ANNUAL REPORT

TWENTY THIRTEEN
BUILT BY BIRD

EIGHTY-THIRD

ANNUAL REPORT
OF THE BOARD OF DIRECTORS OF

BIRD

for the year ended
December 31, 2013

CORPORATE OFFICE

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

DIRECTORS

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Paul A. Charette (Chair) ...... Oakville
D. Greg Doyle, CA [(1)(2)] ...... Winnipeg
Bonnie D. DuPont, BSW, MEd [(1)(2)] ...... Calgary
Ron D. Munkley, BSc Hon (Eng) [(1)(2)] ...... Mississauga
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Tim J. Talbott, P.Eng. ...... Woodbridge
Arni C. Thorsteinson, CFA [(1)(2)] ...... Winnipeg

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

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Tim J. Talbott, P.Eng. ...... President & CEO
Ian J. Boyd, P.Eng. ...... Executive Vice President & COO
Jim J. Brennan, P.Eng. ...... Senior VP
Stephen R. Entwistle, CA ...... CFO & Assistant Secretary
Ken W. McClure ...... Senior VP
Charmane L. Morrow ...... Secretary
Paul R. Raboud, P.Eng., MSc, MBA ...... Vice Chair
Gilles G. Royer, P.Eng. ...... Senior VP
Jason C. Trumbla, CA, MAcc ...... VP Finance

AUDITORS KPMG LLP

BANK Bank of Montreal

SURETY Travelers Guarantee Company of Canada

STOCK EXCHANGE LISTING Toronto Stock Exchange (Symbol “BDT”)

TRANSFER AGENT AND REGISTRAR Computershare Investor Services

WEBSITE www.bird.ca

The following Management's Discussion and Analysis ("MD&A") of Bird Construction Inc.'s ("the Company" or "Bird") financial condition and results of operations should be read in conjunction with the December 31, 2013 consolidated financial statements of Bird Construction Inc. 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 "Risks Relating to the Shares" included in the Company's most current Annual Information Form dated March 6, 2014. This MD&A has been prepared as of March 6, 2014. Additional information about the Company is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company's Annual Information Form and other filings, including those filed by its predecessor, Bird Construction Income Fund ("the Fund").

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EXECUTIVE SUMMARY:

(thousands of dollars, except per share amounts)	2013	2012
Income Statement Data		
Revenue	$ 1,331,689	$ 1,454,869
Net income (1)	12,090	58,245
Basic and diluted earnings per share	0.28	1.38
Adjusted Net Income (3)		
Adjusted net income	14,550	61,959
Adjusted net income per share	0.34	1.47
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	32,314	108,699
Cash flows from operations	16,399	60,326
Additions to property and equipment (2)	16,830	25,643
Cash dividends paid	31,853	29,718
Cash dividends declared per share	0.75	0.71
	December 31, 2013	December 31, 2012
Balance Sheet Data		
Total assets	648,051	718,147
Working capital	120,362	154,427
Loans and borrowings (including current portion)	39,369	48,174
Shareholders' equity	177,296	191,565

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

(2) computer software purchases included in intangible assets

(3) adjusted net income is a non-GAAP measure and does not have standardized meaning. See page 3.

2013 HIGHLIGHTS:

- During the fourth quarter of 2013, the Company generated revenues of $363.7 million and net income of $5.7 million, compared with revenues of $420.3 million and net income of $24.7 million a year ago. Net income per share for the quarter was $0.13, compared with $0.58 in the comparable quarter a year ago. The reduction in net income in 2013 is primarily attributable to one fixed price construction project that experienced execution issues resulting in an $8.0 million loss in the period and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

- For the three months ended December 31, 2013, the Company's adjusted net income (non-GAAP measure) was $6.1 million, compared with $25.6 million in 2012. Adjusted net income per share for the period was $0.14, compared with $0.61 in 2012. Adjusted net income in the three-month period was similarly adversely affected by the project loss noted above and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

- During the year ended December 31, 2013, the Company generated revenues of $1,331.7 million and net income of $12.1 million, compared with revenues of $1,454.9 million and net income of $58.2 million, respectively in 2012. Net income per share was $0.28 in the year, compared with $1.38 in 2012. The reduction in net income in 2013 is primarily attributable to one fixed price construction project that experienced execution issues resulting in a $20.5 million loss in the year and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

- For the year ended December 31, 2013, the Company's adjusted net income (non-GAAP measure) was $14.6 million, compared with $62.0 million in 2012. Adjusted net income per share for the year ended December 31, 2013 was $0.34, compared with $1.47 in 2012. Adjusted net income in 2013 was similarly adversely affected by the project loss noted above and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

- On January 17, 2013, the Company completed the acquisition of Nason Contracting Group Ltd. ("Nason"). The purchase price for the acquisition was $12.4 million. Nason is a recognized leader in the construction of water and wastewater facilities in western Canada. Nason has a 40-year track record of successful construction projects throughout Alberta, British Columbia, Saskatchewan, the Yukon and the Northwest Territories. Nason's head office, shops and yard are located in St. Albert, Alberta. Nason performs the majority of its work with its own forces, having particular strength in the execution of mechanical, electrical and instrumentation work.

- The Company's Board of Directors approved a 5.5% increase in the monthly dividend from $0.060 per share to $0.063 per share effective with the March 2013 dividend.

- The Company secured a record $1,518.3 million of new construction contracts, including change orders on existing contracts in 2013. The Company acquired $8.2 million of Backlog on the acquisition of Nason, and put in place work valued at $1,331.7 million. The Company has a record Backlog at December 31, 2013 of $1,268.7 million, compared to $1,073.9 million as at December 31, 2012. This is the highest level of year end Backlog that the Company has had.

- During the third quarter, the Company announced the award of several larger construction contracts totaling approximately $275.0 million. The projects primarily involve both civil and building construction activity to serve the needs of industrial customers in northern Alberta.

- In the final quarter of the year, the Company opened a new district office in St. John's, Newfoundland. The district office will pursue construction opportunities in Newfoundland and Labrador in all of Bird's market sectors.

- During the fourth quarter, the Company announced new contracts exceeding $400.0 million, including a large project to design and construct numerous non-process buildings at the Fort Hills oil sands site located north of Fort McMurray, Alberta.

- In the fourth quarter, the Company, as part of various consortia, was short-listed to submit proposals for the construction of the Swift Current Long-Term Care Facility and the Saskatoon Civic Operations Centre both located in Saskatchewan, and Building Alberta Schools Construction Program.

- Based on anticipated increases in revenue and improvement in margins the Company expects earnings will return to a level which supports the current dividend level and will enable future growth.

ADJUSTED NET INCOME MEASURE (NON-GAAP INFORMATION):

As disclosed in note 5 to the annual consolidated financial statements for the year ended December 31, 2011, $6.0 million of the total purchase price attributable to the H.J. O'Connell, Limited ("O'Connell") acquisition was allocated to the value of the Backlog acquired, $8.4 million was allocated to the value attributed to customer relationships and $0.8 million of transaction costs was expensed in the period. In addition, $0.9 million was allocated to the value of the Backlog acquired through the Nason acquisition in January 2013. For accounting purposes, these intangible assets are assumed to have finite useful lives and accordingly, the amounts are amortized and expensed to income over the expected useful life of the respective assets. Management believes this accounting principle implies that there is a decline in the value of the acquisitions to the Company immediately. Management believes that this principle is not consistent with the economics used by it to support the O'Connell and Nason acquisitions, as the earnings potential of the business is not diminished by the amortization of the intangible assets. Accordingly, adjusted net income excludes the non-cash amortization expense associated with intangible assets, including the intangible asset amortization relating to the Rideau transaction completed in 2008. Adjusted net income also excludes transaction costs incurred in 2013 and 2012 relating to the acquisition of Nason as such costs are non-recurring expenses undertaken to achieve increased long-term future earnings and cash flows, and are not associated with the income-generating activities undertaken during the year. Management believes that the presentation of adjusted net income and adjusted net income per share provides useful information to shareholders and potential investors as it provides increased transparency and predictive value. Management uses adjusted net income to set targets, assess performance of the Company and set the Company's dividend payout rate.

NON-GAAP MEASURE:

Adjusted net income and adjusted net income per share have no standardized meaning prescribed by GAAP and are not considered GAAP measures. Therefore, these measures may not be comparable with similar measures presented by others.

Adjusted Net Income (Non-GAAP Information)
(thousands of dollars, except per share amounts)

		2013		2012
Net income as reported in financial statements (GAAP)	$	**12,090**	$	58,245
Add: Amortization of intangible assets		**2,952**		4,811
Add: Transaction costs		**166**		319
Add: Associated tax effect		**(658)**		(1,416)
Adjusted net income (Non-GAAP Measure)	$	**14,550**	$	61,959
Adjusted net income per share (Non-GAAP Measure)	$	**0.34**	$	1.47

Both in the fourth quarter and for the twelve month results, 2013 adjusted net income was significantly lower than amounts reported in 2012.

For the twelve months ended December 31, 2013, adjusted net income of $14.6 million compares with $62.0 million in 2012. The reduction is attributable to one fixed price construction project that experienced execution issues resulting in a $20.5 million loss in the year and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

NATURE OF THE BUSINESS:

The Company operates as a general contractor with offices in St. John's, Halifax, Saint John, Wabush, Montreal, Toronto, Winnipeg, Calgary, Edmonton, St. Albert and Vancouver. The Company and its predecessors have been in operation for over 90 years and focus primarily on projects in the industrial, mining, commercial and institutional sectors of the general contracting industry. The Company utilizes fixed price, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods.

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

MISSION STATEMENT:

The Company's mission statement is as follows:

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

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

Safety

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

Teamwork

- We believe that the best results are achieved when everyone works together; our staff, our clients, our consultants and our subcontractors and suppliers.

Honesty and Integrity

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

Fairness

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

Professionalism and Excellence

- We conduct ourselves in a manner of which we are proud; as individuals, and as representatives of our Company and industry.

Personal Growth

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

STRATEGY:

The Company will pursue organic growth by expanding its construction activities for clients in the industrial, commercial and institutional market sectors. The Company will continue to utilize a range of contract formats and will also continue to pursue design-build projects across all market sectors. The design work required for these projects is typically specialized and varies widely based on the project type. Accordingly, the Company will continue to outsource design services in order to efficiently access the best expertise available. The Company's long-standing record of providing a quality product to its clients on time and standing behind that product after completion of construction has provided the opportunity for the Company to work with many clients on a repeat basis. The Company will continue to emphasize operational excellence as a means for generating new opportunities and thereby creating value.

