaining costs to be incurred and risk exposures become more certain, contingencies will typically decline or have been utilized, although certain risks will remain until the contract has been completed, and even beyond. As a result, earnings may fluctuate significantly from quarter to quarter, depending on whether large and/or complex contracts are completed or nearing completion during the quarter, or have been completed in immediately prior quarters.

There are also a number of other factors that can affect the Company's revenues and profit from quarter to quarter. These include the timing of contract awards, the value of subcontractor billings and project scheduling. Management does not believe that any individual factor is responsible for changes in revenue from quarter to quarter.

(thousands of dollars)	2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Revenue	288,464	312,265	367,268	363,692	274,674	328,835	370,382	**390,565**
Net income	2,431	327	3,624	5,708	915	10,015	12,425	**12,882**
Earnings per share	0.06	0.00	0.09	0.13	0.02	0.24	0.29	**0.30**

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

The following table presents a summary of the Company's financial condition for the year indicated.

(thousands of dollars)	**2014**	2013
Financial Position Data		
Cash and cash equivalents	$ **164,033**	$ 138,350
Investment in marketable securities	**13,750**	13,657
Working capital	**104,027**	120,362
Long-term debt	**28,203**	39,369
Shareholders' equity	**181,587**	177,296

The Company has sufficient working capital and equity retained in the business to support operations. The Company expects to utilize cash from operations, existing working capital, including cash and cash equivalent amounts, and draws on its credit facilities to fund liabilities as they become due, finance future capital expenditures and pay dividends on its common shares.

As a component of working capital, the Company maintains balances of cash, cash equivalents and investments in liquid securities. At December 31, 2014, these balances consisted of $164.0 million of cash and cash equivalents and $13.8 million of liquid securities for a total of $177.8 million. The non-cash net current asset/liability position fluctuates significantly in the normal course of business from period to period, primarily due to the timing of differences between the settlement of payables due to subcontractors and suppliers, billings and collection of receivables from clients, and also the timing in the settlement of income taxes payable. The Company's cash balances absorb these fluctuations with no net impact to the Company's net working capital position or ability to access contract surety support. The Company believes it has sufficient working capital to support its contract security requirements.

Credit Facilities
The Company has a number of credit facilities available to access in order to support the issuance of letters of credit, finance future capital expenditures and finance the day-to-day operations of the business.

Issuance of Letters of Credit
The Company has available $132.0 million of demand facilities used to primarily support the issuance of letters of credit. All letters of credit issued under these facilities are supported by the pledge of Company-owned financial instruments.

Letters of credit are typically issued to support the Company's performance obligations relating to PPP construction projects. The following table outlines the amount of the credit facilities, the amount of issued letters of credit and the amount of collateral pledged in support of the outstanding letters of credit.

(thousands of dollars)		**2014**		2013
Operating line of credit	**$**	**132,000**	$	131,500
Letters of credit issued	**$**	**8,041**	$	23,487
Collateral pledged to support letters of credit	**$**	**20,651**	$	30,825

The reduction in the amount of outstanding letters of credit in 2014 is a result of the cancellation of previously issued letters of credit as we fulfill our performance obligations which were supported by the issued security.

Operating Lines of Credit

a) *Committed revolving line of credit:*
The Company has a committed unsecured revolving line of credit for $30.0 million with a Canadian chartered bank. The facility expires on September 28, 2017. This facility may be used in the normal course of business for general working capital purposes, fund future capital expenditures and qualifying permitted acquisitions. At December 31, 2014, no amounts were outstanding under this facility. This credit facility includes standard default and covenant provisions whereby accelerated repayment may be required if the Company were to violate certain financial covenants.

b) *Committed revolving line of credit facility*:
A subsidiary of the Company has a committed revolving credit facility of $20.0 million, maturing on May 31, 2015. The facility may be used to finance normal course operations of the subsidiary. Borrowings under this facility are secured by a first charge against the accounts receivable of the subsidiary. At December 31, 2014, the Company had no outstanding amounts due under this facility. This credit facility includes standard default and covenant provisions whereby accelerated repayment may be required if the subsidiary were to violate certain financial covenants. This facility will be renewed or replaced as necessary.

Equipment Financing
A subsidiary of the Company has an equipment financing facility with a Canadian chartered bank for $20.0 million for the purpose of financing future equipment purchases. At December 31, 2014, the Company has $1.2 million outstanding under this facility. Draws under this facility are permitted until May 31, 2015. The facility allows the Company access to term financing for up to five years, with a maximum amortization period of 84 months. Interest can be set using either a fixed or variable rate option. Any draws under this facility will be secured by equipment purchased with the proceeds from the loan. This facility will be renewed or replaced as necessary.

The Company has a committed term credit facility of up to $10 million to be used to finance equipment purchases of subsidiaries guaranteed by the Company. As of December 31, 2014, the facility is undrawn. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears. Draws under this facility are permitted until May 30, 2017.

In addition, subsidiaries of the Company have equipment acquisition lines of credit for $62.5 million with the financing arms of several major heavy equipment suppliers to finance equipment procurement. Draws under this facility are typically recognized as operating leases for accounting purposes. At December 31, 2014, the Company has used $19.6 million under the facilities ($19.3 million at December 31, 2013). The Company's total lease commitments are outlined under Contractual Obligations.

At December 31, 2014, the Company was in compliance with all debt covenants relating to its operating and equipment lines of credit.

Loans and Borrowings
In 2014, the Company issued new debt totaling $4.1 million and made $15.9 million in principal repayments. The following table provides details of outstanding debt as at December 31, 2014, and principal repayments due over the next five years, excluding the amortization of debt financing costs of $0.3 million and finance lease liabilities.

Debt	Amount	Year 1	Year 2	Year 3	Year 4	Year 5
(thousands of dollars)						
Loans and borrowings	$ 27,123	$ 15,361	$ 7,531	$ 1,984	$ 1,709	$ 538

Cash Flow Data
The following table provides an overview of cash flows during the periods indicated:

(thousands of dollars)	**2014**	2013
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	**$ 64,899**	$ 32,314
Changes in non-cash working capital and other	**22,188**	(15,915)
Cash flows from operating activities	**87,087**	16,399
Cash flows used in investing activities	**(17,350)**	(20,023)
Cash flows used in financing activities	**(44,054)**	(41,105)
Increase/(decrease) in cash and cash equivalents	**$ 25,683**	$ (44,729)

Operating Activities
During the year ended December 31, 2014, the Company's operating activities generated cash of $87.1 million compared with $16.4 million in 2013. In 2014, cash flow from operations was comprised of $64.9 million of cash from operating activities before changes in non-cash working capital and $22.2 million of cash generated from the Company's change in non-cash working capital. In 2013, the comparative amounts were $32.3 million of cash from operations before changes in non-cash working capital and $15.9 million of cash used to fund an increase in the Company's non-cash working capital position. Changes in the amount of non-cash working capital primarily represent normal course fluctuations in the Company's net non-cash current asset/liability position. In some periods, this fluctuation will be a use of cash, as it was in 2013, while it will be a source of cash in other periods including 2014, tending to balance out over time and having no net impact on the Company's working capital.

Investing Activities
In the year ended December 31 2014, the Company used $17.4 million of cash in investing activities compared with $20.0 million in 2013. The reduction in the amount of cash used in investing activities in 2014 of $2.6 million is primarily due to the use of $5.6 million of cash in 2013 to fund the acquisition of Nason, offset to some extent by the use of cash in 2014 to fund deposits made by the Company under the terms of its subcontractor default insurance program.

Financing Activities
During the year ended December 31, 2014, the Company used $44.1 million of cash in financing activities compared with a use of cash of $41.1 million in 2013. The increase in cash used in financing activity in 2014 results from an increase in dividend payments of $0.4 million combined with an increase in the amount of cash required to repay debt of $1.3 million and a reduction in 2014 in the amount of proceeds received from the issuance of new debt.

DIVIDENDS

The Company declared monthly dividends on common shares payable on or about the 20th of the month following the month in which the dividend was declared. The following table outlines the dividend history:

January 1, 2013 to March 31, 2013	$0.184
April 1, 2013 to June 30, 2013	$0.190
July 1, 2013 to September 30, 2013	$0.190
October 1, 2013 to December 31, 2013	$0.190
January 1, 2014 to March 31, 2014	$0.190
April 1, 2014 to June 30, 2014	$0.190
July 1, 2014 to September 30, 2014	$0.190
October 1, 2014 to December 31, 2014	**$0.190**

CAPABILITY TO DELIVER RESULTS

Productive capacity relates to the financial and non-financial resources available to the Company to execute its strategy and achieve planned results. From a financial perspective, the Company believes it has sufficient working capital and access to its operating lines of credit to execute its current operational and growth objectives. The belief is fully explained in sections of this MD&A dealing with financial condition and liquidity.

In addition to financial capacity, the success of the Company is very much dependent upon the management and leadership skills of senior management. On an annual basis, high-performing candidates are identified for training and progression into more senior critical positions within the Company. The Company's performance management system emphasizes the development of leadership skills. In addition, the Company sponsors internal and external training programs, including a Bird leadership program to provide a forum for high-potential candidates to develop their leadership skills.

CONTRACTUAL OBLIGATIONS

At December 31, 2014, the Company has future contractual obligations of $417.6 million. Obligations for accounts payable, finance and operating annual lease payments and for principal repayments, including interest, under long-term debt over the next five years are:

(thousands of dollars)		Accounts Payable	Finance Leases	Operating Leases	Long-Term Debt	Total
2015	$	331,850	878	7,702	16,230	356,660
2016		14,609	270	4,675	7,911	27,465
2017		548	86	3,900	2,086	6,620
2018		-	-	2,995	1,753	4,748
2019		-	-	2,588	317	2,905
Thereafter		-	-	18,976	211	19,187
	$	347,007	1,234	40,836	28,508	417,585

OFF BALANCE SHEET ARRANGEMENTS

The Company has operating lease obligations described under Contractual Obligations noted above and surety lien bonds issued on behalf of the Company valued at $3.7 million at December 31, 2014.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amount of an asset or liability and/or the reported amount of revenue and expense in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and any future periods affected.

Construction revenue, construction costs, deferred revenue and costs and estimated earnings in excess of billings are all based on estimates and judgments used in determining an estimate of contract revenue and contract costs and to determine the stage of completion for a particular construction project, depending on the nature of the construction project, as more fully described in the Revenue Recognition Policy included in the notes to the Company's annual financial statements. To determine the estimated costs to complete construction projects, assumptions and estimates are required to evaluate issues related to schedule, material and labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction, estimates can change significantly from one accounting period to the next.

The value of many construction contracts increases over the duration of the construction period. Change orders may be issued by our clients to modify the original contract scope of work or conditions. In addition, there may be disputes or claims regarding additional amounts owing as a result of changes in contract scope, delays, additional work or changed conditions. Construction work related to a change order or claim may proceed and costs may be incurred in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

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

Impairment testing is performed annually for indefinite-lived intangible assets and goodwill resulting from business combinations, by comparing the recoverable amount of the cash generating unit ("CGU"), or groups of CGUs to its carrying amount. The recoverable amount of the CGU has been determined based on a value in use calculation. There is significant amount of uncertainty with respect to the estimates of recoverable amounts of the CGUs' assets given the necessity of making key economic projections which employ the following key assumptions: future cash flows, growth opportunities, including economic risk assumptions and estimates of achieving key operating metrics and drivers and the discount rate.

