Annual Report

2010

EIGHTIETH

ANNUAL REPORT
OF THE BOARD OF TRUSTEES OF

BIRD
CONSTRUCTION INCOME FUND

for the year ended
December 31, 2010

EXECUTIVE OFFICE	5403 Eglinton Avenue West Toronto, ON M9C 5K6
TRUSTEES / DIRECTORS	J. Richard Bird, Ph.D., MBA (1)(2) .... Calgary Hon. J. Judd Buchanan, P.C., O.C., MBA (Lead Trustee / Director) (1)(2)(3) .... Victoria Paul A. Charette (Chair) .... Oakville D. Greg Doyle, CA (1)(2) .... Winnipeg Bonnie D. DuPont (1)(2)(4) .... Calgary J. Urban Joseph, O.C., MBA (1)(2) .... Toronto Paul R. Raboud, P.Eng., MSc, MBA .... Toronto Tim J. Talbott, P.Eng. .... Woodbridge Arni C. Thorsteinson, CFA (1)(2) .... Winnipeg *(1) Audit Committee Member* *(2) Personnel and Safety Committee Member* *(3) Mr. Buchanan is not standing for re-election at May 6, 2011 Annual Meeting* *(4) Ms. DuPont was appointed a Board Member effective January 1, 2011*
OFFICERS	Tim J. Talbott, P.Eng. .... President & CEO Ian J. Boyd, P.Eng. .... VP Atlantic Jim J. Brennan, P.Eng. ....Senior VP Stephen R. Entwistle, CA..................CFO.& Assistant Secretary Ken W. McClure. ....VP Operations, Central Charmane L. Morrow .... Secretary Ken J. Nakagawa........VP Pacific & Vancouver Branch Manager Paul R. Raboud, P.Eng., MSc, MBA ....Vice Chair Gilles G. Royer, P.Eng.(5) ....VP & Edmonton Branch Manager Dave T. Toronchuk, CET(6) ....VP Industrial Jason C. Trumbla, CA, MAcc .... VP Finance *(5) Mr. Royer's Vice President appointment effective January 1, 2011* *(6) Mr. Toronchuk retired from the Company effective January 3, 2011*
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

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Bird Construction Income Fund's ("Fund") financial condition and results of operations should be read in conjunction with the December 31, 2010 and 2009 audited consolidated financial statements of the Fund and the notes thereto presented in comparison to the preceding year. 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 "Risk Relating to the Shares" included in Bird Construction Inc.("BCI") current Annual Information Form dated March 3, 2011. This MD&A has been prepared as of March 3, 2011. Additional information about the Fund and BCI is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at ***www.sedar.com*** *and includes the Fund's and BCI's Annual Information Form and other filings.*

On January 1, 2011, the Fund converted from an income trust structure to a public corporation under an Arrangement Agreement executed between the Fund and BCI. Under the Arrangement Agreement, the Fund's unitholders transferred their units in the Fund to BCI in exchange for common shares of BCI on a one-for-one basis. Accordingly, all former unitholders are now shareholders of BCI and BCI owns all of the outstanding units of the Fund.

INTRODUCTION

In 2006, Bird Construction Income Fund ("Fund") acquired Bird Construction Company Limited ("Company" or "Bird") as a wholly-owned subsidiary of the Fund and continued operations as an open-ended income trust following the continuity of interests method of accounting, as there was no substantive change in the ownership interest of the Company.

On January 1, 2011, the Fund completed a conversion from an income trust structure to a publicly traded corporation. The nature of the business and the Fund's financial condition are unaffected by the conversion to a corporation. Under the terms of an Arrangement Agreement between BCI and the Fund, Unitholders transferred their units in the Fund to BCI in exchange for common shares of BCI on a one-for-one basis. At that time, all former Unitholders became Shareholders of BCI and BCI acquired all the outstanding units of the Fund. Except for Ms. Dupont who was appointed to the Board of Directors on January 1, 2011, all of the Directors of BCI were formerly trustees of the Fund and all of the officers of Bird Construction Company Limited, the administrative agent of the Fund, continue as officers of BCI.

The Fund, through its ownership of the Company, operates as a general contractor across Canada. The Fund services clients in the following industry sectors: industrial, institutional, retail, commercial, multi-tenant residential, light industrial and renovation and restoration construction using fixed price, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods. The Fund has secured and will continue to pursue design-build contracts with groups participating in the Public Private Partnership ("PPP") market in the institutional sector. Bird is typically required to provide contract security to support its obligations related to such projects which will include letters of credit, parent company guarantees and possibly bonds. A strong balance sheet to support parent company guarantees is a competitive advantage in this market.

Securing profitable construction contracts and then controlling the costs associated with performing that work are key drivers of success for the Fund. The Fund's ability to attract work depends primarily on two factors.

First, 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 within the construction industry. In 2010 economic conditions have been improving from 2009 and this is in part reflected by an increase in Backlog, however the competition for the contracts that are available has continued to be intense.

Second, the Fund must be successful in securing profitable work when it is available. In order to pursue projects, the Company must have adequate working capital to support its surety and contract security requirements. The construction industry is highly fragmented and, accordingly, the Fund competes with a number of national, regional and local construction firms. The profitability of the work is primarily a function of the Fund's ability to develop accurate cost estimates on which to base its bid or offer, the price at which the Fund is prepared to do the work, and the number and aggressiveness of the other contractors pursuing a particular opportunity, but may also depend on the relationship the Fund (or its competitors) has with the potential client.

Once the Fund has secured a potentially profitable contract, the profitability of that contract, measured by the Construction Margin Percentage (as defined below) is primarily a function of management's ability to control the costs associated with that contract.

Contracts typically extend over several quarters and sometimes over several years. For purposes of quarterly financial reporting, the Fund must estimate the cost required to complete each contract to assess the amount of revenue 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 although certain risks will remain until the contract has been completed, and even beyond. As a result of this, earnings may fluctuate significantly from quarter to quarter, depending on whether large and/or complex contracts are completing or nearing completion during the quarter, or have been completed in immediately prior quarters.

Backlog (as defined below) is an important indicator of the sustainability of a construction company. The Fund's ability to identify and successfully bid or negotiate contracts has allowed it to maintain a desirable level of Backlog.

SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from, and should be read in conjunction with, the consolidated financial statements of the Fund.

(thousands of dollars, except per unit amounts)	2010	2009
Income Statement Data		
Revenue	$ 845,884	$ 871,338
Income before income taxes	57,247	76,561
Net income from continuing operations	47,317	60,795
Net loss from discontinued operations	-	(3,882)
Net income [1]	47,317	56,913
Income from continuing operations per unit	3.37	4.33
Loss from discontinued operations per unit	-	(0.28)
Net income per unit	3.37	4.05
Cash Flow Data		
Cash flows from operations	59,199	100,163
Additions to property and equipment [2]	3,089	2,674
Cash distributions paid	25,292	22,839
Cash distributions declared per unit	1.80	1.65
Balance Sheet Data		
Total assets	482,714	440,014
Working capital	141,792	122,160
Unitholders' equity	157,374	135,349

[1] includes comprehensive income, hereafter referred to as net income

[2] including computer software purchases included in intangible assets

RESULTS OF OPERATIONS

FISCAL 2010 COMPARED TO FISCAL 2009

In 2010, net income of $47.3 million compares with 2009 net income of $56.9 million. In 2009, a net after-tax loss of $3.9 million is reported as discontinued operations resulting from the wind-down of the Seattle Branch which was substantially completed in January 2010. The reduction in net income from continuing operations is primarily a result of lower revenue and earnings derived from industrial sector work, particularly related to Alberta oil sands projects, combined with the effect of lower overall 2010 project margins relating to more recently awarded contracts. Some of the construction contracts awarded in 2009 and 2010 have lower margins, consistent with a more competitive market reflecting recent economic conditions. The impact of lower margins was evident in the third and fourth quarters of 2010 as higher margin projects awarded before the economic recession began were completed in the first half of the fiscal year, with the result that a greater proportion of lower margin projects were recognized in earnings in the third and fourth quarters.

Total revenue for the year ended December 31, 2010 was $845.9 million, representing a 2.9% decrease from the $871.3 million reported in 2009. A reduction in construction revenues of $24.3 million or 2.8% primarily reflects a reduction in the Fund's industrial market activities related to a significant reduction in the amount of capital expenditures in the Alberta oil sands. In 2010, higher revenues derived from PPP and other institutional projects served to offset to some extent lower revenues from commercial and industrial projects.

Investment and other income of $3.9 million was approximately $1.2 million lower than the $5.1 million reported in 2009 due principally to a reduction in 2010 in the amount of the unrealized gain resulting from changes in the fair value of the investment portfolio. In 2009, the investment portfolio appreciated in value by approximately $1.4 million resulting from a general recovery in the market, while in 2010, the value of the investment portfolio remained basically unchanged. The amount of interest and dividend income earned in 2010 of $3.9 million was $0.2 million higher than 2009 resulting from the combined effect of slightly higher investment rates and amounts available to invest in 2010 compared with 2009.

Construction costs and general and administrative expenses (including amortization) for the year ended December 31, 2010 of $788.6 million represents 93.7% of construction revenue, compared to $794.8 million and 91.7% of construction revenue in the comparable 2009 period. During 2010, overall margins have declined compared to those achieved in 2009 as a result of declining industrial margins due to the slow down in the Alberta oil sands, partially offset by the contribution from PPP institutional projects which generated comparable margins to those previously realized in the industrial market.

Income before income taxes of $57.2 million was $19.3 million lower than 2009 resulting from lower 2010 construction revenues and margins as well as lower investment and other income.

In 2010, income tax expense of $9.9 million was $5.8 million lower than 2009 as a result of lower pre-tax earnings, combined with higher Unitholder distributions which serves to reduce income subject to income tax.

The Fund secured $1,170.2 million in new construction contracts (including change orders to existing contracts) and put in place $842.0 million of construction revenue during 2010. As a result, the Fund's Backlog increased to $1,229.6 million at December 31, 2010 compared to $901.4 million as at December 31, 2009. Included in 2010 and 2009 Backlog is $147.0 million related to a contract for the Royal Alberta Museum which has been delayed. Construction of this project is expected to commence in 2011. With respect to the current Backlog, approximately $680.3 million is expected to be put in place during 2011, leaving $549.3 million to carry forward to 2012 and beyond. As expected, construction markets across Canada have remained competitive and the Company will continue to actively pursue infrastructure projects to compensate for a decline in the volume of work in the Company's retail, commercial and industrial markets. At December 31, 2010, the value of uncompleted construction management work not included in Backlog, where the Company acts as an agent for the owner, is $126.6 million. This compares to $121.6 million at December 31, 2009.

THREE MONTHS ENDED DECEMBER 31, 2010 COMPARED WITH THREE MONTHS ENDED DECEMBER 31, 2009

Selected Quarterly Financial Information
Consolidated Statements of Income and Comprehensive Income
Fourth Quarter
(thousands of dollars)

	For the three months ended December 31	
	2010 (unaudited)	2009 (unaudited)
Revenue:		
Construction revenue	$ 225,360	$ 204,607
Investment and other income	1,215	840
	226,575	205,447
Construction costs and general & administrative expenses	215,021	186,508
Amortization	811	911
Income before income taxes	10,743	18,028
Income tax expense	1,831	3,944
Net income from continuing operations	8,912	14,084
Net loss from discontinued operations	-	(1,060)
Net income and comprehensive income for the period	$ 8,912	$ 13,024

Net income for the three months ended December 31, 2010 was $8.9 million, compared to $13.0 million in 2009. Although construction revenues increased by 10.1% year over year reflecting the ability of the Fund to secure Backlog in 2010, project margins derived from infrastructure projects and Alberta oil sands operations were considerably lower in the current quarter compared with 2009.

Investment and other income for the three months ended December 31, 2010 of $1.2 million exceeds the $0.8 million earned in 2009. The increase is primarily due to higher 2010 investment rates and a higher level of investments.

Construction costs and general and administrative expenses (including amortization) for the three months ended December 31, 2010 of $215.8 million represent 95.8% of construction revenue, compared to $187.4 million and 91.6% of construction revenue in this period in 2009.