The Company has secured and will continue to pursue design-build contracts with clients participating in the Public Private Partnership ("PPP") market in the institutional sector. In addition to the Company's more traditional role of acting as a construction contractor to the PPP project, the Company is actively looking to acquire an equity position in PPP projects as a means to support its construction operations and generate additional construction opportunities. The Company has accumulated shareholders' equity in order to have the financial capacity to pre-qualify for PPP construction contracts and should the right opportunities arise, acquire a non-controlling ownership interest in the PPP concession, using internally-generated funds. The Company is part of various consortia that has submitted proposals for the North Island Hospitals project located on Vancouver Island and the East Rail Maintenance Facility and ErinoakKids Centre both located in Toronto. In addition, the Company, as part of various consortia, was short-listed to submit proposals for the construction of the Swift Current Long-Term Care Facility and the Saskatoon Civil Operations Centre both located in Saskatchewan, and Building Alberta Schools Construction Program. The Company is pursuing a minority equity position in some of the above mentioned projects in addition to serving as a member of the respective design-build construction team, should the securement be successful.

The Company has developed expertise in the construction of water and wastewater treatment facilities and will continue to capitalize on this expertise. On January 17, 2013, the Company acquired all of the outstanding shares of Nason as part of its strategy in this market. Nason has a 40-year track record and is a recognized leader in the construction of water and wastewater facilities in western Canada. Nason performs the majority of its work with its own forces and has particular strength in the execution of mechanical, electrical and instrumentation work.

While there has been continued uncertainty in the current economic environment, the Company is beginning to see improving conditions for the industrial sector in northern Alberta. In addition, the Company is increasingly addressing the maintenance requirements of our oil sands clients and will seek to expand the significance of this business with our industrial clients. Achievement of this strategic initiative may be further accomplished through an acquisition or by organic growth, or a combination of both. With oil sands production methods becoming increasingly more environmentally friendly, the Company will continue to expand and enhance our construction expertise in the area of steam-assisted gravity drainage ("SAGD") as the industry moves in this direction. Construction activity in the mining sector has slowed significantly in the past year and there are no signs that this slowdown will end in the near future. However, the Company expects to benefit from the many attractive opportunities that are expected to continue in the development of Canada's other resource sectors and hydro power markets.

Bird has secured several heavy civil construction contracts with earth-moving components in northern Alberta and the Company will continue to develop this scope of work as we pursue additional opportunities in the future.

Bird will continue its efforts to attract and retain a highly-skilled, professional workforce to increase its capacity and productivity to deliver increasing revenues and earnings in the future. Bird prides itself in providing a working environment for its employees based on the principles of honesty, integrity, excellence and professionalism. We support employees in their goal to expand their skills and experience. The Company believes that employees are entitled to meaningful, satisfying work as they help advance the goals of the organization.

The Company emphasizes providing a safe working environment for its employees and those of its subcontractors. Our safety program is supported through ongoing safety training programs, on-site safety supervision and audits of these programs.

KEY PERFORMANCE DRIVERS:

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

In order to achieve this, new work must be available, which is a function of the general state of the economy. In periods of strong economic growth, capital spending will generally increase and there will be more opportunities available in the construction industry. Economic conditions in the construction industry generally improved in mid 2011, with this improvement being reflected in the Company's revenues and gross profits reported in 2012. Economic conditions generally weakened in the latter half of 2012, particularly in the Company's industrial and institutional markets, with this weakening being reflected in the 2013 results. There are now some indications that conditions may be improving. During the last half of 2013, the Company secured a significant level of new awards in northern Alberta, signaling an improvement in market conditions in this region. However, the institutional and commercial markets continue to be very competitive which may impact the level of new securements moving forward and/or have the potential to reduce gross margins on new awards.

The Company must be successful in securing profitable work when it is available. The construction industry is highly fragmented and accordingly, the Company competes with a number of international, national, regional and local construction firms. One of the Company's competitive advantages rests in its long-standing reputation for delivering high quality projects that fully meet the needs of the customer.

The Company's success in securing work is also reflected in the value of Backlog. The following table shows the Company's Backlog at the end of the comparative reporting periods. The Company's current level of Backlog of $1,268.7 million compares with $1,073.9 million a year ago. The $194.8 million increase in Backlog at December 31, 2013 is attributable to a strong level of securements in the final quarter of 2013. The Company must continue to be successful in securing additional projects to achieve its strategic objectives.

(thousands of dollars)	**2013**	2012
Backlog	$ **1,268,700**	$ 1,073,900

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

2013	2012
5.4%	9.8%

In 2013, the Company realized a Gross Profit Percentage of 5.4% compared with 9.8% in 2012. The reduction in the Gross Profit Percentage realized in 2013 compared to 2012 is in part attributable to one fixed price construction project which experienced execution issues resulting in a loss in 2013, and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

Financial condition

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

(thousands of dollars)		2013		2012
Working capital	$	**120,362**	$	154,427
Shareholders' equity	$	**177,296**	$	191,565

The $34.1 million decline in the amount of working capital in the year ended December 31, 2013 is primarily a result of $11.5 million of cash used to purchase property and equipment not financed with debt, the use of $14.6 million of cash to repay long-term debt and $5.6 million of net cash used to acquire Nason.

The change in amount of shareholders' equity during the year represents the extent to which dividends declared exceeded earnings in the year ended December 31, 2013, offset to some extent by the issuance of 363,007 common shares valued at $5.0 million as part of the acquisition of Nason.

The Company believes it has sufficient working capital and equity to conduct its business in the ordinary course plus an amount to accommodate potential strategic initiatives.

Safety

At Bird, we recognize that safety and production are neither mutually exclusive nor competing priorities wherein one is necessarily compromised for the sake of the other. Rather, we are committed to safe production, putting our people first and ensuring their safety so that they can work effectively and productively, expecting to go home at the end of the day as healthy as when they arrived.

On a construction site, the difference between being fully committed to people and to safe production and not being fully committed can often be measured in life-altering injuries or lives. As such, we believe that safe production is everybody's responsibility, every minute of every day on every job – from the workers on our project sites to the leadership of the organization.

Our goal is to create and sustain an environment and culture where everybody understands, accepts and actively shares in this responsibility. To this end, we will collaborate with our employees, our subcontractors, our clients and our suppliers in a spirit of consultation and cooperation to achieve this goal.

In 2013, Bird has executed over 4,359,973 manhours of work, incurring five lost time incidents (LTI) for an LTI frequency of 0.23.

Lost Time Incident Frequency

2013	2012
0.23	0.50

RESULTS OF OPERATIONS:

FISCAL 2013 COMPARED WITH FISCAL 2012

During the year ended December 31, 2013, the Company generated net income of $12.1 million on construction revenue of $1,331.7 million compared with $58.2 million and $1,454.9 million, respectively in 2012. The reduction in the amount of net income in 2013 is attributable to one fixed price construction project that experienced execution issues in the year resulting in a $20.5 million loss and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

In 2013, the Company generated adjusted net income (non-GAAP measure) of $14.6 million compared with $62.0 million in 2012. The 2013 adjusted net income was similarly adversely affected by the project construction loss noted above and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

Construction revenue in 2013 decreased by 8.5% to $1,331.7 million, compared with $1,454.9 million recorded in 2012. The decline in construction revenues of $123.2 million is attributable to lower construction revenue derived from our industrial and institutional sectors in 2013 offset to some extent by higher construction revenues originating from our commercial operations.

In 2013, the Company's gross profit of $71.5 million compares with $143.0 million recorded a year ago. The $71.5 million reduction in the amount of 2013 gross profit is in part due to one fixed price construction project that experienced execution issues which resulted in a $20.5 million loss in the year and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

General and administrative expenses in 2013 of $55.8 million (4.2% of revenue) compares with $62.3 million (4.3% of revenue) in 2012. The decrease in 2013 expenses is primarily attributable to lower variable compensation costs consistent with lower earnings and the benefit associated with reducing contingent consideration liabilities, as a result of revisions to earnings estimates for the acquired businesses compared with target earnings thresholds set out in the acquisition agreements. A reduction in the amount of these expenses was partially offset by the inclusion of the Nason general and administrative costs in 2013.

Finance income of $2.7 million was $1.4 million lower than the amount recorded in 2012. The decrease is due to the recognition of an unrealized loss of $0.8 million on the Company's preferred share investment portfolio in 2013 combined with a reduction in interest and dividend income of $0.6 million, resulting from a lower amount of cash available to invest in 2013 relative to 2012.

Finance costs of $3.0 million were $0.7 million lower than 2012, primarily due to lower interest costs on long-term debt along with a reduction in interest expense relating to the accretion of the contingent consideration.

In 2013, income tax expense of $3.2 million was $19.5 million lower than 2012, consistent with lower pre-tax earnings.

THREE MONTHS ENDED DECEMBER 31, 2013 COMPARED WITH THREE MONTHS ENDED DECEMBER 31, 2012

Selected Quarterly Financial Information

Consolidated Statements of Income and Comprehensive Income

Fourth Quarter

(thousands of dollars)

	For the three months ended December 31	
	2013	2012
	(unaudited)	(unaudited)
Construction revenue	**$ 363,692**	$ 420,292
Costs of construction	**348,275**	365,886
Gross Profit	**15,417**	54,406
General & administrative expenses	**9,394**	19,573
Income from operations	**6,023**	34,833
Finance income	**565**	1,084
Finance costs	**(107)**	(1,054)
Income before income taxes	**6,481**	34,863
Income tax expense	**773**	10,159
Net income and comprehensive income for the period	**$ 5,708**	$ 24,704
Adjusted net income and comprehensive income for the period	**$ 6,146**	$ 25,561
Basic and diluted earnings per share	**$ 0.13**	$ 0.58
Adjusted net income per share	**$ 0.14**	$ 0.61

In the fourth quarter of 2013, the Company generated net income of $5.7 million on quarterly construction revenue of $363.7 million compared with $24.7 million and $420.3 million, respectively in 2012. The reduction in 2013 fourth quarter net income is attributable to one fixed price construction project that experienced execution issues resulting in an $8.0 million loss in the quarter and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

In the fourth quarter of 2013, the Company generated adjusted net income (non-GAAP measure) of $6.1 million compared with $25.6 million in 2012. Fourth quarter adjusted net income was similarly negatively affected by the same factors noted above.