OUTSTANDING COMMON SHARE DATA AND STOCK EXCHANGE LISTING

The Company is authorized to issue an unlimited number of common shares. The Company had a total of 42,516,853 common shares outstanding at December 31, 2014 and December 31, 2013.

The Company's Board of Directors has previously approved the award of 625,000 stock options with a grant date of March 15, 2012 to eligible Company employees. The total number of stock options is exercisable in equal amounts on the first through fourth anniversary dates from the grant date. No stock options were exercised at December 31, 2014.

The Company's Board of Directors approved the award of 100,000 stock options with a grant date of January 1, 2015 to the newly appointed President and CEO. The total number of stock options is exercisable in equal amounts on the first through fourth anniversary dates from the grant date. The exercise price is based on the weighted average trading price of the Company's common shares on the Toronto Stock Exchange for the five trading days ending on December 31, 2014. The stock options awarded will expire on January 1, 2022.

The common shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol BDT.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based on their evaluations as of December 31, 2014, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is accumulated, summarized and communicated to the Company's senior management, including the CEO and the CFO of the Company, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting
The Company's management is responsible for designing and maintaining adequate internal control over financial reporting for the Company. All internal control systems, no matter how well designed, have inherent limitations; therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As of December 31, 2014, under the supervision of and with the participation of management, including the CEO and CFO, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

As of December 31, 2014, under the supervision of and with the participation of management, including the CEO and CFO, the Company has evaluated the effectiveness of internal controls over financial reporting and determined that the internal controls over financial reporting are operating as intended.

There have been no material change in the Company's internal control over financial reporting during the year ended December 31, 2014 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS RELATING TO THE BUSINESS

The following discussion addresses the more significant risk factors relating to the business. For a detailed discussion of all risk factors relating to the business, refer to the Company's most recently filed Annual Information Form filed on March 12, 2015, which is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Economy and Cyclicality
Activity within the construction industry is tied to the general state of the economy. Thus, in periods of strong economic growth, capital spending will generally increase and there will be more and better quality opportunities available within the construction industry. Bird attempts to insulate itself in various ways from the effects of negative economic conditions; however, there is no assurance that these methods will be effective in insulating Bird from a downturn in the economy. Furthermore, as a result of increased demand in certain regions or industry sectors, the Company has, in the past, earned above-average margins on particular projects. There is also no assurance that above-average margins that may have been generated on historical contracts can be generated in the future. For more than 10 years, the Company has increased its focus on industrial projects in the oil sands of northern Alberta and more recently, in eastern Canada through the acquisition of O'Connell. Investment decisions by our clients are based on the long-term views of the economic viability of their current and future projects. The economic viability of the projects is dependent upon the clients' view of the long-term price of commodities which is influenced by many factors. If our clients' outlook for commodity prices is not favourable, this may delay, reduce or cancel capital project spending and may make them more sensitive to construction costs. A decrease in construction activity in this sector could have an adverse effect on the Company's financial performance and results of operations. Moreover, many of Bird's contracts are and will be relatively short-term (less than two years, generally). As such, any prolonged downturn in the economy could impact Bird's ability to generate new business or maintain a backlog of contracts with acceptable margins to sustain Bird through such downturns.

Competitive Factors
Bird competes with many international, national, regional and local construction firms. Competitors often enjoy advantages in a particular market that Bird does not have or they may have more experience or a better relationship with a particular client. On any given contract bid or negotiation, Bird will attempt to assess the level of competitive pressure it may face and it will attempt to neutralize or overcome any perceived advantage that its competitors have. Depending on this assessment, Bird will decide whether or not to pursue a contract. In addition, this assessment bears directly on decisions that Bird will make, including what level of profit can be incorporated into its contract price and what personnel should be assigned to the contract. The accuracy of this assessment and the ability of Bird to respond to competitive factors affect Bird's success in securing new contracts and its profitability on contracts that it does secure.

Ability to Secure Work
Bird generally secures new contracts either through a competitive bid process or through negotiation. Awards in both the public and private sectors are generally based upon price, but are also influenced by factors such as perceived level of services offered, construction schedule, project personnel, the makeup of the subcontractor team, prior experience with

the prospective client and the type of project and the ability to provide bonds and other contract security. In order to be afforded an opportunity to bid for large projects and in the PPP market, a strong balance sheet measured in terms of an adequate level of working capital is typically required. Bird operates in markets that are highly competitive and there is constant pressure to find and maintain a competitive advantage. In the current economic climate, competition is intense. This presents significant challenges for the Company. If those competitive challenges are not met, Bird's client base could be eroded or it could experience an overall reduction in profits.

A decline in demand for Bird's services from the private sector could have an adverse impact on the Company if that business could not be replaced within the public sector. A portion of Bird's construction activity relates to government-funded institutional projects. Governments are still addressing budget deficit issues which may affect the institutional capital spending in the future. Any reduction in demand for Bird's services by the public sector, whether as a result of funding constraints, changing political priorities or delays in projects caused by elections, could have an adverse impact on the Company if that business could not be replaced within the private sector. Government-funded projects also typically have long and sometimes unpredictable lead times associated with government review and approval. The time delays associated with this process can constitute a risk to general contractors pursuing these projects. Certain government-funded projects, particularly PPP projects, may also require significant bid costs which can only be recovered if Bird is the successful bidder. A number of governments in Canada have procured a significant value of projects under a PPP contract format, which is an attractive market for the Company. A reduction in the popularity of this procurement method or difficulties in obtaining financing for these projects would have negative consequences for Bird.

Estimating Costs/Assessing Contract Risks

The contract price for a significant number of contracts performed by Bird is based, in part, on cost estimates that are subject to a number of assumptions. Erroneous assumptions can result in an incorrect assessment of risks associated with the contract, or estimates of the project costs may be in error, resulting in a loss of or lower than anticipated profits. All significant cost estimates are reviewed by senior management prior to tender submission.

Performance of Subcontractors

Successful completion of a contract by Bird depends, in large part, on the satisfactory performance of subcontractors who are engaged to complete the various components of the work. Subcontractor defaults tend to increase during depressed market conditions. If subcontractors fail to satisfactorily perform their portion of the work, Bird may be required to engage alternate subcontractors to complete the work and may incur additional costs. This can result in reduced profits, or in some cases, significant losses on the contract and could also damage the reputation of Bird. In addition, the ability of Bird to bid for and successfully complete projects is, in part, dependent on the availability of qualified subcontractors and trades people. Depending on the value of the subcontractor's work, Bird may require some form of performance security and achieves this through the use of surety bonds, subcontractor default insurance or other forms of security from the subcontractors to mitigate Bird's exposure to the risks associated with a subcontractor under the contract. A significant shortage of qualified subcontractors and trades people could have a material impact on Bird's financial condition and results of operations.

Maintaining Safe Work Sites

In spite of the best efforts of Bird to minimize the risk of incidents, they can occur and when they do, the impact on Bird can be significant. Bird's success as a general contractor is highly dependent on its ability to keep its construction work sites and offices safe; failure to do so can have serious impact on the personal safety of its employees and others. In addition, it can expose Bird to contract termination, fines, regulatory sanction or even criminal prosecution. Bird's safety record and worksite safety practices also have a direct bearing on its ability to secure work, particularly in the industrial sector. Certain clients will not engage particular contractors to perform their work if their safety practices do not conform to predetermined standards or if the general contractor has an unacceptably high incidence of safety infractions or incidents. Bird adheres to very rigorous safety policies and procedures which are continually reinforced on its work sites and offices. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of Bird's operations, capital expenditure requirements, or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or incidents.

Ability to Hire and Retain Qualified and Capable Personnel

The success of Bird is highly influenced by the efforts of key members of management, including its executive officers and district managers. The loss of the services of any of Bird's key management personnel could negatively impact Bird. The future success of Bird also depends heavily on its ability to attract, retain and develop high-performing personnel in all areas of its operations. Most firms throughout the construction industry face this challenge and accordingly, competition for professional staff is intense. If Bird ceases to be seen by current and prospective employees as a highly attractive place to work, it could experience difficulty in hiring and retaining the right people. This could have an adverse effect on current operations of Bird and would limit its prospects and impair its future success.

TERMINOLOGY

Throughout this report, management uses the following terms not found in GAAP Standards and which do not have a standardized meaning and therefore require definition:

- **"Gross Profit Percentage"** is the percentage derived by dividing gross profit by construction revenue. Gross profit is calculated by subtracting construction costs from construction revenue.

- **"Backlog"** (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course.

- **"Lost Time Incident Frequency"** is the number of lost time incidents recorded per 200,000 manhours of work by Bird employees.

FORWARD-LOOKING INFORMATION

Certain statements included herein which express management's expectations or estimates of future performance may constitute "forward-looking statements". The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", and similar expressions identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, this MD&A includes many such forward-looking statements and the Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. Risks that may impact the Company's future results, performance or achievements include those described under "Risks Relating to the Business" in this MD&A and in the Company's Annual Information Form dated March 12, 2015 filed and available on SEDAR. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.

Management's Responsibility for Financial Reporting

The management of Bird Construction Inc. ("Company") is responsible for the preparation and integrity of the consolidated financial statements contained in the Annual Report. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgment. Financial information contained throughout this Annual Report is consistent with the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors has reviewed and approved the consolidated financial statements. The Board fulfills its responsibility in this regard through its Audit Committee which meets regularly with management and the Company's external auditors.

P.A. Charette

Paul A. Charette
Chairman of the Board of Directors

Stephen R. Entwistle
CFO and Assistant Secretary

March 12, 2015

Independent Auditors' Report

To the Shareholders of Bird Construction Inc.

We have audited the accompanying consolidated financial statements of Bird Construction Inc., which comprise the consolidated balance sheets as at December 31, 2013 and 2012, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bird Construction Inc. as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed "**KPMG LLP**"

Chartered Accountants
March 12, 2015
Winnipeg, Canada

Consolidated Balance Sheet
(in thousands of Canadian dollars)

	Note	December 31, 2014	December 31, 2013
ASSETS			
Current assets:			
Cash	10 and 22	$ 164,033	$ 136,435
Bankers' acceptances and short-term deposits	10 and 22	-	1,915
Preferred share investments		13,750	13,657
Accounts receivable	6	323,067	371,465
Costs and estimated earnings in excess of billings		25,839	8,245
Inventory		495	2,609
Prepaid expenses and other assets		1,992	1,985
Income taxes recoverable		1,303	10,381
Total current assets		530,479	546,692
Non-current assets:			
Other long-term assets	7	2,745	-
Property and equipment	8	58,440	56,248
Deferred income tax asset	12	3,659	1,743
Intangible assets	9	11,420	12,828
Goodwill	9	30,540	30,540
Total non-current assets		106,804	101,359
TOTAL ASSETS		$ 637,283	$ 648,051
LIABILITIES			
Current liabilities:			
Accounts payable		$ 345,636	$ 348,680
Deferred contract revenue		42,311	48,479
Dividends payable to shareholders		2,691	2,691
Income taxes payable		8,798	2,865
Current portion of loans and borrowings	11	16,218	15,404
Provisions	16	7,957	6,316
Other liabilities	13	2,841	1,895
Total current liabilities		426,452	426,330
Non-current liabilities:			
Loans and borrowings	11	11,985	23,965
Deferred income tax liability	12	15,805	18,155
Other liabilities	13	1,454	2,305
Total non-current liabilities		29,244	44,425
SHAREHOLDERS' EQUITY			
Shareholders' capital	14	42,527	42,527
Contributed surplus		1,843	1,492
Retained earnings		137,217	133,277
Total shareholders' equity		181,587	177,296
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 637,283	$ 648,051

