

2016

ANNUAL REPORT



BIRD

EIGHTY-SIXTH
ANNUAL REPORT
BIRD

for the year ended
December 31, 2016

CORPORATE OFFICE

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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

Management's Discussion and Analysis

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, 2016 consolidated financial statements of Bird Construction Inc. This discussion contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. See "Forward-Looking Information". Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risks Relating to the Business" and "Risks Relating to the Shares" included in the Company's most current Annual Information Form dated March 14, 2017. This MD&A has been prepared as of March 14, 2017. 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.

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EXECUTIVE SUMMARY

(in thousands of Canadian dollars, except per share amounts)	2016	2015	2014
Income Statement Data			
Revenue	\$ 1,589,868	\$ 1,444,806	\$ 1,364,456
Net income ⁽¹⁾	25,002	21,482	36,237
Basic and diluted earnings per share	0.59	0.51	0.85
Adjusted Net Income ⁽²⁾			
Adjusted net income	27,741	41,802	36,237
Adjusted net income per share	0.65	0.98	0.85
Cash Flow Data			
Net increase in cash and cash equivalents during the year	43,120	54,723	25,683
Cash flows from operations	43,659	74,775	87,087
Additions to property and equipment ⁽³⁾	5,602	5,565	16,622
Cash dividends paid	32,297	32,297	32,297
Cash dividends declared per share	0.76	0.76	0.76
Balance Sheet Data			
Total assets	817,383	733,992	637,283
Working capital	118,043	127,358	104,027
Loans and borrowings (current and non-current)	11,388	19,332	28,203
Shareholders' equity	163,566	170,891	181,587

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

⁽²⁾ adjusted net income is a non-GAAP measure and does not have standardized meaning. See page 4

⁽³⁾ includes computer software purchases classified as intangible assets

2016 HIGHLIGHTS

- In 2016, the Company generated net income of \$25.0 million on construction revenue of \$1,589.9 million compared with \$21.5 million and \$1,444.8 million, respectively in 2015. The Company organically grew revenue by \$145.1 million or 10.0% higher than \$1,444.8 million recorded in 2015. The increase in construction revenues is largely due to the execution of the Company's significant institutional work program, including many PPP and alternative finance projects, secured in 2015. The Company's industrial revenues declined year-over-year from 2015, primarily driven by the completion of several larger scale industrial projects in northern Alberta.
- The revenue mix changed in 2016 which was a result of the growth in the institutional work program, that represented 56% of total revenue in 2016, an increase from 34% in 2015. The revenue increase attributable to the institutional work program was partially offset by a decline in the industrial work program, which represented 29% of total revenues, a decrease from the 51% recorded in 2015. The commercial and retail sector remained stable and represented 15% of total revenues in each of 2016 and 2015.

Management's Discussion and Analysis

- Adjusting for the non-cash after-tax impairment charges related the Company's wholly owned subsidiary, H.J. O'Connell Limited ("O'Connell") of \$2.7 million in 2016 on equipment and \$20.3 million goodwill and intangibles in 2015, the Company's adjusted net income in 2016 and 2015 was \$27.7 million and \$41.8 million (a non-GAAP measure), respectively. Adjusted net income in 2016 of \$27.7 million was less than 2015 adjusted net income of \$41.8 million by \$14.1 million or 33.6%. The decrease is primarily a result of lower gross profit due to a shift in the mix of the work program from comparatively higher margin industrial work to lower margin institutional work. In addition, the wildfires in northern Alberta had a negative impact on the execution of several projects, resulting in delays and additional unrecoverable costs amounting to approximately \$4.0 million in 2016. The net income reduction was partially offset through efficiencies in general and administrative expenses, improved finance income, lower finance costs, and an increase in deferred income tax recovery.
- In 2016, the Company increased its cash and cash equivalents position by \$43.1 million to \$261.9 million at year end. This was driven primarily by strong collections of accounts receivable and holdback receivables at the end of the quarter.
- During the fourth quarter of 2016, the Company generated net income of \$5.8 million on construction revenue of \$430.7 million compared with net income of \$11.6 million and \$413.4 million of construction revenue in 2015. The reduction in the amount of 2016 net income was primarily due to lower gross profit partially offset by a reduction in general and administrative expenses, interest expense and an improvement in equity income related to equity investments in Public Private Partnership ("PPP") and alternative finance projects. The decrease in 2016 gross profit was driven by the year-over-year margin decline in the mix of projects and the \$3.9 million impairment charge on O'Connell equipment.
- In the fourth quarter, bidding activity on large institutional projects, including PPP and alternative finance projects, increased year-over-year as there were four projects under pursuit. Two of the projects were submitted in the quarter and the remaining two are scheduled to be submitted in the first half of 2017.
- In 2016, the Company secured \$1,064.1 million of new contract awards and change orders, and executed \$1,589.9 million of construction revenues. The success in securing new work through the course of the year contributed to a Backlog of \$1,137.0 million for the Company at December 31, 2016, compared with \$1,662.8 million at December 31, 2015. The decline in backlog from the end of 2015 is representative of the fact that the Company did not secure a major project in 2016 as available opportunities were limited. The Company has been successful in securing many smaller but strategic projects with opportunities to win additional work packages as the Company looks to diversify its revenue streams into new markets and with new clients. Subsequent to year end, the Company issued separate press releases announcing the contract signing for the Mental Health Facility and Energy Centre at Royal Columbian Hospital and that it was named preferred proponent for the Hamilton Biosolids project.
- In 2016, Bird employees exemplified safety as a core value through zero lost-time incidents in the year.
- In the fourth quarter of 2016, the Company extended the term of its \$55.0 million committed revolving credit facility to December 31, 2019 with no change to the covenants or security.
- The Board has declared dividends of \$0.0325 per common share for April 2017.

NON-GAAP MEASURE:

Adjusted net income and adjusted net income per share have no standardized meaning prescribed by GAAP and are considered a non-GAAP measure. Therefore, these measures may not be comparable with similar measures presented by others. Management believes that the presentation of adjusted net income and adjusted net income per share provides useful information for shareholders and potential investors as it provides increased transparency and predictive value.

Adjusted Net Income (Non-GAAP Information)

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

	2016	2015
Net income as reported in financial statements (GAAP)	\$ 25,002	\$ 21,482
Add: Impairment of goodwill and intangible assets	-	22,435
Add: Impairment of equipment	3,855	-
Add: Associated tax effect	(1,116)	(2,115)
Adjusted net income (Non-GAAP Measure)	\$ 27,741	\$ 41,802
Adjusted net income per share (Non-GAAP Measure)	\$ 0.65	\$ 0.98

The Company's net income in 2016 was negatively impacted by a non-cash charge to earnings of \$3.9 million (\$2.7 million after deferred tax reversal) for the impairment of equipment. 2015 net income was negatively impacted by an impairment of goodwill and intangible assets relating to the Company's investment in O'Connell.

NATURE OF THE BUSINESS

The Company operates as a general contractor in the Canadian construction market with offices in: St. John's, Halifax, Saint John, Wabush, Montreal, Toronto, Winnipeg, Calgary, Edmonton, and Vancouver. The Company and its predecessors have been in operation for 97 years. The Company focuses primarily on projects in the industrial, commercial and institutional sectors of the general contracting industry. Within the industrial sector, Bird constructs industrial buildings and performs civil construction operations including site preparation, concrete foundations, metal & modular fabrication, mechanical process work, underground piping and earthwork for clients primarily operating in the oil and gas and mining businesses. Within the commercial sector, Bird's operations include the construction and renovation of shopping malls, big box stores, office buildings, hotels and selected high rise condominiums and apartments. Within the institutional sector, Bird constructs hospitals, post-secondary education facilities, schools, prisons, courthouses, government buildings, retirement & senior housing, and environmental facilities that include water and wastewater treatment centres, composting facilities and biosolids treatment and management facilities. The Company has developed expertise in the construction of vertical elements and overall management of transportation related projects and will continue to enhance our abilities as governments plan to increase stimulus spending to address aging infrastructure. Bird also invests in equity in PPP projects as a means to support construction operations. In all sectors, Bird contracts with its clients using a combination of fixed price, unit price, cost reimbursable and guaranteed maximum price, and provides services that include construction, design-build and construction management delivery methods.

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

STRATEGY

Overall, Bird's strategic objectives are to increase Company profitability to provide attractive and sustainable returns for our shareholders; provide excellent service and quality to our clients; and provide meaningful and safe working environments for our employees and our business partners.

The fundamental elements of Bird's strategy include:

HEALTH AND SAFETY

Responsibility for the health and safety of our most critical business asset - our people - is not just the responsibility of an individual, role, or department. As befitting of a Company that started out as a family business, critical to Bird's successful growth is a belief that safety is everybody's responsibility, every minute of every day on every job. This is a fundamental tenet of our operational strategy, a core company value, and a key corporate social responsibility.

At Bird, our single most important value is Safety and our goal is zero harm. We understand that our commitment to safety is not just a moral obligation to our staff but also makes good business sense. In addition to reducing related health and safety costs, reducing property damage and improving loss management outcomes, a robust safety program also contributes to employees and other stakeholders feeling more valued and engaged. This, in turn, produces a stronger commitment to product and service quality, improved productivity and client satisfaction.

For this reason, Bird promotes a culture of "Safe Production" wherein safety considerations are interwoven into the very fabric of our operational processes. From planning to execution, effective communication, documentation, orientation, training, and ongoing review and analysis of our work activity is vigorously undertaken to ensure continuous improvement in all facets of our operations so that both hazards and inefficiencies are effectively identified, assessed, and addressed. In doing so, we create a safer and more productive work environment and better ensure that every worker on our sites leaves the job every day just as healthy and safe as when they arrived.

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

INCREASING PROFITABILITY

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

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

To broaden the scope of Bird's construction-related services, the Company will continue to self-perform a greater proportion of our industrial activities, including earthmoving operations and mechanical process work, and will continue to grow this element of business as opportunities present themselves. In addition, Bird is actively growing our sustaining capital and maintenance services provided to support our oil sands clients' operations.

Management's Discussion and Analysis

This initiative serves to diversify revenues, with the objective of making the Company less dependent on new construction programs and to build stronger customer relationships.

Our strategy is centred on diversification of our work program and earnings base. We will continue to pursue larger more complex projects, particularly in the PPP and alternative finance market, in both social infrastructure and transportation, as an active participant in the concession and as a design-build contractor. We will also focus on increasing our presence in the MRO market in western Canada through our self-perform mechanical and civil platforms and on building a work program around environmental or 'green' opportunities in water and waste water processes, composting and biosolids treatment and management.

ATTRACTING AND RETAINING PEOPLE

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

While creating a positive and safe work environment is non-negotiable, we are equally committed to providing our employees, and potential employees, with interesting and challenging work, opportunities to grow and develop, and a welcoming environment where people can build a successful career in every aspect of our business.

By continuously developing and refining policies and programs to engage our employees at work and in their communities, offering new and innovative training programs, driving ongoing leadership development, and making a career at Bird more than just a job, we are able to recruit, develop and retain top talent while ensuring our compensation programs remain market competitive.

KEY PERFORMANCE DRIVERS

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

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

The Company's success in securing work is also reflected in the value of the Backlog. The following table shows the Company's Backlog at the end of the comparative reporting periods. The Company's Backlog of \$1,137.0 million at December 31, 2016 compares with \$1,662.8 million at December 31, 2015. The year-over-year reduction in Backlog was anticipated and reflects a significant reduction in the industrial work program combined with a limited number of larger scale PPP and alternative finance projects available in the marketplace during the year. Although the Company continues to secure a number of commercial and institutional projects, these awards were not sufficient to offset the decline in our industrial work program resulting from sustained low commodity prices, particularly in oil and gas and iron ore. The Company did experience an increase in pursuit activity related to PPP and alternative finance projects in the fourth quarter of 2016. Four projects were in the proposal phase and two projects were in the pre-qualification phase, with two of the proposals and one of the pre-qualifications submitted prior to year-end.

Subsequent to the 2016 year-end the Company announced it has signed a contract for the design and construction of the Mental Health Facility and Energy Centre at Royal Columbian Hospital and was part of a consortium named as preferred proponent for the Hamilton Biosolids project, which if contracted will be added to Backlog in 2017.

Management's Discussion and Analysis

(in thousands of Canadian dollars)		
	2016	2015
Backlog	\$ 1,137,000	\$ 1,662,800

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 and achieve productivity objectives associated with the contract. The following table shows the Gross Profit Percentage realized by the Company in the comparative periods.