Construction revenue of $363.7 million in the fourth quarter was $56.6 million or 13.5% lower than the amount recorded in 2012. The decline is primarily due to lower construction revenues derived from our industrial sector.

In the fourth quarter of 2013, the Company's gross profit of $15.4 million compares with $54.4 million recorded in 2012. The reduction in the amount of 2013 gross profit is attributable to one fixed price construction project that has experienced execution issues resulting in an $8.0 million loss in the period and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

General and administrative expenses of $9.4 million (2.6% of revenue) in the quarter were $10.2 million lower than the $19.6 million (4.7% of revenue) recorded in 2012. The reduction in expenses is primarily attributable to a reduction in variable compensation costs resulting from lower 2013 earnings combined with the benefit associated with reducing contingent consideration liabilities as a result of revisions to earnings estimates for the acquired businesses compared with the target earnings thresholds set out in the acquisition agreements. These declines were offset to some extent by the inclusion of Nason's general and administrative costs in 2013.

Finance income in the fourth quarter of 2013 of $0.6 million compares to $1.1 million reported in 2012. The reduction in the amount of quarterly finance income is due to a $0.3 million unrealized loss on our preferred share investments combined with lower interest and dividend income resulting from lower amounts of cash available to invest in the current quarter compared to a year-ago.

Finance costs of $0.1 million were $1.0 million lower than the amount reported in the fourth quarter of 2012, primarily due to the reversal of $0.6 million of interest expense relating to the accretion of the contingent consideration and to a lesser extent lower interest costs on long-term debt.

In the fourth quarter of 2013, income tax expense of $0.8 million was $9.4 million lower than 2012, consistent with lower pre-tax earnings in 2013.

FUTURE OPERATING PERFORMANCE:

Successful financial performance of the Company is dependent upon securing profitable construction contracts and then controlling the costs associated with the execution of the work. The ability to secure contracts is a function of the general state of the economy. At December 31, 2013, the Company's Backlog stands at a record level of $1,268.7 million, representing an increase of $194.8 million compared to the $1,073.9 million reported at the end of 2012. During the last half of 2013, the Company secured a significant volume of new contract awards, with a large portion of the work in the industrial sector, reinforcing the fact that Bird's business remains strong in light of competitive market conditions. The Company has and will continue to bid on a substantial volume of new business and management believes that this effort will generate increasing levels of future revenue in 2014 and thereafter.

The Company is pursuing larger scale and self-performed heavy civil opportunities in Canada's resource sector and hydro power markets. Volatility in commodity pricing seen earlier in 2013 caused some of our clients to re-examine their project plans, which had the effect of delaying the commencement of many larger scale construction prospects. In the last half of 2013 we saw evidence to suggest that these larger projects are beginning to come to market. The projects awarded to the Company in the last half of 2013 provide a degree of optimism for the future development of these larger scale projects in northern Alberta. In addition to these larger scale opportunities, the Company continues to be well positioned to capitalize on the many smaller to medium size opportunities which continue to come to market.

The industrial market contributed 37% of 2013 revenues (43% in 2012). The reduction in the relative significance of industrial revenues in 2013 compared to 2012 is a result of reduced construction activity in northern Alberta during the first half of 2013 and an inability to replicate the strong revenues produced by O'Connell in 2012. The level of 2013 oil sands activity was negatively impacted by uncertain commodity pricing and concerns surrounding pipeline capacity. In the last half of 2013, the Company was awarded several larger scale oil sands construction contracts and we are currently actively involved in the pursuit of other such opportunities. In 2013, mining activity was slower, making it difficult to reproduce the results that we reported in 2012. The Company expects that the relative significance of the industrial sector will rebound in 2014 because of the effect of a number of significant contract awards made in the last half of 2013, combined with an expectation for continued capital spending in 2014. Although mining spending is expected to remain depressed in 2014, the Company is aggressively pursuing a number of opportunities in other industrial markets.

The institutional sector represented 26% of 2013 revenues (37% in 2012). The decline in the relative significance of revenues from this sector in 2013 compared with 2012 is primarily a result of the Company's inability to secure sufficient replacement work for that which was recognized as revenue a year earlier. The Company anticipates that institutional spending will continue at reduced levels, as all levels of government are still under pressure to address budget deficits. However, the Company will continue to be active in the PPP market and will be submitting proposals for projects of this nature in 2014 and beyond. Competition for these projects will continue to be intense and there can be no assurance that the Company will be successful in achieving contract awards.

The retail and commercial sector represented 37% of 2013 revenues (20% in 2012). In 2013, the increase in the relative significance of 2013 revenues compared with 2012 is a result of the Company capitalizing on our clients' growth programs throughout the country. While we have a solid Backlog of work in this sector, we do not foresee the previous pace continuing into 2014. The timing of owner decisions and stiff competition for this work will impact our ability to replicate 2013 results in 2014.

During 2013 the Company's earnings were adversely affected by execution issues, and by weaker margins within its industrial operations. These factors are not expected to detract from the profitability of work to be put in place in 2014 and thereafter. The combination of increased revenue and a recovery in margins is expected to generate a level of sustainable earnings which supports the current dividend level while enabling future growth.

Backlog

During the year, the Company secured $1,518.3 million in new construction contracts (including change orders to existing contracts) and acquired $8.2 million of Backlog resulting from the Nason acquisition on January 17, 2013. The Company's Backlog of $1,268.7 million at December 31, 2013, compares with $1,073.9 million at December 31, 2012. With respect to the current Backlog, $826.4 million is expected to be put in place during 2014, leaving $442.3 million to carry forward to 2015 and beyond. The following table outlines the changes in the amount of the Company's Backlog throughout the current year and with a comparison to the prior year.

Backlog (millions of dollars)		
December 31, 2011	$	1,235.6
Securements and Change Orders in 2012		1,293.2
Realized in construction revenues in 2012		(1,454.9)
December 31, 2012	$	1,073.9
Securements and Change Orders in 2013		1,518.3
Acquisition from Nason		8.2
Realized in construction revenues in 2013		(1,331.7)
December 31, 2013	**$**	**1,268.7**

In addition to Backlog, at December 31, 2013, the value of uncompleted construction management contract work, for which the Company acts as an agent for the customer, is $41.8 million, compared with $96.0 million at December 31, 2012.

ACCOUNTING POLICIES:

The Company's significant accounting policies are outlined in the notes to the December 31, 2013 and 2012 Consolidated Financial Statements. The Consolidated Financial Statements were prepared using the same accounting policies as our most recent annual consolidated financial statements, except for the adoption of new standards effective as of January 1, 2013. The adoption of these new standards did not have a material impact on the methods of computation or on the presentation of the Company's consolidated financial statements.

Future accounting changes

IFRS 9 Financial instruments was issued in November 2009 and amended in October 2010. IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified based on the business model in which they are held and the characteristics of their contractual cash flows. Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39 Financial instruments – recognition and measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. In November 2013, a new general hedge accounting standard was issued, which forms part of IFRS 9. The new general hedge accounting standard will align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The new standard removes the 2015 effective date of IFRS 9. The mandatory effective date is not yet determined and although early adoption of this new standard is still permitted, Canadian reporting entities cannot early adopt IFRS 9 until it has been approved by the Canadian Accounting Standards Board. The Company does not intend to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2014, and the extent of the impact of adoption of IFRS 9 has not yet been determined.

SUMMARY OF QUARTERLY RESULTS:

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

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

(thousands of dollars)	2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Revenue	294,654	343,083	396,840	420,292	288,464	312,265	367,268	**363,692**
Net income	6,435	9,002	18,104	24,704	2,431	327	3,624	**5,708**
Earnings per share	0.15	0.22	0.43	0.58	0.06	0.00	0.09	**0.13**

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY:

The Company believes that its strong balance sheet, including equity of $177.3 million and $120.4 million of working capital, provides it with the financial capacity to support all of our contract security requirements, including the ability to secure performance bonds, issue labour and material bonds, issue letters of credit and provide parent company performance guarantees. Although the Company introduced long-term debt into its capital structure to finance the acquisition of O'Connell and later to finance the purchase of equipment, management believes that the amount of long-term debt totalling $39.4 million at December 31, 2013 is manageable in light of the level of expected future earnings of the Company, combined with the Company's strong financial position, including access to a number of unutilized credit facilities. The Company expects to utilize cash from operations, existing working capital, including cash and cash equivalent balances, and draws on its credit facilities to fund liabilities as they become due, finance future capital expenditures and pay dividends on shares.

The following table outlines the amount of shareholders' equity, working capital, long-term debt and Backlog at December 31, 2013 and December 31, 2012.

Financial Condition table (thousands of dollars)	2013	2012
Shareholders' equity	**$ 177,296**	$ 191,565
Working capital	**$ 120,362**	$ 154,427
Long-term debt	**$ 39,369**	$ 48,174
Backlog	**$ 1,268,700**	$ 1,073,900

Loans and Borrowings

During 2013, the Company made $14.6 million of principal repayments and issued $5.3 million of new debt to finance purchases of heavy equipment to support ongoing industrial sector operations. The following table provides details of outstanding debt as at December 31, 2013 and principal repayments due over the next five years, excluding the amortization of debt financing costs of $0.2 million and finance lease liabilities.

Debt (thousands of dollars)	Amount	Year 1	Year 2	Year 3	Year 4	Year 5
Loans and borrowings	$ 38,108	$ 14,762	$ 14,490	$ 6,677	$ 1,080	$ 1,099

Credit Facilities

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

Issuance of Letters of Credit

The Company has available $131.5 million of demand facilities used to primarily support the issuance of letters of credit. All letters of credit issued under these facilities are supported by the pledge of Company-owned financial instruments.

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

(thousands of dollars)	2013	2012
Operating line of credit	**$ 131,500**	$ 131,500
Letters of credit issued	**$ 23,487**	$ 31,561
Collateral pledged to support letters of credit	**$ 30,825**	$ 40,215

In 2013, the amount of outstanding letters of credit declined by $8.1 million primarily due to the expiry of letters of credit relating to a previously completed PPP construction project.