The Fund secured $291.6 million in new construction contracts (including change orders to existing contracts) and put in place $225.4 million of construction revenue during the quarter ended December 31, 2010. As a result, the Fund's Backlog of $1,163.4 million as at September 30, 2010 increased to $1,229.6 million as at December 31, 2010. The increase in the amount of Backlog during the fourth quarter of 2010 was largely a result of obtaining construction contracts in the institutional sector.

FUTURE OPERATING PERFORMANCE

Successful financial performance of the Company is dependent upon securing profitable construction contracts and then controlling the cost associated with performing the work. The ability to secure contracts is a function of the general state of the economy. In the first half of 2010, the Fund generated revenues and earnings, which significantly reflected strong Backlog carried forward from a period of robust economic activity prior to the economic downturn. Construction markets remain very competitive and, although the Fund has been successful in growing the amount of Backlog, the margins associated with new projects are lower and are now being reflected in earnings. Earnings in 2011 are expected to continue to reflect the impact of a more competitive construction market which the Fund has experienced as a result of the economic downturn, without the benefit of projects secured in a more robust economic environment prior to the downturn, which are now largely complete.

The retail and commercial sector represented 7% of 2010 revenues (12% - 2009). In the current construction market, opportunities in the retail and commercial markets are significantly reduced compared to the period before the start of the economic downturn. Although some recovery is expected in 2011 as the economy is projected to strengthen, this market is likely to remain very competitive and the impact of this improvement on 2011 earnings is expected to be minimal.

The institutional sector represented 61% of 2010 revenues (55% - 2009). Opportunities in the public markets in 2010 were abundant, associated with government stimulus programs as well as public private partnership projects. All levels of government are expected to come under pressure to address budget deficits; however, it is not clear to what degree this will affect their capital spending programs in 2011 and beyond. During the year ended December 31, 2010, the Fund was awarded four fixed price PPP design-build contracts. The Company will continue to be active in this market sector and will be submitting proposals on additional PPP projects in 2011, however competition is increasing and the number of projects that will come to the market in 2011 is uncertain.

The industrial market represented 32% of 2010 revenues (33% - 2009). Alberta oil sands activity in late 2009 and through 2010 was significantly reduced from the high levels experienced in 2007 and 2008. A number of the Fund's oil sands clients have announced plans for projects and indications are that capital expenditures will return to, and possibly exceed, pre-2009 levels. Oil sands work has been an area of competitive strength for the Fund and we will position ourselves to participate in this renewed opportunity. While construction work on smaller projects is expected to be available in 2011 and it is expected that some larger projects may become available to secure in 2011, these projects are not expected to have a substantial impact on our operating results until 2012.

Liquidity

The absence of any long-term debt, a high proportion of working capital represented by cash and other liquid securities support the Fund's plans to continue its participation in the PPP infrastructure market, and provides the financial capacity to withstand a downturn in the construction industry, should one occur. As at December 31, 2010, the Fund's working capital was $141.8 million compared with $122.2 million at December 31, 2009. Unitholders' equity of $157.4 million at December 31, 2010 compares with $135.3 million at December 31, 2009. During the year, the Fund increased its available operating line of credit to $131.5 million from $51.5 million. At December 31, 2010, the Fund has issued letters of credit totaling $43.2 million under its available operating line of credit of $131.5 million, leaving an additional $88.3 million of capacity to issue further letters of credit in connection with future PPP construction contracts and other contract security requirements. The Fund's operating line of credit is supported by hypothecation of certain financial instruments.

ACCOUNTING POLICIES

The Fund's significant accounting policies are outlined in the notes of the December 31, 2010 and 2009 Consolidated Financial Statements.

RECENT ACCOUNTING PRONOUNCEMENTS

There were no new accounting pronouncements to report in the year.

CHANGES IN ACCOUNTING POLICIES

There were no accounting changes in 2010 which had a significant impact on the financial statements of the Fund.

SUMMARY OF QUARTERLY RESULTS

The table below summarizes the results for the eight most recent quarters (in thousands of dollars, except per unit amounts). Although the Fund 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. First quarter revenues are often lower than subsequent quarters due to winter weather constraints and construction schedule planning around the coldest months.

Contracts typically extend over several quarters and sometimes over several years. For purposes of quarterly financial reporting, the Fund must estimate the cost required to complete each contract to assess the overall revenue and profitability of the contract and the amount of 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 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 Fund's revenues and earnings from quarter to quarter. These include the timing of contract awards, the value of subcontractor billings and project delays. Management does not believe that any individual factor is responsible for changes in revenue from quarter to quarter.

	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	218,907	228,656	230,154	205,223	182,502	204,417	232,390	226,575
Net income	13,755	15,942	14,192	13,024	14,429	15,440	8,536	8,912
Earnings per unit*	0.98	1.13	1.01	0.93	1.03	1.10	0.61	0.63

* includes earnings from continuing and discontinued operations in 2009

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

The Fund continues to be self-sufficient in terms of its capital requirements. The Fund has lines of credit of $131.5 million, supported by hypothecation of certain financial instruments, which is available for short-term cash requirements, letters of credit for PPP projects and margin requirements for foreign exchange contracts issued in the normal course of its construction business. At December 31, 2010, $43.2 million of the line of credit was utilized for the issuance of letters of credit relative to secured PPP contracts. The $50 million increase in the line of credit during the fourth quarter of 2010 will further strengthen the Fund's financial capacity to support its PPP activity.

During 2010, the Fund secured four additional PPP construction contracts which are expected to generate construction revenue of approximately $454.0 million through 2011, 2012 and 2013. The Fund is actively pursuing other infrastructure development projects, and accordingly, has been retaining earnings in the business to ensure that it has sufficient equity to meet surety and other contract security requirements, particularly those associated with PPP projects.

The Fund believes that its strong balance sheet, including equity of $157.4 million, comprised in part of $141.8 million of net working capital and no debt, allows it the financial capacity to continue to actively pursue selected PPP projects.

The following table provides an overview of the Fund's cash flows and financial position for the periods indicated.

(thousands of dollars)	Three Months Ended December 31 (Unaudited) 2010	Three Months Ended December 31 (Unaudited) 2009	Year Ended December 31 2010	Year Ended December 31 2009
Cash Flow Data				
Operating activities	$ 37,947	$ 46,991	$ 59,199	$ 100,163
Investing activities	152	(3,234)	(20,229)	(1,732)
Financing activities	(6,323)	(6,323)	(25,292)	(99,308)
Increase/decrease in cash and cash equivalents	$ 31,776	$ 37,434	$ 13,678	$ (877)

	December 31 2010	December 31 2009
Financial Position Data		
Cash and cash equivalents	$ 217,441	$ 203,763
Investment in marketable securities	29,375	11,670
Working capital	141,792	122,160
Unitholders' equity	157,374	135,349

In 2009, cash flow from operating activities of $100.2 million was significantly influenced by the receipt of construction proceeds derived from the GTAYC project, where construction work previously completed and reported as costs and estimated earnings in excess of billings was billed and collected upon the achievement of substantial completion of the facility in the second quarter of 2009. The cash received was used to retire the non-recourse project debt associated with the project which explains the significant amount reported as financing activity in 2009. The Fund did not have a similar transaction in 2010.

The use of cash in investing activities in 2010 reflects management's decision to invest some of its cash balances in high-quality, short-term corporate bonds and preferred shares to increase the amount of interest and dividend income earned on its working capital compared with that earned by investing in money market securities.

As a component of working capital, the Fund maintains significant balances of cash and cash equivalents and investments in liquid securities. At December 31, 2010, these balances consisted of $217.4 million of cash and cash equivalents and $29.4 million of liquid securities, for a total of $246.8 million. The $246.8 million is comprised of the Fund's $141.8 million of working capital, plus a working cash balance of $102.9 million, which offsets a corresponding non-cash net current liability position and $2.1 million of cash held to fund the current distributions payable. These components are summarized in the following table for December 31, 2010 and December 31, 2009:

Working Capital Components
(thousands of dollars, unaudited)

	December 31 2010	December 31 2009
Investment in marketable securities (bonds and preferred share investments)	$ 29,375	$ 11,670
Cash and cash equivalents held for working capital	112,417	110,490
	141,792	122,160
Cash held for distributions payable	2,108	2,108
Distributions payable	(2,108)	(2,108)
Working cash	102,916	91,165
Non-cash net current liabilities	(102,916)	(91,165)
Working capital	$ 141,792	$ 122,160

The Fund's non-cash net current liability position fluctuates significantly in the normal course from period to period, primarily due to timing differences between settlement of payables due to subcontractors and suppliers and billings and collection of accounts receivable from clients, and also the timing of the settlement of income taxes payable. The working cash balance absorbs these fluctuations with no net impact on the Fund's net working capital position or ability to access surety support.

During the year ended December 31, 2010, operating activities generated cash of $59.2 million. This was comprised of $50.3 million from earnings and amortization, which contributed to Cash Available for Distribution, and an increase of $8.9 million, which represented a normal course fluctuation in the Fund's net current liability position. In some periods, this fluctuation will be a source of cash, as in the current period, but in other periods it will be a use of cash, tending to balance out over time and having no net impact on the Fund's working capital.

CASH AVAILABLE FOR DISTRIBUTION

Cash Available for Distribution Summary (thousands of dollars, unaudited)	For the three months ended December 31 2010	Years Ended December 31 2010	Years Ended December 31 2009
Income before income taxes	$ 10,743	$ 57,247	$ 76,561
Income tax expense [(1)]	(1,831)	(9,930)	(15,766)
Net income from continuing operations	8,912	47,317	60,795
Net loss from discontinued operations	-	-	(3,882)
Net income:	8,912	47,317	56,913
Add:			
Amortization	811	2,990	3,393
Less:			
Capital expenditures [(2)]	(1,555)	(3,089)	(2,674)
Cash available for distribution	8,168	47,218	57,632
Less:			
Regular distributions declared	(6,323)	(25,292)	(23,248)
Excess of cash available for distribution relative to distributions declared	$ 1,845	$ 21,926	$ 34,384

(1) The Fund qualified as a mutual fund trust for income tax purposes and was not taxable on its income to the extent that it is distributed to the Unitholders. Income tax obligations related to distributions are obligations of the Unitholders. It was management's intention to minimize the income tax expense of the Fund and its wholly-owned subsidiaries and partnership. Prior to 2011, the Fund and its subsidiaries were subject to taxation on taxable income not distributed to Unitholders and used the asset and liability method of accounting for income taxes. The income tax expense relates to taxable income retained in the Fund and earned in its subsidiary companies.

(2) Capital expenditures equal "additions to property and equipment" and "additions to intangible assets" in 2010 in the "cash flows used in investing activities" section of the Consolidated Statements of Cash Flows. In 2010, the Fund's expenditures on property and equipment were $3.1 million which is comparable to 2009.

Cash Available for Distribution is not a defined term under Canadian generally accepted accounting principles, but is determined by the Fund as net income for the period adjusted to add back specific non-cash items, including amortization, and to deduct capital expenditures. The Fund believes that Cash Available for Distribution is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash flow that has been generated and is available for distribution to Unitholders or to supplement the Fund's working capital requirements. Investors are cautioned, however, that Cash Available for Distribution should not be construed as an alternative to using net income as a measure of profitability or the statement of cash flows. Also, the Fund's method of calculating Cash Available for Distribution may not be comparable to similarly titled amounts reported by other issuers.

Furthermore, in addition to the Cash Available for Distribution Summary, which reconciles to net income noted above, and in accordance with the Canadian Securities Administrator's (CSA) Staff Notice 52-306 (revised), issued in August 2006, the Fund has presented below a Cash Available for Distribution Summary which reconciles to cash flows from operating activities.