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

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31
(in thousands of Canadian dollars, except per share amounts)

	Note		2014		2013
Construction revenue		$	**1,364,456**	$	1,331,689
Costs of construction			**1,252,848**		1,260,224
Gross profit			**111,608**		71,465
General and administrative expenses			**64,018**		55,823
Income from operations			**47,590**		15,642
Finance income	17		**3,181**		2,665
Finance costs	18		**(2,154)**		(2,987)
Income before income taxes			**48,617**		15,320
Income tax expense	12		**12,380**		3,230
Net income and comprehensive income for the year		$	**36,237**	$	12,090
Basic and diluted earnings per share	15	$	**0.85**	$	0.28

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

Consolidated Statements of Changes in Equity
For the years ended December 31
(in thousands of Canadian dollars, except per share amounts)

	Note	Shareholders' Capital	Contributed surplus	Retained earnings	Total Equity
Balance at December 31, 2012		$ 37,527	$ 836	$ 153,202	$ 191,565
Shares issued pursuant to acquisition of Nason Contracting Group Lt	5	5,000	-	-	5,000
Contributions by and dividends to owners					
Stock-based compensation expense	14	-	656	-	656
Dividends declared to shareholders		-	-	(32,015)	(32,015)
Net income and comprehensive income for the year		-	-	12,090	12,090
Balance at December 31, 2013		$ 42,527	$ 1,492	$ 133,277	$ 177,296
Dividends per share declared during the year ended December 31, 2013				$ 0.75	
Balance at December 31, 2013		**$ 42,527**	**$ 1,492**	**$ 133,277**	**$ 177,296**
Contributions by and dividends to owners					
Stock-based compensation expense	14	**-**	**351**	**-**	**351**
Dividends declared to shareholders		**-**	**-**	**(32,297)**	**(32,297)**
Net income and comprehensive income for the year		**-**	**-**	**36,237**	**36,237**
Balance at December 31, 2014		**$ 42,527**	**$ 1,843**	**$ 137,217**	**$ 181,587**
Dividends per share declared during the year ended December 31, 2014				**$0.76**	

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

Consolidated Statements of Cash Flows
For the years ended December 31
(in thousands of Canadian dollars)

	Note	2014	2013
Cash flows from operating activities:			
Net income and comprehensive income for the year		$ **36,237**	$ 12,090
Items not involving cash:			
Amortization	9	**2,006**	3,903
Depreciation	8	**12,612**	13,612
(Gain) loss on sale of property and equipment		**(283)**	190
Finance income	17	**(3,181)**	(2,665)
Finance costs	18	**2,154**	2,987
Deferred compensation plan expense		**2,623**	2,776
Contingent consideration	13	**-**	(4,465)
Income tax expense	12	**12,380**	3,230
Stock-based compensation expense	14	**351**	656
Cash flows from operations before changes in non-cash working capital		**64,899**	32,314
Changes in non-cash working capital relating to operating activities	22	**23,633**	3,089
Dividends and interest received		**1,538**	2,113
Interest paid		**(1,348)**	(1,866)
Income taxes (paid) / refunds recovered		**(1,635)**	(19,251)
Cash flows from (used in) operating activities		**87,087**	16,399
Cash flows from (used in) investing activities:			
Acquisition of Nason Contracting Group Ltd.	5	**-**	(5,550)
Additions to property and equipment	8	**(16,024)**	(15,761)
Additions to intangible assets	9	**(598)**	(1,069)
Proceeds on sale of property and equipment		**2,017**	888
Purchase of investments		**-**	-
Other long-term assets	7	**(2,745)**	-
Proceeds from disposal of investments		**-**	1,469
Cash flows used in investing activities		**(17,350)**	(20,023)
Cash flows from (used in) financing activities:			
Dividends paid on shares		**(32,297)**	(31,853)
Proceeds from loans and borrowings		**4,128**	5,319
Repayment of loans and borrowings		**(15,885)**	(14,571)
Cash flows used in financing activities		**(44,054)**	(41,105)
Net increase (decrease) in cash and cash equivalents during the year		**25,683**	(44,729)
Cash and cash equivalents, beginning of the year		**138,350**	183,079
Cash and cash equivalents, end of the year	22	$ **164,033**	$ 138,350

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

1. Structure of the Company

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

The Company, through its subsidiaries and interests in joint arrangements carries on business as a general contractor with offices in St. John's, Wabush, Halifax, Saint John, Montreal, Toronto, Winnipeg, Calgary, Edmonton, St. Albert and Vancouver. The Company focuses primarily on projects in the industrial, mining, commercial and institutional sectors of the general contracting industry. The Company serves clients in the industrial, mining, institutional, retail, commercial, multi-tenant residential, light industrial, and renovation and restoration sectors using fixed priced, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods. Management has determined that the Company operates in one reportable segment being the general contracting sector of the construction industry.

2. Basis of preparation

(a) Authorization of financial statements:
These consolidated financial statements were authorized for issue on March 12, 2015 by the Company's Board of Directors.

(b) Statement of compliance:
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(c) Changes in accounting policies:
As a result of IFRS 11, the Company has changed its accounting policy for its interests in joint arrangements. Under IFRS, joint arrangements are classified as either joint operations or joint ventures, as described in note 3(q). The determination as to whether a joint arrangement is a joint venture or a joint operation requires significant judgment based on the structure of the arrangement, the legal form of any separate vehicle, the contractual terms of the arrangement and other facts and circumstances. The Company has re-evaluated its joint arrangements and classified them accordingly. The Company's joint arrangements are described in note 3(a). There are no significant joint arrangements classified as joint ventures.

(d) Basis of measurement:
These consolidated financial statements have been prepared using the historical cost convention, except for the valuation of certain financial assets which have been classified as "fair value through profit and loss" instruments, and accordingly, are measured at fair value, and liabilities for cash settled share-based payment arrangements which are measured at fair value.

(e) Use of estimates and judgments:
The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date.

Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amount of an asset or liability and/or the reported amount of revenue and expense in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Construction revenue, construction costs, deferred contract revenue, and costs and estimated earnings in excess of billings are all based on estimates and judgements used in determining an estimate of contract revenue and contract costs to determine the stage of completion for a particular construction project, depending upon the nature of the construction contract, as more fully described in the revenue recognition policy (see note 3(b)). To determine the estimated cost to complete construction contracts, assumptions and estimates are required to evaluate issues related to schedule, material and labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction, estimates can change significantly from one accounting period to the next.

The value of many construction contracts increases over the duration of the construction period. Change orders may be issued by our clients to modify the original contract scope of work or conditions. In addition, there may be disputes or claims regarding additional amounts owing as a result of changes in contract scope, delays, additional work or changed conditions. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

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

Impairment testing is performed annually for indefinite-lived intangible assets and goodwill resulting from business combinations, by comparing the recoverable amount of the cash generating unit ("CGU"), or groups of CGUs to its carrying amount. The recoverable amounts of the CGU have been determined based on a value in use calculation. There is a significant amount of uncertainty with respect to the estimates of recoverable amounts of the CGUs' assets given the necessity of making key economic projections which employ the following key assumptions: future cash flows, growth opportunities, including economic risk assumptions and estimates of achieving key operating metrics and drivers; and the discount rate.

Information about significant judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the significant accounting policies note related to revenue recognition (note 3 (b)), joint arrangements (note 3 (q)), and the classification of leases (note 3 (t)).

3. Summary of significant accounting policies

The significant accounting principles used in these consolidated financial statements are as follows:

(a) Consolidation:
The consolidated financial statements include the accounts of the Company, its subsidiaries and partnerships, as well as it's pro rata share of assets, liabilities, revenues, expenses and cash flows from joint operations. Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. The consolidated financial statements include the accounts of the following significant subsidiaries:

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

Company:	**2014**	2013
	Ownership/Voting Interest	
Fully consolidated subsidiaries		
Bird Construction Inc.	**100%**	100%
Bird Construction Company Limited	**100%**	100%
Bird Construction Company (Limited Partnership)	**100%**	100%
Bird Management Ltd.	**100%**	100%
Bird Design - Build Limited	**100%**	100%
Bird Capital Limited	**100%**	100%
Bird Capital Limited Partnership	**100%**	100%
Bird Industrial Group Limited	**100%**	100%
Bird Design-Build Construction Inc.	**100%**	100%
Westrac Resources Ltd.	**100%**	100%
Westrac Resources Limited Partnership	**100%**	100%
Bird Construction Group (Limited Partnership)	**100%**	100%
Bird Construction Group Limited	**100%**	100%
H.J. O'Connell, Limited	**100%**	100%
Les Enterprises de Construction de Québec Ltée	**100%**	100%
H.J. O'Connell Construction Ltd.	**100%**	100%
Nason Contracting Group Ltd	**100%**	100%
Proportionately consolidated joint arrangements		
Bird-Graham Schools Joint Venture	**50%**	50%
Bird-Graham Schools 2 Joint Venture	**50%**	50%
ByBird Joint Venture	**50%**	50%
Bouygues-Bird RCMP Joint Venture	**40%**	40%
O'Connell, Neilson, EBC Partnership	**33.33%**	33.33%
IKC-ONE Partnership	**40%**	40%
Restigouche Hospital Centre Joint Venture	**30%**	30%
HJOC-VPDL Placentia Bridge Joint Venture	**50%**	50%
Arctic-Bird Construction Joint Venture	**50%**	50%

All of the above subsidiaries and joint arrangements are incorporated or registered in Canada.

(b) Revenue recognition:
Contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Revenue from fixed price construction contracts is recognized on the percentage of completion basis. Percentage of completion is calculated based on the costs incurred on each construction contract to the end of the respective accounting period divided by the total estimated costs. Revenue from cost reimbursable contracts is recognized progressively on the basis of costs incurred during the period plus the estimated fee earned. Revenue from unit price contracts in the heavy construction, civil construction and contract surface mining construction sectors is recognized based on the amount of billable work completed, established by surveys of work performed. For agency relationships, such as construction management, where the Company acts as an agent for its clients, fee revenue only is recognized, generally in accordance with the contract terms. If the outcome of a construction contract cannot be estimated reliably for management to estimate the ultimate profitability of the contract with a reasonable degree of certainty, no profit is recognized.

Revenue from change orders and claims is recognized to the extent that management estimates that realization is probable and amounts can be measured reliably. Any excess of progress billings over earned revenue on construction contracts is carried as deferred contract revenue in the financial statements. Any excess of costs and estimated earnings over progress billings on construction contracts is carried as costs and estimated earnings in excess of billings in the financial statements.

Losses from any construction contracts are recognized in full in the period the loss becomes apparent.

(c) Construction costs:
Construction costs are expensed as incurred unless they result in an asset related to future contract activity. Construction costs include all expenses that relate directly to execution of the specific contract, including site labour and site supervision, direct materials, subcontractor costs, equipment rentals and depreciation, design and technical assistance, and warranty claims. Construction costs also include overheads that can be attributed to the project in a systematic and consistent manner and include general insurance and bonding costs, and staff costs relating to project management. Construction costs also include expenditures for services which are specifically recoverable from the customer under the terms of the contract.