	2016	2015
Gross Profit Percentage	5.8%	8.4%

In 2016, the Company realized a Gross Profit Percentage of 5.8% compared with 8.4% in 2015. The reduction in Gross Profit Percentage compared with 2015 reflects the year-over-year decrease in contribution from the industrial work program, which has been historically higher margin work. This decrease has been partially offset by an increase in the contribution to gross profit derived from the institutional work program, which is comparatively lower margin. In addition, the Company's Gross Profit Percentage was negatively impacted by the Fort McMurray wildfires and the impairment of O'Connell equipment.

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.

(in thousands of Canadian dollars)		
	2016	2015
Working capital	\$ 118,043	\$ 127,358
Shareholders' equity	\$ 163,566	\$ 170,891

Cash flows from operations before changes in non-cash working capital exceeded dividend payments and capital expenditures, although the excess was more than offset by a shift in deferred income taxes to current taxes payable, the use of funds to finance subcontractor default insurance coverage and the repayment of loans and borrowings. These factors resulted in a decline in working capital of \$9.3 million to the end of 2016.

The decrease in the amount of the Company's shareholders' equity since December 31, 2015 primarily represents the extent to which dividends exceeded earnings in the year.

The Company has adequate amounts of both working capital and equity to operate the business. The Company expects resource prices to remain low through 2017 and recognizes that the construction industry generally lags the recovery of the underlying resource prices. These market conditions and the subsequent reduction of the industrial work program combined with the anticipated increase in PPP and alternative finance project activity, which requires a healthy balance sheet, led to a decision by the Company and its Board of Directors to reduce the amount of dividends paid commencing in 2017. The reduction in the amount of the monthly dividend will ensure the Company maintains adequate equity and working capital to support execution of the Company's diversification strategy that otherwise would not have been attainable if the current dividend rate was maintained.

Safety

At Bird, ensuring that all work on our sites is executed to exacting quality standards begins with our commitment to creating and sustaining a culture in which the identification, assessment, and elimination or control of hazards

Management's Discussion and Analysis

and risks is incorporated into every aspect of our operations. We call this *Safe Production*, and it is a cornerstone of our operational philosophy and approach.

Ensuring that all workers leave our jobsites everyday just as healthy and safe as when they arrived is a shared commitment and by working collaboratively with our workers and subcontractors to achieve this, we minimize risk and create the appropriate conditions for the safe execution of construction activity - on time, on budget, and to our client's satisfaction. We believe this shared commitment is critical to our overall success. It's how we work.

Through our robust orientation and training programs and our ongoing communication and engagement activities, we encourage all workers to actively contribute to our ongoing efforts to continuously improve not only our safety program, but overall collaboration and effectiveness. In this way we not only ensure they leave work healthy and safe every day, but in doing so, help contribute to our overall operational excellence.

At Bird, Safe Production is not just a vision or a philosophy, it is a daily routine practiced with discipline and rigor on all of our job sites.

In 2016, Bird executed 4,002,003 manhours of work, incurring zero lost time incident (LTI) for an LTI frequency of 0.00.

Lost Time Incident Frequency	
2016	2015
0.00	0.04

RESULTS OF OPERATIONS

FISCAL 2016 COMPARED WITH FISCAL 2015

In the fiscal year ended December 31, 2016, the Company generated net income of \$25.0 million on construction revenue of \$1,589.9 million compared with \$21.5 million and \$1,444.8 million, respectively in 2015. The Company organically grew revenue by \$145.1 million or 10.0% higher than \$1,444.8 million recorded in 2015. The increase in construction revenues is largely due to the execution of the Company's significant institutional work program, including many PPP and alternative finance projects, secured in 2015. The Company's industrial revenues declined year-over-year from 2015, primarily driven by the completion of several larger scale industrial projects in northern Alberta.

The Company's net income in 2016 and 2015 were negatively impacted by an impairment of equipment in 2016 and an impairment of goodwill and intangible assets in 2015.

In the fourth quarter 2016, the Company determined that there were indicators of impairment in the carrying amount of equipment relating to its wholly owned subsidiary O'Connell. Continued unfavourable economic and market conditions in the mining industry in eastern Canada, primarily due to low iron-ore prices have resulted in customers curtailing resource development expenditures or self-performing their mining operations. In addition, for the limited number of opportunities that were available to the O'Connell business, strong competition resulted in work being difficult to secure and a reduction in backlog in 2016 compared to a year ago. Lower utilization and the fact more equipment was made available in the resale market has placed downward pressure on equipment resale values. As a result of these factors, the Company recorded an impairment expense of \$3.9 million (\$2.7 million after deferred tax reversals) in fiscal 2016 on O'Connell equipment.

In the third quarter 2015, the Company recorded a non-cash charge of \$22.4 million (\$20.3 million after deferred tax reversals) for the impairment of goodwill and intangible assets relating to the Company's investment in O'Connell. Adjusting for the after-tax non-cash impairment charge of \$20.3 million, the Company would have recorded Adjusted Net Income of \$41.8 million (a non-GAAP measure).

Management's Discussion and Analysis

In 2016, the Company's gross profit of \$91.7 million was \$29.0 million or 24.0% less than \$120.6 million recorded a year ago. The decrease in the amount of gross profit is the result of a lower Gross Profit Percentage on commercial and institutional projects which are becoming a larger proportion of total revenues. This shift in our work program to one comprised more heavily of commercial and institutional work is due to the strong organic growth the Company achieved in this market sector, primarily due to the award of many PPP and alternative finance projects in 2015, combined with the decline in the industrial work program as a result of continued low commodity prices. In 2016, the Company's Gross Profit Percentage of 5.8% compares to 8.4% recorded a year ago. The most significant factor driving the decrease in Gross Profit Percentage is the shift in the mix of the work program from higher margin industrial projects to comparatively lower margin institutional projects. Gross profit, and therefore Gross Profit Percentage, was further negatively impacted by the equipment impairment expense of \$3.9 million (\$2.7 million after deferred tax reversals) and the wildfires in northern Alberta that resulted in delays and additional costs of approximately \$4.0 million in 2016.

In 2016, general and administrative expenses of \$58.8 million (3.7% of revenue) compares with \$60.5 million (4.2% of revenue) in 2015. The decrease in 2016 expenses is primarily driven by a reduction in compensation expense year-over-year offset to some extent by a charge for an onerous lease recorded in the third quarter of 2016.

Finance income in 2016 of \$4.5 million was \$2.2 million higher than the \$2.3 million recorded in 2015. Last year, the Company incurred a \$1.5 million net loss on the disposal of the Company's investment in preferred shares, a circumstance not repeated in 2016. This, combined with higher interest relating to the accretion of holdback receivables, is the main driver of the increase in finance income in the current year.

Finance costs of \$3.1 million were \$1.6 million lower than \$4.7 million reported in 2015. The lower cost is primarily due to lower interest expense on long-term debt, as many of the facilities were fully repaid during 2016. An improvement in equity income from PPP projects and the positive change in the fair value of the Company's interest rate swaps also contributed to the decrease in finance costs.

In 2016, income tax expense of \$9.3 million was \$4.5 million lower than 2015, which is consistent with lower current period pre-tax earnings compared to the 2015 pre-tax earnings adjusted for the non-cash impairment charge, which was a non-deductible expense for income tax purposes.

THREE MONTHS ENDED DECEMBER 31, 2016 COMPARED WITH THREE MONTHS ENDED DECEMBER 31, 2015

Selected Quarterly Financial Information
 Consolidated Statements of Income and Comprehensive Income
 Fourth Quarter
 (in thousands of Canadian dollars, except per share amounts)

	For the three months ended December 31	
	2016	2015
	(unaudited)	(unaudited)
Construction revenue	\$ 430,716	\$ 413,443
Costs of construction	407,007	379,856
Gross Profit	23,709	33,587
General & administrative expenses	15,836	16,317
Income from operations	7,873	17,270
Finance income	1,209	1,168
Finance and other costs	(650)	(2,658)
Income before income taxes	8,432	15,780
Income tax expense	2,634	4,224
Net income and comprehensive income for the period	\$ 5,798	\$ 11,556
Basic and diluted earnings per share	\$ 0.14	\$ 0.28

In the fourth quarter of 2016, the Company recorded net income of \$5.8 million on construction revenue of \$430.7 million compared with net income of \$11.6 million and \$413.4 million of construction revenue recorded in the fourth quarter of 2015. Fourth quarter construction revenue of \$430.7 million in 2016 was \$17.3 million or 4.2% higher than the \$413.4 million recorded a year ago. The increase in construction revenues is largely due to the execution of the Company's significant commercial and institutional work program, including many PPP and alternative finance projects. As expected, the Company's industrial revenues declined relative to those recorded in 2015, primarily owing to a reduced work program resulting from the successful completion of several large scale projects during the year and the general state of the market in a low commodity price environment.

The Company's fourth quarter gross profit of \$23.7 million was \$9.9 million or 29.4% lower than \$33.6 million recorded a year ago. The Company's 2016 Gross Profit Percentage of 5.5% compares to 8.1% recorded a year ago. The decrease in the amount of fourth quarter 2016 earnings is primarily due to the realization of a lower Gross Profit Percentage, a product of a year-over-year change in the work program mix from a greater proportion of higher margin industrial projects in 2015 to a greater proportion of comparatively lower margin commercial and institutional projects in 2016. Also the Company determined that there were indicators of impairment in the carrying amounts of equipment relating to O'Connell. Continued unfavourable economic and market conditions in the mining industry in eastern Canada from low iron-ore prices have resulted in customers curtailing resource development expenditures or self-performing their mining operations. In addition, for the limited number of opportunities that were available to the O'Connell business, competition was fierce and work difficult to secure resulting in a reduction in Backlog in 2016 as compared to a year ago. Lower utilization and the fact more equipment was made available in the resale market has placed downward pressure on equipment resale values. As a result of these factors, the Company recorded an impairment expense of \$3.9 million (\$2.7 million after deferred tax reversals) in fiscal 2016 on O'Connell equipment.

In the fourth quarter of 2016, general and administrative expenses of \$15.8 million (3.7% of revenue) compares with \$16.3 million (3.9% of revenue) in 2015. In the fourth quarter of 2016, the Company spent \$0.7 million in pursuit costs which is \$0.5 million higher than the fourth quarter in the prior year. This additional expense is more than offset by a decrease in 2016 compensation expense.

Finance income in the fourth quarter of 2016 of \$1.2 million is comparable to the \$1.2 million recorded in the same period of 2015.

Finance costs of \$0.7 million were \$2.0 million lower than \$2.7 million reported in the comparable period of 2015. The decrease is primarily due to lower interest expense on loans and borrowings, as many of the facilities were fully repaid during 2016. An improvement in equity income from PPP projects and the positive change in the fair value of the Company's interest rate swaps also contributed to the decrease in finance costs in the fourth quarter of 2016.

In the fourth quarter of 2016, income tax expense of \$2.6 million was \$1.6 million lower than 2015, consistent with lower pre-tax earnings in the period. In addition, fourth quarter 2016, benefitted from the associated tax effect of the equipment impairment made in the O'Connell business.

FUTURE OPERATING PERFORMANCE

At December 31, 2016, the Company is carrying a Backlog of \$1,137.0 million, representing a reduction from the \$1,662.8 million carried at the end of 2015. The reduction in Backlog was expected given the completion of several significant industrial projects during the course of the year which have been difficult to replace in the current environment combined with the fact there were few large scale institutional projects, including PPP and alternative finance projects, available owing to the timing and stage of procurement of many of these opportunities. The current Backlog is characterized by a higher composition of commercial and institutional work compared with the last several years, a result of the success in securing a significant number of contract awards in this sector in 2015. As anticipated, the Backlog attributable to the industrial work program has declined as clients continued to limit capital spending in response to the low commodity environment.

Looking towards 2017, activity in the industrial and resource sectors is expected to remain modest, although there has been recent signs of improvement as commodity prices have strengthened, particularly in the mid-stream oil and gas market in western Canada and mining operations in eastern Canada. However, for opportunities that are available, competition remains fierce, placing downward pressure on fees, and the award cycle is more drawn out as clients continue to have a measured approach to spending. With respect to the commercial and institutional market sector, there is a healthy pipeline of opportunities anticipated in 2017, characterized by numerous PPP and alternative finance projects. The Company had four large institutional projects in active pursuit in the fourth quarter of 2016, a sign of the increase in activity in this sector that is anticipated to carry through 2017 and beyond. Subsequent to 2016 year-end, the Company announced it has signed a contract for the design and construction of the Mental Health Facility and Energy Centre at Royal Columbian Hospital and was part of a consortium named as preferred proponent for the Hamilton Biosolids project, which will be added to the Company's backlog in 2017 if and when financial close is achieved. In addition, the Company has positioned itself to pursue as many as ten additional projects through 2017 and 2018 and generally expects the high level of institutional project bidding activity to continue through 2017 and into 2018. Successful award of any of these opportunities in 2017 will primarily benefit subsequent years. Consequently, with reduced gross profits available in the industrial market, the increased cost to pursue PPP and alternative finance projects and the expected timing of gross profit realization of those projects if secured, the Company anticipates that 2017 will see a significant reduction in earnings from 2016.