ALTERNATE PRESENTATION – CASH AVAILABLE FOR DISTRIBUTION

Cash Available for Distribution Summary
(thousands of dollars, unaudited)

	For the three months ended December 31 2010	Years Ended December 31 2010	2009
Cash flows from operating activities before changes in non-cash working capital	$ 5,570	$ 47,585	$ 62,464
Add (less):			
Future income tax and other temporary non-cash items [(1)]	4,153	2,722	(2,158)
Capital expenditures [(2)]	(1,555)	(3,089)	(2,674)
Cash available for distribution	8,168	47,218	57,632
Less:			
Regular distributions declared	(6,323)	(25,292)	(23,248)
Excess of cash available for distribution relative to distributions declared	$ 1,845	$ 21,926	$ 34,384

(1) All future income tax and other income items not involving cash, except for amortization, represent temporary timing differences that are not considered to be a component of Cash Available for Distribution.

(2) See notes on previous "Cash Available for Distribution" Summary.

During the year ended December 31, 2010, the Fund generated $47.2 million of Cash Available for Distribution and declared distributions to Unitholders of $25.3 million. In the current fiscal period, the Fund has continued its practice of retaining the excess of cash available for distribution relative to distributions declared for the purpose of increasing its working capital. Since the inception of the Fund in 2006, the Fund has retained approximately $114.7 million as working capital required for the operations of the business as a result of increases in the Backlog value, changes in the mix of work and associated contract security, the impact of a tight credit environment, and the acquisition of Rideau Construction. The Fund's recent participation in PPP infrastructure development programs has required the Fund to issue letters of credit as performance security related to those construction projects. Participation in the PPP market also requires a strong balance sheet to support contractual commitments undertaken. The Fund will continue to monitor the adequacy of its working capital balances in light of its contract security requirements.

In establishing the distribution policy for a particular period, the Fund took into consideration, amongst other things, the need to meet future requirements for increases in working capital and equity, the desirability of maintaining a stable or increasing distribution rate, or paying special distributions to the extent considered advisable by the Fund.

On March 3, 2011 the Board of Directors declared a cash dividend of $0.495 per common share to holders of record on March 31, 2011, payable on April 20, 2011. After this initial dividend payment, the Company will commence paying dividends monthly beginning with the April 2011 dividend. The payment of dividends on common shares will be made monthly to shareholders of record on the last business day of the month, with the actual payment of the dividend made on or about the 20th of the following month.

On March 3, 2011 the Board of Directors also approved a three-for-one stock split to be effected by way of a stock dividend to shareholders of record on April 14, 2011. In conjunction with the decision to commence declaring monthly dividends, the

Board of Directors also approved regular cash dividends for the months of April 2011, May 2011 and June 2011 in the amount of $0.055 per share reflecting the three-for-one stock split.

In establishing the amount of any dividend, the Board of Directors will take into consideration, amongst other things, the need to meet future requirements for increases in working capital and equity to meet contract security requirements, provide the financial capacity to withstand any downturn in the construction industry should it occur, expanding the business and the desirability of maintaining the dividend rate.

CASH FLOWS AND NET INCOME COMPARED TO DISTRIBUTIONS DECLARED

The following table presents the excess of cash flows from operating activities and net income over distributions declared for the three months ended December 31, 2010 and for the years ended December 31, 2010 and December 31, 2009.

(thousands of dollars)	For the three months ended December 31 2010	Year Ended December 31 2010	Year Ended December 31 2009
	(unaudited)		
Cash flows from operations	$ 37,947	$ 59,199	$ 100,163
Net income	8,912	47,317	56,913
Distributions declared during period	6,323	25,292	23,248
Excess (shortage) of cash flows from operations relative to cash distributions declared	31,624	33,907	76,915
Excess of net income over cash distributions declared	2,589	22,025	33,665

DISTRIBUTIONS

The Fund's monthly distribution was $0.150 per unit or an annualized rate of $1.80 per unit which became effective on May 12, 2009 with the June 2009 distribution. Prior to the change, the Fund's monthly distribution rate was $0.1209 per unit or an annualized rate of $1.45 per unit. On March 3, 2011, the Board of Directors of BCI declared a quarterly dividend of $0.495 per share to be paid on April 20, 2011. On March 3, 2011, the Board of Directors approved a three-for-one stock split and also approved regular cash dividends for the months of April 2011, May 2011 and June 2011 in the amount of $0.055 per share reflecting the three-for-one stock split.

CONTRACTUAL OBLIGATIONS

The Fund has future minimum annual lease payment obligations relating to lease commitments on buildings and equipment over the next five years ended December 31, as follows:

(thousands of dollars)		Operating Leases
2011	$	2,393
2012		1,944
2013		1,440
2014		451
2015		76
	$	6,304

The Fund has no debt.

OFF BALANCE SHEET ARRANGEMENTS

The Fund has not engaged in any off balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The accounting principles used by the Fund to account for its construction contracts involve the use of estimates. Construction revenue, construction costs, deferred contract revenue and costs and estimated earnings in excess of billings include amounts derived using 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. Any excess of progress billings over earned revenue determined on a percentage of completion basis is carried as deferred contract revenue in the consolidated 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 consolidated financial statements.

Revenue and estimated costs to complete for each contract are updated and reviewed by management at least once each financial reporting period. In making such estimates, judgments are required to evaluate issues related to scheduling, material costs, labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction contracts, estimates may 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. Construction work related to a change order may proceed, and costs may be incurred, in advance of final determination of the value of the change order. Revenue on change orders is recognized by the Fund to the extent that management estimates that realization is probable. As many change orders are settled at the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Provisions for accounts receivable may require an assessment and estimate of the credit-worthiness of the client and the timing of collections. Furthermore, provisions for litigation involve the use of estimates, as determined by management. Amounts arising from negotiated settlements or court judgments may vary significantly from management's estimates.

OUTSTANDING UNIT DATA AND STOCK EXCHANGE LISTING

The Fund was authorized to issue an unlimited number of units. The Fund had a total of 14,051,282 units outstanding as at December 31, 2010. Pursuant to the Arrangement Agreement, on January 1, 2011, the 14,051,282 units held by the Fund's unitholders were transferred to BCI in exchange for 14,051,282 common shares of BCI. On March 3, 2011, 14,051,282 BCI common shares were issued and outstanding. The units of the Fund were listed on the Toronto Stock Exchange ("TSX") under the symbol "BDT.UN" until December 31, 2010. The common shares of BCI are listed on the TSX under the symbol "BDT".

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based on their evaluations as of December 31, 2010, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have concluded that the Fund's disclosure controls and procedures are effective in providing reasonable assurance that information relating to the Fund which is required to be disclosed in reports filed under provincial and territorial securities legislation is accumulated, summarized and communicated to the Fund's senior management, including the CEO and the CFO of Bird Construction Company Limited, Administrator of Bird Construction Income Fund, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The Fund's management is responsible for designing and maintaining adequate internal control over financial reporting for the Fund. 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, 2010, 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 GAAP.

There have been no material changes in the Fund's internal control over financial reporting during the period ended December 31, 2010 that materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

Transition to International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by IFRS. For the Fund, now BCI, IFRS will be effective for interim and annual financial statements commencing January 1, 2011. Comparative financial statements will also be required with respect to the 2010 comparative period prepared in accordance with IFRS standards. The 2011 financial statement will include an IFRS transitional Statement of Financial Position prepared at January 1, 2010 reflecting retrospective application of IFRS standards to the date of the Statement of Financial Position.

The 2011 IFRS financial statements will be issued by BCI, the successor to the Fund. On January 1, 2011 Bird converted from an income trust structure to a corporation.

In preparation for the transition to IFRS, the Fund established a steering committee of senior management who are responsible for the preparation of external financial statements to develop and manage a plan to convert to IFRS. During 2009 and 2010, the steering committee provided regular updates to the Board of Trustees and its Audit Committee. The Fund also engaged the services of a major public accounting firm to provide a framework for identification of accounting differences. All elements of the conversion plan are substantially completed at the end of 2010. The conversion plan addressed the following activities:

- Identification of the differences between Canadian GAAP and IFRS Accounting Policies which impact the Fund;
- Selection of the IFRS accounting policy to be used by the Fund when alternatives exist;
- Assessment of the implications to Information Technology and Data systems;
- Development of Financial Reporting Expertise;
- Implications to Systems of Internal Control over Financial Reporting and Disclosure Controls Procedures;
- Implications to Business Activities and Contractual Obligations, including financial covenants and compensation programs.

With the exception of the accounting for the Medium Term Incentive Plan ("MTIP"), the Fund has determined there are no significant other differences in recognizing and measuring the assets, liabilities, revenues and expenses between its current accounting policies and those required or expected to apply in preparing IFRS financial statements. The Fund has also determined that other significant differences relate to the additional disclosures which will be required under IFRS. A summary of these additional disclosures is presented later in this section of the MD&A. Senior management and the Audit Committee have approved the Fund's IFRS accounting policies but IFRS standards are evolving and are subject to change going forward.

The International Accounting Standards Board ("IASB") has several projects scheduled for completion in 2011 and beyond that may change IFRS standards published to date. Management will continue to monitor the IASB's progress on these projects and their impact on the Fund, now BCI.

The following table provides a brief summary of the conversion plan activities and the impact to the Fund, now BCI.

	Key Activities	Status
Accounting policies and implementation decisions	Identification of differences in Canadian GAAP and IFRS accounting policies;	**Completed:** The following pages summarize the differences between the Fund's accounting policies under Canadian GAAP and its accounting policies under IFRS together with the Fund's conclusions related thereto.
	Selection of the Fund's ongoing IFRS policies;	**Completed:** The Fund's analysis and selections are provided in the following tables.
	Selection of the Fund's IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") choices;	**Completed:** The Fund has completed its analysis of the choices available on initial conversion, in accordance with IFRS 1, as outlined below in the accompanying tables.
	Development of financial statement presentation to reflect adjustments and additional disclosures in the financial statements.	**Completed:** The Fund has prepared its preliminary transitional Statement of Financial Position as at January 1, 2010 reflecting the required transitional adjustments. **In-progress:** The Fund is completing the preparation of draft quarterly financial statements for its first three quarters of 2010 and its annual 2010 financial statements including additional or amended note disclosures as required by and in accordance with IFRS.
Infrastructure Financial reporting expertise	Development of IFRS expertise.	**Completed:** The Fund has provided training for key employees and senior management responsible for external financial reporting. Additional training will continue throughout 2011. In 2011 senior financial management will monitor the development of possible new IFRS standards and interpretations resulting from existing IASB exposure drafts.

	Key Activities	Status
Infrastructure Information technology and data systems	Development of enhanced reporting procedures to provide the additional disclosures required under IFRS.	**Completed:** The Fund has determined there will be no significant system changes resulting from the implementation of IFRS.
Operating activities Financial covenants	Identification of impact on financial covenants and business practices.	**Completed:** The Fund has no debt and therefore has no financial covenants that could be impacted by IFRS. The relationships with the Fund's bonding company providing surety support and the commercial banks which support the issuance of letters of credit will not be impacted by IFRS.
Operating activities Compensation arrangements	Identification of impact on compensation arrangements.	**Completed:** The Fund has determined there will be no significant impact relative to the determination of the amount of compensation or the design of our compensation programs resulting from IFRS. However, the accounting for compensation relating to MTIP will change to reflect amortization of the compensation over the vesting period of the plan, as discussed in more detail below.
Control activities Internal control over financial reporting	For the additional disclosure requirements identified, assessment of Internal Controls over Financial Reporting ("ICFR") to ensure completeness, accuracy and consistency control assurances are maintained.	The Fund has developed the refinements to its business processes to capture and summarize the additional disclosure requirements associated with IFRS.
Control activities Disclosure controls and procedures	For all accounting disclosures identified, assessment of Disclosure Controls and Procedures ("DC&P") design and effectiveness implications.	No significant impact resulting from the transition to IFRS.

IFRS-1 First Time Adoption of International Financial Reporting Standards provides entities adopting IFRS standards for the first time with a number of options with respect to the selection of accounting policies, optional exemptions and mandatory exceptions in certain areas to the general requirement for full retrospective application of the IFRS accounting standards. The most significant IFRS options selected and exemptions selected by the Fund are summarized in the following table:

IFRS Standard	Choices Available	Policy Selection	Impact on Transition	Expected Future Impact
Business Combinations	The Fund may elect on transition to IFRS to either restate past business combinations in accordance with IFRS 3 "Business Combinations" or to apply an elective exemption under IFRS 1 from applying IFRS 3 to past business combinations.	The Fund has elected not to restate its past business combination relating to the 2008 acquisition of Rideau Construction.	None.	None.