Operating Lines of Credit

(a) Committed revolving line of credit:
The Company has a committed unsecured revolving line of credit for $30.0 million with a Canadian chartered bank. The facility expires on September 28, 2017. This facility may be used in the normal course of business for general working capital purposes, fund future capital expenditures and qualifying permitted acquisitions. At December 31, 2013, no amounts were outstanding under this facility. This credit facility includes standard default and covenant provisions whereby accelerated repayment may be required if the Company were to violate certain financial covenants.

(b) Committed revolving line of credit:
A subsidiary of the Company has a committed revolving credit facility of $20.0 million, maturing on May 31, 2015. The facility may be used to finance normal course operations of the subsidiary. Borrowings under this facility are secured by a first charge against the accounts receivable of the subsidiary. At December 31, 2013, the Company had no outstanding amounts due under this facility. This credit facility includes standard default and covenant provisions whereby accelerated repayment may be required if the subsidiary were to violate certain financial covenants.

At December 31, 2013, the Company was in compliance with all debt covenants relating to its operating lines of credit. The Company expects to continue to comply with these provisions.

Equipment Financing

(a) A subsidiary of the Company has an equipment financing facility with a Canadian chartered bank for $20.0 million for the purpose of financing future equipment purchases. At December 31, 2013, the Company has $2.2 million outstanding under this facility. Draws under this facility are permitted until May 31, 2015. The facility allows the Company access to term financing for up to five years with a maximum amortization period of 84 months. Interest can be set using either a fixed or variable rate option. Any draws under this facility will be secured by equipment purchased with the proceeds from the loan.

(b) In addition, a subsidiary of the Company has an operating lease line of credit for $42.5 million with the financing arm of a major heavy equipment supplier to finance operating equipment leases. Draws under this facility are recognized as operating leases for accounting purposes. At December 31, 2013, the Company has used $19.3 million under this facility. The Company's total lease commitments are outlined under Contractual Obligations.

Liquidity

A manageable amount of long-term debt, a high proportion of working capital represented by cash and other liquid securities and access to a number of unutilized credit facilities will enable the Company to meet its obligations as they become due. The amount of equity retained in the business supports the Company's strategic objectives including active participation in the PPP infrastructure market, increasing our presence in the heavy civil construction market while also providing the Company with sufficient financial capacity to withstand a downturn in the construction industry should it occur.

Financial Position

The following table provides an overview of the Company's financial position for the year indicated.

		December 31, 2013		December 31, 2012
Financial Position Data				
Cash and cash equivalents	**$**	**138,350**	$	183,079
Investment in marketable securities		**13,657**		15,956
Working capital		**120,362**		154,427
Long-term debt		**39,369**		48,174
Shareholders' equity		**177,296**		191,565

As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. At December 31, 2013, these balances consisted of $138.4 million of cash and cash equivalents and $13.7 million of liquid securities for a total of $152.1 million. The Company's non-cash net current asset/liability position fluctuates significantly in the normal course of business from period to period, primarily due to the timing of differences between the settlement of payables due to subcontractors and suppliers, billings and collection of accounts receivable from clients, and also the timing of settlement of income taxes payable. The Company's cash balance absorbs these fluctuations with no net impact to the Company's net working capital position or ability to access surety support.

Cash Flow Data

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

(thousands of dollars)		**2013**		2012
Cash Flow Data				
Cash flows from operations before changes in non-cash working capital	**$**	**32,314**	$	108,699
Changes in non-cash working capital		**(15,915)**		(48,373)
Cash flows from operating activities		**16,399**		60,326
Cash flows used in investing activities		**(20,023)**		(24,051)
Cash flows used in financing activities		**(41,105)**		(26,598)
Increase/decrease in cash and cash equivalents	**$**	**(44,729)**	$	9,677

Operating Activities

During the year ended December 31, 2013, the Company generated cash from operating activities of $16.4 million compared with $60.3 million in 2012. In 2013, cash flow from operations was comprised of $32.3 million of cash from operating activities before changes in non-cash working capital and $15.9 million of cash used to fund an increase in the Company's non-cash working capital position. In 2012, the comparative amounts were $108.7 million of cash from operations before changes in non-cash working capital and $48.4 million of cash used to fund an increase in the Company's non-cash working capital position. Changes in the amount of non-cash working capital represent normal course fluctuations in the Company's net non-cash current asset/liability position. In some periods, this fluctuation will be a use of cash, as in the current periods, but in other periods, it will be a source of cash, tending to balance out over time and having no net impact on the Company's working capital.

Investing Activities
In 2013, the Company used $20.0 million of cash in investing activities compared with $24.1 million in 2012. The reduction in the amount of cash used in investing activities in 2013 compared to 2012 is primarily attributable to a decrease in purchases of property and equipment, offset to some extent in 2013 by the use of $5.6 million of cash to acquire Nason. In 2013, the Company made purchases of property and equipment of $16.8 million compared with $25.6 million in 2012. Property and equipment expenditures primarily relate to purchases of heavy equipment to support our construction operations in the industrial sector. The decline in equipment purchases in 2013 is a result of an expected short-term reduction in construction activity derived from the Company's industrial operations.

Financing Activities
During the year ended December 31, 2013, the Company used $41.1 million of cash in financing activities compared with a use of cash of $26.6 million in 2012. The increase in the amount of cash used in 2013 is primarily due to a reduction in the amount of cash received in 2013 from new debt financing. In 2013, the Company issued new long-term debt of $5.3 million compared with $16.0 million in 2012. The issuance of long-term debt was used to finance the purchases of heavy equipment to support our construction operations in the industrial market sector. The remainder of the increase in cash outflow in 2013 is primarily a result of higher debt repayments in the current year.

DIVIDENDS:

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

January 1, 2012 to March 31, 2012	$0.170
April 1, 2012 to June 30, 2012	$0.180
October 1, 2012 to December 31, 2012	$0.180
January 1, 2013 to March 31, 2013	$0.184
April 1, 2013 to June 30, 2013	$0.190
July 1, 2013 to September 30, 2013	$0.190
October 1, 2013 to December 31, 2013	**$0.190**

Effective March 12, 2013, the Company increased its monthly dividend by 5.5%, bringing the monthly dividend rate to $0.0633 per common share compared to $0.060 per common share, previously.

CAPABILITY TO DELIVER RESULTS:

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

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

CONTRACTUAL OBLIGATIONS:

At December 31, 2013, the Company has future contractual obligations of $421.5 million. Obligations for accounts payable, finance and operating annual lease payments and for principal repayments, including interest, under long-term debt over the next five years are:

(thousands of dollars)		Accounts Payable	Finance Leases	Operating Leases	Long-Term Debt	Total
2014	$	344,966	694	9,147	16,009	370,816
2015		4,312	660	4,634	15,218	24,824
2016		-	187	2,510	6,779	9,476
2017		-		1,794	1,130	2,924
2018		-	-	1,503	1,116	2,619
Thereafter		-	-	10,794	-	10,794
	$	349,278	1,541	30,382	40,252	421,453

OFF BALANCE SHEET ARRANGEMENTS:

The Company has operating lease obligations described under Contractual Obligations noted above and surety lien bonds issued on behalf of the Company valued at $6.4 million at December 31, 2013.

CRITICAL ACCOUNTING ESTIMATES:

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

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

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

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

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

OUTSTANDING COMMON SHARE DATA AND STOCK EXCHANGE LISTING:

The Company is authorized to issue an unlimited number of common shares. The Company had a total of 42,153,846 common shares outstanding at December 31, 2012. Subsequently, on January 17, 2013, in conjunction with the acquisition of Nason, the Company issued 363,007 common shares from treasury as partial consideration of the total purchase price. Therefore, the total number of outstanding common shares has increased to 42,516,853 which remain issued and outstanding at December 31, 2013 and March 6, 2014.

The Company's Board of Directors has previously approved the award of 625,000 stock options with a grant date of March 15, 2012 to eligible Company employees. The total number of stock options is exercisable in equal amounts on the first through fourth anniversary dates from the grant date. No stock options were exercised at December 31, 2013.

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

CONTROLS AND PROCEDURES:

Disclosure Controls and Procedures
Based on their evaluations as of December 31, 2013, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is accumulated, summarized and communicated to the Company's senior management, including the CEO and the CFO of the Company, as appropriate, to allow timely decisions regarding required disclosure.

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

As of December 31, 2013, under the supervision of and with the participation of management, including the CEO and CFO, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

As of December 31, 2013, under the supervision of and with the participation of management, including the CEO and CFO, the Company has evaluated the effectiveness of internal controls over financial reporting and determined that the internal controls over financial reporting are operating as intended.

There have been no material changes in the Company's internal control over financial reporting during the year ended December 31, 2013 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company has reviewed the internal controls over financial reporting of Nason Contracting Group Ltd., recently acquired by the Company on January 17, 2013, and no material control weaknesses have been identified.

RISKS RELATING TO THE BUSINESS:

The following discussion addresses the more significant risk factors relating to the business. For a detailed discussion of all risk factors relating to the business, refer to the Company's most recently filed Annual Information Form filed on March 6, 2014, which is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

margins to sustain Bird through such downturns.

Competitive Factors

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

Ability to Secure Work

Bird generally secures new contracts either through a competitive bid process or through negotiation. Awards in both the public and private sectors are generally based upon price, but are also influenced by factors such as perceived level of services offered, construction schedule, project personnel, the makeup of the subcontractor team, prior experience with the prospective client and the type of project and the ability to provide bonds and other contract security. In order to be afforded an opportunity to bid for projects in the PPP market and other large projects, a strong balance sheet measured in terms of an adequate level of working capital is typically required. Bird operates in markets that are highly competitive and there is constant pressure to find and maintain a competitive advantage. In the current economic climate, competition is intense. This presents significant challenges for the Company. If those competitive challenges are not met, Bird's client base could be eroded or it could experience an overall reduction in profits.

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

Estimating Costs/Assessing Contract Risks

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

Performance of Subcontractors

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

Maintaining Safe Work Sites

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

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

TERMINOLOGY:

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

- **"Gross Profit Percentage"** is the percentage derived by dividing gross profit by construction revenue. Gross profit is calculated by subtracting construction costs from construction revenue.
- **"Backlog"** (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course.
- **"Adjusted Net Income Measure (Non-GAAP Information)"** adjusts net income for the amount of amortization expense related to intangible assets resulting from business combinations and transaction expenses relating to the combinations which are expensed in the period incurred.
- **"Lost Time Incident Frequency"** is the number of lost time incidents recorded per 200,000 manhours of work by Bird employees.