(d) Inventory:
Inventory, which consists of certain equipment parts and aggregate materials, is carried at the lower of cost and net realizable value. The cost of inventories of equipment parts and aggregate materials is determined at the weighted average cost to acquire the inventory. Net realizable value is the estimated selling price in the ordinary course of business less applicable selling costs.

(e) Property and equipment:
Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment includes the purchase price and the directly attributable costs required to bring the asset to the condition necessary for the asset to be capable of operating in the manner intended by management. The cost of replacing or repairing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits will occur and the cost can be measured reliably. The costs of routine maintenance of property and equipment are recognized in the statement of income as incurred. Depreciation of property and equipment over the estimated useful lives of the assets is as follows:

i.	Diminishing balance method:	
	Buildings	5% and 10%
	Equipment, trucks and automotive	20% - 40%
	Heavy equipment	hours of use
	Furniture, fixtures and office equipment	20% - 55%
ii.	Straight line method:	
	Leasehold improvements	over the lease term

When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment and depreciated accordingly. The carrying amount of a replaced component is derecognized. The Company reviews the residual value, useful lives and depreciation methods used on an annual basis and, where revisions are required, the Company applies such changes in estimates on a prospective basis.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of general and administrative expenses in the statement of income and comprehensive income.

(f) Foreign currency translation:
Foreign currency transactions and balances are recorded in the accounts as follows:

i. Monetary assets and liabilities at the exchange rate in effect at the balance sheet date;
ii. Non-monetary assets and liabilities at exchange rates prevailing at the time of the transaction;
iii. Depreciation expense at the exchange rate in effect at the time the related assets are acquired; and
iv. Expenses at the average exchange rate prevailing on the date of the transaction.

(g) Income taxes:
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit and loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable based on applying enacted income tax rates to the taxable income realized in the current year. Current tax includes adjustments to taxes payable or recoverable in respect of previous years.

Deferred income tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, as well as for the benefit of tax losses available to be carried forward to future years provided they are likely to be realized. Deferred taxes are recognized using enacted or substantively enacted rates expected to apply in the periods in which the asset is realized or the liability is settled. Deferred taxes are measured on an undiscounted basis. Deferred taxes are presented as non-current. Current and deferred tax assets and liabilities are offset only when a legally enforceable right exists to offset current tax assets against current tax liabilities relating to the same taxable entity and the same tax authority.

(h) Basic and diluted earnings per share:
The Company's basic earnings per share calculation is based on the net income available to common shareholders for the period divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing the net income available to common shareholders for the period by the weighted average number of common shares outstanding for the period, adjusted for the effects of all dilutive potential common shares, which comprise stock options granted to employees.

(i) Medium term incentive plan:
The Company's Medium Term Incentive Plan ("MTIP") is a cash-settled share-based payment plan which provides for the granting of phantom shares. The phantom shares provide the holder with the opportunity to earn a cash benefit in relation to the value of a specified number of underlying notional shares. MTIP awards vest on November 30 of the third year following the year to which the award relates, if the employee has maintained continuous employment with the Company, except upon retirement or death. Annually, the Board of Directors determines the amount of the initial award, which is then used to determine the number of shares allocated to the employee. The total liabilities for this plan are computed based on the estimated number of phantom shares expected to vest at the end of the vesting period. The liability is measured at each reporting date at fair value with changes in fair value recognized in income. The fair value of the phantom shares outstanding at the end of a reporting period is measured based on the quoted market price of the Company's shares. The phantom shares earn notional dividends, equivalent to actual dividends declared on the Company's shares. Compensation expense relating to the initial award, notional dividends and changes in the market price of the phantom shares is recognized on a straight-line basis over the vesting period.

(j) Stock option plan:
The Company's Stock Option Plan, as described in note 14, is a share-based payment plan which provides for the granting of stock options. The fair value of share-based payment awards is recognized as an employee expense, with a corresponding increase in contributed surplus, on a straight-line basis over the vesting period. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

(k) Deferred share unit plan:
The Company has a Deferred Share Unit Plan ("DSU Plan"), which is a cash-settled share-based payment plan providing for the granting of phantom shares. The fair value of the amount payable to eligible Directors in respect of Deferred Share Units ("DSUs") is equivalent to the cash value of the common shares at the reporting date. The phantom shares earn notional dividends, equivalent to actual dividends declared on the Company's shares. DSUs are cash-settled when the eligible Director ceases to hold any position within the Company. The liability associated with the DSU Plan is recalculated at each reporting date and at settlement. Any change in the fair value of the liability is recognized as an expense in general and administrative expenses.

(l) Financial instruments:
Financial assets and liabilities are recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or derivative contract. Financial instruments are initially measured at fair value and are subsequently accounted for based on their classification as described below. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or

liability. Financial liabilities are derecognized when their contractual obligations are discharged, cancelled or have expired.

Financial assets at fair value through profit or loss
Financial assets are classified as financial assets at fair value through profit or loss if they are classified as held-for-trading or are designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented investment policy. Financial assets classified as fair value through profit or loss instruments are measured at fair value at each reporting period with any changes in fair value during the reporting period being included in income. The Company's financial assets at fair value through profit and loss include preferred share investments. The fair value of preferred share investments are based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Transaction costs are expensed as incurred.

Loans and receivables
Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted on an active market. Financial assets classified as loans and receivables are initially measured at fair value adjusted for directly attributable transaction costs, and subsequently, are measured at amortized cost, using the effective interest rate method, which approximates fair value. The Company will recognize changes in the fair value of loans and receivables only if realized, or when an impairment in the value of the asset occurs. Loans and receivables are generally comprised of cash and cash equivalents, accounts receivable and other long-term assets.

Cash and cash equivalents
The Company considers cash, bank indebtedness, if any, bankers' acceptances and short-term deposits with original maturities of three months or less, as cash and cash equivalents.

Financial liabilities
Financial liabilities are initially recognized at fair value adjusted for transaction costs directly attributable to the liability, except for financial liabilities classified as fair value through profit or loss. Financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payable, dividends payable and loans and borrowings.

The Company has not classified any financial assets or liabilities as held-to-maturity or available-for-sale (see note 23).

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company had no "other comprehensive income or loss" transactions during the period and no opening or closing balances for accumulated other comprehensive income or loss.

(m) Goodwill:
Goodwill that arises on the acquisition of subsidiaries is presented separately on the balance sheet. For the measurement of goodwill at initial recognition refer to note 3(s). Subsequently, goodwill is measured at cost less any accumulated impairment losses.

(n) Intangible assets:
Non-competition agreements, customer relationships, backlog and trade names represent intangible assets acquired in business acquisitions that meet the specified criteria for recognition. These assets are initially recorded at fair value.
Trade names are intangible assets with indefinite useful lives which are not amortized, but are tested for impairment annually. Intangible assets with finite lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss over the estimated useful lives as noted below. The estimated useful lives for the current and comparative periods are as follows:

i.	Non-competition agreements	5 years
ii.	Customer relationships	5 – 8 years
iii.	Software	2 – 5 years
iv.	Contract backlog	as backlog revenue is realized in earnings

The Company reviews the residual value, useful lives and amortization methods used on an annual basis. Amortization of intangible assets is included in general and administrative expenses in the statements of income and comprehensive income.

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

Provisions include:

i. Provisions for potential legal claims relating to the Company's performance and completion of construction contracts. The Company attempts to settle claims within the construction period of the contracts, but a legal claim may take years to settle. A provision is recognized when it is more likely than not that a claim will require settlement. The amount recognized is the best estimate of the settlement amount.
ii. Provisions for potential warranty claims relating to construction projects. These claims are usually settled during the project's warranty period. A provision is recognized when it is more likely than not that a warranty claim will arise. The amount recognized is the best estimate of the amount required to settle the warranty issue.

(p) Impairment:
Property and equipment
The carrying amounts of items included in property and equipment are reviewed for impairment at the end of each reporting period to determine whether there are indicators of impairment. If there is an indicator of impairment and the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded in profit and loss to reflect the asset at the lower amount. For property and equipment, the recoverable amount is usually determined by the selling price of the asset less the costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Intangible assets and goodwill
Intangible assets and goodwill resulting from business combinations are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite lived intangible assets are tested annually for impairment. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is determined by the cash flows expected to arise from the CGU discounted using a pre-tax discount rate, which reflects the current market assessments of the time value of money and asset-specific risk. Intangible assets and goodwill are assigned to the CGUs associated with the related acquisition. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amount of the other assets in the CGUs.

(q) Joint arrangements:
A joint arrangement is an arrangement in which the Company has joint control, established by contractual agreements requiring unanimous consent for decisions about activities that significantly affect the arrangement's returns. Joint arrangements are classified as either a joint operation or a joint venture. A joint operation is an arrangement where the joint controlling parties have direct rights to the assets and direct obligations for the liabilities of the arrangement in the normal course of business. Interests in a joint operation are accounted for by recognizing the Company's share of assets, liabilities, revenues and expenses. A joint venture is an arrangement where the joint controlling parties have rights to the net assets of the arrangement. Interests in a joint venture are recognized as an investment and accounted for using the equity method. The determination as to whether a joint arrangement is a joint venture or a joint operation requires significant judgment based on the structure of the arrangement, the legal form of any separate vehicle, the contractual terms of the arrangement and other facts and circumstances. The joint arrangements in which Bird participates are typically formed to undertake a specific construction project, are jointly controlled by the parties, and are dissolved upon completion of the project.

(r) Finance income and finance costs:
Finance income comprises interest earned on cash and cash equivalents, interest accretion on holdbacks receivable, dividend income, gains on disposal of investments and changes in the fair value of financial assets classified as fair value through profit and loss. Interest income is recognized as it accrues in the income statement. Dividend income is recognized in the income statement on the date the Company's right to receive the payment is established. Interest income related to holdbacks receivable is recognized in the income statement using the effective interest rate method.

Finance costs comprise interest expense related to accretion on holdbacks payable, accretion of the contingent consideration liabilities and interest on loans and borrowings using the effective interest rate method.

(s) Business combinations:
The Company uses the acquisition method of accounting for business combinations. The consideration transferred includes the fair value of the assets transferred to acquire a subsidiary, the liabilities assumed and the fair value of any equity interest issued by the Company. Acquisition related costs are expensed as incurred. Any excess of the fair value of the consideration transferred over the Company's share of the fair value of net identifiable assets acquired, all measured as of the acquisition date, is recorded as goodwill. If the fair value of the consideration transferred is less than the fair value of the net identifiable assets acquired, such as in the case of a bargain purchase, the difference is recognized directly in profit or loss.

(t) Leases:
Leases which transfer substantially all the benefits and risks of ownership of the asset are recognized as finance leases. The asset is capitalized at the commencement of the lease at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The asset is depreciated on a basis consistent with similar owned assets. The related lease obligation is recorded on the balance sheet. The interest element of the lease payments is charged to finance costs over the term of the lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments required under operating leases are charged to income on a straight line basis over the life of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(u) Subcontractor/Supplier performance default insurance:
The Company maintains an insurance policy which provides Bird with comprehensive coverage in respect of subcontractor or supplier default on certain projects where the subcontractor or supplier is enrolled in the program. The total insurance premium paid by the Company to the insurer is comprised of a non refundable premium and a deposit premium. The deposit premium paid by the Company is included in Other Long Term Assets on the consolidated balance sheet. The liabilities included in provisions on the consolidated balance sheet relate to management's best estimate of exposures and costs associated with prior or existing subcontractor or supplier performance defaults. Management conducts a thorough review of the liability every reporting period and takes into consideration the Company's experience to date with those subcontractors or suppliers that are enrolled in the program.