IFRS Standard	Choices Available	Policy Selection	Impact on Transition	Expected Future Impact
Property and Equipment	The Fund may elect to report items of property and equipment in its opening balance sheet on the transition date at fair market value or continue to report its investment in property and equipment using the amortized cost method.	The Fund has elected to continue to account for property and equipment at amortized cost.	None.	None.
Joint Venture Arrangements	IFRS provides a choice of using either proportionate consolidation or the equity method of accounting for reporting the investment in joint ventures.	The Fund has elected to continue to use the proportionate consolidation method for reporting its investment in joint venture arrangements.	None.	Unknown. The IASB has issued an exposure draft proposing to eliminate the option to use proportionate consolidation to account for investments in joint ventures. If the exposure draft is approved in its current form, the Fund will be required to comply. The impact of changing to the equity method of accounting will result in reductions in the reported amounts of current assets, current liabilities, property and equipment, revenues and costs.
Statement of Cash Flows	Under IFRS reporting standards, the Fund can elect to present its cash flow statement using either the direct or indirect method of presentation.	The Fund will continue to use the indirect method of presentation, consistent with Canadian GAAP. Interest and dividends received will continue to be reported as an operating activity.	None.	None.
Income Statement Presentation	Under IFRS reporting standards, the Fund can elect to present expenses using either the nature of expense method or the function of expense method.	The Fund has elected to use the function of expense method.	The Income Statement will now reflect cost of construction, separate and distinct from general and administrative expenses. The amount of costs and net income will not change as a result of the change in the basis of presentation.	None.

The following table outlines some of the more significant accounting policies to the Fund.

Issues	Significant Accounting Policies	Impact on Transition	Future Impact
Construction Contracts	IFRS provides more explicit guidance than GAAP for determining the recognition of revenue and costs relative to construction contracts as summarized below.		
Revenue Recognition	IFRS recognizes the use of the percentage-of-completion method based on either the input method or output method for recognizing revenues relating to fixed price contracts.	The Fund's current policies and procedures using the input method for determining the percentage of completion are in-line with the requirements of IFRS.	Unknown. The IASB has recently issued an exposure draft concerning revenue recognition, which could potentially change the basis for recognizing construction revenues. The implications of this standard and the exact form of standard is unknown at this time.
Recognition of Construction Costs	IFRS recognizes construction costs as those directly related to the performance of the construction contract and such other costs that are chargeable to the contract under the terms of the construction contract. Borrowing costs are treated as a construction contract costs for the purpose of calculating the percentage of completion, to the extent the borrowing costs can reasonably be attributed to the performance of the construction contract.	The Fund's current policies and procedures are in-line with requirements of IFRS.	Unknown. The IFRS exposure draft relating to revenue recognition may impact the principles relating to the recognition of costs for construction projects.
Combining/Separating Construction Contracts	IFRS provides more explicit criteria for combining or separating construction contracts for purposes of cost and revenue recognition.	None. The Fund's review of all existing contracts did not reveal any inconsistencies with IFRS and accordingly no measurement differences were noted.	In the future the potential exists for more contracts to be combined or separated.
Recognition of Contract Losses	IFRS requires the immediate recognition of anticipated contract losses in earnings as they are reasonably determined.	None. The Fund's policy is consistent with IFRS.	None.
Financial Instruments	IFRS requires that all monetary assets and liabilities that are held for trading be recorded at fair value, with resultant changes in the carrying amount of the investment being reflected in current period earnings.	The Fund's policies with respect to the valuation of financial instruments are in-line with IFRS.	None.

Issues	Significant Accounting Policies	Impact on Transition	Future Impact
Provisions	IFRS requires that a provision be recognized in the financial statements when there is a present obligation resulting from a past transaction or event. This is consistent with Canadian GAAP. IFRS requires the recognition of an obligation when it is more likely than not that an outflow of resources will be required to settle the obligation. The Fund is required to change its recognition threshold from "likely" to "more likely than not". IFRS also measures provisions differently. For example when there is a range of equally possible outcomes, IFRS uses the midpoint of the range as the best estimate, while Canadian GAAP requires use of the low end of the range.	Although these differences exist, the impact on the transitional financial statement is not material. See Preliminary Statement of Financial Position for presentation implications.	The Fund is required to change its recognition threshold from "likely" to "more likely than not" which may mean in the future that more contingent liabilities may be recognized in the financial statements under IFRS. In addition, the Fund will be required to disclose the amount of provisions on the Statement of Financial Position.
Impairment of Assets	IFRS relies upon a discounted cash flow approach for testing for whether a long-lived asset impairment exists and measuring the extent of the asset impairment. Canadian GAAP relies on undiscounted cash flows compared with carrying amounts to determine whether an asset impairment exists and then uses discounted cash flows, or other acceptable methods for determining fair value, relative to the carrying amount of the asset to determine the extent of the impairment. In addition IFRS requires the reversal of previous long-lived asset impairments (excluding goodwill) where circumstances have changed. Canadian GAAP prohibits the reversal of impairment losses.	Impairment testing using IFRS principles will not result in the recognition of any impairment losses.	The potential for future asset impairments will increase, as discounted cash flows will now determine whether an asset impairment event has occurred.

Issues	Significant Accounting Policies	Impact on Transition	Future Impact
Income Taxes	Canadian GAAP and IFRS recognize total income tax expense as the sum of current income tax expense plus the change in deferred tax liabilities and assets during the period. Current income tax represents the amount of income tax payable in respect of taxable income for the period based on legislated tax rates. Deferred tax represents the estimated future tax effects of temporary differences, which are reported as the difference between the tax base of an asset or liability and its carrying amount in the financial statements. Deferred taxes are measured on an undiscounted basis. Deferred income taxes are classified as a long-term item and deferred income tax assets and liabilities are not netted.	Analysis has allowed us to determine that there are no differences in either the recognition or measurement of deferred taxes under IFRS. From a presentation perspective deferred tax is classified as non-current in the balance sheet. Under Canadian GAAP deferred taxes were classified as current or non-current based on the underlying asset or liability to which they relate. See Preliminary Statement of Financial Position for presentation implications.	In the future the Fund will present deferred taxes as a long term item and report the gross amount of deferred tax assets and liabilities.
Unitholders' Capital	Trust units are recorded in unitholders' capital for Canadian GAAP. Under IFRS the trust units are puttable instruments and therefore may be considered as a liability. In order to be classified within Unitholders' Equity under IFRS, certain criteria must be met, otherwise the trust units would be presented as a liability.	After a detailed review of the trust indenture, we believe that Unitholders' Capital is correctly classified within Unitholders' Equity.	None.

Issues	Significant Accounting Policies	Impact on Transition	Future Impact
Accounting for the Medium Term Incentive Plan ("MTIP")	The Fund's MTIP program is a cash settled award based on the market price of the phantom units accumulated under the terms of the plan.	Compensation expense relating to the MTIP will be measured based on the fair value of the phantom units which is not significantly different than the intrinsic method utilized under Canadian GAAP. Compensation expense in aggregate is comprised of the value of the phantom units on grant date plus changes in the market price of the Fund's units and notional distributions awarded over the vesting period. The compensation expense relating to the MTIP, under IFRS, will be amortized on a straight-line basis over the vesting period. Under Canadian GAAP, compensation expense was recognized in the period performance was rendered by the employee except for changes in future market price changes and notional distributions awarded which were recognized in the period they occurred.	The impact on the preliminary transitional Statement of Financial Position is to reduce the MTIP obligation and increase retained earnings by an amount equivalent to the compensation expense to be charged over the remainder of the vesting period, net of deferred income taxes.

Disclosure Implications of IFRS:

The Fund has determined that the most significant differences resulting from the adoption of IFRS relates to the additional disclosures associated with IFRS reporting standards. These include:

1. Inclusion of a Statement of Changes in Shareholders Equity which presents the amount of stated capital, retained earnings and the nature and extent of changes therein covered by the reporting period.
2. Separate disclosure in the Statement of Income of construction costs distinct from general and administrative costs.
3. Separate disclosure of the amount of provisions included in the Statement of Financial Position, with supporting note disclosure indicating the nature of provisions and changes therein covered by the reporting period.
4. Deferred income taxes will no longer be distinguished between current and future amounts. All deferred income tax balances will be presented as long term.
5. Continuity schedules included in the notes to the financial statements to support the changes in property and equipment and intangible assets in the respective reporting periods.
6. Disclosure of key management compensation in the notes to the financial statements.

PRELIMINARY STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
(IN THOUSANDS OF DOLLARS)

This Preliminary Statement of Financial Position is based on current views, assumptions and expectations. However, circumstances may arise such as changes in IFRS standards, or interpretations of existing IFRS standards, which could alter the information and amounts presented. IFRS standards are evolving and are subject to change going forward. The following Preliminary Statement of Financial Position provides a reconcilation of the balance sheet amounts previously reported relying on Canadian GAAP with those expected to be presented under IFRS.

	Notes	Previous Canadian GAAP December 31, 2009	Effect of transition to IFRS	IFRS January 1, 2010
ASSETS				
Current assets:				
Cash		$ 174,854	$ -	$ 174,854
Bankers acceptances and term deposits		28,909	-	28,909
Bonds, share and income trust investments		11,670	-	11,670
Accounts receivable		194,412	-	194,412
Costs and estimated earnings in excess of billings		4,506	-	4,506
Prepaid expenses and other assets		507	-	507
Income taxes recoverable	b iii	-	7,925	7,925
Current assets from discontinued operations	b ii	2,376	(1,372)	1,004
Total current assets		417,234	6,553	423,787
Property and equipment		8,398	-	8,398
Deferred income tax asset	b ii	2,750	(1,941)	809
Deferred income tax asset from discontinued ops	b ii	-	1,372	1,372
Intangible assets		2,338	-	2,338
Goodwill		9,294	-	9,294
		$ 440,014	$ 5,984	$ 445,998
LIABILITIES				
Current liabilities:				
Accounts payable	b i	$ 230,622	$ (6,441)	$ 224,181
Accounts payable from discontinued operations		2,233	-	2,233
Deferred contract revenue		53,118	-	53,118
Distributions payable to unitholders		2,108	-	2,108
Income taxes payable	b iii	2,066	7,925	9,991
Deferred income tax liability	b ii	2,855	(2,855)	-
Provisions	b i	-	6,442	6,442
Other liabilities	c	2,072	(541)	1,531
Total current liabilities		295,074	4,530	299,604
Deferred income tax liability	b ii, c	-	2,686	2,686
Other long term liabilities	c	9,591	(5,638)	3,953
UNITHOLDERS' EQUITY				
Unitholders' capital		37,527	-	37,527
Retained earnings	c	97,822	4,406	102,228
Total unitholders' equity		135,349	4,406	139,755
		$ 440,014	$ 5,984	$ 445,998

Notes to the reconciliation:

a) Under IFRS 1, the Fund has elected not to restate any business combinations that occurred before the date of transition. As a condition of this exemption, goodwill relating to business combinations that occurred prior to the date of transition was tested for impairment. No impairment existed at the date of transition.

b) In accordance with IAS 37 – Provisions, contingent liabilities and contingent assets, and IAS 12 – Income taxes, the following reclassifications have been made to the preliminary Statement of Financial Position.

   i. Provisions contained in substantially completed contracts previously included in accounts payable are now separately disclosed on the Statement of Financial Position.

   ii. Deferred income tax asset and liablitiy amounts previously shown as a current asset or liability are now shown as a non-current asset or liability. The deferred tax assets or liabilities of entities within the consolidated group are not netted.

   iii. Current income taxes payable/recoverable previously shown as a net asset or liability on a consolidated basis are now shown as gross assets and gross liabilities.

c) In accordance with IFRS 2 – Share based payments, an adjustment was made to opening retained earnings to reflect a change in the recognition of the Medium Term Incentive Plan expense, net of deferred income tax impact.