The institutional market sector contributed 56% of 2016 revenues (34% in 2015). In the institutional sector, investment by the various levels of government is expected to increase in 2017 to address the infrastructure deficit and boost economic activity. The federal government has announced a number of infrastructure funding programs with specific emphasis on post-secondary education through the Post-Secondary Institutions Strategic Investment Fund; public transit systems through the Public Transit Infrastructure Fund; clean water and green

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initiatives through the Green Infrastructure funding and Clean Water and Waste Water Fund; and community projects through Social Infrastructure funding.

While funding for these programs has been announced, actual projects have been slow to emerge, although the company anticipates this to change, particularly as it relates to indigenous and environmental projects. In addition, there continues to be a strong PPP and alternative finance market with numerous opportunities expected to be bid in 2017 and beyond. The Company is in a strong position to benefit from this increase in infrastructure spending and is actively pursuing a number of these opportunities that are currently available.

New contract awards of institutional projects slowed in the second half of 2016 due to the limited number of larger scale projects being available owing primarily to the timing and stage of procurement. As stated, activity in the pursuit of major projects increased in the fourth quarter and subsequent to the 2016 year-end, the Company announced it has signed a contract for the design and construction of the Mental Health Facility and Energy Centre at Royal Columbian Hospital and was part of a consortium named as preferred proponent for the Hamilton Biosolids project, which will be added to the Company's backlog in 2017 if and when financial close is achieved. The revenue and earnings contribution in 2017 derived from the institutional sector is expected to be strong.

The industrial market sector contributed 29% of 2016 revenues (51% in 2015). Though the uncertainty in the energy sector in western Canada has resulted in a reduction in the number and size of construction opportunities, it is expected that new projects, primarily in the midstream oil and gas market segment, will be available and we believe the Company is well positioned to pursue these opportunities, although competition is expected to remain strong, placing downward pressure on fees.

Similarly, lower iron ore and commodity prices have resulted in a reduction in the number and size of construction opportunities for O'Connell in eastern Canada. Recently, however, there has been an increase in bidding activity in the gold, lithium and iron ore sectors though this has not translated into any significant wins for the Company, owing primarily to heavy price competition. The challenging economic environment related to resource development that has persisted since 2014 is not expected to change significantly in the near term. Although we continue to receive new contract awards in the industrial sector, the projects are smaller and shorter cycle in nature and have been secured at lower margins due to the increased level of competition. Accordingly, we expect the revenue and gross profits in this sector to continue to be under pressure in 2017.

The retail and commercial sector contributed 15% of 2016 revenues (15% in 2015). The Company continues to secure new work in this market, although investment by private developers in many geographic regions appears to be measured due to slow growth and uncertain economic conditions. While the Company is seeing an increase in mixed use condominium work for select clients in the greater Toronto area, the expectation is that the retail and commercial sector will remain relatively unchanged in 2017.

Backlog

During 2016, the Company secured \$1,064.1 million in new construction contracts (including change orders to existing contracts) and put in place \$1,589.9 million of work resulting in a Backlog at December 31, 2016 of \$1,137.0 million. The following table outlines the changes in the amount of the Company's Backlog throughout the current and prior fiscal years.

Backlog

(in millions of Canadian dollars)

December 31, 2014	\$	1,149.7
Securement and Change Orders in 2015		1,957.9
Realized in construction revenues in 2015		<u>(1,444.8)</u>
December 31, 2015	\$	1,662.8
Securement and Change Orders in 2016		1,064.1
Realized in construction revenues in 2016		<u>(1,589.9)</u>
December 31, 2016	\$	<u><u>1,137.0</u></u>

ACCOUNTING POLICIES

The Company's significant accounting policies are outlined in the notes to the audited December 31, 2016 and 2015 Consolidated Financial Statements. The Consolidated Financial Statements were prepared using the same accounting policies as our 2015 consolidated financial statements.

The Company has adopted the Amendments to IAS 1, Presentation of Financial Statements, effective for our condensed interim and annual consolidated financial statements commencing January 1, 2016. The adoption of these amendments did not have a material impact on the presentation and disclosure in the Company's condensed consolidated interim financial statements.

Future accounting changes

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

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction contracts* and IAS 18 *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15. The clarifications to IFRS 15 provide additional guidance with respect to the five step analysis, transition, and the application of the Standard to licenses of intellectual property. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying

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assets is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of the standard has not yet been determined.

SUMMARY OF QUARTERLY RESULTS

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

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

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

	2015				2016			
	<u>Q1</u>	<u>Q2</u>	<u>Q3 *</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4**</u>
Revenue	306,163	335,322	389,878	413,443	338,294	413,195	407,663	430,716
Net income/(loss)	4,727	10,815	(5,616)	11,556	9,343	3,886	5,975	5,798
Earnings/(loss) per share	0.11	0.25	(0.13)	0.28	0.22	0.09	0.14	0.14

Notes: * The third quarter 2015 includes a net non-cash after-tax impairment charge of \$20.3 million.

** The fourth quarter 2016 includes a net non-cash after-tax equipment impairment charge of \$2.7 million.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

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

(in thousands of Canadian dollars)	2016	2015
Financial Position Data		
Cash and cash equivalents	\$ 261,876	\$ 218,756
Non-cash working capital	(143,833)	(91,398)
Working capital	118,043	127,358
Long-term debt	8,623	10,665
Shareholders' equity	163,566	170,891

Although the Company has adequate amounts of both working capital and equity, the expectation of a weaker industrial market in the near term with the resultant negative impact on earnings combined with the anticipated increase in PPP and alternative finance project activity, which requires a healthy balance sheet, has led to a decision by the Company and its Board of Directors to reduce the amount of dividends paid. Commencing in January 2017 for shareholders of record as of January 31, 2017, the dividend will be reduced from \$0.0633 to \$0.0325 per common share per month. The reduction in the amount of our monthly dividend will allow the Company to maintain equity and working capital at levels not otherwise attainable if the 2016 dividend rate was maintained and also support execution of the Company's diversification strategy.

As a component of working capital, the Company maintains a balance of cash and cash equivalents. At December 31, 2016, this balance amounted to \$261.9 million. The non-cash net current asset/liability position was in a net liability position of \$143.8 million at December 31, 2016, compared to a net liability position of \$91.4 million at December 31, 2015. The non-cash net current asset/liability position fluctuates significantly in the normal course of business from period to period, primarily due to the timing of differences between the settlement of payables due to subcontractors and suppliers, billings and collection of receivables from clients, and also the timing in the settlement of income taxes payable. The Company's cash balances absorb these fluctuations with no net impact to the Company's net working capital position or ability to access contract surety support. The Company believes it has sufficient working capital to support its current and expected contract security requirements.

Credit Facilities

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

Operating Lines of Credit

a) *Committed revolving line of credit:*

During 2016, the Company increased its committed revolving credit facility from \$45.0 million to \$55.0 million, with a Canadian chartered bank. The term of the facility was also extended and now matures December 31, 2019. This facility may be used in the normal course of business for general working capital purposes, to issue non-collateralized letters of credit, fund future capital expenditures and qualifying permitted acquisitions. At December 31, 2016, the Company has drawn \$5.0 million under this facility. The \$5.0 million draw is presented as long term debt on the Company's statement of financial position as the facility matures in 2019.

b) *Committed revolving line of credit facility:*

A subsidiary of the Company has a \$25.0 million committed revolving credit facility, maturing on June 10, 2018. The facility may be used to finance normal course operations. Borrowings under this facility are secured by a first charge against the net assets of the subsidiary. As at December 31, 2016, the balance drawn on this facility is nil.

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Issuance of Letters of Credit

The Company has available \$122.0 million of demand facilities used to primarily support the issuance of letters of credit. All letters of credit issued under these facilities are supported by the pledge of Company-owned financial instruments, including cash.

The Company has available a \$45.0 million credit facility with Export Development Canada (EDC) to support the issuance of contract performance security letters of credit issued by financial institutions on behalf of the Company. The Company can only use this facility when letters of credit have been issued as contract security for projects that meet the EDC mandate to provide financial support for Canadian exports abroad.

Letters of credit are typically issued to support the Company's performance obligations relating to PPP and other major 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.

(in thousands of Canadian dollars)	2016	2015
Operating line of credit	\$ 122,000	\$ 132,000
Letters of credit issued	\$ 34,028	\$ 39,848
Collateral pledged to support letters of credit	\$ 29,244	\$ 33,777
Guarantees provided by EDC	\$ 4,891	\$ 6,157

The reduction in the amount of outstanding letters of credit as at the end of 2016 compared to the end of 2015 is primarily the result of the letters of credit maturing on their scheduled expiration dates.

Equipment Financing

The Company and its subsidiaries have a committed term credit facility of up to \$25.0 million to be used to finance equipment purchases. Borrowings under the facility are secured with a first charge on the equipment being financed. As of December 31, 2016, the facility is undrawn. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears.

In addition, subsidiaries of the Company have equipment acquisition lines of credit for \$62.5 million with the financing arms of several major heavy equipment suppliers to finance the purchase of equipment. Draws under this facility are typically recognized as operating leases for accounting purposes. At December 31, 2016, the Company has used \$6.4 million under the facilities (\$9.1 million at December 31, 2015). The Company's total lease commitments are outlined under Contractual Obligations.

At December 31, 2016, the Company was in compliance with all debt covenants relating to its operating and equipment lines of credit.

Loans and Borrowings

In 2016, the Company issued new debt, excluding finance lease and non-recourse project financing, totaling \$0.5 million and made \$9.2 million in principal repayments (including finance lease repayments).

The following table provides details of outstanding debt as at December 31, 2016, and principal repayments due over the next five years, excluding the amortization of debt financing costs, finance lease liabilities and non-recourse project financing.

(in thousands of Canadian dollars)	Debt	Amount	Year 1	Year 2	Year 3	Year 4	Year 5
Loans and borrowings	\$ 10,835	\$ 2,410	\$ 2,004	\$ 5,725	\$ 696	\$ -	

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Cash Flow Data

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

(in thousands of Canadian dollars)	2016	2015
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	\$ 48,426	\$ 75,291
Changes in costs and estimated earnings in excess of billings - alternative finance projects	(51,756)	11,152
Changes in non-cash working capital and other	46,989	(11,668)
Cash flows from operating activities	43,659	74,775
Cash flows from (used in) investing activities	(4,001)	7,669
Dividends paid on shares	(32,297)	(32,297)
Proceeds from non-recourse project financing	44,437	14,793
Proceeds from loans and borrowings	506	6,560
Repayment of loans and borrowings	(9,184)	(16,777)
Cash flows used in financing activities	3,462	(27,721)
Increase in cash and cash equivalents	\$ 43,120	\$ 54,723

Operating Activities

During 2016, cash flows from operating activities generated cash of \$43.7 million compared with \$74.8 million in 2015. In 2016, cash flow from operating activities was comprised of \$48.4 million of cash generated from operations before changes in non-cash working capital and a \$4.7 million use of cash derived from changes in non-cash working capital and other items. In 2015, the comparative amounts were \$75.3 million of cash generated from operations before changes in non-cash working capital and the impairment charge, and a \$0.5 million use of cash from changes in non-cash working capital and other items. The decrease in cash flow from operations before changes in non-cash working capital in 2016 is primarily the result of lower earnings compared to 2015 earnings adjusted for the non-cash impairment charges. The \$4.7 million use of cash in 2016 was the net of \$51.8 million use of cash required for alternative finance projects and \$47.0 million of cash generated from working capital required for all other projects. The \$51.8 million use of cash for alternative finance projects was largely funded by \$44.4 million of proceeds from non-recourse project financing through financing activities. The \$47.0 million released from all other projects reflects the normal course fluctuation of working capital items on this work and is the primary driver of the overall increase in cash and cash equivalents for 2016.

Investing Activities

During 2016, the Company used \$4.0 million of cash in investing activities compared with a source of cash in 2015 of \$7.7 million. The change in investing activities in 2016 compared to the prior year is largely due to the proceeds of \$12.2 million realized in 2015 from the sale of preferred share investments. The amount of cash used to purchase property and equipment in 2016 is comparable to 2015 and reflects market conditions in the resource sector. The Company's equipment portfolio is currently sufficient to support the projected work program in the short term.