4. Future accounting changes

A number of new standards and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements.

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction contracts* and IAS 18 *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

On December 18, 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

5. Acquisition of Nason

On January 17, 2013, the Company acquired 100% of the outstanding shares of Nason Contracting Group Ltd. ("Nason"). The cost of the acquisition was $12,428, which includes estimated post-closing adjustments, plus the fair value of the obligation for the contingent consideration at the acquisition date. The purchase price was comprised of $7,847 cash, $5,000 of common shares from treasury, estimated contingent consideration of $741 for future earn-out payments and a post-closing purchase price adjustment of ($1,160). The purchase price is subject to certain adjustments for potential future earn-out payments and for the final profit earned on contracts in progress at the date of acquisition.

Nason is a recognized leader in the construction of water and wastewater facilities in western Canada. Nason operates throughout Alberta, British Columbia, Saskatchewan, Yukon and Northwest Territories. Nason performs the majority of its work with its own forces and has particular strength in the execution of mechanical, electrical and instrumentation works. Nason's expertise in mechanical, electrical and instrumentation aspects of water and wastewater projects in remote locations complement Bird's general contracting and civil construction knowledge. These synergies provide further growth opportunities for the Company.

The fair value of the identifiable assets and liabilities of Nason, as at the date of acquisition and details of the major classes of consideration transferred were as follows:

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

	Note		Fair value recognized
Identifiable assets acquired and liabilities assumed			
Cash		$	2,297
Accounts receivable			3,136
Income taxes receivable			557
Prepaid expenses			104
Property and equipment			1,310
Intangibles - Backlog			900
Accounts payable and other liabilities			(1,898)
Deferred contract revenue			(613)
Deferred income tax liability			(460)
Net identifiable assets			**5,333**
Goodwill			7,095
		$	**12,428**
Consideration	**Note**		
Cash consideration		$	7,847
Post-closing adjustment receivable			(1,160)
Shares issued	14		5,000
Estimated contingent consideration			741
Total Consideration		$	**12,428**
Cash and cash equivalents acquired		$	(2,297)
Post-closing adjustment receivable			1,160
Shares issued	14		(5,000)
Estimated contingent consideration	13		(741)
Cash outflow on acquisition		$	**5,550**
Acquisition costs expensed		$	485

The Purchase Agreement includes a provision for a post-closing purchase price adjustment for the difference, if any, between the actual shareholders' equity of Nason at close and the target level established in the Purchase Agreement. The post-closing adjustment receivable of $1,160 was recoverable from the vendors and has been collected.

The Purchase Agreement includes a provision recognizing the possibility for an additional payment to the vendors of Nason on the third anniversary date of the closing of the acquisition, should the cumulative net income of Nason in the next three years exceed a net income threshold. On the third anniversary date, the net cumulative balance owing, if any, will be paid in cash to the vendors. Interest at 4% per annum will be applied to the outstanding cumulative amount owing and will be paid in cash annually to the vendors. Management has prepared estimates of the amounts owing and probability-weighted the various outcomes. The probability-weighted outcome has been discounted using a discount rate appropriate for the acquisition. The initial range of possible outcomes on an undiscounted basis is between $nil and $1,281. The amount for the contingent consideration may be adjusted as the net income of Nason is realized and any excess purchase price is determined. Any difference between the initial estimate of the contingent consideration and the actual amount owing will be recorded in the net earnings of that period. At the acquisition date, the fair value of contingent consideration was estimated at $741. In 2013, the estimate of the fair value of the contingent consideration has been adjusted to $nil (see note 13).

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

The goodwill recognized on the acquisition is attributable mainly to the skills and technical knowledge of the acquired business's work force, and the synergies expected from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition on January 17, 2013 to the period ended December 31, 2013, Nason has contributed $23,055 of revenue and a net loss of $1,233 to the Company. If the acquisition had occurred on January 1, 2013, management estimates that the consolidated revenue for the Company and consolidated net income would not be materially different. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2013.

6. Accounts receivable

		2014		2013
Progress billings on construction contracts	**$**	**232,175**	$	252,878
Holdbacks receivable (due within one operating cycle)		**86,401**		115,255
Other		**4,491**		3,332
	$	**323,067**	$	371,465

Accounts receivable are reported net of an allowance for doubtful accounts of $1,465 as at December 31, 2014 ($894 – December 31, 2013).

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

At December 31, 2014, aggregate costs incurred under open construction contracts and recognized profits, net of recognized losses, amounted to $970,572 (December 31, 2013 - $963,893). Progress billings and advances received from customers under open construction contracts amounted to $987,044 (2013 - $1,004,127).

7. Other long-term assets

		2014		2013
Subcontractor/Supplier insurance deposit	**$**	**2,745**	$	-

Subcontractor/Supplier insurance deposit relates to the Company's insurance policy which provides Bird with comprehensive coverage, subject to a deductible, in respect of subcontractor or supplier default on certain projects where the subcontractor or supplier is enrolled in the program. As at December 31, 2014, the funds held by the Company's subcontractor insurance provider amounted to $2,745 (December 31, 2013 - $nil).

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

8. Property and equipment

2014		Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment		Total
Cost								
Balance January 1, 2014	$	1,681	9,992	3,394	77,927	2,162	$	95,156
Additions		254	2,137	847	12,688	98		16,024
Additions under finance leases		-	-	-	514	-		514
Disposals		-	(766)	-	(3,548)	(157)		(4,471)
Balance December 31, 2014	$	1,935	11,363	4,241	87,581	2,103	$	107,223
Accumulated depreciation								
Balance January 1, 2014	$	-	1,984	2,140	33,592	1,192	$	38,908
Disposals		-	(94)	-	(2,511)	(132)		(2,737)
Depreciation expense		-	916	768	10,628	300		12,612
Balance December 31, 2014	$	-	2,806	2,908	41,709	1,360	$	48,783
Net book value	$	1,935	8,557	1,333	45,872	743	$	58,440

2013		Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment		Total
Cost								
Balance January 1, 2013	$	177	8,653	2,614	68,969	1,916	$	82,329
Acquisitions through business combinations (note 5)		-	-	102	1,166	42		1,310
Additions		1,504	1,339	689	11,778	451		15,761
Additions under finance leases		-	-	-	364	-		364
Disposals		-	-	(11)	(4,350)	(247)		(4,608)
Balance December 31, 2013	$	1,681	9,992	3,394	77,927	2,162	$	95,156
Accumulated depreciation								
Balance January 1, 2013	$	-	1,354	1,735	24,526	1,211	$	28,826
Disposals		-	-	(11)	(3,301)	(218)		(3,530)
Depreciation expense		-	630	416	12,367	199		13,612
Balance December 31, 2013	$	-	1,984	2,140	33,592	1,192	$	38,908
Net book value	$	1681	8,008	1,254	44,335	970	$	56,248

There were no events or circumstances requiring an impairment loss to be recognized in the year ending December 31, 2014 or 2013.

The carrying value of equipment, trucks and automotive held under finance leases at December 31, 2014 is $1,697 (December 31, 2013 - $1,564).

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

9. Intangible assets and goodwill

2014

		Backlog	Non-competition agreements	Customer relationships	Trade names	Computer software		Total Intangible assets		Goodwill
Cost										
Balance January 1, 2014	$	6,892	900	10,323	4,173	4,861	$	27,149	$	30,540
Additions		-	-	-	-	598		598		-
Balance December 31, 2014	$	6,892	900	10,323	4,173	5,459	$	27,747	$	30,540
Accumulated amortization										
Balance January 1, 2014	$	6,781	900	4,364	-	2,276	$	14,321	$	-
Amortization expense		111	-	1,056	-	839		2,006		-
Balance December 31, 2014	$	6,892	900	5,420	-	3,115	$	16,327	$	-
Net book value	$	-	-	4,903	4,173	2,344	$	11,420	$	30,540

2013

		Backlog	Non-competition agreements	Customer relationships	Trade names	Computer software		Total Intangible assets		Goodwill
Cost										
Balance January 1, 2013	$	5,992	900	10,323	4,173	3,792	$	25,180	$	23,445
Acquisitions through business combinations (note 5)		900	-	-	-	-		900		7,095
Additions		-	-	-	-	1,069		1,069		-
Balance December 31, 2013	$	6,892	900	10,323	4,173	4,861	$	27,149	$	30,540
Accumulated amortization										
Balance January 1, 2013	$	4,931	885	3,277	-	1,325	$	10,418	$	-
Amortization expense		1,850	15	1,087	-	951		3,903		-
Balance December 31, 2013	$	6,781	900	4,364	-	2,276	$	14,321	$	-
Net book value	$	111	-	5,959	4,173	2,585	$	12,828	$	30,540

Goodwill consists of $9,294 related to the acquisition of Rideau Construction in 2008, $14,151 related to the acquisition of H.J. O'Connell, Limited ("O'Connell") and $7,095 related to the acquisition of Nason (see note 5). There were no events or circumstances requiring an impairment loss to be recognized in the year ending December 31, 2014 or 2013.

Customer relationships are expected to be fully amortized by 2019.

For the purpose of impairment testing, goodwill and intangible assets acquired in a business combination are allocated to the CGU, or the group of CGU's, that is expected to benefit from the synergies of the combination.

The aggregate carrying amounts of goodwill and intangible assets allocated to each CGU are as follows:

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

		2014		2013
Rideau districts	$	**9,294**	$	9,294
O'Connell district		**23,227**		24,283
Nason district		**7,095**		7,206
	$	**39,616**	$	40,783

The recoverable amounts for all cash generating units were determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management covering a three-year period. Significant assumptions used in the calculation of value in use were the level of new awards, the construction gross margin percentage, the level of operating and capital costs, the discount rate and the terminal value growth rate. Budgeted net income was based on expectation of future outcomes taking into account past experience, the Company's annual business plan and the Company's strategic plan adjusted for a number of weighted probabilities based on current economic conditions. Cash flows for the remaining periods were extrapolated using nominal growth rates. A pre-tax discount rate of 15%, which is based on a market-based cost of capital, was applied in determining the recoverable amounts.

Fluctuations in selected significant assumptions on which the CGUs' recoverable amounts are based may cause the CGUs' carrying amounts to exceed their recoverable amounts.

10. Operating and Equipment lines of credit

A. Letters of credit facilities:
The Company has authorized operating lines of credit totalling $132,000 with two Canadian chartered banks, maintained for the primary purpose of issuing letters of credit. At December 31, 2014, the lines were drawn for outstanding letters of credit of $8,041 (December 31, 2013 - $23,487).

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to Public Private Partnership projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at December 31, 2014 of $20,651 (December 31, 2013 - $30,825).