RISKS RELATING TO THE BUSINESS

Risks Relating to the Business

(a) *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 make-up 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 projects in the PPP contract 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 more intense than experienced prior to the downturn in late 2008. 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. In the current economic climate and as a result of a decline in commodity prices in 2009 and challenging credit markets, Bird experienced a decrease in activity from private clients, as the decisions of these clients to proceed with construction projects are largely driven by economic factors.

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. 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.

(b) *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 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 northern Alberta, such as the oil sands. A significant decrease in construction activity in this sector, which the Company is currently experiencing, could have an adverse effect on the Company's financial performance and results of operations. Furthermore, most 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.

(c) *Potential for Non-Payment*

Before signing any construction contract, Bird goes to considerable lengths to satisfy itself that the potential client has adequate resources to pay as construction work is completed. Throughout the contract, Bird also attempts to ensure that payments are collected from clients before Bird's payments to subcontractors and suppliers for that contract fall due. However, because of the nature of Bird's contracts and occasionally because of delays in customer payments, Bird may be required to utilize its working capital to fund construction costs temporarily. If a customer defaults in making its payments on a project, Bird would generally have the right to register a lien against the project. If the customer was unable or unwilling to pay the amount owing to Bird, a lien against the property would normally provide some security that Bird could realize what it is owed. However, in these situations, Bird's ability to collect what it is owed is never assured. Payment default by a client could result in a financial loss to Bird that could have a material effect on Bird's operating results and financial position.

(d) *Ability to Hire and Retain Qualified & Capable Personnel*

The success of Bird is highly influenced by the efforts of key members of management including its executive officers and branch 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.

(e) *Completion & Performance Guarantees/Design-Build Risks*

Under some contracts, failure to meet a project deadline may expose Bird to financial penalties, or liquidated damages under the contract or Bird may be held responsible for cost impacts to the client resulting from any delay. PPP infrastructure contracts typically contain more onerous financial penalties for project delays, which further increases Bird's exposure to these risks. Under other contracts, particularly design-build contracts, the work or portions thereof may be required to meet certain performance specifications and the specified needs of the customer. This places on Bird the added risk of liability for design flaws as well as added construction costs that may result from such flaws. If the project fails to meet performance specifications or if it is found that Bird is responsible for errors made in the design of the project, Bird would be exposed to the costs necessary to meet the performance specifications or to rectify the design error. The Company mitigates its exposure to these risks by subcontracting for design services and subscribing for professional liability insurance.

If Bird fails to meet these completion performance or design obligations, the total costs of the project could exceed original estimates and could result in a loss to Bird for that project. In extreme cases, such situations could have a material negative impact on the operating results and financial position of Bird.

(f) *PPP Project Risk*

Bird is active in the public private partnership market. Bird's role in these projects is typically to provide design-build construction services to a consortium that is formed to provide design, construction, financing and management of a public facility. Inherent in the design-build contract format are performance guarantee and design build risks outlined in e) above. Among other things, the performance guarantees on PPP projects often include responsibility for the energy performance of the facility and achievement of LEED® standards and if Bird fails to meet the required standards, it may be liable for substantial penalties. The construction contracts also typically require Bird to pay significant liquidated damages if the projects are not completed on schedule.

The PPP procurement model also typically results in the transfer of certain risks to the contractor beyond what would be the case for a similar facility under a conventional fixed price contract format. These include responsibility for such issues as changes in law and certain force majeure and delay events. In addition, if Bird's contract was terminated for cause, the Company would be exposed to substantial breakage costs from the consortium and their lenders. The security required to support the obligations that the Company undertakes on these projects typically includes substantial letters of credit which may be drawn upon in the event that the Company fails to meet its obligations.

(g) *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. If subcontractors fail to satisfactorily perform their portion of the work, Bird may be required to engage alternate subcontractors to do 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 subcontract, Bird may require surety bonds or other security from the subcontractor in order to mitigate this risk. Bird closely monitors all subcontractor and trades person capacity concerns in order to mitigate any effect on operations. A significant shortage of qualified subcontractors and trades people could have a material impact on Bird's financial condition and results of operations.

(h) *Competitive Factors*

Bird competes with many national, regional and local construction firms, who 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.

(i) *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. If, as a result of faulty estimates or unforeseen circumstances, Bird's assumptions are erroneous, its assessment of the risks associated with the contract are incorrect, or its estimates of the project costs are inaccurate, profit on the job may be lower than anticipated or a loss may be incurred.

(j) *Access to Surety Support and Other Contract Security*

On many of its construction contracts, Bird is required to provide surety bonds. Bird's ability to obtain surety bonds depends primarily upon its capitalization, working capital, past performance, capability and continuity of management, as well as its current level of activity. As the value of Bird's backlog increases, Bird may be required to maintain higher levels of equity and working capital than it currently maintains. The level of working capital required to maintain ongoing surety support is subject to negotiation and cannot be determined exactly. Furthermore, the overall capacity of the surety market and claims experience of sureties will have an influence on the pricing and availability of bonds. There is no assurance that Bird will have access to surety support on favourable or commercially reasonable terms or at all for all the contracts it would like to pursue. Bird's agreements with its surety company are on industry standard terms.

To participate in the PPP market, the Company is typically required to support its contractual commitments by posting substantial letters of credit and providing corporate guarantees, both of which are limited by the working capital and equity of the Company. It is possible that ability of the Company to secure new projects will be constrained by its capitalization.

(k) *Litigation/Potential Litigation*

As a part of the normal course of the construction business, disputes arise between parties to construction contracts. While Bird attempts to resolve any disagreements or disputes before they escalate to litigation, in some situations this is not possible. At any given time, Bird may be involved in a number of disputes that could lead to litigation and there may be a number of disputes in various stages of litigation. It is management's opinion that adequate provision has been made in Bird's consolidated financial statements for any potential settlements relating to such matters and management does not believe that any existing litigation or pending litigation will ultimately result in a final judgment against Bird that would have a materially adverse impact on the operations of Bird. Litigation is, however, inherently uncertain. Accordingly, adverse outcomes to current litigation or pending litigation are possible. These potentially adverse outcomes could include financial loss, damage to Bird's reputation or reduction of prospects for future contract awards.

(l) *Quality Assurance and Quality Control*

Bird enters into contracts which specify the scope of the project to be constructed including quality standards. If all or portions of the work fail to meet these standards, Bird would be exposed to additional costs for the correction of non-compliant work.

(m) *Maintaining Safe Work Sites*

In spite of the best efforts of Bird to minimize the risk of accidents, accidents can happen. 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 worksites 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 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 permit general 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 accidents. 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 accidents.

(n) *Accuracy of Cost to Complete Estimates*

As Bird performs each construction contract, costs are continuously monitored against the original cost estimates. On at least a quarterly basis, a detailed estimate of the costs to complete a contract is compiled by Bird. These estimates are an integral part of Bird's process for determining construction revenues and profits and depend on cost data collected over the duration of the project as well as the judgments of Bird's field and office personnel. To the extent that the costs to complete estimates are based on inaccurate or incomplete information or on faulty judgments, the accuracy of reported construction revenues and profits can be compromised. Bird has adopted many internal control policies and procedures aimed at mitigating exposure to this risk.

(o) *Work Stoppages, Strikes and Lockouts*

Bird is signatory to a number of collective bargaining agreements. Future negotiation of these collective bargaining agreements could increase Bird's operating expenses and reduce profits as a result of increased wages and benefits. Failure to come to an agreement in these collective bargaining negotiations or those of its subcontractors and suppliers or government agencies could result in strikes, work stoppages, lockouts and increased costs resulting from delays on construction projects. A strike or other work stoppage is disruptive to Bird's operations and could adversely affect portions of its business, financial position, results of operations and cash flows.

(p) *Potential Fluctuations in Quarterly Financial Results*

Bird's quarterly financial results may be impacted by a variety of factors including, without limitation: the timing of recognition of revenue from existing projects; the ability to accurately estimate costs for completion of work; the availability of, and competition for, new projects; costs or penalties associated with unanticipated delays in project completion; fluctuations in the general economic and business conditions in the market in which Bird operates; actions by governmental authorities including the level of governmental demand for the services provided by Bird; governmental regulations and expenditures required to comply with them; labour unrest involving Bird's workers, many of whom are unionized; seasonal weather conditions; and other conditions affecting revenues and expenses. Bird's operating expenses are incurred throughout each quarter. As a result, if expected revenues are not realized as anticipated, Bird's quarterly financial results could be materially adversely affected. Accordingly, there may be significant variations in the Company's consolidated quarterly financial results.

(q) *Compliance with Environmental Laws*

Bird is subject to numerous federal, provincial and municipal environmental laws, and judicial, legislative and regulatory developments relating to environmental protection occur on an ongoing basis. Bird's projects can involve the handling of hazardous and environmentally sensitive materials, which if improperly handled or disposed of, could subject Bird to civil and criminal penalties. While Bird strives to keep informed of and to comply with all applicable environmental laws, circumstances may arise and incidents may occur that are beyond Bird's control that could adversely affect Bird. Management is not aware of any pending environmental legislation or incidents that would be likely to have a materially adverse impact on any of Bird's operations, capital expenditure requirements or competitive position, although there can be no assurance that no future legislation will be enacted or incidents will occur which may have a material impact on Bird's operations.

(r) *Performance of Investment Portfolio*

Bird maintains a portfolio of marketable security investments. Bird has no control over the factors that affect the value of the investments in the Bird portfolio. Factors unique to each issuer or company in which Bird invests may affect the value of these investments. A substantial drop in the value of these investments could materially and adversely affect Bird's financial results. The investment portfolio contributes cash flow to Bird. This cash flow could vary significantly over time depending on the portfolio's performance which could affect the level of distributions. The portfolio is not professionally managed, but is managed by the CEO and CFO of Bird with the assistance of investment brokers and advisors.

(s) *Joint Venture Risk*

Bird sometimes forms joint ventures to pursue and execute projects. A joint venture structure can be beneficial by permitting pooling of resources required to complete a project and by spreading risk between the partners. The joint ventures in which Bird participates are typically formed to undertake a specific project, are jointly controlled by the partners and are dissolved upon completion of the project. The agreements which govern these joint ventures typically require that the partners supply their proportionate share of operating funds and that they share profits and losses in accordance with specified percentages. Bird selects its joint venture partners based on a variety of criteria including relevant expertise, past working relationships as well as analysis of the prospective partners' financial and construction capabilities. Each participant in a joint venture is usually liable for the obligations of the joint venture on a joint and several basis. In the event that Bird's joint venture partner fails to perform their obligations due to financial or other difficulties, Bird may be required to provide additional resources to the project and assume responsibilities for the obligations of its joint venture partner including responsibility for financial losses.

(t) *Insurance Risk*

In the normal course of business Bird maintains insurance in order to satisfy the requirements of its construction contracts and part of its corporate risk management policies. Although Bird believes it maintains an appropriate amount of insurance coverage, there can be no assurance that the Company's insurance arrangements will be sufficient to cover claims incurred.

(u) *Adjustments and Cancellations of Backlog*

The performance of the Company in a period depends significantly on the contribution from projects in its Backlog. There can be no assurance that the revenues or profits included in Backlog at any point in time will be realized. Contract suspensions, reductions and cancellations, which are beyond the control of Bird, do occur from time to time in the construction industry. Customers may have the right to suspend, cancel or reduce the scope of their contract with Bird, and although Bird generally has the right to be reimbursed for certain costs, it typically has no contractual rights to the total revenue or profit that was expected to be derived from such projects. These reductions may have a material adverse impact on future revenues and profitability.

Risks Relating to the Shares

(a) *Unpredictability and Volatility of Trading Prices*

A publicly-traded corporation does not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the common shares will trade cannot be predicted. The market price of a common share could be subject to significant fluctuations in response to variations in quarterly operating results and other factors. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the common shares.