Financing Activities

During 2016, the Company sourced \$3.5 million of cash from financing activities compared with a use of cash of \$27.7 million in 2015. The net reduction in the amount of cash used in financing activity in 2016 is primarily a result of issuing additional non-recourse project financing in 2016 to finance the construction of two alternative

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finance projects, as discussed above, combined with lower debt repayments as many of the facilities were fully repaid during 2016. Dividend payments remained the same in the respective periods.

DIVIDENDS

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

January 1, 2015 to March 31, 2015	\$0.190
April 1, 2015 to June 30, 2015	\$0.190
July 1, 2015 to September 30, 2015	\$0.190
October 1, 2015 to December 31, 2015	\$0.190
January 1, 2016 to March 31, 2016	\$0.190
April 1, 2016 to June 30, 2016	\$0.190
July 1, 2016 to September 30, 2016	\$0.190
October 1, 2016 to December 31, 2016	\$0.190

CAPABILITY TO DELIVER RESULTS

Productive capacity relates to the financial and non-financial resources available to the Company to execute its strategy and achieve planned results. From a financial perspective, the Company believes it has sufficient working capital and access to 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 the Bird Leadership Academy program and the Bird Site Management program, to provide a forum for high-potential candidates to develop their leadership skills.

CONTRACTUAL OBLIGATIONS

At December 31, 2016, the Company has future contractual obligations of \$568.0 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	Non-recourse Project Financing	Long-Term Debt	Total
2017	\$ 427,427	376	5,716	27,365	2,546	463,430
2018	30,747	72	4,462	32,605	2,103	69,989
2019	2,629	72	3,567	-	5,755	12,023
2020	-	49	3,360	-	835	4,244
2021	-	5	2,978	-	-	2,983
Thereafter	-	-	15,524	-	-	15,524
	\$ 460,803	574	35,607	59,970	11,239	568,193

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 \$18.2 million at December 31, 2016.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Impairment testing is performed annually or earlier, if a triggering event occurs, 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 is determined based on a value in use calculation. There is significant amount of uncertainty with respect to the estimates of recoverable amounts of the CGUs' assets given the necessity of making key economic projections which employ the following key assumptions: future cash flows, growth opportunities, including economic risk assumptions, estimates of achieving key operating metrics and the discount rate.

OUTSTANDING COMMON SHARE DATA AND STOCK EXCHANGE LISTING

The Company is authorized to issue an unlimited number of common shares. The Company had a total of 42,516,853 common shares outstanding at December 31, 2016 and December 31, 2015.

On March 15, 2012, the Company's Board of Directors previously approved the award of 625,000 stock options 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. The stock options awarded will expire on March 15, 2019. In 2015, 65,000 stock options were forfeited resulting from the retirement of a plan participant. In 2016, 95,000 stock

options were forfeited resulting from employees leaving the company. No stock options were exercised at December 31, 2016.

On January 1, 2015, the Company's Board of Directors approved the award of 100,000 stock options to the newly appointed President and CEO. The total number of stock options is exercisable in equal amounts on the first through fourth anniversary dates from the grant date. The exercise price is based on the weighted average trading price of the Company's common shares on the Toronto Stock Exchange for the five trading days ending on December 31, 2016. The stock options awarded will expire on January 1, 2022. No stock options were exercised at December 31, 2016.

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, 2016, 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, 2016, 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, 2016, 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, 2016 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS RELATING TO THE BUSINESS

The following discussion addresses the more significant risk factors relating to the business. For a detailed discussion of all risk factors relating to the business, refer to the Company's most recently filed Annual Information Form filed on March 15, 2017, which is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Economy and Cyclicity

Activity within the construction industry is generally tied to the 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. Investment decisions by our clients are based on long-term views of the economic viability of their current and future projects, sometimes based upon the clients' view of the long-term prices of commodities which are influenced by many factors. If our clients' outlook for their current and future projects is not favourable, this may lead them to delay, reduce or cancel capital project spending and

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may make them more sensitive to construction costs. A 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.

As noted above, Bird attempts to insulate itself in various ways from the effects of negative economic conditions; however, there is no assurance that these methods will be effective in insulating Bird from a downturn in the economy. Furthermore, as a result of increased demand in certain regions or industry sectors, the Company has, in the past, earned above-average margins on particular projects. There is also no assurance that above-average margins that may have been generated on historical contracts can be generated in the future.

Competitive Factors

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

Ability to Secure Work

Bird generally secures new contracts either through a competitive bid process or through negotiation. Awards in both the public and private sectors are generally based upon price, but are also influenced and sometimes formally based on other factors, such as the level of services offered, safety record, construction schedule, design (if applicable), project personnel, the consortium, joint venture and subcontractor team, prior experience with the prospective client and/or the type of project, and financial strength including the ability to provide bonds and other contract security.

In order to be afforded an opportunity to bid for large projects and in the PPP market, a strong balance sheet measured in terms of an adequate level of working capital and equity 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. 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 or other factors, 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 and alternative finance 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 and/or alternative finance 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 price for most 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 a contract or estimates of project costs that are in error, resulting in a loss of or lower than anticipated profits. All

Management's Discussion and Analysis

significant cost estimates are reviewed by senior management prior to tender submission in an attempt to mitigate these risks.

Performance of Subcontractors

Successful completion of a contract by Bird depends, in large part, on the satisfactory performance of its 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 possible damage to Bird's reputation.

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 a subcontractor's work, Bird may require some form of performance security and achieves this through the use of surety bonds, subcontractor default insurance or other forms of security from the subcontractor to mitigate Bird's exposure to the risks associated with the subcontractor's performance and completion. A significant shortage of qualified subcontractors and trades people or the bankruptcy of a subcontractor could have a material impact on Bird's financial condition and results of operations.

Maintaining Safe Work Sites

Despite Bird efforts to minimize the risk of safety incidents, they can occur from time to time and, if and when they do, the impact on Bird can be significant. Bird's success as a general contractor is highly dependent on its ability to keep its construction work sites and offices safe and any failure to do so can have serious impact on the personal safety of its employees and others. In addition, it can expose Bird to contract termination, fines, regulatory sanctions 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 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 an attractive place to work, it could experience difficulty in hiring and retaining an adequate level of qualified staff. 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

Management's Discussion and Analysis

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"** adjusts net income for the amount of the non-cash charge for the impairment of goodwill, intangible assets and equipment relating to the Company's investment in its wholly owned subsidiary, H.J. O'Connell Limited.
- **"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 14, 2017 filed and available on SEDAR. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.

Management's Responsibility for Financial Reporting

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

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

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



Paul A. Charette
Chairman of the Board of Directors



Wayne R. Gingrich
CFO and Assistant Secretary

March 14, 2017

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, 2016 and 2015, 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, 2016 and 2015, 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 Professional Accountants
March 14, 2017
Winnipeg, Canada

Consolidated Balance Sheets

As at December 31,
(in thousands of Canadian dollars)

	Note	2016	2015
ASSETS			
Current assets:			
Cash	23	\$ 246,519	\$ 208,158
Bankers' acceptances and short-term deposits	23	15,357	15,333
Accounts receivable	6	391,804	399,107
Costs and estimated earnings in excess of billings		10,047	5,632
Costs and estimated earnings in excess of billings - alternative finance projects	5	66,443	14,687
Inventory		567	409
Prepaid expenses and other assets		2,688	2,189
Income taxes recoverable		9,900	7,349
Total current assets		<u>743,325</u>	<u>652,864</u>
Non-current assets:			
Other long-term assets	7	3,680	4,428
Property and equipment	9	45,517	54,281
Deferred income tax asset	12	6,737	3,954
Intangible assets	10	1,735	2,076
Goodwill	10	16,389	16,389
Total non-current assets		<u>74,058</u>	<u>81,128</u>
TOTAL ASSETS		\$ <u>817,383</u>	\$ <u>733,992</u>
LIABILITIES			
Current liabilities:			
Bank indebtedness	23	\$ -	\$ 4,735
Accounts payable		458,673	390,763
Deferred contract revenue		76,518	92,945
Dividends payable to shareholders		2,691	2,691
Income taxes payable		18,557	4,469
Non-recourse project financing	5	59,222	15,021
Current portion of loans and borrowings	11	2,765	8,667
Provisions	16	5,287	5,322
Other liabilities	13	1,569	893
Total current liabilities		<u>625,282</u>	<u>525,506</u>
Non-current liabilities:			
Loans and borrowings	11	8,623	10,665
Deferred income tax liability	12	14,726	21,331
Investment in associates	8	881	818
Other liabilities	13	4,305	4,781
Total non-current liabilities		<u>28,535</u>	<u>37,595</u>
SHAREHOLDERS' EQUITY			
Shareholders' capital	14	42,527	42,527
Contributed surplus		1,932	1,962
Retained earnings		119,107	126,402
Total shareholders' equity		<u>163,566</u>	<u>170,891</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ <u>817,383</u>	\$ <u>733,992</u>

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	2016	2015
Construction revenue		\$ 1,589,868	\$ 1,444,806
Costs of construction		<u>1,498,211</u>	<u>1,324,163</u>
Gross profit		<u>91,657</u>	<u>120,643</u>
General and administrative expenses		58,771	60,493
Impairment of goodwill and intangible assets	10	<u>-</u>	<u>22,435</u>
Income from operations		32,886	37,715
Finance income	17	4,523	2,332
Finance and other costs	18	<u>(3,082)</u>	<u>(4,700)</u>
Income before income taxes		34,327	35,347
Income tax expense	12	<u>9,325</u>	<u>13,865</u>
Net income and comprehensive income for the year		<u>\$ 25,002</u>	<u>\$ 21,482</u>
Basic and diluted earnings per share	15	<u>\$ 0.59</u>	<u>\$ 0.51</u>

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, 2014		\$ 42,527	\$ 1,843	\$ 137,217	\$ 181,587
<i>Contributions by and dividends to owners</i>					
Stock-based compensation expense	14	-	119	-	119
Dividends declared to shareholders		-	-	(32,297)	(32,297)
Net income and comprehensive income for the year		-	-	21,482	21,482
Balance at December 31, 2015		<u>\$ 42,527</u>	<u>\$ 1,962</u>	<u>\$ 126,402</u>	<u>\$ 170,891</u>
Dividends per share declared during the year ended December 31, 2015				\$ 0.76	
Balance at December 31, 2015		\$ 42,527	\$ 1,962	\$ 126,402	\$ 170,891
<i>Contributions by and dividends to owners</i>					
Stock-based compensation expense (recovery)	14	-	(30)	-	(30)
Dividends declared to shareholders		-	-	(32,297)	(32,297)
Net income and comprehensive income for the year		-	-	25,002	25,002
Balance at December 31, 2016		<u>\$ 42,527</u>	<u>\$ 1,932</u>	<u>\$ 119,107</u>	<u>\$ 163,566</u>
Dividends per share declared during the year ended December 31, 2016				\$ 0.76	

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

Consolidated Statements of Cash Flows

For the years ended December 31
(in thousands of Canadian dollars)

	Note	2016	2015
Cash flows from (used in) operating activities:			
Net income and comprehensive income for the year		\$ 25,002	\$ 21,482
Items not involving cash:			
Amortization	10	692	1,464
Depreciation	9	9,558	10,181
Impairment of equipment	9	3,855	-
Impairment of leasehold improvements	9	312	-
(Gain) loss on sale of property and equipment		122	(263)
Finance income	17	(4,523)	(2,332)
Finance and other costs	18	3,082	4,700
Deferred compensation plan expense and other		1,031	3,640
Income tax expense	12	9,325	13,865
Stock-based compensation expense (recovery)	14	(30)	119
Impairment of goodwill and intangible assets	10	-	22,435
Cash flows from operations before changes in non-cash working capital		<u>48,426</u>	<u>75,291</u>
Changes in non-cash working capital relating to operating activities	23	2,409	19,415
Dividends and interest received		1,374	1,338
Interest paid		(1,374)	(2,258)
Income taxes paid		<u>(7,176)</u>	<u>(19,011)</u>
Cash flows from operating activities		<u>43,659</u>	<u>74,775</u>
Cash flows from (used in) investing activities:			
Additions to property and equipment	9	(5,251)	(5,160)
Additions to intangible assets	10	(351)	(405)
Proceeds on sale of property and equipment		853	2,697
Other long-term assets		748	(1,683)
Proceeds from disposal of investments		-	12,220
Cash flows from (used in) investing activities		<u>(4,001)</u>	<u>7,669</u>
Cash flows from (used in) financing activities:			
Dividends paid on shares		(32,297)	(32,297)
Proceeds from non-recourse project financing	5	44,437	14,793
Proceeds from loans and borrowings		506	6,560
Repayment of loans and borrowings	11	<u>(9,184)</u>	<u>(16,777)</u>
Cash flows from (used in) financing activities		<u>3,462</u>	<u>(27,721)</u>
Net increase in cash and cash equivalents during the year		43,120	54,723
Cash and cash equivalents, beginning of the year		<u>218,756</u>	<u>164,033</u>
Cash and cash equivalents, end of the year	23	<u>\$ 261,876</u>	<u>\$ 218,756</u>

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

Notes to the Consolidated Financial Statements

December 31, 2016
(in thousands of Canadian dollars, except per share amount)

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 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. The operating segments of the Company are aligned with the Company's geographic operations, and are reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company. Management applies judgment in the aggregation of the Company's operating segments and has determined that the Company operates in one reportable segment being the general contracting sector of the construction industry. The Company's operating segments have similar economic characteristics in that each of the Company's operating districts provides comparable construction services, use similar contracting methods, have similar long term economic prospects, share similar cost structures and operate in similar regulatory environments.