FORWARD-LOOKING INFORMATION:

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

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, this MD&A includes many such forward-looking statements and the Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. Risks that may impact the Company's future results, performance or achievements include those described under "Risks Relating to the Business" in this MD&A and in the Company's Annual Information Form dated March 6, 2014 filed and available on SEDAR. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.

Reports to the Shareholders

Management's Responsibility for Financial Reporting

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

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

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

Paul A. Charette	Stephen R. Entwistle
Chair of the Board of Directors	CFO and Assistant Secretary

March 6, 2014

Independent Auditors' Report

To the Shareholders of Bird Construction Inc.

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

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bird Construction Inc. as at December 31, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed **"KPMG LLP"**

Chartered Accountants
March 6, 2014
Winnipeg, Canada

Consolidated Balance Sheet
(in thousands of Canadian dollars)

	Note	December 31, 2013	December 31, 2012
ASSETS			
Current assets:			
Cash	9 and 21	**$ 136,435**	$ 151,836
Bankers' acceptances and short-term deposits	9 and 21	**1,915**	31,243
Preferred share investments		**13,657**	15,956
Accounts receivable	6	**371,465**	403,013
Costs and estimated earnings in excess of billings		**8,245**	8,764
Inventory		**2,609**	3,389
Prepaid expenses and other assets		**1,985**	1,908
Income taxes recoverable		**10,381**	2,329
Total current assets		**546,692**	618,438
Non-current assets:			
Property and equipment	7	**56,248**	53,503
Deferred income tax asset	11	**1,743**	7,999
Intangible assets	8	**12,828**	14,762
Goodwill	8	**30,540**	23,445
Total non-current assets		**101,359**	99,709
TOTAL ASSETS		**$ 648,051**	$ 718,147
LIABILITIES			
Current liabilities:			
Accounts payable		**$ 348,680**	$ 369,037
Deferred contract revenue		**48,479**	53,416
Dividends payable to shareholders		**2,691**	2,529
Income taxes payable		**2,865**	12,862
Current portion of loans and borrowings	10	**15,404**	13,957
Provisions	15	**6,316**	9,875
Other liabilities	12	**1,895**	2,335
Total current liabilities		**426,330**	464,011
Non-current liabilities:			
Loans and borrowings	10	**23,965**	34,217
Deferred income tax liability	11	**18,155**	22,480
Other liabilities	12	**2,305**	5,874
Total non-current liabilities		**44,425**	62,571
SHAREHOLDERS' EQUITY			
Shareholders' capital	13	**42,527**	37,527
Contributed surplus		**1,492**	836
Retained earnings		**133,277**	153,202
Total shareholders' equity		**177,296**	191,565
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 648,051**	$ 718,147

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

Consolidated Statements of Income and Comprehensive Income

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

	Note	2013	2012
Construction revenue		**$ 1,331,689**	$ 1,454,869
Costs of construction		**1,260,224**	1,311,906
Gross profit		**71,465**	142,963
General and administrative expenses		**55,823**	62,345
Income from operations		**15,642**	80,618
Finance income	16	**2,665**	4,072
Finance costs	17	**(2,987)**	(3,709)
Income before income taxes		**15,320**	80,981
Income tax expense	11	**3,230**	22,736
Net income and comprehensive income for the year		**$ 12,090**	$ 58,245
Basic and diluted earnings per share	14	**$ 0.28**	$ 1.38

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

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

	Note	Shareholders' Capital	Contributed surplus	Retained earnings	Total Equity
Balance at December 31, 2011		$ 37,527	$ -	$ 124,886	$ 162,413
Contributions by and dividends to owners					
Stock-based compensation expense	13	-	836	-	836
Dividends declared to shareholders		-	-	(29,929)	(29,929)
Net income and comprehensive income for the year		-	-	58,245	58,245
Balance at December 31, 2012		$ 37,527	$ 836	$ 153,202	$ 191,565
Dividends per share declared during the year ended December 31, 2012				$0.710	
Balance at December 31, 2012		**$ 37,527**	**$ 836**	**$ 153,202**	**$ 191,565**
Shares issued pursuant to acquisition of Nason Contracting Group Ltd.	**5**	**5,000**			**5,000**
Contributions by and dividends to owners					
Stock-based compensation expense	**13**	**-**	**656**	**-**	**656**
Dividends declared to shareholders		**-**	**-**	**(32,015)**	**(32,015)**
Net income and comprehensive income for the year		**-**	**-**	**12,090**	**12,090**
Balance at December 31, 2013		**$ 42,527**	**$ 1,492**	**$ 133,277**	**$ 177,296**
Dividends per share declared during the year ended December 31, 2013				**$0.753**	

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

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

	Note	2013	2012
Cash flows from operating activities:			
Net income and comprehensive income for the year		**$ 12,090**	$ 58,245
Items not involving cash:			
Amortization	8	**3,903**	5,471
Depreciation	7	**13,612**	16,369
Loss on sale of property and equipment		**190**	28
Finance income	16	**(2,665)**	(4,072)
Finance costs	17	**2,987**	3,709
Deferred compensation plan expense	12	**2,776**	4,091
Contingent consideration	12	**(4,465)**	1,286
Income tax expense	11	**3,230**	22,736
Stock-based compensation expense	13	**656**	836
Cash flows from operations before changes in non-cash working capital		**32,314**	108,699
Changes in non-cash working capital relating to operating activities	21	**3,089**	(40,001)
Dividends and interest received		**2,113**	2,539
Interest paid		**(1,866)**	(2,184)
Income taxes paid		**(19,251)**	(8,727)
Cash flows from operating activities		**16,399**	60,326
Cash flows from (used in) investing activities:			
Acquisition of Nason Contracting Group Ltd.	5	**(5,550)**	-
Additions to property and equipment	7	**(15,761)**	(24,382)
Additions to intangible assets	8	**(1,069)**	(1,261)
Proceeds on sale of property and equipment		**888**	842
Proceeds from disposal of investments		**1,469**	750
Cash flows used in investing activities		**(20,023)**	(24,051)
Cash flows from (used in) financing activities:			
Dividends paid on shares		**(31,853)**	(29,718)
Proceeds from loans and borrowings		**5,319**	15,302
Repayment of loans and borrowings		**(14,571)**	(12,182)
Cash flows used in financing activities		**(41,105)**	(26,598)
Net increase (decrease) in cash and cash equivalents during the year		**(44,729)**	9,677
Cash and cash equivalents, beginning of the year		**183,079**	173,402
Cash and cash equivalents, end of the year	21	**$ 138,350**	$ 183,079

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

1. Structure of the Company

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

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

2. Basis of preparation

(a) Authorization of financial statements:
These consolidated financial statements were authorized for issue on March 6, 2014 by the Company's Board of Directors.

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

(c) Changes in accounting policies:
The Company adopted IFRS 10 *Consolidated financial statements*, IFRS 11 *Joint arrangements*, IFRS 12 *Disclosure of interests in other entities* and IFRS 13 *Fair value measurement*. IFRS 10, IFRS 11 and IFRS 12 replace parts of IAS 27 *Consolidated and separate financial statements* and IAS 28 *Investments in associates and joint ventures* and relate to the accounting and disclosure for interests in other entities. IFRS 13 provides guidance on how to measure assets and liabilities at fair value as well as the disclosure required with respect to management's assumptions. Except as noted below, the adoption of these new standards did not have a material impact on the methods of computation or presentation of the Company's consolidated financial statements.

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

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies

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

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

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

Company:	2013	2012
	Ownership/Voting Interest	
Fully consolidated subsidiaries		
Bird Construction Inc.	**100%**	100%
Bird Construction Company Limited	**100%**	100%
Bird Construction Company (Limited Partnership)	**100%**	100%
Bird Management Ltd.	**100%**	100%
Bird Design - Build Limited	**100%**	100%
Bird Capital Limited	**100%**	100%
Bird Capital Limited Partnership	**100%**	100%
Bird Industrial Group Limited	**100%**	100%
Bird Design-Build Construction Inc.	**100%**	100%
Westrac Resources Ltd.	**100%**	100%
Westrac Resources Limited Partnership	**100%**	100%
Bird Construction Group (Limited Partnership)	**100%**	100%
Bird Construction Group Limited	**100%**	100%
H.J. O'Connell, Limited	**100%**	100%
Les Enterprises de Construction de Québec Ltée	**100%**	100%
H.J. O'Connell Construction Ltd.	**100%**	100%
Nason Contracting Group Ltd	**100%**	n/a
Proportionately consolidated joint arrangements		
Bird-Graham Schools Joint Venture	**50%**	50%
Bird-Graham Schools 2 Joint Venture	**50%**	50%
ByBird Joint Venture	**50%**	50%
Bouygues-Bird RCMP Joint Venture	**40%**	40%
O'Connell, Neilson, EBC Partnership	**33.33%**	33.33%
IKC-ONE Partnership	**40%**	40%
Restigouche Hospital Centre Joint Venture	**30%**	30%
HJOC-VPDL Placentia Bridge Joint Venture	**50%**	n/a
Arctic-Bird Construction Joint Venture	**50%**	n/a

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

(b) Revenue recognition:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) Stock option plan:
The Company's Stock Option Plan, as described in note 13, is a share-based payment plan which provides for the granting of stock options. The fair value of share-based payment awards is recognized as an employee expense, with a corresponding increase in contributed surplus, on a straight-line basis over the vesting period. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

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

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

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

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

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

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

The Company has not classified any financial assets or liabilities as held-to-maturity or available-for-sale (see note 22).

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

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

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

(n) Intangible assets:
Non-competition agreements, customer relationships, backlog and trade names represent intangible assets acquired in business acquisitions that meet the specified criteria for recognition. These assets are initially recorded at fair value.

Trade names are intangible assets with indefinite useful lives which are not amortized, but are tested for impairment annually. Intangible assets with finite lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss over the estimated useful lives as noted below. The estimated useful lives for the current and comparative periods are as follows:

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

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

(o) Provisions:

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

Provisions include:

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

ii. Provisions for potential warranty claims relating to construction projects. These claims are usually settled during the project's warranty period. A provision is recognized when it is more likely than not that a warranty claim will arise. The amount recognized is the best estimate of the amount required to settle the warranty issue.