(b) *Payment of Dividends*

The payment of dividends on common shares is at the discretion of the Board of Directors of the Company. In establishing the amount of any dividend, the Board of Directors will take into consideration, amongst other things, the need to meet future requirements for increases in working capital and equity to meet contract security requirements, provide the financial capacity to withstand any downturn in the construction industry should it occur, expanding the business and the desirability of maintaining the dividend rate.

SAFETY

The Company's labour-hours put in place in 2010 increased slightly from that of the previous year. Increases in the respective branch work programs resulted in a rise to labour-hours in Manitoba, Ontario and the Atlantic provinces, which was offset by declines in labour-hours in our Alberta and British Columbia locations. The Company is currently reporting a no lost time accident (LTA) year, however 2 incidents are currently in dispute with the respective Workers' Compensation Boards that could result in the incidents being reclassified as an LTA. Should these 2 incidents be classified as LTA's, the resulting LTA frequency for 2010 would be 0.25 (0.00 if they are not classified as LTA's), an increase from 0.13 in 2009. This frequency is well below the industry average.

In 2010, the Company successfully completed our internal peer safety audits of its seven branches. A number of improvements to our safety programs were suggested as a result of these audits and were immediately implemented on a Company wide basis. In 2011, the Company will retain the services of an independent third party safety consultant to conduct safety audits of all our locations and report to the President of the Company.

Ongoing observation of Bird's safety program on its project sites and analysis of its written policies and procedures take place on a regular basis. The comments eminating from these reviews form the basis for a very robust annual update of Bird's safety program. This has again taken place in 2010 and as a result, updates to our safety program were implemented on January 1, 2011 in order to keep our safety processes as current as possible.

Safety is constantly addressed throughout the Company and considered in all aspects of our construction operations in order to provide a safe working environment for all workers engaged on our construction projects and our offices.

TERMINOLOGY

Throughout this report, management uses the following terms not found in the CICA Handbook and which do not have a standardized meaning under Canadian GAAP, therefore requiring definition:

- **"Construction Margin Percentage"** is the percentage derived by dividing the contract income by the contract revenue. The contract income is calculated by subtracting all related contract costs from the contract revenue.
- **"Backlog"** (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Fund, 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 Fund whether the work has commenced or will commence in the normal course.
- **"Cash Available for Distribution"** is determined by the Fund as net income for the period adjusted to add back specific non-cash items, including amortization, and to deduct capital expenditures (see Cash Available for Distribution section).

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 Fund 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 Fund to be materially different from the Fund'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. The Fund expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.

Reports to the Unitholders

Management's Responsibility for Financial Reporting

Management of the Fund's Administrator, Bird Construction Company Limited, 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 Trustees 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 Fund's external auditors.

Signed
Paul A. Charette
Chairman of the Board of Trustees

Signed
Stephen R. Entwistle
CFO and Assistant Secretary of
the Fund's Administrator

March 3, 2011

Independent Auditors' Report

To the Unitholders of Bird Construction Income Fund

We have audited the accompanying consolidated financial statements of Bird Construction Income Fund (the Company) which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of income and comprehensive income, retained earnings, 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 Canadian generally accepted accounting principles, 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 Company'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 Company'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 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 financial position of the Company as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed "**KPMG LLP"**

Chartered Accountants
Winnipeg, Canada

March 3, 2011

Consolidated Balance Sheets
As at December 31
(in thousands of dollars)

		2010		2009
ASSETS				
Current assets:				
Cash (note 9)	**$**	**199,441**	$	174,854
Bankers' acceptances and short-term deposits (note 9)		**18,000**		28,909
Bonds and preferred share investments (note 5 and 9)		**29,375**		11,670
Accounts receivable (note 6)		**206,109**		194,412
Costs and estimated earnings in excess of billings		**2,539**		4,506
Prepaid expenses and other assets		**655**		507
Future income tax asset (note 10)		**4,265**		-
Current assets from discontinued operations (note 4 and 10)		**1,266**		2,376
Total current assets		**461,650**		417,234
Property and equipment (note 7)		**7,487**		8,398
Future income tax asset (note 10)		**1,565**		2,750
Intangible assets (note 8)		**2,718**		2,338
Goodwill		**9,294**		9,294
	$	**482,714**	$	440,014
LIABILITIES				
Current liabilities:				
Accounts payable	**$**	**254,456**	$	230,622
Accounts payable from discontinued operations (note 4)		**633**		2,233
Deferred contract revenue		**50,078**		53,118
Distributions payable to unitholders		**2,108**		2,108
Income taxes payable		**6,894**		2,066
Future income tax liability (note 10)		**-**		2,855
Other liabilities (note 11)		**5,689**		2,072
Total current liabilities		**319,858**		295,074
Other long-term liabilities (note 11)		**5,482**		9,591
UNITHOLDERS' EQUITY				
Unitholders' capital (note 12)		**37,527**		37,527
Retained earnings		**119,847**		97,822
Total unitholders' equity		**157,374**		135,349
	$	**482,714**	$	440,014

Commitments and contingencies (notes 9, 14, 15 and 18)
Subsequent event (note 1)

See accompanying notes to consolidated financial statements.

On behalf of the Board of Bird Construction Company Limited as Administrator of Bird Construction Income Fund:

(Signed) D.G. Doyle Director

(Signed) J.R. Bird Director

Consolidated Statement of Income and Comprehensive Income

For the years ended December 31

(in thousands of dollars, except per unit amounts)

		2010		2009
Revenue:				
Construction revenue	$	**842,031**	$	866,258
Investment and other income (note 5 and 6)		**3,853**		5,080
		845,884		871,338
Construction costs and general & administrative expenses (note 2(f) and 6)		**785,647**		791,384
Amortization (note 7 and 8)		**2,990**		3,393
Income before income taxes		**57,247**		76,561
Income tax expense (note 10)		**9,930**		15,766
Net income from continuing operations		**47,317**		60,795
Net loss from discontinued operations (note 4)		**-**		(3,882)
Net income and comprehensive income for the year	$	**47,317**	$	56,913
Basic and diluted earnings (loss) per unit (note 2(h))				
From continuing operations	$	**3.37**	$	4.33
From discontinued operations		-		(0.28)
Total basic and diluted	$	**3.37**	$	4.05

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31
(in thousands of dollars)

		2010		2009
Retained earnings, beginning of year	$	**97,822**	$	64,157
Net income and comprehensive income for the year		**47,317**		56,913
		145,139		121,070
Distributions declared to unitholders		**25,292**		23,248
Retained earnings, end of year	$	**119,847**	$	97,822

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31

(in thousands of dollars)

	2010	2009
Cash flows from (used in) operating activities:		
Net income and comprehensive income for the year	**$ 47,317**	$ 56,913
Items not involving cash:		
Amortization	**2,990**	3,393
Loss on sale of property and equipment	**6**	218
Mark-to-market gain on investments	**(24)**	(3,816)
Loss on disposal of investments	**83**	2,407
Interest income relating to the accretion of accounts receivable	**(1,375)**	(1,981)
Interest expense relating to the accretion of accounts payable	**734**	1,148
Deferred compensation plan (note 11)	**3,683**	7,608
Future income tax provision	**(5,901)**	(3,480)
Foreign exchange loss on future income tax	**72**	54
	47,585	62,464
Changes in non-cash working capital:		
Accounts receivable	**(10,322)**	9,584
Costs and estimated earnings in excess of billings	**1,967**	76,249
Prepaid expenses and other assets	**(148)**	276
Accounts payable	**23,100**	(1,172)
Income taxes payable	**4,828**	(4,716)
Deferred contract revenue	**(3,040)**	(42,144)
Deferred compensation plan (note 11)	**(4,175)**	(100)
Operating cash flows from discontinued operations	**(596)**	(278)
	11,614	37,699
Cash flows from operations	**59,199**	100,163
Cash flows used in investing activities:		
Additions to property and equipment	**(2,037)**	(2,062)
Additions to intangible assets	**(1,052)**	(612)
Proceeds on sale of property and equipment	**624**	3
Purchase of investments	**(24,921)**	(2,964)
Proceeds from disposal of investments	**7,157**	3,903
Cash flows used in investing activities	**(20,229)**	(1,732)
Cash flows used in financing activities:		
Loan payable advances	**-**	8,125
Loan repayment	**-**	(84,562)
Obligations under capital lease	**-**	(32)
Distributions paid on units	**(25,292)**	(22,839)
Cash flows used in financing activities	**(25,292)**	(99,308)
Net increase (decrease) in cash and cash equivalents during the year	**13,678**	(877)
Cash and cash equivalents, beginning of the year	**203,763**	204,640
Cash and cash equivalents, end of the year	**$ 217,441**	$ 203,763
Supplementary cash flow information		
Income taxes paid	**$ 11,064**	$ 22,864
Interest paid	**$ -**	$ 1,643

Cash and cash equivalents are comprised of cash, bankers' acceptances, and short-term deposits.

See accompanying notes to consolidated financial statements.

1. Structure of the trust and basis of presentation

Bird Construction Income Fund (the "Fund") is an unincorporated open-ended, limited purpose investment trust governed by the laws of Ontario pursuant to a declaration of trust dated January 1, 2006. The Fund was created to indirectly acquire all the outstanding shares of Bird Construction Company Limited (the "Company") and exchange those shares on a basis of three (3) trust units ("Units") of the Fund for each such outstanding Company share pursuant to a Plan of Arrangement effective February 27, 2006. The Fund is authorized to issue an unlimited number of units and each Unitholder participates pro rata in any distribution from the Fund. Income tax obligations related to distributions of the Fund are obligations of the Unitholders.

The Fund, through its wholly-owned subsidiary Bird Construction Company Limited, carries on business as a general contractor with branches in Toronto, Winnipeg, Calgary, Edmonton, Vancouver, Halifax and Saint John. The Fund focuses primarily on industrial, commercial and institutional projects.

On January 1, 2011, the Fund completed reorganization into a publicly-traded corporation. The reorganization was implemented by way of a plan of arrangement where all of the units of the Fund were exchanged for common shares of Bird Construction Inc. on a one-for-one basis. Bird Construction Inc. is considered to be a continuation of the Fund following the continuity of interest method of accounting as there was no substantive change in the ownership interest of the Fund. This method recognizes Bird Construction Inc. as the successor entity to the Fund.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting principles used in these consolidated financial statements are as follows:

(a) Consolidation:
The consolidated financial statements include the accounts of the Fund and all of its subsidiaries and partnerships, as well as it's pro rata share of assets, liabilities, revenues, expenses, net income and cash flows of its joint ventures.

The consolidated financial statements include the accounts of the following:

Bird Construction Income Fund
Bird Construction Company Limited
Bird Construction Company (a Limited Partnership)
Bird Management Ltd.
826513 Ontario Inc.
Regatta Constructors Ltd.
Pacific Industrial Constructors Ltd.
Omsac Developments Limited
Regatta Industrial Ltd.
Bird Constructors Ltd.
Bird Design-Build Corporation
Bird Industrial Group Limited
Bird Construction Inc.
Bird Design-Build Inc.
Bird Design - Build Limited
1469782 Ontario Inc.
Bird Capital Limited
Bird Construction (U.S.A.) Inc.
Bird GTAYC Inc.
Rideau Construction Incorporated
Rideau Management Services Incorporated
Bird-Graham Schools Joint Venture
Bird-Graham Schools 2 Joint Venture
ByBird Joint Venture
Bird Design-Build Construction Inc.
Bouygues Bird Joint Venture

(b) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results may differ from those estimates.

(c) Revenue recognition:

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. For agency relationships, such as construction management, where the Fund acts as an agent for its clients, fee revenue only is recognized, generally in accordance with the contract terms.

Revenue from change orders is recognized to the extent that management estimates that realization is probable. Losses from any construction contracts are recognized in full in the period the loss becomes apparent. 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.

These revenue recognition policies are considered by management to provide an appropriate measure of the extent of the work accomplished during the financial reporting period.

(d) Bonds and preferred share investments:

Bonds and preferred share investments are classified as held-for-trading financial instruments (see notes 5 and 17), which are carried at fair value. The fair value of bonds and preferred share investments are based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs.