		Expiry date					
		2015	2016 to 2018	2019 and greater		**December 31, 2014**	December 31, 2013
Letters of credit	$	5,001	3,040	-	$	**8,041**	$ 23,487

B. Committed revolving operating credit facilities:
i. A subsidiary of the Company has a committed revolving credit facility of $20,000, to be used to finance normal course operations of the subsidiary. As at December 31, 2014, the subsidiary has not drawn on the facility. Borrowings under the facility are secured by a first charge against accounts receivable, and borrowings are limited to 75% of the net receivables of the subsidiary. Interest is charged at a rate per annum equal to the Canadian prime rate plus a spread. The facility expires on May 31, 2015. The subsidiary is in compliance with the working capital and debt-to-equity covenants of this facility.
ii. The Company has a $30,000 unsecured revolving credit facility. The facility matures on September 28, 2017. As at December 31, 2014, the Company has not drawn on the facility. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A commitment fee of 0.25% is due on the unutilized portion of the facility. The Company is in compliance with the working capital and debt-to-equity covenants of this facility.

C. Committed equipment term facilities:
i. The Company has a committed term credit facility of up to $10,000 to be used to finance equipment purchases of subsidiaries guaranteed by the Company. As of December 31, 2014, the facility is undrawn.

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

Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears. Draws under this facility are permitted until May 30, 2017.

ii. A subsidiary of the Company has a committed term credit facility of up to $20,000 to be used to finance equipment purchases of the subsidiary. The subsidiary has drawn on the facility and the outstanding balance at December 31, 2014 is $1,187. Borrowings under the facility are secured by a first charge against certain of the subsidiary's equipment financed using the facility. Interest on the facility can be charged at a fixed rate or using a variable rate based on the Canadian prime rate plus a spread, at the subsidiary's option. Interest is paid monthly in arrears. Draws under this facility are permitted until May 31, 2015.

D. Equipment lease line of credit:
Subsidiaries of the Company have established operating lease lines of credit of $62,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. Draws under these facilities are generally recognized as operating leases, with the lease obligations being secured by the specific leased equipment (see note 19). At December 31, 2014, the subsidiaries had used $19,643 under these facilities.

11. Loans and borrowings

	Maturity	Interest rate			December 31, 2014		December 31, 2013
Term Facility 1 (a)	October 1, 2016	Fixed	3.57%	$	**3,821**	$	5,900
Term Facility 2 (a)	October 1, 2016	Variable	3.23%		**3,610**		5,673
Term Facility 3 (b)	September 30, 2016	Fixed	4.24%		**1,788**		2,803
Term Facility 4 (b)	September 30, 2016	Variable	4.11%		**501**		1,503
Term Facility 5 (c)	June 15, 2016	Fixed	3.27%		**4,400**		7,216
Term Facility 6 (d)	December 27, 2018	Fixed	3.20%		**2,173**		2,673
Term Facility 7 (d)	December 27, 2018	Variable	2.71%		**2,116**		2,645
Term Facility 8 (e)	June 30, 2018	Fixed	3.03%		**2,117**		-
Term Facility 9 (f)	September 25, 2020	Fixed	3.25%		**1,660**		-
Vendor take-back notes (g)	August 31, 2015	Fixed	5.00%		**3,750**		7,500
Committed Term Facility (h)	April 26, 2016	Fixed	3.90%		**1,187**		2,195
					27,123		38,108
Finance lease liabilities (i)					**1,204**		1,464
Transaction costs of $406, net of amortization of $282					**(124)**		(203)
					28,203		39,369
Less: current portion of long-term debt					**15,361**		14,762
Less: current portion of finance lease liabilities					**857**		642
Current portion of loans and borrowings					**16,218**		15,404
Non-current portion of loans and borrowings				$	**11,985**	$	23,965

(a) Term Facilities 1 & 2:
On August 31, 2011, the Company obtained two five-year secured term facilities which were used to fund the acquisition of O'Connell. Both facilities mature on October 1, 2016. Term Facility 1 was for an initial principal amount of $10,315 and bears interest at a fixed rate of 3.57%. The principal of Term Facility 1, together with interest, is to be paid in 60 blended equal installments in the amount of $188, which are payable monthly. Term Facility 2 was for an initial principal amount of $10,315 and bears interest at the 30-day bankers' acceptance rate plus a spread. Principal repayments under Term Facility 2 in the amount of $172 are payable monthly. Interest on Term Facility 2 is paid monthly in arrears. Both facilities are secured by specific equipment of a subsidiary of the Company.

(b) Term Facilities 3 & 4:
On August 31, 2011, the Company obtained two five-year secured term facilities which were used to fund the acquisition of O'Connell. Both facilities mature on September 30, 2016. Term Facility 3 was for an initial principal

amount of $5,009 and bears interest at a fixed rate of 4.24%. The principal of Term Facility 3, together with interest, is to be paid in 60 blended equal installments in the amount of $93, which are payable monthly. Term Facility 4 was for an initial principal amount of $5,009 and bears interest at the three-month bankers' acceptance rate plus a spread. Principal repayments under Term Facility 4 in the amount of $83 are payable monthly. Interest on Term Facility 4 is paid monthly in arrears. Both facilities are secured by specific equipment of a subsidiary of the Company.

(c) Term Facility 5:
On June 15, 2012, a subsidiary of the Company obtained a four-year secured term facility which was used to finance equipment purchases. The facility matures on June 15, 2016. Term Facility 5 was for an initial principal amount of $11,270 and bears interest at a fixed rate of 3.27%. The principal of Term Facility 5, together with interest, is to be paid in 48 blended equal instalments in the amount of $251, which are payable monthly. The facility is secured by specific equipment of a subsidiary of the Company.

(d) Term Facility 6 & 7:
On December 27, 2013, a subsidiary of the Company obtained two five-year secured term facilities which were used to finance equipment purchases. Both facilities mature on December 27, 2018. Term Facility 6 was for an initial principal amount of $2,674 and bears interest at a fixed rate of 3.20%. The principal of Term Facility 6, together with interest, is to be paid in 60 blended equal instalments in the amount of $48, which are payable monthly. Term Facility 7 was for an initial principal amount of $2,645 and bears interest at the 30 day bankers' acceptance rate plus a spread. Principal repayments under Term Facility 7 in the amount of $44 are payable monthly. Interest on Term Facility 7 is paid monthly in arrears. Both facilities are secured by specific equipment of a subsidiary of the Company.

(e) Term Facility 8:
On June 18, 2014, a subsidiary of the Company obtained a four-year secured term facility which was used to finance equipment purchases. The facility matures on June 30, 2018. Term Facility 8 was for an initial principal amount of $2,402 and bears interest at a fixed rate of 3.03%. The principal of Term Facility 8, together with interest, is to be paid in 48 blended equal instalments in the amount of $53, which are payable monthly. The facility is secured by specific equipment of a subsidiary of the Company.

(f) Term Facility 9:
On September 3, 2014, a subsidiary of the Company obtained a six-year secured term facility which was used to finance equipment purchases. The facility matures on September 25, 2020. Term Facility 9 was for an initial principal amount of $1,725 and bears interest at a fixed rate of 3.25%. The principal of Term Facility 9, together with interest, is to be paid in 72 blended equal instalments in the amount of $26, which are payable monthly. The facility is secured by specific equipment of a subsidiary of the Company.

(g) Vendor take-back notes:
On August 31, 2011, vendor take-back notes ("Notes") of $15,000 were assumed by the Company on the acquisition of O'Connell. The Notes bear interest at 5% per annum, payable annually. The principal amount of the Notes is repayable in annual installments of $3,750 on the first through fourth anniversary dates of the acquisition. The Notes mature on August 31, 2015.

(h) Committed term facility:
As described in note 10, a subsidiary of the Company has a committed term credit facility of up to $20,000 to be used to finance equipment purchases of the subsidiary. The subsidiary has drawn on the facility and the outstanding balance at December 31, 2014 is $1,187. Principal repayments in the amount of $84 are payable monthly.

(i) Finance lease liabilities:
Finance leases relate to automotive equipment and mature between April 2015 and July 2017, and bear interest at the 30-day bankers' acceptance rate plus a spread. The Corporation has the option to purchase the automotive equipment under lease at the conclusion of the lease agreements.

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

The aggregate amount of principal repayments for all long-term debt in each of the next five years is as follows:

Within 1 year	$	15,361
Year 2		7,531
Year 3		1,984
Year 4		1,709
Year 5		538
	$	27,123

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

		December 31, 2014
Within one year	$	**878**
After one year but not more than five years		**356**
More than five years		**-**
Total minimum lease payments		**1,234**
Less amounts representing interest		**30**
Present value of minimum lease payments		**1,204**
Less: current portion of finance lease liabilities		**857**
Non-current portion	$	**347**

12. Income taxes

		2014		2013
Provision for income taxes				
Income tax expense (recovery) is comprised of:				
Current income taxes	$	**16,646**	$	1,759
Deferred income taxes		**(4,266)**		1,471
	$	**12,380**	$	3,230
Income tax rate reconciliation				
Combined federal and provincial income tax rate		**25.8%**		26.0%
Increases (reductions) applicable to:				
Non-taxable items		**0.4**		(2.3)
Effect of loss carryback		**(0.4)**		(1.5)
Dividend income		**(0.3)**		(1.1)
Effective rate		**25.5%**		21.1%

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

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

Composition of deferred income tax assets and liabilities

	December 31, 2014	December 31, 2013
Provisions and accruals	$ 3,856	$ 2,827
Timing of recognition of construction profits	(10,963)	(13,546)
Property and equipment	(1,972)	(1,906)
Intangible assets	(4,355)	(5,025)
Other	(284)	(468)
Tax loss carry forward	1,572	1,706
	$ (12,146)	$ (16,412)
Balance sheet presentation		
Deferred income tax asset	3,659	1,743
Deferred income tax liability	(15,805)	(18,155)
	$ (12,146)	$ (16,412)

The tax loss carry forward expires in 2030. The Company has deferred tax assets in the amount of $286 that have not been recognized in these consolidated financial statements in respect of capital losses realized on the disposal of bonds and preferred share investments in 2011 and 2013. A deferred tax asset has not been recognized because it is not probable the Company will generate future taxable capital gains.

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

Movement in temporary differences for the year ended December 31, 2014

	Balance December 31, 2013	Recognized in profit or loss	Balance December 31, 2014
Provisions and accruals	$ 2,827	1,029	$ 3,856
Timing of recognition of construction profits	(13,546)	2,583	(10,963)
Property and equipment	(1,906)	(66)	(1,972)
Intangible assets	(5,025)	670	(4,355)
Other	(468)	184	(284)
Tax loss carry forward	1,706	(134)	1,572
	$ (16,412)	4,266	$ (12,146)

Movement in temporary differences for the year ended December 31, 2013

	Balance December 31, 2012	Acquisition (see note 5)	Recognized in profit or loss	Balance December 31, 2013
Provisions and accruals	$ 3,570	-	(743)	$ 2,827
Timing of recognition of construction profits	(13,459)	(39)	(48)	(13,546)
Property and equipment	(2,169)	(153)	416	(1,906)
Intangible assets	(4,275)	(264)	(486)	(5,025)
Other	81	(4)	(545)	(468)
Tax loss carry forward	1,771	-	(65)	1,706
	$ (14,481)	(460)	(1,471)	$ (16,412)

13. Other liabilities

A. MTIP and DSU Liabilities:

	2014	2013
MTIP liability	$ 3,797	$ 3,953
DSU liability	498	247
	4,295	4,200
Less: current portion - MTIP	2,841	1,895
Non-current portion	$ 1,454	$ 2,305

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

	MTIP			
	2014		2013	
Balance January 1,	$	**3,953**	$	4,485
Annual award of phantom shares		**2,483**		2,447
Cash payments of vested shares		**(2,528)**		(3,061)
Shares awarded - notional dividends		**322**		403
Change in fair value of phantom shares		**(433)**		(321)
Balance December 31,		**3,797**		3,953
Less: current portion		**2,841**		1,895
Non-current portion	$	**956**	$	2,058

As at December 31, 2014, a total of 545,023 unvested phantom shares of the MTIP are outstanding and valued at $6,486, of which $3,797 has been recognized to date in the accounts of the Company.