(p) Impairment:

Property and equipment

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

Intangible assets and goodwill

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

(q) Joint arrangements:

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

(r) Finance income and finance costs:

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

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

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

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

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

4. Future accounting changes

A number of new standards and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements.

IFRS 9 *Financial instruments* was issued in November 2009 and amended in October 2010. IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified based on the business model in which they are held and the characteristics of their contractual cash flows. Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39 *Financial instruments – recognition and measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. In November 2013, a new general hedge accounting standard was issued, which forms part of IFRS 9. The new general hedge accounting standard will align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The new standard removes the 2015 effective date of IFRS 9. The mandatory effective date is not yet determined and although early adoption of this new standard is still permitted, Canadian reporting entities cannot early adopt IFRS 9 until it has been approved by the Canadian Accounting Standards Board. The Company does not intend to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2014, and the extent of the impact of adoption of IFRS 9 has not yet been determined.

5. Acquisition of Nason

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

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

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

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

		Fair value recognized
Identifiable assets acquired and liabilities assumed		
Cash	$	2,297
Accounts receivable		3,136
Income taxes receivable		557
Prepaid expenses		104
Property and equipment		1,310
Intangibles - Backlog		900
Accounts payable and other liabilities		(1,898)
Deferred contract revenue		(613)
Deferred income tax liability		(460)
Net identifiable assets		**5,333**
Goodwill		7,095
	$	**12,428**

Consideration	**Note**		
Cash consideration		$	7,847
Post-closing adjustment receivable			(1,160)
Shares issued	13		5,000
Estimated contingent consideration			741
Total Consideration		$	**12,428**
Cash and cash equivalents acquired		$	(2,297)
Post-closing adjustment receivable			1,160
Shares issued	13		(5,000)
Estimated contingent consideration	12		(741)
Cash outflow on acquisition		$	**5,550**
Acquisition costs expensed		$	485

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

The Purchase Agreement includes a provision recognizing the possibility for an additional payment to the vendors of Nason on the third anniversary date of the closing of the acquisition, should the cumulative net income of Nason in the next three years exceed a net income threshold. On the third anniversary date, the net cumulative balance owing, if any, will be paid in cash to the vendors. Interest at 4% per annum will be applied to the outstanding cumulative amount owing and will be paid in cash annually to the vendors. Management has prepared estimates of the amounts owing and probability-weighted the various outcomes. The probability-weighted outcome has been discounted using a discount rate appropriate for the acquisition. The initial range of possible outcomes on an undiscounted basis is between nil and $1,281. The amount for the contingent consideration may be adjusted as the net income of Nason is realized and any excess purchase price is determined. Any difference between the initial estimate of the contingent consideration and the actual amount owing will be recorded in the net earnings of that period. At the acquisition date, the fair value of contingent consideration was estimated at $741. Subsequently, the estimate of the fair value of the contingent consideration has been adjusted to nil (see note 12).

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

The fair value of the trade receivables amounts to $3,136. The gross amount of trade receivables is $3,195, of which $59 was expected to be uncollectible at acquisition date.

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

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

The fair values of the net identifiable assets were determined provisionally at March 31, 2013. The fair values of the net identifiable assets was finalized during the year and no adjustments were made to reflect any new information obtained about facts and circumstances that existed as of the acquisition date.

6. Accounts receivable

	December 31, 2013	December 31, 2012
Progress billings on construction contracts	**$ 252,878**	$ 300,250
Holdbacks receivable (due within one operating cycle)	**115,255**	100,227
Other	**3,332**	2,536
	$ 371,465	$ 403,013

Accounts receivable are reported net of an allowance for doubtful accounts of $894 as at December 31, 2013 ($1,111 – December 31, 2012).

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

At December 31, 2013, aggregate costs incurred under open construction contracts and recognized profits, net of recognized losses, amounted to $963,893 (December 31, 2012 - $797,075). Progress billings and advances received from customers under open construction contracts amounted to $1,004,127 (2012 - $841,727).

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

7. Property and equipment

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

	2012					
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost						
Balance January 1, 2012	$ 177	8,326	3,062	46,146	1,991	$ 59,702
Additions	-	574	484	23,152	172	24,382
Additions under finance leases	-	-	-	1,472	-	1,472
Disposals	-	(247)	(932)	(1,801)	(247)	(3,227)
Balance December 31, 2012	$ 177	8,653	2,614	68,969	1,916	$ 82,329
Accumulated depreciation						
Balance January 1, 2012	$ -	802	2,013	10,734	1,265	$ 14,814
Disposals	-	(110)	(819)	(1,188)	(240)	(2,357)
Depreciation expense	-	662	541	14,980	186	16,369
Balance December 31, 2012	$ -	1,354	1,735	24,526	1,211	$ 28,826
Net book value	$ 177	7,299	879	44,443	705	$ 53,503

There were no events or circumstances requiring an impairment loss to be recognized in the year ending December 31, 2013 or 2012.

The carrying value of equipment, trucks and automotive held under finance leases at December 31, 2013 is $1,564 (December 31, 2012 - $1,582).

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

8. Intangible assets and goodwill

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

2012		Backlog	Non-competition agreements	Customer relationships	Trade names	Computer software		Total Intangible assets		Goodwill
Cost										
Balance January 1, 2012	$	5,992	900	10,323	4,173	2,531	$	23,919	$	23,445
Additions		-	-	-	-	1,261		1,261		-
Balance December 31, 2012	$	5,992	900	10,323	4,173	3,792	$	25,180	$	23,445
Accumulated amortization										
Balance January 1, 2012	$	1,736	705	1,841	-	665	$	4,947	$	-
Amortization expense		3,195	180	1,436	-	660		5,471		-
Balance December 31, 2012	$	4,931	885	3,277	-	1,325	$	10,418	$	-
Net book value	$	1,061	15	7,046	4,173	2,467	$	14,762	$	23,445

Goodwill consists of $9,294 related to the acquisition of Rideau Construction in 2008, $14,151 related to the acquisition of H.J. O'Connell, Limited ("O'Connell") and $7,095 related to the acquisition of Nason (see note 5). There were no events or circumstances requiring an impairment loss to be recognized in the year ending December 31, 2013 or 2012.

Backlog and customer relationships are expected to be fully amortized by 2014 and 2019, respectively.

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

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

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

		2013		2012
Rideau districts	**$**	**9,294**	$	9,340
O'Connell district		**24,283**		26,400
Nason district		**7,206**		-
	$	**40,783**	$	35,740

The recoverable amounts for all cash generating units were determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management covering a four-year period. Cash flows for the remaining periods were extrapolated using nominal growth rates. A pre-tax discount rate of 15%, which is based on a market-based cost of capital, was applied in determining the recoverable amounts.

Management estimates that any reasonable fluctuation in key assumptions on which the CGUs' recoverable amounts are based would not cause the CGUs' carrying amounts to exceed their recoverable amounts.

9. Operating lines of credit

Letters of credit facilities:
The Company has authorized operating lines of credit totalling $131,500 with two Canadian chartered banks, maintained for the primary purpose of issuing letters of credit. At December 31, 2013, the lines were drawn for outstanding letters of credit of $23,487 (December 31, 2012 - $31,561).

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to Public Private Partnership projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at December 31, 2013 of $30,825 (December 31, 2012 - $40,215).

	Expiry date						
		2014	2015 to 2017	2018 and greater	**December 31, 2013**		December 31, 2012
Letters of credit	$	16,937	6,550	-	**$ 23,487**	$	31,561

Committed revolving credit facility:
A subsidiary of the Company has a committed revolving credit facility of $20,000, to be used to finance normal course operations of the subsidiary. As at December 31, 2013, the subsidiary has not drawn on the facility. Borrowings under the facility are secured by a first charge against accounts receivable, and borrowings are limited to 75% of the net receivables of the subsidiary. Interest is charged at a rate per annum equal to the Canadian prime rate plus a spread. The facility expires on May 31, 2015. The subsidiary is in compliance with the working capital and debt-to-equity covenants of this facility.

Committed revolving credit facility:
The Company has a $30,000 unsecured revolving credit facility. The facility matures on September 28, 2017. As at December 31, 2013, the Company has not drawn on the facility. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A commitment fee of 0.25% is due on the unutilized portion of the facility. The Company is in compliance with the working capital and debt-to-equity covenants of this facility.

Committed term facility:
A subsidiary of the Company has a committed term credit facility of up to $20,000 to be used to finance equipment purchases of the subsidiary. The subsidiary has drawn on the facility and the outstanding balance at December 31, 2013 is $2,195. Borrowings under the facility are secured by a first charge against certain of the subsidiary's equipment financed using the facility. Interest on the facility can be charged at a fixed rate or using a variable rate based on the Canadian prime rate plus a spread, at the subsidiary's option. Interest is paid monthly in arrears. Draws under this facility are permitted until May 31, 2015.

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

Equipment lease line of credit:
A subsidiary of the Company has established an operating lease line of credit of $42,500 with the financing arm of a major heavy equipment supplier to finance operating equipment leases. Draws under this facility are generally recognized as operating leases, with the lease obligations being secured by the specific leased equipment (see note 18). At December 31, 2013, the subsidiary has used $19,252 under this facility.