(e) Property and equipment:

Property and equipment are recorded at cost and are amortized over their estimated useful lives as follows:

i. Diminishing balance method:	
Buildings	5% and 10%
Automotive and contractor's equipment	30% - 40%
Furniture, fixtures and office equipment	20% - 55%
ii. Straight line method:	
Leasehold improvements	over the lease term

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(f) Foreign currency translation:

US subsidiaries are considered to be integrated operations and as a result, their accounts have been translated into Canadian dollars, on the same basis as other foreign currency transactions and balances, 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. Amortization expense at the exchange rate in effect at the time the related assets are acquired; and
iv. Revenues and expenses at the average exchange rate prevailing during the year.

Net foreign exchange gain (loss) included in construction costs and general and administrative expenses is $42 (2009 – ($19)).

(g) Income taxes:
The Fund is a mutual fund trust as defined under the Income Tax Act (Canada) ("Tax Act") and, accordingly, is not currently subject to taxation on its income to the extent that its income is distributed to its Unitholders. Income tax obligations related to distributions of the Fund are obligations of the Unitholders.

The Fund and its subsidiaries use the asset and liability method of accounting for income taxes. Current income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes are recognized at enacted or substantively enacted rates expected to apply when items included in the income statement for the current year are expected to be reported for income tax purposes. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Valuation allowances are established when necessary to reduce any future tax asset to the amounts expected to be realized.

(h) Basic and diluted earnings per unit:
The Fund's basic and diluted earnings per unit calculation are based on the weighted average number of units outstanding.

(i) Derivative financial instruments:
Derivative financial instruments, when utilized, are comprised of forward foreign exchange contracts which the Fund's operating companies enter into during the regular course of business. Derivative financial instruments are classified as held-for-trading financial instruments and are carried at fair value, with changes in fair value recognized in the consolidated statements of income and comprehensive income.

(j) Medium-term incentive plan:
The Fund determines compensation expense on phantom units based on their intrinsic value, considered to be the market value of the Fund's units. At each reporting period, changes in market value of unvested phantom units are recognized in income throughout the vesting period of the phantom units.

(k) Financial instruments:
Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with any changes in fair value during the reporting period being included in income. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost, using the effective interest rate method, which approximates fair value. The Fund will recognize changes in the fair value of loans and receivables only if realized, or when impairment in the value of the asset occurs. The Fund has not classified any assets or liabilities as held-to-maturity or available for sale (see note 17).

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

(l) Goodwill:
Goodwill is the excess of the purchase price paid for acquired operations over the fair value of the net assets acquired. Amounts recorded in Goodwill are not amortized, but are subject to a fair value impairment test to be performed at least annually to ensure that the fair value of Goodwill remains greater than, or equal to, the carrying value. Goodwill impairment is assessed based on a comparison of the fair value of a reporting unit to the underlying carrying value of the reporting unit's net assets, including Goodwill. Any excess of the carrying value over fair value will be charged to income in the period in which the impairment is determined.

(m) Intangible assets:
Non-competition agreements and customer relationships represent intangible assets acquired in a business acquisition that meet the specified criteria for recognition. These assets are recorded at fair value and are amortized on a straight-line basis over five years. Computer software is recorded at cost and is amortized over periods ranging from two to five years.

(in thousands of dollars)

3. Future Accounting Changes

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS"). For the Fund, IFRS will be effective for interim and annual financial statements commencing on January 1, 2011. The impact of adopting IFRS and the related effects on the Fund's consolidated financial statements will be reported in Bird Construction Inc.'s 2011 interim and annual financial statements.

4. Discontinued operations

In February 2009, the Fund decided that it would wind down its Seattle, Washington branch. During the remainder of 2009, the Fund ceased securing any new construction work and focused its attention towards completing all contracts which were in progress at the time of the decision. In the first quarter of 2010, the operations of the Seattle branch ceased as the Fund substantially completed all construction activity. Accordingly, certain figures for 2010 and 2009 relating to the financial position and operating results have been re-classified to assets, liabilities and operating results of discontinued operations in accordance with CICA Handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations". The following table summarizes the reclassifications for 2010 and 2009:

Balance Sheet Items

	2010	2009
Accounts receivable	**$ -**	$ 1,004
Future income tax asset (note 10)	**1,266**	1,372
	1,266	2,376
Accounts payable	**$ 633**	$ 2,233

Income Statement Items

	For the year ended	
	2010	2009
Revenue:		
Construction revenue	**$ -**	$ 11,601
Construction costs, general & administrative expenses	**-**	16,570
Loss before income taxes	**-**	(4,969)
Income tax expense (note 10)	**-**	(1,087)
Net loss for the year	**$ -**	$ (3,882)

5. Bonds and preferred share investments

	2010	2009
Investments:		
Preferred shares	**$ 13,362**	$ 8,721
Corporate bonds	**16,013**	2,949
Total	**$ 29,375**	$ 11,670

(in thousands of dollars)

Included in investment and other income during the year is a gain of $24 (2009 – $3,816), representing the unrealized mark-to-market adjustment to the carrying value of the investments, and a loss of $83 (2009 – $2,407) representing a realized loss on the disposal of investments.

6. Accounts receivable

		2010		2009
Progress billings on construction contracts	$	**140,242**	$	116,633
Holdbacks receivable		**64,510**		76,480
Other		**1,357**		1,299
	$	**206,109**	$	194,412

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.

Interest income relating to the accretion of accounts receivable using the effective interest rate method included in investment and other income is $1,375 (2009 – $1,981). Interest expense relating to the accretion of accounts payable using the effective interest rate method included in construction costs and general and administrative expenses is $734 (2009 – $1,148).

7. Property and equipment

				2010		
		Cost		Accumulated Amortization		Net Book Value
Land	$	**172**	$	**-**	$	**172**
Buildings		**2,565**		**451**		**2,114**
Leasehold improvements		**2,386**		**1,628**		**758**
Automotive and contractor's equipment		**10,903**		**7,038**		**3,865**
Furniture, fixtures and office equipment		**1,765**		**1,187**		**578**
	$	**17,791**	$	**10,304**	$	**7,487**

				2009		
		Cost		Accumulated Amortization		Net Book Value
Land	$	172	$	-	$	172
Buildings		2,565		403		2,162
Leasehold improvements		2,407		1,326		1,081
Automotive and contractor's equipment		9,865		5,551		4,314
Furniture, fixtures and office equipment		1,746		1,077		669
	$	16,755	$	8,357	$	8,398

The aggregate amortization expense for property and equipment for the year totaled $2,316 (2009 - $2,750).

(in thousands of dollars)

8. Intangible assets

			2010			
		Cost		Accumulated Amortization		Net Book Value
Non-competition agreements	$	**900**	$	**525**	$	**375**
Customer relationships		**1,900**		**1,109**		**791**
Computer software		**1,664**		**112**		**1,552**
	$	**4,464**	$	**1,746**	$	**2,718**

			2009			
		Cost		Accumulated Amortization		Net Book Value
Non-competition agreements	$	900	$	345	$	555
Customer relationships		1,900		729		1,171
Computer software		612		-		612
	$	3,412	$	1,074	$	2,338

The aggregate amortization expense for intangible assets for the year totaled $674 (2009 – $627). The intangible assets, other than computer software, are primarily a result of the acquisition of Rideau Construction.

9. Credit arrangements

The Fund has authorized operating lines of credit totaling $131,500 with two Canadian chartered banks. The lines were drawn for outstanding letters of credit of $43,159 (2009 - $15,421).

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to secured Public Private Partnership projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value of $50,456 (2009 - $19,580).

10. Income taxes

The Fund is taxed as a mutual fund trust for Canadian income tax purposes, and accordingly, is not currently taxable on its income to the extent that its income is distributed to Unitholders (see note 2(g)). The trustees intend to distribute all taxable income of the Fund to the Unitholders and to deduct such distributions for Canadian income tax purposes. Income tax expense in these consolidated financial statements relates to the taxable income of the corporate subsidiaries of the Fund.

(in thousands of dollars)

		2010		2009
Provision for income taxes				
Income tax expense is comprised of:				
Current income taxes	$	**15,831**	$	18,159
Future income taxes reduction		**(5,901)**		(3,480)
		9,930		14,679
Income taxes from discontinued operations (note 4)		**-**		1,087
	$	**9,930**	$	15,766
Income tax rate reconciliation				
Combined federal and provincial income tax rate		**29.4%**		30.7%
Increases (reductions) applicable to:				
Income of the Fund taxed directly to Unitholders		**(12.8)**		(10.0)
Non-deductible portion of mark-to-market adjustments		**-**		(0.8)
Non-deductible portion of loss on disposal of investments		**-**		0.5
Effect of changes of valuation allowance		**-**		(0.3)
Other		**0.7**		(0.4)
Effective rate		**17.3%**		20.5%

		2010		2009
Components of future income tax				
Future income tax assets:				
Timing of recognition of offering costs	$	**-**	$	200
Provisions and reserves		**6,736**		5,472
Operating loss carried forward		**1,642**		1,333
Other		**85**		221
		8,463		7,226
Less future income tax asset - discontinued operations (note 4)		**1,266**		1,372
Less future income tax asset - long-term		**1,565**		2,750
Future income tax asset - current		**5,632**		3,104
Future income tax liabilities:				
Timing of recognition of construction profits		**(1,067)**		(5,516)
Intangible assets		**(300)**		(443)
Future income tax liability - current		**(1,367)**		(5,959)
Net future income tax asset (liability) - current	$	**4,265**	$	(2,855)

11. Other long-term liabilities

		2010		2009
Medium Term Incentive Plan	$	**11,171**	$	11,655
Other deferred compensation		**-**		8
		11,171		11,663
Less current portion		**5,689**		2,072
	$	**5,482**	$	9,591

(in thousands of dollars)

The Fund introduced a Medium Term Incentive Plan (MTIP) in 2007 that provides for the granting of phantom units with unit appreciation rights. The phantom units provide the holder with the opportunity to earn a cash benefit in relation to the value of a specified number of underlying notional trust units. MTIP awards vest with the employee on November 30 of the third year following the year to which the award relates. Compensation expense during the vesting period is measured based on both the changes in market price of the Fund's units and notional distributions which are equivalent to actual distributions declared on the Fund's units during each reporting period.

12. Unitholders' capital

The Fund is authorized to issue an unlimited number of units and each Unitholder participates pro rata in any distribution from the Fund. The Fund has issued and has outstanding 14,051,282 units as of December 31, 2010 and December 31, 2009.

The regular monthly distributions and special distributions are declared and paid to Unitholders at the discretion of the Board of Trustees.

13. Capital disclosures

The Fund's capital management objectives are to:

- Ensure that the Fund 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 Fund 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 Unitholder distributions.

In the management of capital, the Fund defines capital as Unitholders' equity. Unitholders' equity is primarily comprised of the Fund's working capital.

The Fund manages its capital within the investment policy approved by the Board of Trustees. The Fund 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 Fund may adjust the amount of distributions paid to Fund Unitholders, issue new Fund units, and to a lesser degree may adjust capital expenditures.

As a component of working capital, the Fund 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 current liabilities, fund current distributions payable to Unitholders and provide capital to support surety and contract security requirements related 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 Fund, 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 Fund whether the work has commenced or will commence in the normal course.

The amount of Unitholders' equity and working capital at December 31, 2010 and December 31, 2009 is as follows:

(thousands of dollars)

	2010	2009
Unitholders' equity	**$ 157,374**	$ 135,349
Working capital	**$ 141,792**	$ 122,160

(in thousands of dollars)

14. Leases

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

		Operating Leases
2011	$	2,393
2012		1,944
2013		1,440
2014		451
2015		76
	$	6,304

Expenses under lease commitments on buildings and equipment are $1,815 (2009 - $1,360).

15. Commitments and contingent liabilities

(a) Commitments:
Outstanding surety lien bonds issued on behalf of the Fund in connection with liens by subcontractors and suppliers totaled $7,297 (2009 - $2,155).