B. Contingent Consideration:

	Contingent consideration			
	2014		2013	
Balance January 1,	$	-	$	3,724
Acquisition of Nason (Note 5)		-		741
Change in estimated liability		-		(4,465)
Balance December 31,	$	-	$	-

Refer to note 5 for information relating to the contingent consideration liability arising from the business combination. The change in the amount of the contingent consideration liability during 2013 is a result of revisions to earnings estimates for the acquired businesses compared with the target earnings thresholds set out in the acquisition agreements. The change in the contingent consideration in 2013 is included in general and administrative expenses in the statements of income and comprehensive income in that year.

14. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares and has issued and outstanding 42,516,853 common shares as of December 31, 2014. The Company is authorized to issue preference shares in series with rights set by the Board of Directors, up to a balance not to exceed 35% of the outstanding common shares. During the first quarter of 2013, the Company issued 363,007 common shares from treasury, valued at $5,000, as part of the acquisition of Nason (see Note 5).

	Number of shares		Amount
Balance, December 31, 2012	42,153,846	$	37,527
Issued pursuant to acquisition of Nason	363,007		5,000
Balance, December 31, 2013 and December 31, 2014	**42,516,853**	**$**	**42,527**

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

Stock options:
The Company has a Stock Option Plan that provides all option holders the right to receive common shares in exchange for the options exercised. The Board of Directors, in their sole discretion, selects eligible employees to be granted options, the number of options granted, the exercise price, the term of the option and the vesting periods. The number of common shares issuable under the Stock Option Plan shall not exceed 10% of the number of common shares outstanding.

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

	Number of share options outstanding	Weighted average exercise price
Outstanding at December 31, 2013	625,000	$ 13.98
Granted during the period	-	-
Outstanding at December 31, 2014	**625,000**	**$ 13.98**

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2014:

Number of stock options issued and outstanding	Number of stock options exercisable	Exercise price	Weighted average fair value of the option	Expiry Date	Remaining contractual life (years)
625,000	312,500	$ 13.98	$ 3.25	March 15, 2019	4.2

The expense recognized during the year ended December 31, 2014 for stock-based compensation is $351 (December 31, 2013 - $656).

15. Earnings per share

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

	2014	2013
Profit attributable to shareholders (basic and diluted)	**$ 36,237**	$ 12,090
Average number of common shares outstanding	**42,516,853**	42,500,940
Effect of stock options on issue	**-**	-
Weighted average number of common shares (diluted)	**42,516,853**	42,500,940
Basic earnings per share	**$ 0.85**	$ 0.28
Diluted earnings per share	**$ 0.85**	$ 0.28

At December 31, 2014, 625,000 options (December 31, 2013 - 625,000 options) were excluded from the diluted weighted average number of common share calculation as their effect would have been anti-dilutive.

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

16. Provisions

	Warranty Claims	Legal	Total
Balance January 1, 2014	$ 4,811	$ 1,505	$ 6,316
Provisions made during the year	5,509	1,980	7,489
Provisions used during the year	(2,202)	(1,536)	(3,738)
Provisions reversed during the year	(2,007)	(103)	(2,110)
Balance December 31, 2014	$ 6,111	$ 1,846	$ 7,957

	Warranty Claims	Legal	Total
Balance January 1, 2013	$ 6,895	$ 2,980	$ 9,875
Provisions made during the year	3,944	323	4,267
Provisions used during the year	(2,097)	(529)	(2,626)
Provisions reversed during the year	(3,931)	(1,269)	(5,200)
Balance December 31, 2013	$ 4,811	$ 1,505	$ 6,316

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

17. Finance income

	2014	2013
Interest and dividend income	$ 1,816	$ 1,962
Interest income relating to accretion on holdbacks receivables	1,272	1,533
Realized gain (loss) on investments	-	19
Unrealized gain (loss) on investments	93	(849)
	$ 3,181	$ 2,665

18. Finance costs

	2014	2013
Interest on long-term debt	$ 1,355	$ 1,875
Accretion of accounts payable and other liabilities	799	1,112
	$ 2,154	$ 2,987

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

19. Leases

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

	Maturities			
	Within 2015	From 2016 to 2019	Beyond 2019	Total
Operating leases	$ 7,702	11,570	21,564	$ 40,836

The Company leases numerous pieces of heavy equipment under operating leases. The leases typically run for a period of three to four years with an option to purchase the equipment at the end of the lease.

Expenses under lease commitments on buildings and equipment are $13,531(December 31, 2013 - $13,369).

20. Commitments and contingent liabilities

(a) Commitments:
Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at December 31, 2014 totalled $3,672 (December 31, 2013 - $6,362).

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

21. Related party transactions

Compensation of key management personnel represents the aggregate amounts paid and accrued to members of the Company's Executive and the Company's Board of Directors.

	2014					
	Base Salary	MTIP/DSU	Stock-based compensation	Annual Profit Sharing	Other Taxable Benefits	Total
Executive & Directors	**$ 3,343**	**1,897**	**188**	**3,184**	**178**	**$ 8,790**

	2013					
	Base Salary	MTIP	Stock-based compensation	Annual Profit Sharing	Other Taxable Benefits	Total
Executive & Directors	$ 3,001	2,137	352	757	176	$ 6,423

The Executive comprises the following positions:

- President & Chief Executive Officer
- Executive Vice President & Chief Operating Officer
- Chief Financial Officer and Assistant Secretary

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

- Vice Chair
- Senior Vice President(s)
- Vice President National & Strategic Development & Atlantic Operations
- Vice President Risk Management & General Counsel
- Vice President Pacific & District Manager
- Vice President & District Manager
- Vice President Finance
- Vice President Human Resources

At December 31, 2014, Directors and executive officers of the Company controlled 4.3% (December 31, 2013 - 5.5%) of the voting shares of the Company.

Certain directors or their related parties hold positions in other entities that result in them having control over the financial reporting or operating policies of these entities. All transactions with Directors and entities over which they have control are provided for in the normal course of business based on terms similar to those that prevail in arm's length transactions. The aggregate value of transactions during the year with entities over which directors have control was $nil (December 31, 2013 - $12,018) and the outstanding balance receivable at December 31, 2014 was $nil (December 31, 2013 - $37).

The Company provides services of its employees, management services, parental guarantees and letters of credit to the joint arrangements. These services were transferred at the exchange amount, agreed to between the parties. The amounts recognized for services provided by the Company for the year ended December 31, 2014 totalled $4,873 (December 31, 2013 - $16,247).

The Company has accounts receivable from the joint arrangements at December 31, 2014 totalling $1,818 (December 31, 2013 - $8,231).

During the year, the Company issued a non-interest bearing five year loan of $550 to one of its officers to assist with expenses relating to the relocation of the employee. As at December 31, 2014, $550 remained outstanding on the loan.

22. Other cash flow information

	2014	2013
Changes in non-cash working capital		
Accounts receivable	$ **49,949**	$ 37,226
Costs and estimated earnings in excess of billings	**(17,594)**	519
Prepaid expenses and other assets	**(7)**	27
Inventory	**2,114**	780
Accounts payable	**(3,774)**	(23,293)
Deferred contract revenue	**(6,168)**	(5,550)
Provisions	**1,641**	(3,559)
Medium term incentive plan	**(2,528)**	(3,061)
	$ **23,633**	$ 3,089
Cash and cash equivalents		
Cash	$ **164,033**	$ 136,435
Bankers' acceptances and short-term deposits	**-**	1,915
	$ **164,033**	$ 138,350

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

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

The statement of cash flows for the year ended December 31, 2014 excludes additions of equipment totalling $514 acquired and financed by finance leases (December 31, 2013 - $364).

23. Financial instruments

The Company's preferred share investments have been classified as fair value through profit and loss. The Company's cash, bankers' acceptances, short-term deposits, bank overdraft, if any, accounts receivable and other long-term assets are classified as loans and receivables. The Company's accounts payable, dividends payable to shareholders and long-term debt have been classified as other financial liabilities. The basis of the determination of the fair value of the Company's financial instruments is more fully described in note 3(l).

A. Classification and fair value of financial instruments:

	2014	2013
Financial Instruments at Fair Value through profit or loss		
Preferred Share Investments	$ **13,750**	$ 13,657
	13,750	13,657
Loans and Receivables and Other Financial Liabilities		
Loans and Receivables		
Cash	$ **164,033**	$ 136,435
Bankers' acceptances and short-term deposits	**-**	1,915
Accounts receivable	**323,067**	371,465
Other long-term assets	**2,745**	-
	$ **489,845**	$ 509,815
Other Financial Liabilities		
Accounts payable	**(345,636)**	(348,680)
Dividends payable to shareholders	**(2,691)**	(2,691)
Loans and borrowings	**(28,203)**	(39,369)
	(376,530)	(390,740)
Total Financial Instruments	$ **127,065**	$ 132,732

The following table presents information about the Company's financial instruments measured at fair value as at December 31, 2014 and December 31, 2013, and indicates the fair value hierarchy of inputs utilized by the Company to determine such fair value. The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
		2014		
Preferred shares	**13,750**	**-**	**-**	**13,750**
Total Financial Assets through profit and loss	**$ 13,750**	**$ -**	**$ -**	**$ 13,750**
		2013		
Preferred shares	13,657	-	-	13,657
Total Financial Assets through profit and loss	$ 13,657	$ -	$ -	$ 13,657

There were no transfers between levels during both years.

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

B. Risk Management:

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

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

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

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

Accounts receivable outstanding for greater than 90 days and considered past due by the Company's management, represent 17.4% (December 31, 2013 – 6.7%) of the balance of progress billings on construction contracts receivable at December 31, 2014. Management has recorded an allowance of $1,465 (December 31, 2013 - $894) against these past due receivables, net of amounts recoverable from others.

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

	Amounts past due			
	Up to 12 months	Over 12 months	2014	2013
Trade receivables	$ **38,847**	$ **1,813**	$ **40,660**	$ 16,495
Impairment	**(1,229)**	**(236)**	**(1,465)**	(894)
Total Trade receivables	$ **37,618**	$ **1,577**	$ **39,195**	$ 15,601

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

	2014	2013
Balance, beginning of period	$ **894**	$ 1,111
Impairment loss recognized	**1,295**	12
Amounts written off	**(646)**	-
Impairment loss reversed	**(78)**	(229)
	$ **1,465**	$ 894

ii. Liquidity risk:
Liquidity risk relates to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has working capital of $104,027 which is available to support surety requirements related to construction projects. As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. These investments, less $20,651 hypothecated to support outstanding letters of credit, are available to meet the financial obligations of the Company as they come due.