10. Loans and borrowings

	Maturity	Interest rate		December 31, 2013	December 31, 2012
Term Facility 1 (a)	October 1, 2016	Fixed	3.57%	**$ 5,900**	$ 7,906
Term Facility 2 (a)	October 1, 2016	Variable	3.23%	**5,673**	7,736
Term Facility 3 (b)	September 30, 2016	Fixed	4.24%	**2,803**	3,776
Term Facility 4 (b)	September 30, 2016	Variable	4.11%	**1,503**	3,068
Term Facility 5 (c)	June 15, 2016	Fixed	3.27%	**7,216**	9,941
Term Facility 6 (d)	December 27, 2018	Fixed	3.20%	**2,673**	-
Term Facility 7 (d)	December 27, 2018	Variable	2.71%	**2,645**	-
Vendor take-back notes (e)	August 31, 2015	Fixed	5.00%	**7,500**	11,250
Committed Term Facility (f)	April 26, 2016	Fixed	3.90%	**2,195**	3,203
				38,108	46,880
Finance lease liabilities (g)				**1,464**	1,580
Transaction costs, net of amortization of $201				**(203)**	(286)
				39,369	48,174
Less: current portion of long-term debt				**14,762**	13,526
Less: current portion of finance lease liabilities				**642**	431
Current portion of loans and borrowings				**15,404**	13,957
Non-current portion of loans and borrowings				**$ 23,965**	$ 34,217

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

(b) Term Facilities 3 & 4:
On August 31, 2011, the Company obtained two five-year secured term facilities which were used to fund the acquisition of O'Connell. Both facilities mature on September 30, 2016. Term Facility 3 was for an initial principal amount of $5,009 and bears interest at a fixed rate of 4.24%. The principal of Term Facility 3, together with interest, is to be paid in 60 blended equal installments in the amount of $93, which are payable monthly. Term Facility 4 was for an initial principal amount of $5,009 and bears interest at the three-month bankers' acceptance rate plus a spread. Principal repayments under Term Facility 4 in the amount of $83 are payable monthly. Interest on Term Facility 4 is paid monthly in arrears. Both facilities are secured by specific equipment of a subsidiary of the Company.

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

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

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

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

(f) Committed term facility:
As described in note 9, a subsidiary of the Company has a committed term credit facility of up to $20,000 to be used to finance equipment purchases of the subsidiary. The subsidiary has drawn on the facility and the outstanding balance at December 31, 2013 is $2,195. Principal repayments in the amount of $84 are payable monthly.

(g) Finance lease liabilities:
Finance leases relate to automotive equipment and mature between September 2014 and September 2016, and bear interest at the 30-day bankers' acceptance rate plus a spread. The Corporation has the option to purchase the automotive equipment under lease at the conclusion of the lease agreements.

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

Within 1 year	$	14,762
Year 2		14,490
Year 3		6,677
Year 4		1,080
Year 5		1,099
	$	38,108

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

		December 31, 2013
Within one year	$	694
After one year but not more than five years		847
More than five years		-
Total minimum lease payments		1,541
Less amounts representing interest		77
Present value of minimum lease payments		1,464
Less: current portion of finance lease liabilities		642
Non-current portion	$	822

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

11. Income taxes

		2013		2012
Provision for income taxes				
Income tax expense (recovery) is comprised of:				
Current income taxes	$	1,759	$	18,612
Deferred income taxes		1,471		4,124
	$	3,230	$	22,736
Income tax rate reconciliation				
Combined federal and provincial income tax rate		26.0%		27.6%
Increases (reductions) applicable to:				
Non-taxable items		(2.3)		0.8
Effect of loss carryback		(1.5)		-
Dividend income		(1.1)		(0.3)
Effective rate		21.1%		28.1%

Composition of deferred income tax assets and liabilities

		December 31, 2013		December 31, 2012
Provisions and accruals	$	2,827	$	3,570
Timing of recognition of construction profits		(13,546)		(13,459)
Property and equipment		(1,906)		(2,169)
Intangible assets		(5,025)		(4,275)
Other		(468)		81
Tax loss carry forward		1,706		1,771
	$	(16,412)	$	(14,481)
Balance sheet presentation				
Deferred income tax asset		1,743		7,999
Deferred income tax liability		(18,155)		(22,480)
	$	(16,412)	$	(14,481)

The Company's statutory tax rate is the combined federal and provincial tax rates in the jurisdictions in which the Company operates. The rate decline in 2013 is a result of an increase proportion of the year's earnings in provinces with lower corporate tax rates.

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

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

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

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

Movement in temporary differences for the year ended December 31, 2012

		Balance December 31, 2011	Recognized in profit or loss		Balance December 31, 2012
Provisions and accruals	$	4,157	(587)	$	3,570
Timing of recognition of construction profits		(6,576)	(6,883)		(13,459)
Property and equipment		(4,352)	2,183		(2,169)
Intangible assets		(4,974)	699		(4,275)
Other		(192)	273		81
Tax loss carry forward		1,580	191		1,771
	$	(10,357)	(4,124)	$	(14,481)

12. Other liabilities

		2013		2012
Estimated contingent consideration	**$**	**-**	$	3,724
MTIP liability		**3,953**		4,485
DSU liability		**247**		-
		4,200		8,209
Less: current portion - MTIP		**1,895**		2,335
Non-current portion	**$**	**2,305**	$	5,874

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

	MTIP	
	2013	2012
Balance January 1,	**$ 4,485**	$ 3,905
Annual award of phantom shares	**2,447**	2,841
Cash payments of vested shares	**(3,061)**	(3,511)
Shares awarded - notional dividends	**403**	408
Change in fair value of phantom shares	**(321)**	842
Balance December 31,	**3,953**	4,485
Less: current portion	**1,895**	2,335
	$ 2,058	$ 2,150

As at December 31, 2013, a total of 544,797 unvested phantom shares of the MTIP are outstanding and valued at $7,082, of which $3,953 has been recognized to date in the accounts of the Company.

	Contingent consideration	
	2013	2012
Balance January 1,	**$ 3,724**	$ 2,154
Acquisition of Nason (Note 5)	**741**	-
Change in estimated liability	**(4,465)**	1,286
Accretion	**-**	284
Balance December 31,	**$ -**	$ 3,724

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

13. Shareholders' capital

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

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

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

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

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

	Number of share options outstanding		Weighted average exercise price
Outstanding at December 31, 2012	625,000	$	13.98
Granted during the period	-	$	-
Outstanding at December 31, 2013	**625,000**	**$**	**13.98**

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2013:

Number of stock options issued and outstanding	Number of stock options exercisable		Exercise price		Weighted average fair value of the option	Expiry Date	Remaining contractual life (years)
625,000	156,250	$	13.98	$	3.25	March 15, 2019	5.2

The expense recognized during the year ended December 31, 2013 for stock-based compensation is $656 (December 31, 2012 - $836).

14. Earnings per share

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

		2013		2012
Profit attributable to shareholders (basic and diluted)	**$**	**12,090**	$	58,245
Average number of common shares outstanding		**42,500,940**		42,153,846
Effect of stock options on issue		**-**		-
Weighted average number of common shares (diluted)		**42,500,940**		42,153,846
Basic earnings per share	**$**	**0.28**	$	1.38
Diluted earnings per share	**$**	**0.28**	$	1.38

At December 31, 2013, 625,000 options (December 31, 2012 - 625,000 options) were excluded from the diluted weighted average number of common share calculation as their effect would have been anti-dilutive.

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

15. Provisions

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

		Warranty Claims	Legal		Total
Balance January 1, 2012	$	3,792	4,055	$	7,847
Provisions made during the year		5,934	3,219		9,153
Provisions used during the year		(1,225)	(1,016)		(2,241)
Provisions reversed during the year		(1,606)	(3,278)		(4,884)
Balance December 31, 2012	$	6,895	2,980	$	9,875

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

16. Finance income

		2013		2012
Interest and dividend income	**$**	**1,962**	$	2,565
Interest income relating to accretion on holdbacks receivables		**1,533**		1,553
Realized gain (loss) on investments		**19**		(1)
Unrealized gain (loss) on investments		**(849)**		(45)
	$	**2,665**	$	4,072

17. Finance costs

		2013		2012
Interest on long-term debt	**$**	**1,875**	$	2,210
Accretion of accounts payable and other liabilities		**1,112**		1,499
	$	**2,987**	$	3,709

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

18. Leases

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

	Maturities			
	Within 2014	From 2015 to 2018	Beyond 2018	Total
Operating leases	$ 9,147	10,441	10,794	$ 30,382

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

Expenses under lease commitments on buildings and equipment are $13,369 (December 31, 2012 - $9,485).

19. Commitments and contingent liabilities

(a) Commitments:
Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at December 31, 2013 totalled $6,362 (December 31, 2012 - $5,440).

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

20. Related party transactions

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

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

	2012					
	Base Salary	MTIP	Stock-based compensation	Annual Profit Sharing	Other Taxable Benefits	Total
Executive & Directors	$ 2,987	2,945	448	5,501	179	$ 12,060

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

The Executive comprises the following positions:

- President & Chief Executive Officer
- Executive Vice President & Chief Operating Officer
- Chief Financial Officer and Assistant Secretary
- Vice Chair
- Senior Vice President(s)
- Vice President National & Strategic Development & Atlantic Operations
- Vice President Risk Management & General Counsel
- Vice President Pacific & District Manager
- Vice President & District Manager
- Vice President Finance
- Vice President Human Resources

At December 31, 2013, directors and executive officers of the Company controlled 5.5% (December 31, 2012 - 6%) of the voting shares of the Company.

Certain directors, or their related parties hold positions in other entities that result in them having control over the financial reporting or operating policies of these entities. All transactions with directors and entities over which they have control are provided for in the normal course of business based on terms similar to those that prevail in arm's length transactions. The aggregate value of transactions during the year with entities over which directors have control was $12,018 (December 31, 2012 - $2,939) and the outstanding balance receivable at December 31, 2013 was $37 (December 31, 2012 - $802).

The Company provides services of its employees, management services, parental guarantees and letters of credit to the joint arrangements. These services were transferred at the exchange amount, agreed to between the parties. The amounts recognized for services provided by the Company for the year ended December 31, 2013 totalled $16,247 (December 31, 2012 - $7,199).

The Company has accounts receivable from the joint arrangements at December 31, 2013 totalling $8,231 (December 31, 2012 - $2,724).

21. Other cash flow information

		2013		2012
Changes in non-cash working capital				
Accounts receivable	**$**	**37,226**	$	(80,173)
Costs and estimated earnings in excess of billings		**519**		12,651
Prepaid expenses and other assets		**27**		173
Inventory		**780**		(1,223)
Accounts payable		**(23,293)**		54,472
Deferred contract revenue		**(5,550)**		(24,418)
Provisions		**(3,559)**		2,028
Medium term incentive plan		**(3,061)**		(3,511)
	$	**3,089**		(40,001)
Cash and cash equivalents				
Cash	**$**	**136,435**	$	151,836
Bankers' acceptances and short-term deposits		**1,915**		31,243
	$	**138,350**	$	183,079

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

The statement of cash flows for the year ended December 31, 2013 excludes additions of equipment totalling $364 acquired and financed by finance leases (December 31, 2012 - $1,472).