2. Basis of preparation

- (a) Authorization of financial statements:
These consolidated financial statements were authorized for issue on March 14, 2017 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) Basis of measurement:
These consolidated financial statements have been prepared using the historical cost convention, except for the valuation of certain financial assets and derivative financial instruments which have been classified as "fair value through profit and loss" and accordingly, are measured at fair value, and liabilities for cash settled share-based payment arrangements which are measured at fair value.
- (d) 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 or earlier, if a triggering event occurs, for indefinite-lived intangible assets and goodwill resulting from business combinations, by comparing the recoverable amount of the cash generating unit ("CGU"), or groups of CGUs to its carrying amount. The recoverable amounts of the CGU have been determined based on a value in use calculation. There is a significant amount of uncertainty with respect to the estimates of recoverable amounts of the CGUs' assets given the necessity of making key economic projections which employ the following key assumptions: future cash flows, growth opportunities, including economic risk assumptions and estimates of achieving key operating metrics and drivers; and the discount rate.

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

3. Summary of significant accounting policies

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

(a) Consolidation:

The consolidated financial statements include the accounts of the Company, its subsidiaries and partnerships, as well as 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:

Notes to the Consolidated Financial Statements
December 31, 2016
(in thousands of Canadian dollars, except per share amount)

	2016	2015
Company:	Ownership/Voting Interest	
<i>Fully consolidated subsidiaries</i>		
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 Entreprises de Construction de Québec Ltée	100%	100%
H.J. O'Connell Construction Ltd.	100%	100%
Nason Contracting Group Ltd	100%	100%
Bird Casey House Limited Partnership	100%	100%
Bird Capital MDC Project Co. Inc.	100%	100%
Bird Construction Group Ltd.	100%	n/a
NCGL Industrial Ltd.	100%	n/a
NCGL Construction Ltd.	100%	n/a
BFL Fabricators Ltd.	100%	n/a
<i>Proportionately consolidated joint arrangements</i>		
IKC-ONE Partnership	40%	40%
Restigouche Hospital Centre Joint Venture	30%	30%
HJOC-VPDL Placentia Bridge Joint Venture	50%	50%
Arctic-Bird Construction Joint Venture	50%	50%
Maple Reinders-Nason Joint Venture	50%	50%
Bird Kiewit Joint Venture	60%	60%
Bird/Wright Schools Joint Venture	70%	70%
Bird/Wright Schools 2 Joint Venture	70%	70%
Bird - Clark Stanton JV	50%	50%
Bird-Civeo Joint Venture	60%	n/a
Pomerleau/O'Connell JV	50%	n/a

The Company has invested in a number of Public Private Partnerships concession ventures usually holding a minority interest position in the venture. In these instances, the Company can either exercise significant influence or joint control over the financial and operational policies of the venture (or investee). The Company uses the equity method of accounting to account for these investments. The investment is recorded as the amount of the initial investment adjusted for the pro-rata share of the concessions earnings less any distributions received from the investment.

Notes to the Consolidated Financial Statements
December 31, 2016
(in thousands of Canadian dollars, except per share amount)

	2016	2015
Company:	Ownership/Voting Interest	
<i>Equity accounted investment in associates/joint ventures</i>		
Chinook Resources Management General Partnership	50%	50%
Plenary Infrastructure ERMF GP	10%	10%
Joint Use Mutual Partnership #1	20%	20%
Joint Use Mutual Partnership #2	20%	20%
Boreal Health Partnership	25%	25%

All of the above subsidiaries, joint arrangements, joint ventures and associates 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 contracts, 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 disposal costs.

Notes to the Consolidated Financial Statements
December 31, 2016
(in thousands of Canadian dollars, except per share amount)

(e) Property and equipment:

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

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

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

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

(f) Foreign currency translation:

Foreign currency transactions and balances are recorded in the accounts as follows:

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

(g) Income taxes:

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

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

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

(h) Basic and diluted earnings per share:

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

(i) Medium term incentive plan:

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

(j) Stock option plan:

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

(k) Deferred share unit plan:

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

(l) Financial instruments:

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

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are classified as held-for-trading or are designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented investment policy. Financial assets classified as fair value through profit or loss instruments are measured at fair value at each reporting period with any changes in fair value during the reporting period being included in income. Transaction costs are expensed as incurred.

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

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

The Company has not classified any financial assets or liabilities as held-to-maturity or available-for-sale (see note 24).

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.

Derivative financial instruments

The Company uses interest rate swaps to manage its interest rate risk on the non-recourse project financing. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(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:

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. Customer relationships | 5 - 8 years |
| ii. Software | 2 - 5 years |

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 of disposal. 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 at least 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 of disposal. 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/losses 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, equity loss from investments in associates, the net gain or loss on interest rate swaps and interest on loans and borrowings, including non-recourse project financing, using the effective interest rate method.

(s) Business combinations:

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

(t) Leases:

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

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

(u) Subcontractor/Supplier Performance Default Insurance:

The Company maintains an insurance policy which provides the Company with comprehensive coverage in respect of subcontractor or supplier default on certain projects where the subcontractor or supplier is enrolled in the program. The total insurance premium paid by the Company to the insurer is comprised of a non-refundable premium and a deposit premium. The deposit premium paid by the Company is included in Other long-term assets on the consolidated statements of financial position. The liabilities included in provisions on the consolidated statements of financial position relate to management's best estimate of exposures and costs associated with prior or existing subcontractor or supplier performance defaults. Management conducts a thorough review of the liability every reporting period and takes into consideration the Company's experience to date with those subcontractors or suppliers that are enrolled in the program.

4. Future accounting changes

A number of new standards and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

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

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction contracts* and IAS 18 *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15. The clarifications to IFRS 15 provide additional guidance with respect to the five step analysis, transition, and the application of the Standard to licenses of intellectual property. The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying assets is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of the standard has not yet been determined.

5. Design Build Finance Projects

(a) Casey House

i. Background information:

During 2015, the Company was awarded a \$32,003 fixed-price build-finance project to restore and expand the Casey House Hospice in Toronto.

ii. Restricted cash:

The terms of the debt financing agreement require that scheduled loan advances be deposited into a blocked bank account, which cannot be accessed directly by the Company. Upon recommendation by the lender's technical advisor, cash is released monthly based on the progress of the work (see note 23).

iii. Costs and estimated earnings in excess of billings:

Of the \$66,443 costs and estimated earnings in excess of billings as at December 31, 2016, \$24,437 relates to the Casey House project (December 31, 2015 - \$8,383). The cost and estimated earnings in excess of billings balance will continue to increase throughout the project until a contract payment is made to the Company following substantial completion of the project.

iv. Loan payable:

The Company has arranged a \$29,057 loan facility related to the project, of which \$26,896 has been drawn down at December 31, 2016 (December 31, 2015 - \$8,365). The loan is repayable in full, upon substantial completion of the project, from the proceeds of the fixed price build-finance contract payment. The scheduled substantial completion date is in 2017. In the event of a default in payment for the construction work upon substantial completion, including interim interest costs, the lender has recourse only against assets related to this project, which have been segregated in a wholly-owned subsidiary of the Company.

Interest is paid monthly in arrears. Borrowings under the facility bear interest at a rate per annum equal to the bankers' acceptance rate plus a spread. As part of the loan facility, the Company entered into an interest rate swap agreement that effectively fixes the interest rate at 2.06%. The interest rate swap was executed on March 5, 2015 and expired on October 31, 2016. The notional amounts of the interest rate swap agreement matched the estimated draws under the loan facility. The interest rate swap agreement is not designated as a hedge, and changes in the fair market value are recorded in the statement of income and comprehensive income. At December 31, 2016, the interest rate swap liability is nil. At December 31, 2015, the interest rate swap liability of \$77 was included in non-recourse project financing on the balance sheet. An upfront arrangement fee of 0.95% on the total commitment was paid on financial close, and a commitment fee of 0.3% is also payable monthly on the unutilized portion of the facility. Interest expense on the loan in 2016 of \$384 (December 31, 2015 - \$410) is included in finance costs.

(b) Moncton Downtown Centre

i. Background information:

During 2015, the Company was awarded a \$90,768 fixed-price build-finance contract to construct the Moncton Downtown Centre.

ii. Restricted cash:

The terms of the debt financing agreement require that scheduled loan advances be deposited into a blocked bank account, which cannot be accessed directly by the Company. Upon recommendation by the lender's technical advisor, cash is released monthly based on the progress of the work (see note 23).

iii. Costs and estimated earnings in excess of billings:

Of the \$66,443 costs and estimated earnings in excess of billings as at December 31, 2016, \$42,006 relates to the Moncton Downtown Centre project (December 31, 2015 - \$6,304). The cost and estimated

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earnings in excess of billings balance will continue to increase throughout the project until a contract payment is made to the Company following substantial completion of the project.

iv. Loan payable:

The Company has arranged a \$77,478 loan facility related to the project, of which \$32,334 has been drawn at December 31, 2016 (December 31, 2015 - \$6,428). The loan is repayable in full, upon substantial completion of the project, from the proceeds of the fixed price build-finance contract payment. The scheduled substantial completion date is in 2018. In the event of a default in payment for the construction work upon substantial completion, including interim interest costs, the lender has recourse only against assets related to this project, which have been segregated in a wholly-owned subsidiary of the Company.

Interest is paid monthly in arrears. Borrowings under the facility bear interest at a rate per annum equal to the bankers' acceptance rate plus a spread. As part of the loan facility, the Company entered into an interest rate swap agreement that effectively fixes the interest rate at 1.89%. The interest rate swap was executed on September 30, 2015 and expires on July 31, 2018. The notional amounts of the interest rate swap agreement matched the estimated draws under the loan facility. The interest rate swap agreement is not designated as a hedge, and changes in the fair market value are recorded in the statement of income and comprehensive income. At December 31, 2016, the interest rate swap asset of \$8 (December 31, 2015 - interest rate swap liability \$151) has been included in non-recourse project financing on the balance sheet. An upfront arrangement fee of 0.85% on the total commitment was paid on financial close, and a commitment fee of 0.21% is also payable monthly on the unutilized portion of the facility. Interest expense on the loan in 2016 of \$415 (December 31, 2015 - \$707) is included in finance costs.

The following table provides details of the changes in the Company's Non-Recourse Project Financing during the year.

	Casey House		Moncton Downtown Centre		
	Loan Facility	Interest Rate Swap	Loan Facility	Interest Rate Swap	Total
Balance December 31, 2015	\$ 8,365	\$ 77	\$ 6,428	\$ 151	\$ 15,021
Proceeds	18,531	-	25,906	-	44,437
Change in fair value of interest rate swap	-	(77)	-	(159)	(236)
Balance December 31, 2016	<u>\$ 26,896</u>	<u>\$ -</u>	<u>\$ 32,334</u>	<u>\$ (8)</u>	<u>\$ 59,222</u>

6. Accounts receivable

	2016	2015
Progress billings on construction contracts	\$ 265,379	\$ 258,631
Holdbacks receivable (due within one operating cycle)	120,531	135,668
Other	5,894	4,808
	<u>\$ 391,804</u>	<u>\$ 399,107</u>

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Accounts receivable are reported net of an allowance for doubtful accounts of \$1,524 as at December 31, 2016 (\$2,000 - December 31, 2015).

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, 2016, aggregate costs incurred under open construction contracts and recognized profits, net of recognized losses, amounted to \$1,162,703 (December 31, 2015 - \$1,097,116). Progress billings and advances received from customers under open construction contracts amounted to \$1,162,731 (December 31, 2015 - \$1,169,742).

7. Other long-term assets

	<u>2016</u>	<u>2015</u>
Subcontractor/Supplier insurance deposits	\$ <u>3,680</u>	\$ <u>4,428</u>

Subcontractor/Supplier insurance deposits relate to the Company's insurance policies which provides Bird with comprehensive coverage, subject to a deductible, in respect of subcontractor or supplier default on certain projects where the subcontractor or supplier is enrolled in the program. As at December 31, 2016, the funds held by the Company's subcontractor insurance providers amounted to \$3,680 (December 31, 2015 - \$4,428).