The Company has a committed line of credit totalling $30,000 and a subsidiary of the Company has a committed line of credit totalling $20,000, both available to finance operations. At December 31, 2014, no amounts are outstanding. Also, the Company has a $10,000 committed equipment facility and a subsidiary of the Company has a $20,000 committed equipment facility, of which $1,187 is outstanding at December 31, 2014. Subsidiaries of the Company have established operating lease lines of credit for $62,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. At December 31, 2014, the subsidiary has used $19,643 under these facilities. In addition, the Company has lines of credit totalling $132,000 available for issuing letters of credit for which $8,041 was drawn at December 31, 2014. Additional draws on this line require hypothecation of additional securities or cash deposits. The Company believes it has access to sufficient funding through the use of these facilities to meet foreseeable operating requirements.

Principal repayments due on the loans and borrowings are disclosed in note 11. As disclosed in note 13, payments required pursuant to the Company's Medium Term Incentive Plan granted in 2012, 2013 and 2014 are due on the vesting dates of November 2015, November 2016 and November 2017, respectively, or upon retirement, if earlier. Payments pursuant to the Company's DSU Plan are cash settled when the eligible Director ceases to hold any position within the Company.

The following are the contractual maturities of financial liabilities, including estimated interest payments as at December 31, 2014.

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

		Carrying amount		Contractual cash flows		Up to 12 months		1-2 years		3-5 years
Trade payables	$	345,636	$	347,007	$	331,850	$	14,609	$	548
Dividends payable		2,691		2,691		2,691		-		-
Finance lease liabilities		1,204		1,234		878		270		86
Long-term debt		26,999		28,508		16,230		7,911		4,367
	$	**376,530**	$	**379,440**	$	**351,649**	$	**22,790**	$	**5,001**

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that its credit facilities are based on variable rates of interest. The Company has the option to convert all variable-rate term facilities to fixed-rate term facilities.

At December 31, 2014, the interest rate profile of the Company's long-term debt was as follows:

Fixed-rate facilities	$	20,896
Variable-rate facilities		6,227
Total long-term debt	$	27,123

As at December 31, 2014, a one percent change in the interest rate applied to the Company's variable rate long-term debt will change annual income before income taxes by approximately $62.

The Company has exposure to fluctuations in the market prices of its preferred shares portfolio. Investments are made only in securities authorized in the investment guidelines approved by the Company's Board of Directors. The Company's CFO and CEO must authorize all transactions and detailed reports summarizing the performance of the investment portfolio are made to the Board of Directors quarterly. As at December 31, 2014, a one percent change in the market price of the investments will change income before income taxes by approximately $137 (December 31, 2013 - $137).

24. Capital disclosures

The Company's capital management objectives are to:

- Ensure that the Company has the financial capacity to support its current and anticipated volume and mix of business and to manage unforeseen operational and industry developments.
- Ensure that the Company has sufficient financial capacity to support the execution of its longer-term growth strategies.
- Provide its investors with the maximum long-term returns on equity and to generate sufficient cash flow to sustain shareholder dividends and payments on long-term debt.

In the management of capital, the Company defines capital as shareholders' equity and loans and borrowings. Loans and borrowings include the current and non-current portions of long-term debt and finance leases.

The Company manages its capital within the investment policy approved by the Board of Directors. The Company makes changes to capital based on changes in business conditions and the mix of construction contracts. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Company shareholders, issue new debt or repay existing debt, issue new Company shares, and to a lesser degree, may adjust capital expenditures.
As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. These cash, cash equivalents and investment balances are intended to cover net

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

current liabilities, fund current dividends payable to shareholders and provide capital to support surety and contract security requirements, including issuing letters of credit relating to the current and near-term backlog of construction projects.

Backlog is not a term found in the CICA Handbook. Backlog (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course.

The amounts of shareholders' equity, working capital and loans and borrowings at December 31, 2014 and December 31, 2013 are as follows:

		2014		2013
Shareholders' equity	$	**181,587**	$	177,296
Working capital	$	**104,027**	$	120,362
Loans and borrowings	$	**28,203**	$	39,369

25. Dividends declared with a record date subsequent to the balance sheet date

As of the date of the approval of these financial statements, the Board of Directors has declared dividends for the following months:

i. the January dividend of $0.0633 per share will be paid February 20, 2015 to the Shareholders of record as of the close of business on January 30, 2015.
ii. the February dividend of $0.0633 per share will be paid March 20, 2015 to the Shareholders of record as of the close of business on February 27, 2015.
iii. the March dividend of $0.0633 per share will be paid April 17, 2015 to the Shareholders of record as of the close of business on March 31, 2015.
iv. the April dividend of $0.0633 per share will be paid May 20, 2015 to the Shareholders of record as of the close of business on April 30, 2015.

26. Personnel costs

Salary and benefits expense of the Company included in costs of construction and general and administrative expense is:

		2014		2013
Wages, salaries and profit sharing	$	**246,020**	$	183,949
Benefits		**43,831**		34,129
Deferred compensation		**2,623**		2,776
Stock-based compensation		**351**		656
Total	$	**292,825**	$	221,510

27. Subsequent Event

Under the terms of the Company's Stock Option Plan, the Company's Board of Directors approved the award of 100,000 stock options with a grant date of January 1, 2015 to the newly appointed President and CEO. The total number of stock options is exercisable in equal amounts on the first through fourth anniversary dates from the grant date. The exercise price will be based on the weighted average trading price of the Company's common shares on the Toronto Stock Exchange for the five trading days prior to January 1, 2015. All stock options awarded will expire on January 1, 2022.

Five Year Summary
December 31, 2014
(in thousands of Canadian dollars, except Other Information)

		2014	2013	2012	2011	2010
OPERATING RESULTS:						
Revenue	$	1,364,456	1,331,689	1,454,869	974,470	842,031
Income before income taxes	$	48,617	15,320	80,981	40,570	55,486
Income taxes		12,380	3,230	22,736	10,975	9,311
Net income	$	36,237	12,090	58,245	29,595	46,175
Distributions	$	n/a	n/a	n/a	n/a	25,290
Dividends	$	32,297	32,015	29,929	27,822	n/a
FINANCIAL POSITION:						
Current assets	$	530,479	546,692	618,438	539,040	457,446
Current liabilities		426,452	426,330	464,011	416,078	320,316
Working capital	$	104,027	120,362	154,427	122,962	137,130
Property and equipment	$	58,440	56,248	53,503	44,888	7,487
Shareholders'/Unitholders' equity	$	181,587	177,296	191,565	162,413	160,640
BACKLOG:						
Firm price	$	1,149,700	1,268,700	1,073,875	1,235,551	1,229,554
Construction management	$	3,012	41,786	95,999	136,383	126,581
OTHER INFORMATION:						
Number of shares/units outstanding (restated for split)		42,516,853	42,516,853	42,153,846	42,153,846	42,153,846
Return on revenue	%	2.66	0.91	4.00	3.04	5.48
Return on prior year shareholders'/unitholders' equity	%	20.44	6.31	35.86	18.42	33.04
Net income per share/unit	$	0.85	0.28	1.38	0.70	1.10
Book value per share/unit	$	4.27	4.17	4.54	3.85	3.81

Note: Per share/unit amounts have been retroactively restated for the effect of the exchange of three shares for each share in April 2011. The 2010 financial position and operating results have been retroactively restated to appropriately reflect IFRS adjustments.

ELIGIBLE DIVIDENDS

Bird Construction Inc. designates any and all dividends paid or deemed for Canadian federal, provincial or territorial income tax purposes to be paid on or after January 1, 2007 to be "eligible dividends", unless indicated otherwise in respect of dividends paid subsequent to this notification, and thereby notifies all recipients of such dividends of this designation.

Management and Office Directory

CORPORATE OFFICES
TORONTO

Ian Boyd, P.Eng. – President & CEO
Paul Raboud, P.Eng., M.Sc., MBA – Vice Chair
Stephen Entwistle, CPA, CA – CFO & Assistant Secretary
Ken McClure – Executive VP Commercial
Gilles Royer, P.Eng. – Executive VP Industrial (*located in our Edmonton office*)
Jim Brennan, P.Eng. – Executive VP & President of H.J. O'Connell *(located in our Halifax office)*
Matt Ainley – Senior VP West
Charles Caza, BA Sc. Eng., LL.B. – Senior VP Risk Management, General Counsel & Secretary
Richard Ellis-Smith – VP Major Projects
Durck deWinter, P.Eng. – VP Atlantic (*located in our Saint John office*)
Jason Trumbla, CPA, CA, MAcc – VP Finance
Nick Johnson, CHRP – VP Human Resources
Mark Dreschel - VP Health, Safety & Environment

5700 Explorer Drive, Suite 400
Mississauga, ON L4W 0C6
Tel: 905-602-4122
Email: corporate.info@bird.ca

ACCOUNTING OFFICES
WINNIPEG

Susan McLean, CPA, CA – Controller
1151 Sherwin Road
Winnipeg, MB R3H 0V1
Tel: 204-775-7141
Fax: 204-775-9508

CONSTRUCTION OFFICES

Bird Construction

ST. JOHN'S
Roger Rowsell – Director of Operations
90 O' Leary Avenue, Suite 202
St. John's, NL A1B 3P2
Tel: 709-579-4747 Fax: 709-579-4745

HALIFAX
Rene Cox, P.Eng. – District Manager
20 Duke Street, Suite 201
Bedford, NS B4A 2Z5
Tel: 902-835-8205 Fax: 902-835-8245

SAINT JOHN
Scott Mugridge, P.Eng. – District Manager
120 Millennium Drive
Quispamsis, NB E2E 0C6
Tel: 506-849-2473 Fax: 506-847-0270

TORONTO
Bill Zister, MBA – District Manager
5700 Explorer Drive, Suite 400
Mississauga, ON L4W 0C6
Tel: 905-602-4122 Fax: 905-602-6319

WINNIPEG
Paul Bergman, CET – District Manager
1055 Erin Street
Winnipeg, MB R3G 2X1
Tel: 204-775-7141 Fax: 204-783-8119

CALGARY
Ian Reid – District Manager
12143 – 40th Street SE, Suite 106
Calgary, AB T2Z 4E6
Tel: 403-319-0470 Fax: 403-319-0476

EDMONTON
Arthur Krehut – District Manager
16815 – 117th Avenue
Edmonton, AB T5M 3V6
Tel: 780-452-8770 Fax: 780-455-2807

VANCOUVER
Ken Nakagawa – VP Pacific & District Manager
6900 Graybar Road, Unit 2370-Building 2000
Richmond, BC V6W 0A5
Tel: 604-271-4600 Fax: 604-271-1850

H.J. O'Connell, Limited

ST. JOHN'S
Leonard Knox, P. Eng. - Senior VP
Nolan Jenkins, P.Eng - VP Strategic Development & Aboriginal Affairs
Willie Keats, P. Eng. – VP Operations
90 O'Leary Avenue, Suite 101
St. John's, NL A1B 2C7
Tel: 709-726-9095 Fax: 709-726-9106

WABUSH
Terry Curran, P.Eng. - VP Mining/Labrador West
Old Airport Road
P.O. Box 209
Wabush, NL A0R 1B0
Tel: 709-282-5633 Fax: 709-282-3500

MONTREAL
Anoop Singh, P.Eng. - District Manager
1870 boul. des Sources, Suite 200
Pointe-Claire, QC H9R 5N4
Tel: 514-426-1333 Fax: 514-426-1339

Nason Contracting Group Ltd.

ST. ALBERT
Andrew Sly, CET – District Manager
25 Corriveau Avenue
St. Albert, AB T8N 5A3
Tel: 780-470-7100 Fax: 780-459-1208

www.bird.ca