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

22. Financial instruments

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

A. Classification and fair value of financial instruments:

		2013		2012
Financial Instruments at Fair Value through profit or loss				
Preferred Share Investments	$	13,657	$	15,956
Contingent consideration		-		(3,724)
		13,657		12,232
Loans and Receivables and Other Financial Liabilities				
Loans and Receivables				
Cash	$	136,435	$	151,836
Bankers' acceptances and short-term deposits		1,915		31,243
Accounts receivable		371,465		403,013
	$	509,815	$	586,092
Other Financial Liabilities				
Accounts payable		(348,680)		(369,037)
Dividends payable to shareholders		(2,691)		(2,529)
Loans and borrowings		(39,369)		(48,174)
		(390,740)		(419,740)
Total Financial Instruments	$	132,732	$	178,584

The following table presents information about the Company's financial instruments measured at fair value as at December 31, 2013 and December 31, 2012, and indicates the fair value hierarchy of inputs utilized by the Company to determine such fair value. The hierarchy of inputs is summarized below:

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

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

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
		2013		
Preferred shares	**13,657**	**-**	**-**	**13,657**
Total Financial Assets through profit and loss	**$ 13,657**	**$ -**	**$ -**	**$ 13,657**
Contingent consideration	**-**	**-**	**-**	**-**
Total Financial Liabilities through profit and loss	**$ -**	**$ -**	**$ -**	**$ -**
		2012		
Preferred shares	15,956	-	-	15,956
Total Financial Assets through profit and loss	$ 15,956	$ -	$ -	$ 15,956
Contingent consideration	-	-	(3,724)	(3,724)
Total Financial Liabilities through profit and loss	$ -	$ -	$ (3,724)	$ (3,724)

There were no transfers between levels during both years.

Refer to note 5 for information relating to the contingent consideration liability arising from the business combination. The fair value measurement of the contingent consideration liabilities are based on the net income to date of both O'Connell and Nason, and an estimate of future net income over the respective earn-out periods. Management has prepared estimates of the amounts owing and probability-weighted the various outcomes. The probability-weighted outcome has been discounted using a discount rate appropriate for the acquisition.

The fair value of the loans and borrowings approximate their carrying values on a discounted cash flow basis as the majority of these obligations bear interest at market rates.

B. Risk Management:

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

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

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

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

Accounts receivable outstanding for greater than 90 days and considered past due by the Company's management, represent 6.7% (December 31, 2012 – 5.1%) of the balance of progress billings on construction contracts receivable at December 31, 2013. Management has recorded an allowance of $894 (December 31, 2012 - $1,111) against these past due receivables, net of amounts recoverable from others.

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

	Amounts past due			
	Up to 12 months	Over 12 months	**December 31, 2013**	December 31, 2012
Trade receivables	**$** 10,157	$ 6,338	**$ 16,495**	$ 14,859
Impairment	(12)	(882)	**(894)**	(1,111)
Total Trade receivables	**$** 10,145	$ 5,456	**$ 15,601**	$ 13,748

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

	2013	2012
Balance, beginning of period	**$ 1,111**	$ 997
Impairment loss recognized	**12**	155
Amounts written off	**-**	(41)
Impairment loss reversed	**(229)**	-
	$ 894	$ 1,111

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

The Company has working capital of $120,362 which is available to support surety requirements related to construction projects. As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. These investments, less $30,825 hypothecated to support outstanding letters of credit, are available to meet the financial obligations of the Company as they come due.

The Company has a committed line of credit totalling $30,000 and a subsidiary of the Company has a committed line of credit totalling $20,000, both available to finance operations. At December 31, 2013, no amounts are outstanding. Also, a subsidiary of the Company has a $20,000 committed equipment facility, of which $2,195 is outstanding at December 31, 2013. A subsidiary of the Company has established an operating lease line of credit for $42,500 with the financing arm of a major heavy equipment supplier to finance operating equipment leases. At December 31, 2013, the subsidiary has used $19,252 under this facility. In addition, the Company has lines of credit totalling $131,500 available for issuing letters of credit for which $23,487 was drawn at December 31, 2013. Additional draws on this line require hypothecation of additional securities or cash deposits. The Company believes it has access to sufficient funding through the use of these facilities to meet foreseeable operating requirements.

Principal repayments due on the loans and borrowings are disclosed in note 10. As disclosed in note 12, payments required pursuant to the Company’s Medium Term Incentive Plan granted in 2011, 2012 and 2013 are due on the vesting dates of November 2014, November 2015 and November 2016, respectively, or upon retirement, if earlier. Payments pursuant to the Company's DSU Plan are cash settled when the eligible Director ceases to hold any position within the Company.

The following are the contractual maturities of financial liabilities, including estimated interest payments as at December 31, 2013.

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

	Carrying amount	Contractual cash flows	Up to 12 months	1-2 years	3-5 years
Trade payables	$ 348,680	$ 349,278	$ 344,966	$ 4,312	$ -
Dividends payable	2,691	2,691	2,691	-	-
Finance lease liabilities	1,464	1,541	694	847	-
Long-term debt	37,905	40,252	16,009	21,997	2,246
	$ 390,740	**$ 393,762**	**$ 364,360**	**$ 27,156**	**$ 2,246**

iii. Market risk:

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

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

At December 31, 2013, the interest rate profile of the Company's long-term debt was as follows:

Fixed-rate facilities	$	28,287
Variable-rate facilities		9,821
Total long-term debt	$	38,108

As at December 31, 2013, a one percent change in the interest rate applied to the Company's variable rate long-term debt will change annual income before income taxes by approximately $98.

The Company has exposure to fluctuations in the market prices of its preferred shares portfolio. Investments are made only in securities authorized in the investment guidelines approved by the Company's Board of Directors. The Company's CFO and CEO must authorize all transactions and detailed reports summarizing the performance of the investment portfolio are made to the Board of Directors quarterly. As at December 31, 2013, a one percent change in the market price of the investments will change income before income taxes by approximately $137 (December 31, 2012 - $159).

23. Capital disclosures

The Company's capital management objectives are to:

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

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

The Company manages its capital within the investment policy approved by the Board of Directors. The Company makes changes to capital based on changes in business conditions and the mix of construction contracts. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Company shareholders, issue new debt or repay existing debt, issue new Company shares, and to a lesser degree, may adjust capital expenditures.

As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. These cash, cash equivalents and investment balances are intended to cover net current liabilities, fund current dividends payable to shareholders and provide capital to support surety and contract security requirements, including issuing letters of credit relating to the current and near-term backlog of construction projects.

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

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

The amounts of shareholders' equity, working capital and loans and borrowings at December 31, 2013 and December 31, 2012 are as follows:

	2013	2012
Shareholders' equity	**$ 177,296**	$ 191,565
Working capital	**$ 120,362**	$ 154,427
Loans and borrowings	**$ 39,369**	$ 48,174

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

The Board of Directors has declared dividends for the following months:

i. the January dividend of $0.0633 per share will be paid February 20, 2014 to the Shareholders of record as of the close of business on January 31, 2014.
ii. the February dividend of $0.0633 per share will be paid March 20, 2014 to the Shareholders of record as of the close of business on February 28, 2014.
iii. the March dividend of $0.0633 per share will be paid April 18, 2014 to the Shareholders of record as of the close of business on March 31, 2014.
iv. the April dividend of $0.0633 per share will be paid May 20, 2014 to the Shareholders of record as of the close of business on April 30, 2014.

25. Personnel costs

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

	2013	2012
Wages, salaries and profit sharing	**$ 183,949**	$ 209,924
Benefits	**34,129**	42,126
Deferred compensation	**2,776**	4,091
Stock-based compensation	**656**	836
Total	**$ 221,510**	$ 256,977

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

		2013	2012	2011	2010	2009
OPERATING RESULTS:						
Revenue	$	**1,331,689**	1,454,869	974,470	842,031	877,859
Income before income taxes	$	**15,320**	80,981	40,570	55,486	71,592
Income taxes		**3,230**	22,736	10,975	9,311	14,679
Net income	$	**12,090**	58,245	29,595	46,175	56,913
Distributions	$	**n/a**	n/a	n/a	25,290	23,248
Dividends	$	**32,015**	29,929	27,822	n/a	n/a
FINANCIAL POSITION:						
Current assets	$	**546,692**	618,438	539,040	457,446	423,787
Current liabilities		**426,330**	464,011	416,078	320,316	299,604
Working capital	$	**120,362**	154,427	122,962	137,130	124,183
Property and equipment	$	**56,248**	53,503	44,888	7,487	8,398
Shareholders'/Unitholders' equity	$	**177,296**	191,565	162,413	160,640	139,755
BACKLOG:						
Firm price	$	**1,268,700**	1,073,875	1,235,551	1,229,554	901,352
Construction management	$	**41,786**	95,999	136,383	126,581	112,645
OTHER INFORMATION:						
Number of shares/units outstanding (restated for split)		**42,516,853**	42,153,846	42,153,846	42,153,846	42,153,846
Return on revenue	%	**0.91**	4.00	3.04	5.48	6.48
Return on prior year shareholders'/unitholders' equity	%	**6.31**	35.86	18.42	33.04	55.97
Net income per share/unit	$	**0.28**	1.38	0.70	1.10	1.35
Book value per share/unit	$	**4.17**	4.54	3.85	3.81	3.32

Note: Per share/unit amounts have been retroactively restated for the effect of the exchange of three shares for each share in April 2011. The 2010 financial position and operating results and the 2009 financial position balances have been retroactively restated to appropriately reflect IFRS adjustments. All other amounts are stated under previous Canadian generally accepted accounting principles.

ELIGIBLE DIVIDENDS

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

Management and Office Directory

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Stephen Entwistle, CPA, CA – CFO & Assistant Secretary
Jason Trumbla, CPA, CA, MAcc – VP Finance
Ken McClure – Senior VP
Gilles Royer, P.Eng. – Senior VP (*located in our Edmonton office*)
Jim Brennan, P.Eng. – Senior VP & President of H.J. O'Connell *(located in our Halifax office)*
Charles Caza, BA Sc. Eng., LL.B. – VP Risk Management & General Counsel
Charmane Morrow – Corporate Secretary & Manager of Executive Administrative Services
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