8. Projects accounted for using the equity method

The Company performs some construction and concession related projects through non-consolidated entities. The Company's participation in these entities is conducted through joint ventures and associates and is accounted for using the equity method. The Company's joint ventures and associates are private entities and there is no quoted market value available for their shares.

The summarized financial information below reflects the Company's share of the amounts presented in financial statements of the joint ventures and associates:

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	December 31, 2016		
	Joint Ventures	Associates	Total
Total current assets	\$ 495,160	\$ 74,779	\$ 569,939
Total non-current assets	6,364	362,614	368,978
Total Assets	<u>501,524</u>	<u>437,393</u>	<u>938,917</u>
Total current liabilities	164,640	22,102	186,742
Total non-current liabilities	340,989	413,969	754,958
Total liabilities	<u>505,629</u>	<u>436,071</u>	<u>941,700</u>
Net assets (liabilities) - 100%	\$ <u>(4,105)</u>	\$ <u>1,322</u>	\$ <u>(2,783)</u>
Attributable to the Company	\$ <u>(1,013)</u>	\$ <u>132</u>	\$ <u>(881)</u>
Revenue	\$ 428,410	\$ 213,098	\$ 641,508
Total comprehensive income (loss)	\$ <u>(1,693)</u>	\$ <u>3,029</u>	\$ <u>1,336</u>
Attributable to the Company	\$ <u>(366)</u>	\$ <u>303</u>	\$ <u>(63)</u>

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	December 31, 2015		
	Joint Ventures	Associates	Total
Total current assets	\$ 336,253	\$ 178,267	\$ 514,520
Total non-current assets	66,500	139,179	205,679
Total Assets	<u>402,753</u>	<u>317,446</u>	<u>720,199</u>
Total current liabilities	47,967	29,187	77,154
Total non-current liabilities	357,198	289,967	647,165
Total liabilities	<u>405,165</u>	<u>319,154</u>	<u>724,319</u>
Net assets (liabilities) - 100%	\$ <u>(2,412)</u>	\$ <u>(1,708)</u>	\$ <u>(4,120)</u>
Attributable to the Company	\$ <u>(647)</u>	\$ <u>(171)</u>	\$ <u>(818)</u>
Revenue	\$ 125,875	\$ 136,586	\$ 262,461
Total comprehensive income (loss)	\$ <u>(2,412)</u>	\$ <u>(1,708)</u>	\$ <u>(4,120)</u>
Attributable to the Company	\$ <u>(647)</u>	\$ <u>(171)</u>	\$ <u>(818)</u>

The movement in the investment in projects accounted for using the equity method is as follows:

Projects accounted for using the equity method - December 31, 2014	\$ -
Share of net income (loss) for the year	(818)
Distributions from projects accounted for using the equity method	<u>-</u>
Projects accounted for using the equity method - December 31, 2015	(818)
Share of net income (loss) for the year	(63)
Distributions from projects accounted for using the equity method	<u>-</u>
Projects accounted for using the equity method - December 31, 2016	\$ <u>(881)</u>

The Company has recognized the losses related to its investments in associates and joint ventures, as the Company has an obligation to fund its proportionate share of the net liabilities of these entities.

Transactions with these related parties are described in note 22 in the financial statements.

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9. Property and equipment

	2016					
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost						
Balance January 1, 2016	\$ 1,681	12,028	6,679	83,951	2,311	\$ 106,650
Additions	-	368	1,241	3,599	43	5,251
Additions under finance leases	-	-	-	685	-	685
Disposals	-	-	(155)	(2,563)	(172)	(2,890)
Balance December 31, 2016	\$ 1,681	12,396	7,765	85,672	2,182	\$ 109,696
Accumulated depreciation						
Balance January 1, 2016	\$ -	3,498	3,273	44,074	1,524	\$ 52,369
Disposals	-	-	(30)	(1,738)	(147)	(1,915)
Impairment of property and equipment	-	-	312	3,855	-	4,167
Depreciation expense	-	851	665	7,832	210	9,558
Balance December 31, 2016	\$ -	4,349	4,220	54,023	1,587	\$ 64,179
Net book value	\$ 1,681	8,047	3,545	31,649	595	\$ 45,517

	2015					
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost						
Balance January 1, 2015	\$ 1,935	11,363	4,241	87,581	2,103	\$ 107,223
Additions	-	887	2,551	3,436	308	7,182
Additions under finance leases	-	-	-	1,258	16	1,274
Disposals	(254)	(222)	(113)	(8,324)	(116)	(9,029)
Balance December 31, 2015	\$ 1,681	12,028	6,679	83,951	2,311	\$ 106,650
Accumulated depreciation						
Balance January 1, 2015	\$ -	2,806	2,908	41,709	1,360	\$ 48,783
Disposals	-	(222)	(83)	(6,188)	(102)	(6,595)
Depreciation expense	-	914	448	8,553	266	10,181
Balance December 31, 2015	\$ -	3,498	3,273	44,074	1,524	\$ 52,369
Net book value	\$ 1,681	8,530	3,406	39,877	787	\$ 54,281

The statement of cash flows for the year ended December 31, 2016 excludes additions of equipment totaling \$685 (December 31, 2015 - \$1,274) and leasehold improvements \$nil (December 31, 2015 - \$2,022) acquired and financed by finance leases and lessor inducements respectively.

The carrying value of equipment, trucks and automotive held under finance leases at December 31, 2016 is \$2,376 (December 31, 2015 - \$2,288).

Impairment of property and equipment:

For the year ended December 31, 2016 the Company determined that there were indicators of impairment in the carrying amounts of equipment relating to its wholly owned subsidiary H.J. O'Connell Limited ("O'Connell"). Continued unfavourable economic and market conditions in the mining industry in Eastern

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Canada from low iron-ore commodity prices have resulted in customers curtailing resource development expenditures or self-performing their mining operations. There were fewer opportunities and continued pricing pressure on remaining opportunities for the O'Connell business, both contributing to a significant reduction in backlog year-over-year. With this reduction in backlog, the utilization of the equipment was lower than previous years. Furthermore, the market conditions resulted in a higher volume of equipment available in the resale market, which put downward pressure on resale values. As a result of these impairment triggering events, the Company performed impairment testing on the group of assets comprised of equipment relating to "O'Connell" and concluded that the carrying value of these assets exceeded the recoverable amounts determined by the selling price of the asset less the costs of disposal. As a result of the analysis, the Company recorded an impairment expense of \$3,855 in costs of construction for the year ended December 31, 2016 (December 31, 2015 - nil).

During the year, a wholly owned subsidiary of the Company recorded an impairment on its leasehold improvements of \$312 related to vacating a leased office.

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10. Intangible assets and goodwill

	2016				
	Customer relationships	Trade names	Computer software	Total Intangible assets	Goodwill
Cost					
Balance January 1, 2016	\$ 10,323	4,173	5,647	20,143	30,540
Additions	-	-	351	351	-
Disposals	-	-	(9)	(9)	-
Balance December 31, 2016	\$ 10,323	4,173	5,989	20,485	\$ 30,540
Accumulated amortization					
Balance January 1, 2016	\$ 10,323	4,173	3,571	18,067	14,151
Disposals	-	-	(9)	(9)	\$ -
Amortization expense	-	-	692	692	-
Balance December 31, 2016	\$ 10,323	4,173	4,254	18,750	\$ 14,151
Net book value	\$ -	-	1,735	\$ 1,735	\$ 16,389
	2015				
	Customer relationships	Trade names	Computer software	Total Intangible assets	Goodwill
Cost					
Balance January 1, 2015	\$ 10,323	4,173	5,459	\$ 19,955	\$ 30,540
Additions	-	-	405	405	-
Disposals	-	-	(217)	(217)	-
Balance December 31, 2015	\$ 10,323	4,173	5,647	20,143	\$ 30,540
Accumulated amortization					
Balance January 1, 2015	\$ 5,420	-	3,115	\$ 8,535	\$ -
Disposals	-	-	(216)	(216)	-
Amortization expense	792	-	672	1,464	-
Impairment losses	4,111	4,173	-	8,284	14,151
Balance December 31, 2015	\$ 10,323	4,173	3,571	18,067	\$ 14,151
Net book value	\$ -	-	2,076	\$ 2,076	\$ 16,389

Impairment of goodwill and intangible assets:

In 2015 the Company recorded an impairment loss of \$22,435 relating to goodwill and intangible assets previously carried in respect of its wholly owned subsidiary H.J. O'Connell Limited ("O'Connell") acquired on August 31, 2011 (a separate cash generating unit). The adjustment recorded in 2015 resulted from low iron-ore commodity prices, which were expected at that time to continue through 2016 and beyond. In addition, mining customers had curtailed resource development expenditures and some decided to self-perform their mining operations. The impairment testing indicated that the recoverable amount to be derived from O'Connell was less than the carrying amount of the net investment in

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O'Connell. As a result of the analysis, the Company recorded an impairment expense of \$14,151 in 2015 relating to all of O'Connell's goodwill and the total carrying value of \$8,284 relating to O'Connell intangible assets including customer relationships and trade name.

Goodwill	December 31, 2014	Impairment Charge	Amortization	December 31, 2015	December 31, 2016
Rideau districts	\$ 9,294	\$ -	-	\$ 9,294	\$ 9,294
O'Connell district	14,151	(14,151)	-	-	-
Nason district	7,095	-	-	7,095	7,095
	<u>\$ 30,540</u>	<u>\$ (14,151)</u>	<u>\$ -</u>	<u>\$ 16,389</u>	<u>\$ 16,389</u>
Intangible Assets					
Rideau districts	\$ -	\$ -	-	\$ -	\$ -
O'Connell district	9,076	(8,284)	(792)	-	-
Nason district	-	-	-	-	-
	<u>9,076</u>	<u>(8,284)</u>	<u>(792)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 39,616</u>	<u>\$ (22,435)</u>	<u>\$ (792)</u>	<u>\$ 16,389</u>	<u>\$ 16,389</u>

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

11. Operating and Equipment Lines of Credit and Loans and Borrowings

A. Letters of credit facilities:

The Company has authorized operating lines of credit totaling \$122,000 with two Canadian chartered banks, maintained for the primary purpose of issuing letters of credit. At December 31, 2016, the lines were drawn for outstanding letters of credit of \$34,028 (December 31, 2015 - \$39,848).

The Company has an agreement with Export Development Canada (EDC) to provide \$45,000 of performance security guarantees for letters of credit issued by financial institutions on behalf of the Company. The Company can only use this facility when letters of credit have been issued as contract security for projects that meet the EDC criteria. EDC has issued performance security guarantees totaling \$4,891 (December 31, 2015 - \$6,157).

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to Public Private Partnership projects and other major construction projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at December 31, 2016 of \$29,244 (December 31, 2015 - \$33,777).

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	Expiry date			December 31, 2016	December 31, 2015
	2017	2018 to 2020	2021 and greater		
Letters of credit	\$ 14,575	19,453	-	\$ 34,028	\$ 39,848

B. Committed revolving operating credit facilities:

- i. A subsidiary of the Company has a committed revolving credit facility for \$25,000 to be used to finance normal course operations. As at December 31, 2016, the subsidiary has drawn \$nil (December 31, 2015 - \$4,735) on this facility (see note 23). Borrowings under the facility are secured by a first priority ranking security interest over the net assets of the subsidiary. Borrowings are limited to 100% of the net receivables less net payables of the subsidiary. Interest is charged at a rate per annum equal to the Canadian prime rate. The facility expires on June 10, 2018. The subsidiary is in compliance with the debt-to-equity covenant of this facility.
- ii. During 2016 the Company increased its committed revolving credit facility from \$45,000 to \$55,000. The term of the facility was also extended and now matures December 31, 2019. As part of the agreement, the Company continues to provide a general secured interest in the assets of the Company. At December 31, 2016, the Company has drawn \$5,000 on the facility. The full amount is recorded as non-current, as the facility is due and payable December 31, 2019. 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, minimum equity and debt-to-equity covenants of this facility.