(b) Contingencies:

i. 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 Fund.

ii. The Fund is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts. These include the Fund's contingent liability for the performance obligations of its subcontractors. Where possible and appropriate, the Fund obtains performance bonds or alternative security from subcontractors. However, where this is not possible, the Fund is exposed to the risk that subcontractors will fail to meet their performance obligations. In that eventuality, the Fund 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 Fund makes appropriate provision in the financial statements for all known liabilities relating to subcontractor defaults.

16. Segmented information

The Fund has determined that it operates in one business segment – the construction industry. The Fund and its subsidiaries operate in Canada and during the first quarter of 2009 the Fund began the wind down of its operations in the United States which continued throughout that year. In the first quarter of 2010, the operations of the Seattle branch ceased as the Fund substantially completed all construction activity. (See note 4).

17. Financial instruments

The Fund's cash, bankers' acceptances and short-term deposits, bonds and preferred share investments have been classified as held-for-trading. Accounts receivable are classified as loans and receivables. The Fund's bank overdraft, if any, accounts payable and distributions payable to Unitholders have been classified as other financial liabilities. The basis of the determination of the fair value of the Fund's financial instruments is more fully described in note 2(k).

(in thousands of dollars)

A. Classification and fair value of financial instruments:

Financial Assets Held-for-Trading: (Recorded at fair value)

		2010		2009
Cash and Cash Equivalents:				
Cash	**$**	**199,441**	$	174,854
Bankers' acceptances and short-term deposits		**18,000**		28,909
		217,441		203,763
Bonds and Preferred Share Investments:		**29,375**		11,670
		246,816		215,433

Loans and Receivables and Other Liabilities: (Recorded at face value or amortized cost)

		2010		2009
Loans and Receivables:				
Accounts receivable	**$**	**206,109**	$	194,412
Accounts receivable from discontinued operations		**-**		1,004
		206,109		195,416
Other Liabilities:				
Accounts payable		**254,456**		230,622
Accounts payable from discontinued operations		**633**		2,233
Distributions payable to Unitholders		**2,108**		2,108
Other		**-**		8
		257,197		234,971
Total Financial Instruments	**$**	**195,728**	$	175,878

Amortized cost is a reasonable approximation of fair market value due to the short-term nature of these financial instruments.

Income Statement Impact of Financial Instruments:

		2010		2009
Financial Assets Held-for-Trading:				
Interest income earned on cash and cash equivalents	**$**	**1,217**	$	922
Dividend income earned on investments		**514**		672
Income earned on trust investments and bonds		**806**		96
Unrealized gain on investments		**24**		3,816
Realized loss on disposal of investments		**(83)**		(2,407)
Realized gain (loss) on foreign currency		**42**		(19)
		2,520		3,080
Loans and Receivables and Other Liabilities:				
Interest expense on loans payable		**-**		(1,643)
Interest income relating to accretion on holdback receivables		**1,375**		1,981
Interest expense relating to accretion of holdback payables		**(734)**		(1,148)
		641		(810)
Impact of Financial Instruments on Income	**$**	**3,161**	$	2,270

(in thousands of dollars)

The following table presents information about the Fund's financial assets measured at fair value as of December 31, 2010 and December 31, 2009 and indicates the fair value hierarchy of inputs utilized by the Fund 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.

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
		December 31, 2010		
Cash	**$ 199,441**	**$ -**	**$ -**	**$ 199,441**
Bankers' acceptances and short term deposits	**-**	**18,000**	**-**	**18,000**
Preferred shares	**13,362**	**-**	**-**	**13,362**
Bonds	**-**	**16,013**	**-**	**16,013**
Total Financial Assets Held-for-Trading	**$ 212,803**	**$ 34,013**	**$ -**	**$ 246,816**
		December 31, 2009		
Cash	$ 174,854	$ -	$ -	$ 174,854
Bankers' acceptances and short term deposits	-	28,909	-	28,909
Preferred shares	8,721	-	-	8,721
Bonds	-	2,949	-	2,949
Total Financial Assets Held-for-Trading	$ 183,575	$ 31,858	$ -	$ 215,433

There were no transfers between levels during the years ending December 31, 2010 and December 31, 2009.

B. Risk Management

In the normal course of business, the Fund 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 Fund 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 signing any construction contract and during the course of the construction project, the Fund goes to considerable lengths to satisfy itself that the customer has adequate resources to pay as construction work is completed. If a customer was unable or unwilling to pay the amount owing, the Fund will generally have a right to register a lien against the project and will normally provide some security that the amount owed will be realized.

Bankers' acceptances, short-term deposits and corporate bonds are subject to minimal credit risk as they are placed with only major Canadian financial institutions and Canadian corporations with a requisite strong credit rating as issued by rating agencies. As is reasonably practical, these investments are placed with a number of different Canadian financial institutions thereby reducing the Fund's exposure to a default by any one financial institution. At December 31, 2010 and December 31, 2009, the Fund held no asset backed commercial paper.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract in which the Fund has an unrealized gain fails to perform according to the terms of the contract. The counterparty to these contracts is a major Canadian financial institution.

The Fund has no material impaired receivables. Accounts receivable outstanding for greater than 90 days and considered past due by the Fund's management represent 6.2% (2009 – 7.3%) of the balance of progress billings on construction contracts receivable at December 31, 2010. Management has recorded an allowance of $129 (2009 - $48) against these past due receivables, net of amounts recoverable from others.

ii.) Liquidity Risk:

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

As a component of working capital, the Fund maintains significant balances of cash and cash equivalents and investments in liquid securities including corporate bonds. These investments exceed net current liabilities and support surety and contract security requirements related to construction projects. In addition, the Fund has authorized lines of credit totaling $131,500, supported by hypothecation of certain financial instruments, with Canadian chartered banks.

Substantially all of the Fund's obligations are classified as current liabilities, due within one year and are consistent with construction business normal trade terms. As disclosed in note 11, payments required pursuant to the Fund's Medium Term Incentive Plan granted in 2008, 2009 and 2010 are due on the vesting date of November 2011, 2012 and November 2013, respectively, or upon retirement, if earlier.

iii.) Market Risk:

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

With respect to exposure to fluctuations in foreign exchange rates, the Fund's exposure relates to branch operations in the US and the occasional purchase of construction materials and supplies in US dollars and Euros. The Fund utilizes forward foreign exchange contracts to buy or sell US dollars at future dates which align with the underlying foreign denominated cash flow expectations of the Fund. These contracts have maturities of less than two years and relate exclusively to the US currency. The foreign exchange position is monitored by management monthly and it is reported to the Board of Trustees at least quarterly. The Fund does not engage in speculative trading of foreign exchange futures or forward foreign exchange contracts. At December 31, 2010 and December 31, 2009, the Fund was not a party to foreign exchange contracts.

As the Fund has no amounts of interest-bearing debt, the Fund's exposure to interest rate fluctuations relative to financial instruments is minimal. The Fund is exposed to the risk that the value of corporate bonds will fluctuate due to changes in the prevailing levels of market interest rates. As of December 31, 2010 and December 31, 2009, the Fund did not have significant exposure to interest rate risk.

The Fund 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 Fund's Board of Trustees. The Fund's CFO and CEO must authorize all transactions and detailed reports summarizing the performance of the investment portfolio are made to the Board of Trustees quarterly. As at December 31, 2010, a one-percent change in the market price of the investments will change income before income taxes by approximately $134 (2009 – $87).

(in thousands of dollars)

18. Joint Ventures

The Fund's investments in joint ventures are accounted for using the proportionate consolidation method, whereby the consolidated financial statements reflect, line by line, the pro rata share of each of the assets, liabilities, revenues and expenses and cash flows from the joint ventures. The Fund's investments are in unincorporated joint ventures and therefore expenses do not include any allowance for income taxes as the joint venture partners are responsible for income taxes. The consolidated financial statements include the proportionate share in joint ventures. The following are the Fund's proportionate share of the joint ventures' financial statements.

		2010		2009
Balance Sheet:				
Current assets	**$**	**39,137**	$	76,952
Property and equipment		**88**		613
Current liabilities		**25,891**		48,833
Retained earnings		**13,334**		28,732

		Year ended		
		2010		2009
Income and Comprehesive Income:				
Construction revenue	**$**	**107,122**	$	175,868
Investment and other income		**740**		626
Construction and general and administrative expense		**(80,687)**		(145,566)
Amortization		**(73)**		(62)
Net income	**$**	**27,102**	$	30,866
Statement of Cash Flow:				
Cash flow from operating activities	**$**	**26,884**	$	30,639
Changes in non-cash working capital		**2,329**		(4,326)
Cash flow used in investing activities		**452**		(104)
Cash flow from financing activities		**(42,500)**		(5,000)
Net increase (decrease) in cash flow	**$**	**(12,835)**	$	21,209

The Fund and its joint venture partners have provided contract security in the form of letters of credit, related to the construction activities of the joint ventures. The Fund has issued letters of credit in the amount of $21,559 (2009 - $14,219).

The Fund is contingently liable for the obligations of the joint ventures. The assets of the joint ventures are available for the purpose of satisfying such obligations.

The Fund enters into transactions in the normal course of operations with its joint ventures, which are measured at the exchange amount, being the amount of consideration established and agreed to by the parties involved. At December 31, 2010, the Fund has included in accounts receivable $830 (2009 - $2,116) owing from its joint ventures.

19. Youth Justice Facility project

During 2007, the Fund was awarded a $93,246 fixed price build-finance project from Infrastructure Ontario (IO). The Fund arranged $84,562 in debt financing. In 2009, the Fund received additional draws under the debt facility of $8,125. During the second quarter of 2009, the Fund achieved substantial completion of the project, and subsequently used the proceeds received from IO to repay the loan balance in full. Interest was paid quarterly in arrears. Interest expense on the loan during the year ended December 31, 2010 of $nil (2009 - $1,643) is included in construction costs and general and administrative expenses.

Five Year Summary

(in thousands of dollars, except Other Information)		**2010**	2009	2008	2007	2006
OPERATING RESULTS:						
Revenue ………………………………	$	**845,884**	882,939	1,039,420	756,879	533,369
Income before income taxes …………	$	**57,247**	71,592	71,214	51,342	27,415
Income taxes …………………………..		**9,930**	14,679	10,354	17,930	5,241
Net income …………………………….	$	**47,317**	56,913	60,860	33,412	22,174
Distributions ………………………….	$	**25,292**	23,248	20,354	18,637	13,379
Dividends ……………………………..	$	n/a	n/a	n/a	n/a	31,422
FINANCIAL POSITION:						
Current assets ………………………..	$	**461,650**	415,862	505,882	335,160	194,784
Current liabilities ……………………..		**319,858**	293,702	422,417	285,396	160,245
Working capital ………………………	$	**141,792**	122,160	83,465	49,764	34,539
Property and equipment ……………..	$	**7,487**	8,398	9,306	5,022	3,302
Unitholders' equity …………………..	$	**157,374**	135,349	101,684	53,273	38,474
BACKLOG:						
Firm price ……………………………..	$	**1,229,554**	901,352	1,104,700	969,266	464,672
Construction management …………..	$	**126,581**	112,645	105,503	89,625	55,165
OTHER INFORMATION:						
Number of units outstanding (restated for split) ……………………		**14,051,282**	14,051,282	14,051,282	13,789,180	13,789,180
Return on revenue …………………..	%	**5.59**	6.45	5.86	4.41	4.16
Return on prior year unitholders' equity …………………..	%	**34.96**	56.00	114.24	86.85	66.13
Net income per unit ………………….	$	**3.37**	4.05	4.34	2.42	1.65
Book value per unit ………………….	$	**11.20**	9.63	7.24	3.86	2.79

Note: Per unit amounts have been retroactively restated for the effect of the exchange of 3 units for each share in February 2006. The balances have not been restated to reflect the closure of the Seattle branch as discontinued operations.

Eligible Dividends

Bird Construction Income Fund 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.

BIRD

Management and Office Directory

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Jason C. Trumbla, CA, MAcc – VP Finance
Charles J. Caza, BA Sc Eng., LL.B. – General Counsel
Charmane L. Morrow – Corporate Secretary & Manager of Executive Administrative Services
Jim J. Brennan, P. Eng. – Senior VP *(located in our Halifax office)*
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