C. Equipment facilities:

- i. The Company and its subsidiaries have a committed term credit facility of up to \$25,000 to be used to finance equipment purchases. Borrowings under the facility are secured by a first charge against the equipment financed using the facility. As of December 31, 2016, the facility is undrawn. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears.
- ii. The Company and its subsidiaries obtained multiple fixed interest rate term loans which have been used to finance equipment purchases. The maturity dates of term loans outstanding at December 31, 2016 range from 2018 to 2020, and had an initial principal amount totaling \$8,444. These term loans bear interest at a range of fixed rates from 2.67% to 3.25%. Principal repayments and interest are payable monthly and these term loans are secured by specific equipment of the Company and its subsidiaries.
- iii. The Company and its subsidiaries obtained multiple variable interest rate term loans which have been used to finance equipment purchases. The maturity date of the term loan outstanding at December 31, 2016 is in 2018, and had an initial principal amount totaling \$2,645. This loan bears interest at a variable rate of 2.43%. Principal repayments and interest are payable monthly and this term loan is secured by specific equipment of the Company and its subsidiaries.
- iv. Subsidiaries of the Company have established operating lease lines of credit of \$62,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. Draws under these facilities are generally recognized as operating leases, with the lease obligations being secured by the specific leased equipment (see note 20). At December 31, 2016, the subsidiaries had used \$6,449 under these facilities.

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D. Term loan:

A subsidiary of the Company has a fixed rate term loan used to finance a building. The facility matures on September 28, 2020. Principal repayments in the amount of \$2 are payable monthly based upon a 25 year amortization period. The term loan facility was for an initial principal amount of \$424 and bears interest at a fixed rate of 2.12%.

E. Finance lease liabilities:

Finance leases relate to automotive equipment and mature between January 2017 and February 2021, 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 following table provides details of the outstanding Loans and Borrowings as at December 31, 2016.

	Maturity	Interest rate		December 31, 2016	December 31, 2015
Revolving credit facility B(ii)	December 31, 2019	Variable	2.90%	\$ 5,000	\$ 5,000
Equipment financing					
Term loans C(ii)	2018 to 2020	Fixed	2.67% to 3.25%	4,490	9,479
Term loans C(iii)	2018	Variable	2.43%	948	3,138
Term loan (D)	September 28, 2020	Fixed	2.12%	397	418
				<u>10,835</u>	<u>18,035</u>
Finance lease liabilities (E)				553	1,346
Transaction costs of \$404, net of amortization of \$404				-	(49)
				<u>11,388</u>	<u>19,332</u>
Less: current portion of long-term debt				2,410	7,500
Less: current portion of finance lease liabilities				355	1,167
Current portion of loans and borrowings				<u>2,765</u>	<u>8,667</u>
Non-current portion of loans and borrowings				<u>\$ 8,623</u>	<u>\$ 10,665</u>

The following table provides details of the changes in the Company's Loans and Borrowings during the year.

	Property & Equipment Financing	Revolving Credit Facility	Finance Leases	Unamortized Transaction Costs	Total
Balance December 31, 2015	\$ 13,035	5,000	1,346	(49)	\$ 19,332
Proceeds	506	-	685	-	1,191
Repayment	(7,706)	-	(1,478)	-	(9,184)
Amortization	-	-	-	49	49
Balance December 31, 2016	<u>\$ 5,835</u>	<u>5,000</u>	<u>553</u>	<u>-</u>	<u>\$ 11,388</u>

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The aggregate amount of principal repayments and future minimum lease payments under finance leases for all loans and borrowings is as follows:

	Equipment and Operating Financing	Revolving Credit Facility	Finance Leases	Total
Within 1 year	\$ 2,410	-	376	\$ 2,786
Year 2	2,004	-	72	2,076
Year 3	725	5,000	72	5,797
Year 4	696	-	49	745
Year 5	-	-	5	5
More than 5 years	-	-	-	-
	5,835	5,000	574	11,409
Less interest	-	-	(21)	(21)
	5,835	5,000	553	\$ 11,388

12. Income taxes

	2016	2015
Provision for income taxes		
Income tax expense (recovery) is comprised of:		
Current income taxes	\$ 18,713	\$ 8,634
Deferred income taxes	(9,388)	5,231
	<u>\$ 9,325</u>	<u>\$ 13,865</u>
Income tax rate reconciliation		
Combined federal and provincial income tax rate	26.9 %	26.3 %
Increases (reductions) applicable to:		
Non-taxable items	0.7	1.7
Dividend income	-	(0.2)
Impairment of goodwill and intangible assets	-	11.4
Other	(0.4)	-
Effective rate	<u>27.2 %</u>	<u>39.2 %</u>

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

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Composition of deferred income tax assets and liabilities

	2016	2015
	<u>2016</u>	<u>2015</u>
Provisions and accruals	\$ 2,577	\$ 3,416
Timing of recognition of construction profits	(11,939)	(18,782)
Property and equipment	(1,739)	(2,032)
Intangible assets	(671)	(1,371)
Other	(264)	(284)
Tax loss carry forward	<u>4,047</u>	<u>1,676</u>
	<u>\$ (7,989)</u>	<u>\$ (17,377)</u>
Balance sheet presentation		
Deferred income tax asset	6,737	3,954
Deferred income tax liability	<u>(14,726)</u>	<u>(21,331)</u>
	<u>\$ (7,989)</u>	<u>\$ (17,377)</u>

The tax loss carry forward expires in 2030. The Company has deferred tax assets in the amount of \$945 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, 2013 and 2015. A deferred tax asset has not been recognized because it is not probable the Company will generate future taxable capital gains.

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Movement in temporary differences for the year ended December 31, 2016

	Balance December 31, 2015	Recognized in profit or loss	Balance December 31, 2016
Provisions and accruals	\$ 3,416	\$ (839)	\$ 2,577
Timing of recognition of construction profits	(18,782)	6,843	(11,939)
Property and equipment	(2,032)	293	(1,739)
Intangible assets	(1,371)	700	(671)
Other	(284)	20	(264)
Tax loss carry forward	1,676	2,371	4,047
	<u>\$ (17,377)</u>	<u>\$ 9,388</u>	<u>\$ (7,989)</u>

Movement in temporary differences for the year ended December 31, 2015

	Balance December 31, 2014	Recognized in profit or loss	Balance December 31, 2015
Provisions and accruals	\$ 3,856	\$ (440)	\$ 3,416
Timing of recognition of construction profits	(10,963)	(7,819)	(18,782)
Property and equipment	(1,972)	(60)	(2,032)
Intangible assets	(4,355)	2,984	(1,371)
Other	(284)	-	(284)
Tax loss carry forward	1,572	104	1,676
	<u>\$ (12,146)</u>	<u>\$ (5,231)</u>	<u>\$ (17,377)</u>

13. Other liabilities

	2016	2015
MTIP liability	\$ 3,004	\$ 2,708
DSU liability	1,029	945
Leasehold Inducement	1,841	2,021
	<u>5,874</u>	<u>5,674</u>
Less: current portion - MTIP liability	1,389	713
Less: current portion - leasehold inducement	180	180
	<u>1,569</u>	<u>893</u>
Non-current portion	<u>\$ 4,305</u>	<u>\$ 4,781</u>

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MTIP Liability:

	MTIP	
	2016	2015
Balance January 1,	\$ 2,708	\$ 3,797
Annual award of phantom shares	2,203	2,454
Cash payments of vested shares	(831)	(4,282)
Shares awarded - notional dividends	251	259
Change in fair value of phantom shares	(1,327)	480
Balance December 31,	3,004	2,708
Less: current portion	1,389	713
Non-current portion	\$ 1,615	\$ 1,995

As at December 31, 2016, a total of 664,658 unvested phantom shares of the MTIP (December 31, 2015 - 491,804) are outstanding and valued at \$6,022, of which \$3,004 has been recognized to date in the accounts of the Company.

As at December 31, 2016, a total of 113,569 deferred share units (DSU) (December 31, 2015 - 72,659) were issued and valued at \$1,029.

As at December 31, 2016, the outstanding balance of leasehold inducements is \$1,841 which is being amortized over the term of the lease.

14. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares and has issued and outstanding 42,516,853 common shares as of December 31, 2016. 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.

	Number of shares	Amount
Balance, December 31, 2015 and December 31, 2016	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.

Under the terms of the Company's Stock Option Plan, the Company's Board of Directors approved the award of 100,000 stock options with a grant date of January 1, 2015 to the newly appointed President and CEO. The total number of stock options is exercisable in equal amounts on the first through fourth anniversary dates from the grant date. These stock options awarded will expire on January 1, 2022.

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

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	Number of share options outstanding	Weighted average exercise price
Outstanding at December 31, 2014	625,000	\$ 13.98
Granted during the year	100,000	11.87
Forfeited during the year	(65,000)	13.98
Outstanding at December 31, 2015	660,000	13.66
Forfeited during the year	(95,000)	13.98
Outstanding at December 31, 2016	565,000	\$ 13.61

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2016:

	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)
March 15, 2012 Grant	465,000	465,000	\$ 13.98	\$ 3.25	March 15, 2019	2.2
January 1, 2015 Grant	100,000	25,000	\$ 11.87	\$ 1.16	January 1, 2022	5.0

The stock-based compensation recovery recognized during 2016 is \$30 compared to an expense of \$119 during 2015.

15. Earnings per share

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

	2016	2015
Profit attributable to shareholders (basic and diluted)	\$ 25,002	\$ 21,482
Average number of common shares outstanding	42,516,853	42,516,853
Effect of stock options on issue	-	-
Weighted average number of common shares (diluted)	42,516,853	42,516,853
Basic earnings per share	\$ 0.59	\$ 0.51
Diluted earnings per share	\$ 0.59	\$ 0.51

At December 31, 2016, 565,000 options (December 31, 2015 - 660,000 options) were excluded from the diluted weighted average number of common share calculation as their effect would have been anti-dilutive.

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16. Provisions

	Warranty Claims	Legal	Total
Balance December 31, 2015	\$ 3,564	\$ 1,758	\$ 5,322
Provisions made during the year	1,762	530	2,292
Provisions used during the year	(824)	(521)	(1,345)
Provisions reversed during the year	(884)	(98)	(982)
Balance December 31, 2016	<u>\$ 3,618</u>	<u>\$ 1,669</u>	<u>\$ 5,287</u>
	Warranty Claims	Legal	Total
Balance December 31, 2014	\$ 6,111	\$ 1,846	\$ 7,957
Provisions made during the year	1,298	445	1,743
Provisions used during the year	(1,870)	(410)	(2,280)
Provisions reversed during the year	(1,975)	(123)	(2,098)
Balance December 31, 2015	<u>\$ 3,564</u>	<u>\$ 1,758</u>	<u>\$ 5,322</u>

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

17. Finance income

	2016	2015
Interest and dividend income	\$ 1,354	\$ 1,322
Interest income relating to accretion on holdbacks receivables	3,169	2,540
Loss on investments	-	(1,530)
	<u>\$ 4,523</u>	<u>\$ 2,332</u>

18. Finance and other costs

	2016	2015
Interest on long-term debt	\$ 615	\$ 1,207
Loss (gain) on interest rate swaps	(236)	227
Interest on non-recourse project financing	799	1,117
Equity loss from investments in associates (note 8)	63	818
Accretion of accounts payable	1,841	1,331
	<u>\$ 3,082</u>	<u>\$ 4,700</u>

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19. Personnel costs

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

	2016	2015
Wages, salaries and profit sharing	\$ 200,245	\$ 229,850
Benefits	34,561	42,371
Deferred compensation	1,211	3,640
Stock-based compensation	(30)	119
Total	<u>\$ 235,987</u>	<u>\$ 275,980</u>

20. Leases

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

	Maturities			
	Within 2017	From 2018 to 2021	Beyond 2021	Total
Operating leases	\$ 5,716	14,367	15,524	\$ 35,607

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 \$7,295 (December 31, 2015 - \$9,646).

21. 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, 2016 totalled \$18,227 (December 31, 2015 - \$4,056).

The Company has acquired minority equity interests in a number of Public Private Partnership ("PPP") concession entities (note 8), which requires the Company to make \$11,164 in future capital injections. These commitments have been secured by letters of credit totalling \$11,164.

(b) Contingencies:

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

22. 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.

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2016						
	Base Salary	MTIP/DSU	Stock-based compensation	Annual Profit Sharing	Other Taxable Benefits	Total
Executive & Directors	\$ 3,637	615	43	2,083	141	\$ 6,519

2015						
	Base Salary	MTIP/DSU	Stock-based compensation	Annual Profit Sharing	Other Taxable Benefits	Total
Executive & Directors	\$ 3,652	2,300	64	3,181	155	\$ 9,352

The Executive comprises the following positions:

- President & Chief Executive Officer
- Chief Financial Officer & Assistant Secretary
- Vice Chair
- Executive Vice President Commercial
- Executive Vice President Industrial
- Senior Vice President Risk Management, General Counsel & Secretary
- Senior Vice President Commercial Central
- Senior Vice President Commercial Atlantic
- Senior Vice President Major Projects
- Senior Vice President
- Senior Vice President Organizational Excellence & Community Engagement
- Vice President Finance

At December 31, 2016, Directors and Executive of the Company controlled 3.9% (December 31, 2015 - 4.3%) of the voting shares of the Company.

In 2014, the Company issued a non-interest bearing five year loan of \$550 (due December 12, 2019) to one of its executives to assist with expenses relating to the relocation of the employee. As at December 31, 2016, \$550 remained outstanding on the loan (December 31, 2015 - \$550).

In 2016, the Company issued a non-interest bearing five year loan of \$500 (due August 14, 2021) to one of its executives to assist with expenses relating to the relocation of the employee. As at December 31, 2016, \$500 remained outstanding on the loan.

A Director or 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 the Director 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 \$2,417 (December 31, 2015 - \$1,504) and the outstanding balance receivable at December 31, 2016 was \$15 (December 31, 2015 - \$7).

Transactions with proportionally consolidated joint arrangements:

The Company provides services of its employees, management services, cost reimbursements, 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, 2016 totalled \$18,488 (December 31, 2015 - \$10,979).

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The Company has accounts receivable from the joint arrangements at December 31, 2016 totaling \$1,835 (December 31, 2015 - \$1,918).

Transactions with equity accounted joint arrangements:

The Company and its proportionately consolidated joint arrangements (notes 3(a) and 8), provides development and construction services to its concession investments in associates and joint ventures which are in the normal course of business and on commercial terms. The Company's proportionate share of the amounts billed for construction services provided by these joint arrangements for the year ended December 31, 2016 totaled \$386,906 (December 31, 2015 - \$142,691), of which \$382,144 has been recognized in revenue in 2016 (December 31, 2015 - \$100,005). These amounts are not eliminated as they are deemed to be realized by the Company.

The Company and its proportionately consolidated joint arrangements, have accounts receivable from these concession investment entities. The Company's proportionate share at December 31, 2016 totaled \$74,899 (December 31, 2015 - \$45,484)

23. Other cash flow information

	2016	2015
Changes in non-cash working capital		
Accounts receivable	\$ 10,452	\$ (73,516)
Costs and estimated earnings in excess of billings	(4,415)	(5,632)
Costs and estimated earnings in excess of billings - alternative finance projects	(51,756)	11,152
Prepaid expenses and other assets	(499)	(197)
Inventory	(158)	86
Accounts payable	66,078	43,805
Deferred contract revenue	(16,427)	50,634
Provisions	(35)	(2,635)
Medium term incentive plan	(831)	(4,282)
	<u>\$ 2,409</u>	<u>\$ 19,415</u>
Cash and cash equivalents		
Cash	\$ 246,519	\$ 208,158
Bankers' acceptances and short-term deposits	15,357	15,333
Bank indebtedness	-	(4,735)
	<u>\$ 261,876</u>	<u>\$ 218,756</u>

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

Restricted cash and cash equivalents

Cash and cash equivalents held to support letters of credit	\$ 29,244	\$ 33,777
Cash deposited in blocked accounts for special projects	5,140	3,070
	<u>\$ 34,384</u>	<u>\$ 36,847</u>

Costs and estimated earnings in excess of billings changes are driven by design build finance projects. Refer

Notes to the Consolidated Financial Statements
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to note 5 for loan proceeds to fund costs and estimated earnings in excess of billings.

Letters of Credit Support:

In the normal course of business, the Company issues letters of credit on certain projects to guarantee its performance. These projects are typically design-build contracts relating to Public Private Partnership arrangements and other major construction projects. In certain instances, the letters of credit are supported by the hypothecation of cash and cash equivalents that are not available for general corporate purposes (note 11A).

Blocked Accounts:

The terms of non-recourse project financing require scheduled loan advances to be deposited in a blocked bank account which cannot be accessed directly by the Company for general corporate purposes. Upon recommendation by the lender's technical advisor, cash is released monthly from the blocked account and paid to the Company based on the progress made on the related construction project.

24. Financial instruments

The Company's investments and derivative financial instruments, including interest rate swaps have been classified as fair value through profit and loss. The Company's cash, bankers' acceptances, short-term deposits, accounts receivable and other long-term assets are classified as loans and receivables. The Company's bank overdraft, if any, accounts payable, dividends payable to shareholders, non-recourse project financing 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(I).

A. Classification and fair value of financial instruments:

	2016	2015
Financial instruments at fair value through profit or loss		
Non-recourse project financing - interest rate swaps	8	(228)
	<u>8</u>	<u>(228)</u>
Loans and receivables and other financial liabilities		
Loans and receivables		
Cash and cash equivalents (note 23)	\$ 261,876	\$ 218,756
Accounts receivable	391,804	399,107
Other long-term assets	3,680	4,428
	<u>\$ 657,360</u>	<u>\$ 622,291</u>
Other financial liabilities		
Accounts payable	(458,673)	(390,763)
Dividends payable to shareholders	(2,691)	(2,691)
Non-recourse project financing - loan facilities (note 5)	(59,230)	(14,793)
Loans and borrowings	(11,388)	(19,332)
	<u>(531,982)</u>	<u>(427,579)</u>
Total financial instruments	<u>\$ 125,386</u>	<u>\$ 194,484</u>

The following table presents information about the Company's financial instruments measured at fair value as at December 31, 2016 and December 31, 2015, 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;

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

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	2016			
Non-recourse project financing - interest rate swaps	-	8	-	8
Total Financial Instruments through profit and loss	\$ -	\$ 8	\$ -	\$ 8
	2015			
Non-recourse project financing - interest rate swaps	-	(228)	-	(228)
Total Financial Instruments through profit and loss	\$ -	\$ (228)	\$ -	\$ (228)

There were no transfers between levels during both years.

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

B. Risk Management:

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

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

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

Bankers' acceptances and short-term deposits are subject to minimal credit risk as they are placed with only major Canadian financial institutions. As is reasonably practical, these

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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 10.9% (December 31, 2015 - 11.1%) of the balance of progress billings on construction contracts receivable at December 31, 2016. Management has recorded an allowance of \$1,524 (December 31, 2015 - \$2,000) against these past due receivables, net of amounts recoverable from others.

	Amounts past due			
	Up to 12 months	Over 12 months	2016	2015
Trade receivables	\$ 12,938	\$ 16,146	\$ 29,084	\$ 28,924
Impairment	-	(1,524)	(1,524)	(2,000)
Total Trade receivables	<u>\$ 12,938</u>	<u>\$ 14,622</u>	<u>\$ 27,560</u>	<u>\$ 26,924</u>

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

	2016	2015
Balance, beginning of period	\$ 2,000	\$ 1,465
Impairment loss recognized	74	537
Amounts written off	(204)	-
Impairment loss reversed	(346)	(2)
	<u>\$ 1,524</u>	<u>\$ 2,000</u>

- 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 \$118,043 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 \$29,244 hypothecated to support outstanding letters of credit and \$5,140 held in blocked accounts, are available to meet the financial obligations of the Company as they come due (note 23).

The Company has a committed line of credit of \$55,000 available to finance operations of which, the Company has drawn \$5,000 on the facility as at December 31, 2016. A subsidiary of the Company has a committed line of credit totaling \$25,000 available to finance operations of which \$nil has been drawn at December 31, 2016. Also, the Company and its subsidiaries have a \$25,000 committed equipment facility, of which no amounts are outstanding at December 31, 2016. Subsidiaries of the Company have established operating lease lines of credit for \$62,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. At December 31, 2016, the subsidiary has used \$6,449 under these facilities. In addition, the Company has lines of credit totaling \$122,000 available for issuing letters of credit for which \$34,028 was drawn at December 31, 2016. Additional draws on this line require hypothecation of additional securities or cash deposits. Cash collateralization may not be required as the

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Company has entered into an agreement with EDC to provide \$45,000 of performance security guarantees for letters of credit issued that meet their criteria. 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 and non-recourse project financing are disclosed in notes 11 and 5, respectively. As disclosed in note 13, payments required pursuant to the Company's Medium Term Incentive Plan granted in 2014, 2015 and 2016 are due on the vesting dates of November 2017, November 2018 and November 2019, 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, 2016.

	Carrying amount	Contractual cash flows	Up to 12 months	2-3 years	4-5 years
Trade payables	\$ 458,673	\$ 460,803	\$ 427,427	\$ 33,376	\$ -
Dividends payable	2,691	2,691	2,691	-	-
Finance lease liabilities	553	574	376	144	54
Non-recourse project financing	59,222	59,970	27,365	32,605	-
Long-term debt	10,835	11,239	2,546	7,858	835
	<u>\$ 531,974</u>	<u>\$ 535,277</u>	<u>\$ 460,405</u>	<u>\$ 73,983</u>	<u>\$ 889</u>

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. Interest rate risk on the non-recourse project financing is managed with the objective of reducing the cash flow interest rate risk through the use of interest rate swaps.

At December 31, 2016, the interest rate profile of the Company's long-term debt and non-recourse project financing was as follows:

Fixed-rate facilities	\$ 4,887
Variable-rate facilities	5,948
Non-recourse project financing	<u>59,230</u>
Total long-term debt	<u>\$ 70,065</u>

As at December 31, 2016, 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 \$59.

During 2015, the Company disposed all of its interest in preferred shares.

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- iv. Currency risk:
Currency risk is the risk that fluctuations in currency exchange rates will affect the Company's net income.

A 10% movement in the Canadian and U.S. dollar exchange rate would have changed annual income by approximately \$941.

25. 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. These cash and cash equivalents 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.

Backlog is not a term found in the CPA Canada 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, 2016 and December 31, 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Shareholders' equity	\$ 163,566	\$ 170,891
Working capital	\$ 118,043	\$ 127,358
Loans and borrowings	\$ 11,388	\$ 19,332

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

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

- i. The January dividend of \$0.0325 per share will be paid on February 17, 2017 to the Shareholders of record as of the close of business on January 31, 2017.

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- ii. The February dividend of \$0.0325 per share will be paid on March 20, 2017 to the Shareholders of record as of the close of business on February 28, 2017.
- iii. The March dividend of \$0.0325 per share will be paid on April 20, 2017 to the Shareholders of record as of the close of business on March 31, 2017.
- iv. The April dividend of \$0.0325 per share will be paid on May 19, 2017 to the Shareholders of record as of the close of business on April 28, 2017.

Five Year Summary

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(in thousands of Canadian dollars, except Other Information)

	2016	2015	2014	2013	2012
OPERATING RESULTS:					
Revenue	\$ 1,589,868	1,444,806	1,364,456	1,331,689	1,454,869
Income before income taxes	\$ 34,327	35,347	48,617	15,320	80,981
Income taxes	9,325	13,865	12,380	3,230	22,736
Net income	\$ 25,002**	21,482*	36,237	12,090	58,245
Dividends	\$ 32,297	32,297	32,297	32,015	29,929
Cash flows from operations before changes in non-cash working capital	\$ 48,426	75,291	64,899	32,314	108,699

Notes: *Adjusting 2015 net income for the non-cash impairment charge, the Company's adjusted net income was \$41,802 (a non-GAAP measure).

**Adjusting 2016 net income for the non-cash impairment charge, the Company's adjusted net income was \$27,741 (a non-GAAP measure).

FINANCIAL POSITION:					
Current assets	\$ 743,325	652,864	530,479	546,692	618,438
Current liabilities	625,282	525,506	426,452	426,330	464,011
Working capital	\$ 118,043	127,358	104,027	120,362	154,427
Property and equipment	\$ 45,517	54,281	58,440	56,248	53,503
Shareholders' equity	\$ 163,566	170,891	181,587	177,296	191,565

BACKLOG:					
Firm price	\$ 1,137,000	1,662,800	1,149,700	1,268,700	1,073,875
Construction management	\$ 35,351	17,108	3,012	41,786	95,999

OTHER INFORMATION:					
Number of shares outstanding	42,516,853	42,516,853	42,516,853	42,516,853	42,153,846
Return on revenue	% 1.57	1.49	2.66	0.91	4.00
Return on prior year shareholders' equity	% 14.63	11.83	20.44	6.31	35.86
Net income per share	\$ 0.59	0.51	0.85	0.28	1.38
Book value per share	\$ 3.85	4.02	4.27	4.17	4.54

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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Wayne Gingrich, *CPA, CMA* - CFO & Assistant Secretary
Ken McClure - Executive VP - Commercial
Gilles Royer, *P.Eng.* - Executive VP - Industrial (*located in our Edmonton office*)
Matt Ainley - Senior VP - Commercial
Charles Caza, *BA Sc. Eng., LL.B.* - General Counsel & Secretary
Durck deWinter, *P.Eng.* - Senior VP & Atlantic District Manager (*located in our Saint John office*)
Richard Ellis-Smith - Senior VP - Major Projects
Mark Dreschel - Senior VP Organizational Excellence & Community Engagement
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